

# Section 1: 424B3 (424B3)

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Filed Pursuant to Rule 424(b)(3)  
Registration No. 333-226625



### MERGER PROPOSED—YOUR VOTE IS VERY IMPORTANT

To the Stockholders of Phillips Edison & Company, Inc. (“PECO”) and the Stockholders of Phillips Edison Grocery Center REIT II, Inc. (“PE REIT II”):

On July 17, 2018, PECO and PE REIT II entered into an agreement to merge in a 100% stock-for-stock transaction valued at approximately \$1.9 billion (the “Proposed Transaction”). This agreement was entered into after a thorough due diligence and negotiation process conducted by PECO’s board of directors (the “PECO Board”), with the assistance of PECO’s advisors, and an independent special committee (the “PE REIT II Special Committee”) of PE REIT II’s board of directors (the “PE REIT II Board”) and its advisors. The PECO Board and, based on the unanimous recommendation of the PE REIT II Special Committee, PE REIT II’s Board each unanimously approved the Proposed Transaction.

#### Combined Company

If the Proposed Transaction is consummated, the surviving company (the “Combined Company”) will be a \$6.3 billion internally-managed non-traded real estate investment trust (“REIT”), exclusively focused on grocery-anchored shopping centers, that will own and operate 321 grocery-anchored shopping centers with more than 36.6 million square feet located across 33 states.

#### Summary of Strategic Benefits

The Proposed Transaction is expected to create meaningful operational and financial benefits, including:

- **Actively Positions Company for Liquidity:** The Proposed Transaction, which will result in an internally managed REIT of significant scale, is an important step towards a full cycle liquidity event for both PECO and PE REIT II stockholders.
- **Maintains Exclusive Grocery Focus:** Two complementary portfolios are combined to create a high-quality portfolio comprising 321 grocery-anchored shopping centers with more than 36.6 million square feet located in 33 states with an emphasis on necessity-based retailers, which have proven to be internet resistant and recession resilient. This portfolio will benefit from greater geographic, grocery-anchor, and tenant diversification.
- **Enhances Potential Public Market Valuation and Increases Size, Scale, and Market Prominence:** PE REIT II stockholders will benefit from PECO’s internally-managed structure, which is likely to receive a better valuation in the public equity markets compared to externally-managed REITs. Additionally, given its enhanced size and scale, the Combined Company will have improved access to the capital markets, which can be used to support strategic investments to drive future growth opportunities.
- **Improves Earnings Quality:** The Proposed Transaction increases the percentage of PECO’s earnings from real estate from 92% to approximately 97%; real estate earnings are more highly valued in the public equity markets than management fee income, given the long-term, recurring nature of owning and operating real estate.
- **Full Distribution Coverage and Maintains Strong Balance Sheet:** We believe that pro forma funds from operations (“FFO”) of the Combined Company would have fully covered the Combined Company’s pro forma total distributions for the first and second quarters of 2018. Additionally, on a pro forma basis, the Combined Company’s leverage would have been 42.8% on a Net Debt/Total Enterprise Value basis and the Combined Company’s total debt would have been 86.0% fixed-rate with an average duration of 4.4 years, in each case, as of June 30, 2018.
- **Accelerates Strategy to Simplify Business Model:** We expect the Combined Company to realize the synergies of operating a combined enterprise that remains focused on driving stockholder value and expect a seamless integration process as PECO’s management team has managed PE REIT II since PE REIT II’s inception.
- **No Internalization or Disposition Fees Paid:** PE REIT II will not pay PECO any internalization or disposition fees in connection with the Proposed Transaction; in 2017, PE REIT II paid PECO \$13.9 million in various advisory fees.

#### Stockholder Consideration

As consideration for the Proposed Transaction, in exchange for each share of PE REIT II common stock, PE REIT II stockholders will receive 2.04 shares of PECO common stock, which is equivalent to \$22.54 per share based on PECO’s most recent estimated net asset value per share of \$11.05. The exchange ratio is based on a thorough review of the relative valuation of each company, including PECO’s growing investment management business as well as each company’s transaction costs in connection with the Proposed Transaction.

#### Annual Meeting

PECO stockholders of record at the close of business on the record date are cordially invited to attend the PECO annual meeting that will be held at the offices of Latham & Watkins LLP, located at 885 Third Avenue, New York, New York, 10022 on November 14, 2018 at 8:00 a.m. Eastern

Time.

PE REIT II stockholders of record at the close of business on the record date are cordially invited to attend the PE REIT II annual meeting that will be held at the offices of Latham & Watkins LLP, located at 885 Third Avenue, New York, New York, 10022 on November 14, 2018 at 1:00 p.m. Eastern Time.

At the annual meetings, you will be asked to consider and vote on the Proposed Transaction, in addition to the other items set forth in the Notice of 2018 Annual Meeting of Stockholders of the company of which you are a stockholder of record at the close of business on the record date. No matter the size of your investment in PECO and/or PE REIT II, your vote is very important.

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**YOUR VOTE IS VERY IMPORTANT**

**Proxy Vote**

As noted above, all of the members of the PECO Board and, based on the unanimous recommendation of the PE REIT II Special Committee, all of the members of the PE REIT II Board unanimously approved the terms and conditions of the Proposed Transaction, and believe it is advisable and in the best interests of PECO, PE REIT II and their respective stockholders.

**Therefore, it is recommended that you vote “FOR” the Proposed Transaction and all of the other proposals set forth in the Notices of 2018 Annual Meetings of Stockholders.**

**Your Vote Matters**

Whether or not you expect to attend the annual meetings in person, please authorize a proxy to vote on your behalf as promptly as possible by completing, signing, dating and mailing your proxy card in the pre-addressed postage-paid envelope provided or by authorizing your proxy by one of the other methods specified in this proxy statement. This saves the companies time and money as we will no longer have to solicit your vote.

This joint proxy statement/prospectus provides you with detailed information about the annual meetings of PECO and PE REIT II, the merger agreement, the Proposed Transaction and other related matters. A copy of the merger agreement is included as Annex A to this joint proxy statement/prospectus. We encourage you to read this joint proxy statement/prospectus in its entirety before voting, including the merger agreement and the other annexes. **In particular, you should carefully consider the discussion in the section of this joint proxy statement/prospectus entitled “Risk Factors” beginning on page 23.**

On behalf of PECO’s management team and the PECO Board and PE REIT II’s management team, the PE REIT II Board, and the PE REIT II Special Committee, we thank you for your support and urge you to vote “FOR” the approval of each of the matters presented.

Sincerely,



Jeffrey S. Edison  
Chairman and Chief Executive Officer  
Phillips Edison & Company, Inc.



David W. Garrison  
Chair of the Special Committee of the Board of  
Directors of Phillips Edison Grocery Center REIT II, Inc.

**Neither the SEC, nor any state securities regulatory authority has approved or disapproved of the mergers or the securities to be issued under this joint proxy statement/prospectus or has passed upon the adequacy or accuracy of the disclosure in this joint proxy statement/prospectus. Any representation to the contrary is a criminal offense.**

This joint proxy statement/prospectus is dated August 28, 2018, and is first being mailed to PECO and PE REIT II stockholders on or about August 28, 2018.

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**JOINT PROXY STATEMENT/PROSPECTUS**

<b>NOTICE OF 2018 ANNUAL MEETING OF STOCKHOLDERS</b>
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Dear Stockholder:

You are cordially invited to attend the 2018 annual meeting of stockholders (the “PECO Annual Meeting”) of Phillips Edison & Company, Inc., a Maryland corporation (“PECO”), that will be held at the offices of Latham & Watkins LLP, located at 885 Third Avenue, New York, New York 10022, at 8:00 a.m. Eastern Time on November 14, 2018.

The purpose of the PECO Annual Meeting is to consider and vote upon the following proposals:

1. Approve the transactions contemplated by the merger agreement, dated July 17, 2018, by and among PECO, Phillips Edison Grocery Center REIT II, Inc., a Maryland corporation (“PE REIT II”), and certain of their respective affiliates, a copy of which is attached as Annex A to this joint proxy statement/prospectus, including the merger of PE REIT II with and into a wholly-owned subsidiary of PECO (as further discussed in the section titled “The Mergers” beginning on page [105](#)) (collectively, the “Merger Proposal”).  
***The PECO Board of Directors recommends a vote FOR this proposal.***
2. Elect five directors to serve until the next annual meeting of stockholders of PECO and until their respective successors are duly elected and qualify.  
***The PECO Board of Directors recommends a vote FOR each nominee.***
3. Approve the amendment of the charter of PECO as set forth in the form of Articles of Amendment attached as Annex B to this joint proxy statement/prospectus.  
***The PECO Board of Directors recommends a vote FOR this proposal.***
4. Approve a non-binding, advisory resolution on executive compensation as more fully described in the accompanying joint proxy statement/prospectus.  
***The PECO Board of Directors recommends a vote FOR this proposal.***
5. Vote, on a non-binding, advisory basis, on the frequency of future advisory resolutions on executive compensation (every one, two or three years).  
***The PECO Board of Directors recommends a vote for “EVERY YEAR” on the proposal on the frequency of future say-on-pay proposals.***
6. Adjourn the PECO Annual Meeting, if necessary or appropriate, as determined by the Chair of the PECO Annual Meeting, to solicit additional proxies in favor of the Merger Proposal or the proposal to approve the PECO charter amendment if there are not sufficient votes to approve such proposals.  
***The PECO Board of Directors recommends a vote FOR this proposal.***
7. Attend to such other business as may properly come before the PECO Annual Meeting and any adjournment or postponement thereof.

The PECO Board of Directors has fixed August 28, 2018 as the record date for the Annual Meeting. Only the holders (the “PECO Stockholders”) of record of shares of common stock of PECO (the “PECO Common Shares”) as of the close of business on August 28, 2018 are entitled to notice of and to vote at the PECO Annual Meeting and any adjournment or postponement thereof.

This joint proxy statement/prospectus and proxy card is dated as of August 28, 2018 and is first being mailed to you on or about August 28, 2018. A copy of PECO’s 2017 annual report was mailed to you on or about August 10, 2018.

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**YOUR VOTE IS VERY IMPORTANT**

*Whether or not you plan to attend the PECO Annual Meeting in person, please authorize a proxy to vote your shares as promptly as possible.* To authorize a proxy, complete, sign, date and mail your proxy card in the pre-addressed postage-paid envelope provided or, if the option is available to you, call the toll-free telephone number listed on your proxy card or use the internet as described in the instructions on the enclosed proxy card to authorize your proxy. Authorizing a proxy will assure that your vote is cast and counted at the PECO Annual Meeting if you do not attend in person. If your PECO Common Shares are held in “street name” by your broker or other nominee, only your broker or other nominee can vote your PECO Common Shares at the PECO Annual Meeting and your vote cannot be cast unless you provide instructions to your broker or other nominee on how to vote or obtain a legal proxy from your broker or other nominee. You should follow the directions provided by your broker or other nominee regarding how to instruct your broker or other nominee to vote your PECO Common Shares. You may revoke your proxy at any time before it is voted. Please review the joint proxy statement/prospectus accompanying this notice for more complete information regarding the transactions contemplated by the Merger Proposal and the PECO Annual Meeting.

<b>IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE PECO ANNUAL MEETING OF PECO STOCKHOLDERS TO BE HELD ON NOVEMBER 14, 2018:</b>
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Our joint proxy statement/prospectus, form of proxy card and 2017 annual report to PECO Stockholders are also available at [www.phillipsedison.com/investors/proxy-materials](http://www.phillipsedison.com/investors/proxy-materials) and [www.proxyvote.com/peco](http://www.proxyvote.com/peco) with use of the control number on your proxy card.

By Order of the Board of Directors



Devin I. Murphy, Secretary  
Cincinnati, Ohio  
August 28, 2018

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**PHILLIPS EDISON GROCERY CENTER REIT II, INC.**

11501 Northlake Drive  
Cincinnati, Ohio 45249

**NOTICE OF 2018 ANNUAL MEETING OF STOCKHOLDERS**

Dear Stockholder:

You are cordially invited to attend the 2018 annual meeting of stockholders (the “PE REIT II Annual Meeting”) of Phillips Edison Grocery Center REIT II, Inc., a Maryland corporation (“PE REIT II”), that will be held at the offices of Latham & Watkins LLP, located at 885 Third Avenue, New York, New York 10022, at 1:00 p.m. Eastern Time on November 14, 2018.

The purpose of the PE REIT II Annual Meeting is to consider and vote upon the following proposals:

1. Approve the transactions contemplated by the merger agreement, dated July 17, 2018, by and among PE REIT II, Phillips Edison & Company, Inc., a Maryland corporation (“PECO”), and certain of their respective affiliates, a copy of which is attached as Annex A to this joint proxy statement/prospectus, including the merger of PE REIT II with and into a wholly-owned subsidiary of PECO (as further discussed in the section titled “The Mergers” beginning on page [105](#)) (collectively, the “Merger Proposal”).  
***The PE REIT II Board of Directors recommends a vote FOR this proposal.***
2. Elect four directors to serve until the next annual meeting of stockholders of PE REIT II and until their respective successors are duly elected and qualify.  
***The PE REIT II Board of Directors recommends a vote FOR each nominee.***
3. Approve the non-binding, advisory proposal to approve the amendment of the charter of PECO as set forth in the form of Articles of Amendment attached as Annex B to this joint proxy statement/prospectus in connection with the Merger Proposal.  
***The PE REIT II Board of Directors recommends a vote FOR this proposal.***
4. Adjourn the PE REIT II Annual Meeting, if necessary or appropriate, as determined by the Chair of the PE REIT II Annual Meeting, to solicit additional proxies in favor of the Merger Proposal if there are not sufficient votes to approve the Merger Proposal.  
***The PE REIT II Board of Directors recommends a vote FOR this proposal.***
5. Attend to such other business as may properly come before the PE REIT II Annual Meeting and any adjournment or postponement thereof.

The PE REIT II Board of Directors has fixed August 28, 2018 as the record date for the PE REIT II Annual Meeting. Only the holders (the “PE REIT II Stockholders”) of record of PE REIT II Common Shares as of the close of business on August 28, 2018 are entitled to notice of and to vote at the PE REIT II Annual Meeting and any adjournment or postponement thereof.

This joint proxy statement/prospectus and proxy card is dated as of August 28, 2018 and is first being mailed to you on or about August 28, 2018. A copy of PE REIT II’s 2017 annual report was mailed to you on or about August 10, 2018.

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## YOUR VOTE IS VERY IMPORTANT

Whether or not you plan to attend the PE REIT II Annual Meeting in person, please authorize a proxy to vote your shares as promptly as possible. To authorize a proxy, complete, sign, date and mail your proxy card in the pre-addressed postage-paid envelope provided or, if the option is available to you, call the toll-free telephone number listed on your proxy card or use the internet as described in the instructions on the enclosed proxy card to authorize your proxy. Authorizing a proxy will assure that your vote is cast and counted at the PE REIT II Annual Meeting if you do not attend in person. If your PE REIT II Common Shares are held in "street name" by your broker or other nominee, only your broker or other nominee can vote your PE REIT II Common Shares at the PE REIT II Annual Meeting and your vote cannot be cast unless you provide instructions to your broker or other nominee on how to vote or obtain a legal proxy from your broker or other nominee. You should follow the directions provided by your broker or other nominee regarding how to instruct your broker or other nominee to vote your PE REIT II Common Shares. You may revoke your proxy at any time before it is voted. Please review the joint proxy statement/prospectus accompanying this notice for more complete information regarding the transactions contemplated by the Merger Proposal and the PE REIT II Annual Meeting.

### IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE PE REIT II ANNUAL MEETING OF PE REIT II STOCKHOLDERS TO BE HELD ON NOVEMBER 14, 2018:

Our joint proxy statement/prospectus, form of proxy card and 2017 annual report to PE REIT II Stockholders are also available at [www.grocerycenterREIT2.com/investors/proxy-materials](http://www.grocerycenterREIT2.com/investors/proxy-materials) and [www.proxyvote.com/perii](http://www.proxyvote.com/perii) with use of the control number on your proxy card.

By Order of the Board of Directors



Devin I. Murphy, Secretary  
Cincinnati, Ohio  
August 28, 2018

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### ADDITIONAL INFORMATION

PECO and PE REIT II file reports and other important business and financial information with the Securities and Exchange Commission, which we refer to herein as the SEC, that is not included in or delivered with this joint proxy statement/prospectus. PECO and PE REIT II stockholders may read and copy these reports, statements or other information filed by PECO and PE REIT II at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at (800) SEC-0330 for further information on the Public Reference Room. The SEC also maintains an internet website that contains reports, proxy and information statements, and other information regarding issuers, including PECO and PE REIT II, who file electronically with the SEC. The address of that site is [www.sec.gov](http://www.sec.gov).

Copies of annual, quarterly and current reports, proxy statements and other information required to be filed with the SEC by PECO and PE REIT II are available to PECO and PE REIT II stockholders, respectively, without charge upon written or oral request, excluding any exhibits to those documents. PECO stockholders and PE REIT II stockholders can obtain any of these documents by requesting them in writing or by telephone from the appropriate company at:

#### PECO

Phillips Edison & Company, Inc.  
11501 Northlake Drive  
Cincinnati, Ohio 45249  
Attention: Investor Relations  
(833) 347-5717  
[www.phillipsedison.com](http://www.phillipsedison.com)

#### PE REIT II

Phillips Edison Grocery Center REIT II, Inc.  
11510 Northlake Drive  
Cincinnati, Ohio 45249  
Attention: Investor Relations  
(833) 347-5717

If you are a stockholder of PECO or a stockholder of PE REIT II and would like to request documents, please do so by October 31, 2018, to receive them before the PECO annual meeting or the PE REIT II annual meeting, as applicable. If you request any documents from PECO or PE REIT II, PECO or PE REIT II, as applicable, will mail them to you by first class mail, or another equally prompt means, within one business day after PECO or PE REIT II receives your request.

See “Where You Can Find More Information” beginning on page [199](#).

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### ABOUT THIS DOCUMENT

This joint proxy statement/prospectus, which forms part of a registration statement on Form S-4 filed by PECO (File No. 333-226625) with the Securities and Exchange Commission, which we refer to as the SEC, constitutes a prospectus of PECO for purposes of the Securities Act of 1933, as amended, which we refer to as the Securities Act, with respect to the shares of PECO common stock to be issued to PE REIT II stockholders in exchange for shares of PE REIT II common stock pursuant to the merger agreement. This joint proxy statement/prospectus also constitutes a proxy statement for each of PECO and PE REIT II for purposes of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. In addition, it constitutes a notice of meeting with respect to the PECO annual meeting and a notice of meeting with respect to the PE REIT II annual meeting.

You should rely only on the information contained in this joint proxy statement/prospectus. No one has been authorized to provide you with information that is different from that contained in this joint proxy statement/prospectus. This joint proxy statement/prospectus is dated August 28, 2018. You should not assume that the information contained in this joint proxy statement/prospectus is accurate as of any date other than that date. Neither our mailing of this joint proxy statement/prospectus to PECO stockholders and/or PE REIT II stockholders nor the issuance by PECO of shares of its common stock to PE REIT II stockholders pursuant to the merger agreement will create any implication to the contrary.

**This joint proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction in which or from any person or entity to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Information contained in this joint proxy statement/prospectus regarding PECO has been provided by PECO and information contained in this joint proxy statement/prospectus regarding PE REIT II has been provided by PE REIT II.**

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**QUESTIONS AND ANSWERS ABOUT THE MERGERS AND  
THE PECO AND PE REIT II ANNUAL MEETINGS**

*The following are answers to some questions that PECO stockholders and PE REIT II stockholders may have regarding the*

*proposed transaction between PECO and PE REIT II and about each company's annual meeting. PECO and PE REIT II urge you to read carefully this entire joint proxy statement/prospectus, including the Annexes, because the information in this section does not provide all the information that might be important to you.*

Unless stated otherwise, all references in this joint proxy statement/prospectus to:

- “acquired companies” are to PE REIT II and each of its subsidiaries;
- “Amended PECO Charter” are to the charter of PECO as amended by the PECO charter amendment;
- “Code” are to the Internal Revenue Code of 1986, as amended;
- the “Combined Company” are to PECO and its consolidated subsidiaries (including the Surviving Entity) after the closing of the mergers;
- the “company merger” are to a merger of PE REIT II with and into REIT Merger Sub, with REIT Merger Sub surviving the merger;
- “Exchange Act” are to the Securities Exchange Act of 1934, as amended;
- the “merger agreement” are to the agreement and plan of merger, dated as of July 17, 2018, by and among PECO, REIT Merger Sub, PECO OP, OP Merger Sub GP, OP Merger Sub, PE REIT II and PE OP II, as it may be amended from time to time, a copy of which is attached as Annex A to this joint proxy statement/prospectus;
- the “mergers” are to, collectively, the company merger and the partnership merger;
- “OP Merger Sub” are to OP Merger Sub 2, LLC, a Delaware limited liability company and subsidiary of PECO OP and OP Merger Sub GP;
- “OP Merger Sub GP” are to OP Merger Sub, LLC, a Delaware limited liability company and wholly owned subsidiary of PECO OP;
- “ordinary course of business” are to, with respect to an action taken by any person or entity, an action that (i) is consistent with the past practices of such person or entity and is taken in the ordinary course of the normal day-to-day operations of the business of such person or entity; (ii) is not required to be authorized by the board of directors of such person or entity (or by any person or entity or group of persons or entities exercising similar authority) and is not required to be specifically authorized by the parent company (if any) or the holders of the capital stock or other equity interests of such person or entity; and (iii) is similar in nature and magnitude to actions customarily taken, without any authorization by the board of directors (or by any person or entity or group of persons or entities exercising similar authority), in the ordinary course of the normal day-to-day operations of other persons or entities that are in the same line of business as such person or entity;
- the “Outside Date” is to April 13, 2019;
- the “partnership merger” are to the merger of OP Merger Sub with and into PE OP II, with PE OP II surviving the merger and becoming a directly or indirectly wholly owned subsidiary of PECO OP;
- “PE OP II” are to Phillips Edison Grocery Center Operating Partnership II, L.P., a Delaware limited partnership;
- the “PE OP II partnership agreement” is to the Amended and Restated Agreement of Limited Partnership of PE OP II, dated as of January 22, 2015, as amended (i) by that certain First Amendment to Amended and Restated Agreement of Limited Partnership of PE OP II, dated as of December 3, 2015, (ii) that certain Second Amendment to Amended and Restated Agreement of Limited Partnership of PE OP II, dated as of March 22, 2016, and (iii) that certain Third Amendment to Amended and Restated Agreement of Limited Partnership of PE OP II, dated as of September 1, 2017, as amended;
- a “PE OP II unit” are to the GP units and the OP units of PE OP II, as defined in the PE OP II partnership agreement;
- “PE REIT II” are to Phillips Edison Grocery Center REIT II, Inc., a Maryland corporation;
- the “PE REIT II Board” are to the board of directors of PE REIT II;

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- “PE REIT II common stock” are to the common stock of PE REIT II, \$0.01 par value per share;
- “PE REIT II merger approval” are to the affirmative vote of the holders of outstanding shares of PE REIT II common stock entitled to cast a majority of all the votes entitled to be cast on the company merger;
- “PE REIT II parties” are to PE REIT II and PE OP II;
- the “PE REIT II Special Committee” are to the special committee of the PE REIT II Board that was formed by the PE REIT II Board in connection with the mergers and the other transactions contemplated by the merger agreement;
- “PECO” are to Phillips Edison & Company, Inc., a Maryland corporation;

- the “PECO Board” are to the board of directors of PECO;
- “PECO charter amendment” are to the proposed amendment to the charter of PECO set forth in the form of Articles of Amendment attached as Annex B to this joint proxy statement/prospectus;
- “PECO charter approval” are to the affirmative vote of the holders of outstanding shares of PECO common stock entitled to cast a majority of the votes entitled to be cast on the PECO charter amendment;
- “PECO common stock” are to the common stock of PECO, \$0.01 par value per share;
- “PECO merger approval” are to the affirmative vote of the holders of shares of PECO common stock representing a majority of the votes cast at a meeting of the stockholders of PECO approving the company merger;
- “PECO OP” are to Phillips Edison Grocery Center Operating Partnership I, L.P., a Delaware limited partnership;
- “PECO OP partnership agreement” are to the Fourth Amended and Restated Agreement of Limited Partnership of PECO OP, dated as of March 26, 2018;
- a “PECO OP unit” are to an OP unit, as defined in the PECO OP partnership agreement, in PECO OP;
- “PECO parties” are to PECO, PECO OP, REIT Merger Sub, OP Merger Sub GP, and OP Merger Sub;
- “PECO stockholder approval” are to the PECO merger approval and the PECO charter approval;
- the “PELP transaction” are to the transaction by PECO to acquire certain real estate assets, the third-party investment management business, and the captive insurance company of Phillips Edison Limited Partnership in exchange for stock and cash, which closed on October 4, 2017;
- “REIT Merger Sub” are to REIT Merger Sub, LLC, a Maryland limited liability company and wholly owned subsidiary of PECO;
- the “SEC” are to the U.S. Securities and Exchange Commission;
- “Securities Act” are to the Securities Act of 1933, as amended;
- the “Surviving Entity” are to REIT Merger Sub, a wholly owned subsidiary of PECO, after the effective time of the company merger; and
- the “Surviving Partnership” are to PE OP II after the effective time of the partnership merger.

**Q: What is the proposed transaction?**

A: PECO and PE REIT II have entered into a merger agreement pursuant to which (i) PE REIT II will become a wholly owned subsidiary of PECO, and (ii) PE OP II will survive the merger with OP Merger Sub GP, a wholly owned subsidiary of PECO OP, as the sole general partner of the Surviving Partnership, and PECO OP as the sole limited partner of the Surviving Partnership.

**Q: What will happen in the proposed transaction?**

A: At the effective time of the company merger, each issued and outstanding share of PE REIT II common stock, or fraction thereof, will be converted automatically into the right to receive 2.04 (such ratio, the “exchange ratio”) shares of PECO common stock (or with respect to any fractional share of PE REIT II common stock, that fraction of PECO common stock consistent with the exchange ratio).

At the effective time of the partnership merger, each PE OP II unit outstanding immediately prior to the effective time of the partnership merger will convert into the right to receive 2.04 PECO OP units, rounded down to the nearest whole unit.

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Each Class B unit and the special limited partnership interest of PE OP II will be cancelled and cease to exist, and no consideration will be delivered in exchange therefor, in each case, in connection with the partnership merger.

See “The Merger Agreement—Merger Consideration; Effects of the Mergers” beginning on page 163 for detailed descriptions of the merger consideration and treatment of securities.

**Q: How will PECO stockholders be affected by the mergers and the issuance of shares of PECO common stock in connection with the mergers?**

A: After the company merger, each PECO stockholder will continue to own the shares of PECO common stock that such stockholder held immediately prior to the effective time of the company merger. As a result, each PECO stockholder will own shares of common stock in a larger company with more assets. However, because PECO will be issuing new shares of PECO common stock to PE REIT II stockholders in exchange for shares of PE REIT II common stock in the company merger, each outstanding share of PECO common stock immediately prior to the effective time of the company merger will represent a smaller percentage of the aggregate number of shares of the Combined Company common stock outstanding after the mergers. Upon completion of the mergers, we estimate that continuing PECO stockholders will own approximately 71% of the issued and

outstanding shares of the Combined Company on a fully diluted basis (determined as if each PECO OP unit were exchanged for one share of PECO common stock), and former PE REIT II stockholders will own approximately 29% of the issued and outstanding shares of the Combined Company on a fully diluted basis (determined as if each PECO OP unit were exchanged for one share of PECO common stock).

See “The Merger Agreement—Merger Consideration; Effects of the Mergers” beginning on page [163](#) for additional information.

**Q: Why am I receiving this joint proxy statement/prospectus?**

A: The PECO Board and the PE REIT II Board are using this joint proxy statement/prospectus to solicit proxies of PECO stockholders and PE REIT II stockholders in connection with the merger agreement and the transactions contemplated thereby. In addition, PECO is using this joint proxy statement/prospectus as a prospectus for PE REIT II stockholders because PECO is issuing shares of PECO common stock in connection with the company merger.

- The mergers cannot be completed unless:
  - the holders of PECO common stock vote to approve the PECO charter amendment;
  - the holders of PECO common stock vote to approve the company merger and the other transactions contemplated by the merger agreement; and
  - the holders of PE REIT II common stock vote to approve the company merger and the other transactions contemplated by the merger agreement.
- Approval of the non-binding, advisory proposal to approve the PECO charter amendment by PE REIT II’s stockholders is not required to consummate the mergers.
- Each of PECO and PE REIT II will hold separate meetings of their respective stockholders to obtain these approvals and to consider and vote on other proposals as described elsewhere in this joint proxy statement/prospectus.
- This joint proxy statement/prospectus contains important information about the mergers and the other proposals being considered and voted on at the annual meetings of stockholders of PECO and PE REIT II, respectively, and you should read it carefully. The enclosed voting materials allow you to vote your shares of PECO common stock and/or PE REIT II common stock, as applicable, without attending the applicable annual meeting in person.

**Your vote is very important. You are encouraged to authorize your proxy as promptly as possible.**

**Q: Am I being asked to vote on any other proposals at the annual meeting in addition to the merger proposals?**

A: *PECO*. Yes. At the PECO annual meeting, PECO stockholders will be asked to consider and vote upon the following additional proposals:

- To elect five directors to serve on the PECO Board until the next annual meeting of PECO stockholders and until their respective successors are duly elected and qualify.
- To approve the PECO charter amendment.

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- To approve the non-binding, advisory resolution on executive compensation as more fully described in this joint proxy statement/prospectus.
- To vote, on a non-binding advisory basis, on the frequency of future advisory resolutions on executive compensation.
- To approve one or more adjournments of the PECO annual meeting to another date, time or place, if necessary or appropriate, as determined by the Chair of the PECO annual meeting, to solicit additional proxies in favor of the proposal to approve the company merger and the other transactions contemplated by the merger agreement and the proposal to approve the PECO charter amendment.

*PE REIT II*. Yes. At the PE REIT II annual meeting, PE REIT II stockholders will be asked to consider and vote upon the following additional proposals:

- To elect four directors to serve on the PE REIT II Board until the next annual meeting of PE REIT II stockholders and until their respective successors are duly elected and qualify.
- To approve a non-binding, advisory proposal to approve the PECO charter amendment in connection with the company merger.
- To approve one or more adjournments of the PE REIT II annual meeting to another date, time or place, if necessary or appropriate, as determined by the Chair of the PE REIT II annual meeting, to solicit additional proxies in favor of the proposal to approve the company merger and the other transactions contemplated by the merger agreement.

**Q: Why is the merger proposal being submitted to the PECO stockholders?**

A: There is no legal requirement to submit the merger proposal to the PECO stockholders for approval. Because PECO believes it is desirable to obtain the PECO stockholders' approval of the merger proposal, PECO has made the PECO stockholders' approval of the company merger and the other transactions contemplated by the merger agreement a condition to closing the mergers. If the company merger and the other transactions contemplated by the merger agreement are not approved by the PECO stockholders, PECO and PE REIT II will continue to operate under their current management structure, with PE REIT II paying fees and cost reimbursements to PECO as its advisor.

**Q: Will PECO and PE REIT II continue to pay dividends or distributions prior to the closing of the mergers?**

A: Yes.

The merger agreement permits the authorization and payment by PECO of dividends in the ordinary course of business and any distribution that is reasonably necessary to maintain its REIT qualification and/or to avoid the imposition of U.S. federal income or excise tax.

Similarly, the merger agreement also permits the authorization and payment by PE REIT II of dividends in the ordinary course of business and any distribution that is reasonably necessary to maintain its REIT qualification and/or to avoid the imposition of U.S. federal income or excise tax.

The payment of dividends will be coordinated by PECO and PE REIT II so that if either PECO stockholders or PE REIT II stockholders receive a regular dividend for any particular period prior to the closing of the mergers, the stockholders of the other company will also receive a dividend for the same period.

**Q: What fees will PE REIT II's advisor receive in connection with the mergers?**

A: PECO serves as the advisor for PE REIT II. In connection with the mergers, PECO has waived any disposition fees that would otherwise have been payable under the advisory agreement upon consummation of the mergers.

**Q: Why is PECO proposing to amend the PECO charter? What is the effect of the PECO charter amendment?**

A: The PECO charter amendment would eliminate the requirement to undertake a liquidity event by February 2019, which would include selling all or substantially all of PECO's assets, selling or merging into another entity, listing the PECO common stock on a national exchange, or another similar transaction that provides liquidity to the PECO stockholders. The PECO Board and the prospective members of the board of directors of the Combined Company following the consummation of the mergers are fully committed to realizing a liquidity event for shareholders, and the PECO charter amendment will give PECO more flexibility to evaluate the optimal form and timing of a liquidity event as it strives to maximize stockholder value.

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See "Proposals Submitted to PECO Stockholders—PECO Charter Amendment Proposal" beginning on page [74](#) and "Proposals Submitted to PE REIT II Stockholders—Advisory Vote on PECO Charter Proposal" beginning on page [103](#) for detailed descriptions of the PECO charter amendment.

**Q: When and where are the annual meetings of the PECO stockholders and the PE REIT II stockholders?**

A: The PECO annual meeting will be held on November 14, 2018 at 8:00 a.m. Eastern Time at the offices of Latham & Watkins LLP ("Latham & Watkins"), located at 885 Third Avenue, New York, New York 10022. If you need directions to the location of the PECO annual meeting, please contact us at (833) 347-5717.

The PE REIT II annual meeting will be held on November 14, 2018 at 1:00 p.m. Eastern Time at the offices of Latham & Watkins, located at 885 Third Avenue, New York, New York 10022. If you need directions to the location of the PE REIT II annual meeting, please contact us at (833) 347-5717.

**Q: Who can vote at the annual meetings?**

A: *PECO*. All holders of PECO common stock of record as of the close of business on August 28, 2018, the record date for determining stockholders entitled to notice of and to vote at the PECO annual meeting, are entitled to receive notice of and to vote at the PECO annual meeting. As of the record date, there were 183,695,565.955 shares of PECO common stock outstanding (which includes 31,264 unvested restricted shares held by PECO's independent directors) and entitled to vote at the PECO annual meeting, held by approximately 40,091 holders of record. Each share of PECO common stock is entitled to one vote on each proposal presented at the PECO annual meeting.

*PE REIT II*. All holders of PE REIT II common stock of record as of the close of business on August 28, 2018, the record date for determining stockholders entitled to notice of and to vote at the PE REIT II annual meeting, are entitled to receive notice of and to vote at the PE REIT II annual meeting. As of the record date, there were 46,874,803.405 shares of PE REIT II common stock outstanding (which includes 6,878 unvested restricted shares held by PE REIT II's independent directors) and entitled to vote at the PE REIT II annual meeting, held by approximately 24,480 holders of record. Each share of PE REIT II common stock is entitled to one vote on each proposal presented at the PE REIT II annual meeting.

**Q: Will the limited partners of PECO OP vote on the mergers?**

A: Yes. Under the terms of the merger agreement, PECO must use reasonable best efforts to obtain the approval of the PECO limited partners (including PECO and its subsidiaries) to the mergers. Approval of the limited partners of PECO OP requires the affirmative vote of a majority of the votes cast by the holders of PECO OP units entitled to vote on the mergers. For purposes of that vote, PECO is not entitled to vote its PECO OP units and instead is deemed to have cast its votes in proportion to the manner in which all outstanding shares of PECO common stock were voted in the PECO annual meeting for the proposal to approve the company merger and the other transactions contemplated by the merger agreement. In addition, pursuant to certain voting agreements, certain equityholders of PECO OP, who together own 47.08% of the outstanding PECO OP units not owned by PECO, agreed, among other things, to vote their PECO OP units in favor of the mergers, upon the terms and subject to the conditions set forth in such voting agreements.

For a more complete description of PECO's obligations with respect to obtaining the approval of the PECO limited partners, see "The Merger Agreement—Covenants and Agreements—Notice to PECO OP Limited Partners" beginning on page [176](#).

**Q: Do any of PECO's executive officers or directors have interests in the mergers that may differ from those of PECO stockholders?**

A: None of PECO's executive officers or members of the PECO Board is party to an arrangement with PECO, or participates in any PECO plan, program or arrangement, that provides such executive officer or board member with financial incentives that are contingent upon the consummation of the mergers.

As of August 28, 2018, Messrs. Edison and Addy beneficially owned 51,111.11 and 2,960.61 shares of PE REIT II common stock, respectively. Upon the consummation of the mergers, they will each receive a number of shares of PECO common stock consistent with the exchange ratio.

**Q: Do any of PE REIT II's executive officers or directors have interests in the mergers that may differ from those of PE REIT II stockholders?**

A: PE REIT II's executive officers and directors have interests in the mergers that are different from, or in addition to, their interests as PE REIT II stockholders. The members of the PE REIT II Special Committee and the PE REIT II Board were

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aware of and considered these interests, among other matters, in evaluating the merger agreement and the mergers, and in recommending that PE REIT II stockholders vote **FOR** the proposal to approve the company merger and the other transactions contemplated by the merger agreement. For a description of these interests, see the section entitled "The Mergers—Interests of PE REIT II's Directors and Executive Officers in the Mergers" beginning on page [138](#).

**Q: Will my rights as a stockholder of PECO or PE REIT II change as a result of the mergers?**

A: The rights of PECO stockholders will be unchanged as a result of the mergers (other than (i) the ownership position dilution of PECO stockholders in the Combined Company – upon completion of the mergers, we estimate that continuing PECO stockholders will own approximately 71% of the issued and outstanding shares of the Combined Company on a fully diluted basis (determined as if each PECO OP unit were exchanged for one share of PECO common stock), and former PE REIT II stockholders will own approximately 29% of the issued and outstanding shares of the Combined Company on a fully diluted basis (determined as if each PECO OP unit were exchanged for one share of PECO common stock), and (ii) the changes contemplated by the Amended PECO Charter). PE REIT II stockholders will have different rights following the effective time of the company merger due to the differences between the governing documents of PECO and PE REIT II. For more information regarding the differences in stockholder rights, see "Comparison of Rights of the PECO Stockholders and the PE REIT II Stockholders" beginning on page [191](#).

**Q: When are the mergers expected to be completed?**

A: PECO and PE REIT II expect to complete the mergers as soon as reasonably practicable following satisfaction of all of the required conditions set forth in the merger agreement. If PE REIT II stockholders approve the company merger, if PECO stockholders approve the PECO charter amendment and approve the company merger, and if the other conditions to closing the mergers are satisfied or waived, it is currently expected that the mergers will be completed in the fourth quarter of 2018. However, there is no guarantee that the conditions to the mergers will be satisfied or that the mergers will close.

**Q: If I am a PE REIT II stockholder and the mergers are consummated, how will my receipt of PECO common stock in exchange for my PE REIT II common stock be recorded? Will I have to take any action in connection with the recording of such ownership of PECO common stock? Will such shares of PECO common stock be certificated or in book-entry form?**

A: Pursuant to the merger agreement, as soon as practicable following the company merger effective time, PECO will cause DST Systems, Inc., the transfer agent in connection with the mergers, to record the issuance on the stock records of PECO of the amount of PECO common stock equal to the merger consideration which is issuable to each holder of PE REIT II common stock (including any fractional shares thereof) pursuant to the merger agreement. If the mergers are consummated, you will not have to take any action in connection with the recording of your ownership of PECO common stock. Shares of PECO common stock issued as merger consideration to you will not be certificated and will be in book-entry form and will be recorded in the books

and records of PECO.

**Q: What do I need to do now?**

- A: After you have carefully read this joint proxy statement/prospectus, please respond by completing, signing and dating your proxy card or voting instruction card and returning it in the enclosed pre-addressed postage-paid envelope or, if available, by submitting your proxy by one of the other methods specified in your proxy card or voting instruction card as promptly as possible so that your shares of PECO common stock and/or your shares of PE REIT II common stock will be represented and voted at the PECO annual meeting or the PE REIT II annual meeting, as applicable.

Please refer to your proxy card or voting instruction card forwarded by your broker or other nominee to see which voting options are available to you.

The method by which you submit a proxy will in no way limit your right to vote at the PECO annual meeting or the PE REIT II annual meeting, as applicable, if you later decide to attend the meeting in person.

However, if your shares of PECO common stock or your shares of PE REIT II common stock are held in the name of a broker or other nominee, you must obtain a legal proxy, executed in your favor, from your broker or other nominee, to be able to vote in person at the PECO annual meeting or the PE REIT II annual meeting, as applicable. Obtaining a legal proxy may take several days.

**Q: How will my proxy be voted?**

- A: *PECO Stockholders.* All shares of PECO common stock entitled to vote and represented by properly completed proxies received prior to the PECO annual meeting, and not revoked, will be voted at the PECO annual meeting as instructed on

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the proxies. If you properly sign, date and return a proxy card, but do not indicate how your shares of PECO common stock should be voted on a matter, the shares of PECO common stock represented by your proxy will be voted as the PECO Board recommends. If your shares are held in street name through a broker or other nominee and you do not provide voting instructions to your broker or other nominee, your shares of PECO common stock will **NOT** be voted at the PECO annual meeting and may result in broker non-votes.

*PE REIT II Stockholders.* All shares of PE REIT II common stock entitled to vote and represented by properly completed proxies received prior to the PE REIT II annual meeting, and not revoked, will be voted at the PE REIT II annual meeting as instructed on the proxies. If you properly sign, date and return a proxy card, but do not indicate how your shares of PE REIT II common stock should be voted on a matter, the shares of PE REIT II common stock represented by your proxy will be voted as the PE REIT II Board recommends. If your shares are held in street name through a broker or other nominee and you do not provide voting instructions to your broker or other nominee, your PE REIT II common stock will **NOT** be voted at the PE REIT II annual meeting and may result in broker non-votes.

**Q: Can I revoke my proxy or change my vote after I have delivered my proxy?**

- A: Yes. You may revoke your proxy or change your vote at any time before your proxy is voted at the PECO annual meeting or the PE REIT II annual meeting, as applicable. For information on how to revoke your proxy or change your vote, see “The PECO Annual Meeting—Revocation of Proxies or Voting Instructions” beginning on page [60](#) and “The PE REIT II Annual Meeting—Revocation of Proxies or Voting Instructions” beginning on page [90](#).

**Q: What does it mean if I receive more than one set of voting materials for the PECO annual meeting or the PE REIT II annual meeting?**

- A: You may receive more than one set of voting materials for the PECO annual meeting and/or the PE REIT II annual meeting, as applicable, including multiple copies of this joint proxy statement/prospectus and multiple proxy cards or voting instruction cards. For example, if you hold your shares of PECO common stock or your shares of PE REIT II common stock in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold your shares of PECO common stock or your shares of PE REIT II common stock. If you are a holder of record and your shares of PECO common stock or your shares of PE REIT II common stock are registered in more than one name, you may receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive or, if available, please submit your proxy by telephone or over the Internet.

**Q: What happens if I am a stockholder of both PECO and PE REIT II?**

- A: You will receive separate proxy cards for each entity and must complete, sign and date each proxy card and return each proxy card in the appropriate pre-addressed postage-paid envelope or, if available, by submitting a proxy by one of the other methods specified in your proxy card or voting instruction card for each entity.

**Q: Do I need identification to attend the PECO or PE REIT II annual meeting in person?**

- A: Yes. Please bring proper identification, together with proof that you are a record owner of shares of PECO common stock or

shares of PE REIT II common stock, as the case may be. If your shares are held in street name, please bring acceptable proof of ownership, such as a letter from your broker or an account statement showing that you beneficially owned shares of PECO common stock or shares of PE REIT II common stock, as applicable, on the applicable record date.

**Q: When are the stockholder proposals for the next PECO annual meeting and the next PE REIT II annual meeting due?**

A: *PECO*: Any PECO stockholder who wishes to propose a nominee to the PECO Board or propose any other business to be considered by the stockholders (other than a stockholder proposal included in PECO’s proxy materials pursuant to Rule 14a-8 of the rules promulgated under the Exchange Act) must comply with the advance notice provisions and other requirements of Section 2.12 of PECO’s bylaws. To be considered by the PECO stockholders for the 2019 annual meeting of PECO stockholders, director nominations and other stockholder proposals must be received no earlier than March 31, 2019 and no later than 5:00 p.m. Eastern Time on April 30, 2019. See “Stockholder Proposals” on page 195 for more information.

*PE REIT II*: PE REIT II will not hold an annual meeting of stockholders in 2019 if the mergers are completed because PE REIT II will have been merged out of existence in the company merger. However, if the merger agreement is terminated for any reason, PE REIT II expects to hold an annual meeting of stockholders in 2019. A date has not been set for PE

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REIT II’s 2019 annual meeting. If PE REIT II holds an annual meeting in 2019, any stockholder proposal, to be considered for inclusion in PE REIT II’s proxy materials for the 2019 annual meeting of stockholders must be received no earlier than March 31, 2019 and no later than 5:00 p.m. Eastern Time on April 30, 2019. See “Stockholder Proposals” on page 195 for more information.

**Q: Will a proxy solicitor be used?**

A: Yes. PECO has contracted with Broadridge Financial Solutions, Inc. (“BFS”) to assist PECO in the distribution of proxy materials and the solicitation of proxies. PECO expects to pay BFS fees of approximately \$975,000 to solicit proxies plus other fees and expenses for other services related to this proxy solicitation, including the review of proxy materials, dissemination of brokers’ search cards, distribution of proxy materials, operating online and telephone voting systems and receipt of executed proxies. PECO will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to PECO’s stockholders.

PE REIT II has also contracted with BFS to assist PE REIT II in the distribution of proxy materials and the solicitation of proxies. PE REIT II expects to pay BFS fees of approximately \$592,000 to solicit proxies plus other fees and expenses for other services related to this proxy solicitation, including the review of proxy materials, dissemination of brokers’ search cards, distribution of proxy materials, operating online and telephone voting systems and receipt of executed proxies. PE REIT II will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to PE REIT II’s stockholders.

**Q: If I plan to attend the PECO annual meeting or the PE REIT II annual meeting in person, should I notify anyone?**

A: While you are not required to notify anyone in order to attend the PECO annual meeting or the PE REIT II annual meeting, if you do plan to attend either annual meeting, PECO and PE REIT II would appreciate if you would mark the appropriate box on the applicable enclosed proxy card to let them know how many stockholders will be attending the meeting and a suitable meeting room for the attendees can be prepared.

**Q: Who can answer my questions?**

A: If you have any questions about the mergers or how to submit your proxy or need additional copies of this joint proxy statement/prospectus, the enclosed proxy card or voting instructions, you should contact:

If you are a PECO stockholder:  
Phillips Edison & Company, Inc.  
Attention: Investor Relations  
11501 Northlake Drive  
Cincinnati, Ohio 45249  
1 (833) 347-5717

If you are a PE REIT II stockholder:  
Phillips Edison Grocery Center REIT II, Inc.  
Attention: Investor Relations  
11501 Northlake Drive  
Cincinnati, Ohio 45249  
1 (833) 347-5717

BFS:  
Broadridge Financial Solutions, Inc.  
51 Mercedes Way  
Edgewood, New York 11717  
1 (855) 835-8312

BFS:  
Broadridge Financial Solutions, Inc.  
51 Mercedes Way  
Edgewood, New York 11717  
1 (855) 737-3178

**SUMMARY**

*The following summary highlights some of the information contained in this joint proxy statement/prospectus. This summary may not contain all of the information that is important to you. For a more complete description of the merger agreement, the mergers and the other transactions contemplated by the merger agreement, PECO and PE REIT II encourage you to read carefully this entire joint proxy statement/prospectus, including the attached Annexes and the other documents to which we have referred you because this section does not provide all the information that might be important to you with respect to the mergers at the applicable annual meeting. See also the section entitled “Where You Can Find More Information” beginning on page 199. We have included page references to direct you to a more complete description of the topics presented in this summary.*

**The Companies**

***Phillips Edison & Company, Inc. and Phillips Edison Grocery Center Operating Partnership I, L.P. (See page 47)***

PECO is a public, internally managed, non-traded REIT that was formed as a Maryland corporation in October 2009 and elected to be taxed as a REIT for U.S. federal income tax purposes for the year ended December 31, 2010 and each year thereafter.

PECO focuses its investment strategy on well-occupied, grocery-anchored neighborhood and community shopping centers having a mix of creditworthy national and regional retailers selling necessity-based goods and services in diversified markets with growth potential throughout the United States, including Florida, Georgia, Ohio, California, Illinois and North Carolina. PECO also operates a growing investment management business with approximately \$2.1 billion of third-party assets under management as of June 30, 2018. PECO owns its interests in all of its properties and conducts substantially all of its business through PECO OP, a Delaware limited partnership formed in December 2009. The principal executive office of PECO and PECO OP is located at 11501 Northlake Drive, Cincinnati, Ohio 45249, and its telephone number is (513) 554-1110.

***Phillips Edison Grocery Center REIT II, Inc. and Phillips Edison Grocery Center Operating Partnership II, L.P. (See page 52)***

PE REIT II is a public non-traded REIT that was formed as a Maryland corporation in June 2013 and elected to be taxed as a REIT for U.S. federal income tax purposes for the year ended December 31, 2014 and each year thereafter.

Historically, PE REIT II has been externally advised and paid fees to Phillips Edison NTR II LLC (the “advisor”), an affiliate of PECO, under the advisory agreement. In connection with the mergers, the advisory agreement will be terminated immediately prior to the closing of the mergers.

PE REIT II invests primarily in well-occupied, grocery-anchored neighborhood and community shopping centers having a mix of creditworthy national and regional retailers selling necessity-based goods and services in strong demographic markets throughout the United States. PE REIT II owns its interests in all of its properties and conducts substantially all of its business through PE OP II, a Delaware limited partnership formed in June 2013. In addition, PE REIT II owns a 20% equity interest in a joint venture that owned 14 properties as of June 30, 2018. The principal executive office of PE REIT II and PE OP II is located at 11501 Northlake Drive, Cincinnati, Ohio 45249, and its telephone number is (513) 554-1110.

***The Combined Company (See page 57)***

References to the Combined Company are to PECO after the effective time of the company merger. The Combined Company will be named “Phillips Edison & Company, Inc.” and will be a Maryland corporation. The Combined Company after the completion of the mergers is expected to have a pro forma total enterprise value of approximately \$6.3 billion (based on the estimated net asset value per share of PECO of \$11.05 and the total estimated pro forma outstanding indebtedness of \$2.7 billion, including transaction expenses). The Combined Company’s asset base after the completion of the mergers will consist primarily of 321 grocery-anchored shopping centers encompassing approximately 36.6 million square feet across 33 states.

The business of the Combined Company will be operated through PECO OP and its subsidiaries, including the Surviving Partnership. After giving effect to the mergers, PECO OP will hold a limited partnership interest in the Surviving Partnership (and be the sole limited partner of the Surviving Partnership), and a wholly owned subsidiary of PECO OP, OP Merger Sub GP, will be the sole general partner of the Surviving Partnership. Following the effective times of the company merger and the partnership merger, the PECO parties will have the full, exclusive and complete responsibility for and discretion in the day-to-day management and control of PECO OP and the Surviving Partnership.

The Combined Company’s principal executive offices will be located at 11501 Northlake Drive, Cincinnati, Ohio 45249, and its telephone number is (513) 554-1110.

## **The Mergers**

### ***The Merger Agreement (See page [162](#))***

The PECO parties and the PE REIT II parties have entered into the merger agreement attached as Annex A to this joint proxy statement/prospectus, which is incorporated herein by reference. PECO and PE REIT II encourage you to carefully read the merger agreement in its entirety because it is the principal document governing the mergers and the other transactions contemplated by the merger agreement.

The merger agreement provides that the closing of the mergers will take place at 10:00 a.m. Eastern time on the second business day following the date on which the last of the conditions to closing of the mergers has been satisfied or waived.

### ***The Mergers (See page [105](#))***

Subject to the terms and conditions of the merger agreement, at the effective time of the company merger, PE REIT II will merge with and into REIT Merger Sub, with REIT Merger Sub surviving the company merger as the Surviving Entity, which will be a wholly owned subsidiary of PECO.

The merger agreement also provides for the merger of OP Merger Sub with and into PE OP II, with PE OP II surviving the merger as the Surviving Partnership. At the effective time of the partnership merger, OP Merger Sub GP, a wholly owned subsidiary of PECO OP, will be the sole general partner of the Surviving Partnership, and PECO OP will be the sole limited partner of the Surviving Partnership.

### ***The Merger Consideration (See page [163](#))***

At the effective time of the company merger and by virtue of the company merger, each outstanding share of PE REIT II common stock (including the outstanding restricted shares of PE REIT II common stock granted under the PE REIT II independent director stock plan to be treated as described below in “—Treatment of PE REIT II Equity Awards—PE REIT II Restricted Shares”), and each fraction thereof, will be cancelled and converted into the right to receive the merger consideration of 2.04 shares of PECO common stock (or with respect to any fractional share of PECO common stock, that fraction of PECO common stock consistent with the exchange ratio).

At the effective time of the partnership merger, each PE OP II unit (excluding each Class B unit and the special limited partnership interest of PE OP II which will be cancelled in connection with the partnership merger) issued and outstanding immediately prior to the effective time of the partnership merger will be converted into the right to receive the consideration of 2.04 validly issued PECO OP units, which we refer to as the partnership merger consideration. The PECO OP units issued in exchange for PE OP II units in connection with the partnership merger will be rounded down to the nearest whole unit; no fractional PECO OP units will be issued in connection with the partnership merger. Each Class B unit and the special limited partnership interest of PE OP II will be cancelled and cease to exist, and no consideration will be delivered in exchange therefor, in each case, in connection with the partnership merger.

Upon completion of the mergers, we estimate that continuing PECO stockholders will own approximately 71% of the issued and outstanding shares of the Combined Company on a fully diluted basis (determined as if each PECO OP unit were exchanged for one share of PECO common stock), and former PE REIT II stockholders will own approximately 29% of the issued and outstanding shares of the Combined Company on a fully diluted basis (determined as if each PECO OP unit were exchanged for one share of PECO common stock).

### ***Voting Agreements (See page [185](#))***

Concurrently with the execution of the merger agreement, certain equityholders and executive officers of PECO and/or PECO OP, including Jeffrey S. Edison, PECO’s Chief Executive Officer and Chairman of the PECO Board, and Devin I. Murphy, PECO’s Chief Financial Officer, Treasurer and Secretary, entered into voting agreements with PE REIT II and PE OP II pursuant to which such individuals agreed, among other things, to vote in favor of the PECO charter amendment and the mergers, upon the terms and subject to the conditions set forth in such voting agreements. The shares of PECO common stock subject to such voting agreements comprise approximately 0.20% of the outstanding shares of PECO common stock and the limited partnership interests of PECO OP subject to such voting agreements comprise approximately 47.08% of the outstanding PECO OP units not owned by PECO.

### ***Reasons for the Merger (See page [115](#))***

In evaluating the mergers, the merger agreement and the other transactions contemplated by the merger agreement, the PECO Board consulted with PECO’s management and legal and financial advisors. In deciding to declare advisable and approve and adopt the merger agreement, the mergers and the other transactions contemplated by the merger agreement, including the PECO

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charter amendment, and to recommend that the PECO stockholders vote to approve the mergers and the other transactions contemplated by the merger agreement and the PECO charter amendment, the PECO Board considered various factors that it viewed as supporting its decision. In the course of its evaluation of the proposed transactions, the PECO Board also considered a variety of risks and other potentially negative factors concerning the merger agreement, the mergers and the other transactions contemplated by the merger agreement.

A fulsome discussion of certain factors considered by the PECO Board in reaching its decision to approve the merger agreement, the mergers and the other transactions contemplated by the merger agreement can be found in the section entitled “The Mergers—Recommendation of the PECO Board of Directors and Its Reasons for the Mergers” beginning on page [115](#).

In evaluating the mergers, the merger agreement and the other transactions contemplated by the merger agreement, the PE REIT II Board considered the recommendation of the PE REIT II Special Committee. The PE REIT II Special Committee, prior to making its unanimous recommendation, consulted with its independent legal and financial advisors. In reaching their respective determinations, the PE REIT II Board and PE REIT II Special Committee considered a number of factors, including various factors which the PE REIT II Board and the PE REIT II Special Committee viewed as supporting their respective decisions with respect to the merger agreement, the mergers and the other transactions contemplated by the merger agreement. In the course of their evaluations of the proposed transactions, the PE REIT II Special Committee and the PE REIT II Board also considered a variety of risks and other potentially negative factors concerning the merger agreement, the mergers and the other transactions contemplated by the merger agreement.

The PE REIT II Special Committee also considered whether to solicit proposals from third parties prior to entering into the merger agreement. After considering the likelihood that a third party would emerge with a competitive proposal, the right of PE REIT II to actively solicit alternative acquisition proposals during the 30-day “go shop” period and the provisions of the draft merger agreement permitting PE REIT II to terminate the merger agreement to enter into an agreement for a Superior Proposal (as defined in “The Merger Agreement—Covenant and Agreements—No Solicitation and Change in Recommendation with Competing Proposal”), the PE REIT II Special Committee determined to move forward with the transaction without soliciting other proposals before execution of the definitive merger agreement.

A fulsome discussion of certain factors considered by the PE REIT II Special Committee and the PE REIT II Board in reaching their decision to approve the merger agreement, the mergers and the other transactions contemplated by the merger agreement can be found in the section entitled “The Mergers—Recommendation of the PE REIT II Board of Directors and Its Reasons for the Mergers” beginning on page [118](#).

**Recommendation of the PECO Board of Directors (See page [115](#))**

On July 17, 2018, after careful consideration, the PECO Board unanimously (i) determined that the mergers and the other transactions contemplated by the merger agreement are advisable and in the best interests of PECO and its stockholders, (ii) approved the merger agreement, the mergers and the other transactions contemplated by the merger agreement, and (iii) declared the PECO charter amendment advisable. Certain factors considered by the PECO Board in reaching its decision to approve the merger agreement, the mergers and the other transactions contemplated by the merger agreement and declare the PECO charter amendment advisable can be found in the section entitled “The Mergers—Recommendation of the PECO Board of Directors and Its Reasons for the Mergers” beginning on page [115](#).

The PECO Board unanimously recommends that PECO stockholders vote (i) **FOR** the proposal to approve the company merger and the other transactions contemplated by the merger agreement, (ii) **FOR** each of the nominees for election as a director, (iii) **FOR** the proposal to approve the PECO charter amendment, (iv) **FOR** the approval of the non-binding, advisory resolution on executive compensation, (v) for “**EVERY YEAR**” on the non-binding, advisory vote on the frequency of future non-binding, advisory resolutions on executive compensation and (vi) **FOR** the proposal to approve one or more adjournments of the PECO annual meeting to another date, time or place, if necessary or appropriate, as determined by the Chair of the PECO annual meeting, to solicit additional proxies in favor of the proposal to approve the company merger and the other transactions contemplated by the merger agreement or to approve the PECO charter amendment.

**Recommendation of the PE REIT II Board of Directors (See page [118](#))**

On July 17, 2018, after careful consideration, the PE REIT II Board, based on the unanimous recommendation of the PE REIT II Special Committee, unanimously determined that the mergers and the other transactions contemplated by the merger agreement are advisable and in the best interests of PE REIT II and its stockholders and (ii) authorized and approved the mergers and the other transactions contemplated by the merger agreement and authorized, approved and adopted the merger

agreement. Certain factors considered by the PE REIT II Special Committee and the PE REIT II Board in reaching their decisions to approve the merger agreement, the mergers and the other transactions contemplated by the merger agreement can be found in the section entitled “The Mergers—Recommendation of the PE REIT II Board of Directors and Its Reasons for the Mergers” beginning on page [118](#).

The PE REIT II Board, based on the unanimous recommendation of the PE REIT II Special Committee of the proposals set forth in the following clauses (i), (iii) and (iv), and the PE REIT II Board’s independent consideration of the proposal set forth in clause (ii), unanimously recommends that the PE REIT II stockholders vote (i) **FOR** the proposal to approve the company merger and the other transactions contemplated by the merger agreement, (ii) **FOR** each of the nominees for election as a director, (iii) **FOR** the non-binding, advisory proposal to approve the PECO charter amendment in connection with the company merger, and (iv) **FOR** the proposal to approve one or more adjournments of the PE REIT II annual meeting to another date, time or place, if necessary or appropriate, as determined by the Chair of the PE REIT II annual meeting, to solicit additional proxies in favor of the proposal to approve the company merger and the other transactions contemplated by the merger agreement.

**Summary of Risks Related to the Mergers (See page [23](#))**

You should consider carefully the risk factors described below together with all of the other information included in this joint proxy statement/prospectus before deciding how to vote. The risks related to the mergers and the other transactions contemplated by the merger agreement are described under the section “Risk Factors—Risks Related to the Mergers.” Certain of the risks related to the mergers and the other transactions contemplated by the merger agreement, include, amongst others, the following:

- PECO and PE REIT II stockholders will be diluted by the mergers and, consequently, will have less influence over the management and policies of the Combined Company after the mergers than each currently exercises over the management and policies of PECO and PE REIT II, as applicable;
- completion of the mergers is subject to many conditions and if these conditions are not satisfied or waived, the mergers will not be completed, which could result in the requirement that (i) PECO pay to PE REIT II a termination fee of \$75,620,000 or (ii) PE REIT II pay to PECO a termination fee of \$15,850,000 in connection with the go shop provisions of the merger agreement or a termination fee of \$31,700,000 other than in connection with the go shop provisions of the merger agreement;
- failure to complete the mergers could negatively affect the future business and financial results of both PECO and PE REIT II;
- the pendency of the mergers could adversely affect the business and operations of PECO and PE REIT II;
- the merger agreement contains provisions that could discourage a potential competing acquirer of PE REIT II from proposing an alternative transaction that may be more advantageous to PE REIT II’s stockholders or could result in a competing acquisition proposal being at a lower price than it might otherwise be;
- based on the exchange ratio of 2.04, in the event the mergers are consummated, the total annual dividend that PE REIT II stockholders will receive after closing in respect of each share of PE REIT II common stock will be approximately \$1.367 compared to \$1.625 prior to the closing of the transaction;
- if the mergers are not consummated by the Outside Date, either PECO or PE REIT II may terminate the merger agreement;
- if and when the Combined Company completes a liquidity event, the market value ascribed to the shares of common stock of the Combined Company upon the liquidity event may be significantly lower than the estimated net asset value per share of PECO and PE REIT II considered by their respective boards of directors in approving and recommending the mergers; and
- some of the directors and executive officers of PE REIT II have interests in the mergers that are different from, or in addition to, those of the other PE REIT II stockholders.

**The PECO Annual Meeting (See page [58](#))**

The annual meeting of the PECO stockholders will be held at the offices of Latham & Watkins, located at 885 Third Avenue, New York, New York 10022 on November 14, 2018, commencing at 8:00 a.m. Eastern Time.

At the PECO annual meeting, the PECO stockholders will be asked to consider and vote upon the following matters:

1. a proposal to approve the company merger and the other transactions contemplated by the merger agreement;

2. a proposal to elect five nominees for director, with each to serve until the next annual meeting of PECO stockholders and until their respective successors are duly elected and qualify;
3. a proposal to approve the PECO charter amendment;
4. a proposal to approve, on a non-binding, advisory basis, the compensation of the PECO named executive officers;
5. a proposal to vote, on a non-binding advisory basis, on the frequency of future non-binding advisory resolutions on executive compensation (every year, every two years or every three years);
6. a proposal to approve one or more adjournments of the PECO annual meeting to another date, time or place, if necessary or appropriate, as determined by the Chair of the PECO annual meeting, to solicit additional proxies in favor of the proposal to approve the company merger and the other transactions contemplated by the merger agreement or to approve the PECO charter amendment; and
7. such other business as may properly come before the meeting and any adjournment or postponement thereof.

This joint proxy statement/prospectus also contains information regarding the PE REIT II annual meeting, including the items of business for that annual meeting. Unless they also own shares of PE REIT II as of the close of business on the record date for the PE REIT II annual meeting, PECO stockholders may not vote on the proposals to be voted on at the PE REIT II annual meeting.

Approval of the proposal to approve the company merger and the other transactions contemplated by the merger agreement requires the affirmative vote of a majority of all of the votes cast on such proposal.

The election of each of the nominees for director requires the affirmative vote of the holders of a majority of the shares of stock entitled to vote who are present in person or by proxy.

Approval of the proposal to approve the PECO charter amendment requires the affirmative vote of a majority of all of the votes entitled to be cast on such proposal.

Approval of the non-binding, advisory resolution on executive compensation requires the affirmative vote of a majority of all of the votes cast on such proposal.

With regard to the non-binding, advisory vote on the frequency of future non-binding, advisory resolutions on executive compensation, the option of every year, every two years or every three years that receives the affirmative vote of a majority of all of the votes cast on such proposal will be the frequency recommended by stockholders. In the event that no option receives such a majority, the PECO Board will consider the option that receives the most votes to be the frequency recommended by PECO stockholders.

Approval of the proposal to approve one or more adjournments of the PECO annual meeting to another date, time or place, if necessary or appropriate, as determined by the Chair of the PECO annual meeting, to solicit additional proxies in favor of the proposal to approve the company merger and the other transactions contemplated by the merger agreement or to approve the PECO charter amendment requires the affirmative vote of a majority of all of the votes cast on such proposal.

At the close of business on the record date, directors and executive officers of PECO and their affiliates were entitled to vote 512,931 shares of PECO common stock, or less than 1% of the shares of PECO common stock issued and outstanding on that date. PECO currently expects that all PECO directors and executive officers will vote their shares of PECO common stock in favor of the proposal to approve the PECO charter amendment and the proposal to approve the company merger and the other transactions contemplated by the merger agreement as well as the other proposals to be considered at the PECO annual meeting.

**Your vote as a PECO stockholder is very important. Accordingly, please sign and return the enclosed proxy card whether or not you plan to attend the PECO annual meeting in person.**

**The PE REIT II Annual Meeting (*See page 88*)**

The annual meeting of the PE REIT II stockholders will be held at the offices of Latham & Watkins, located at 885 Third Avenue, New York, New York 10022 on November 14, 2018, commencing at 1:00 p.m. Eastern Time.

At the PE REIT II annual meeting, the PE REIT II stockholders will be asked to consider and vote upon the following matters:

1. a proposal to approve the company merger and the other transactions contemplated by the merger agreement;

2. a proposal to elect four nominees for director, with each to serve until the next annual meeting of PE REIT II stockholders and until their respective successors are duly elected and qualify;

3. a non-binding, advisory proposal to approve the PECO charter amendment in connection with the company merger;
4. a proposal to approve one or more adjournments of the PE REIT II annual meeting to another date, time or place, if necessary or appropriate, as determined by the Chair of the PE REIT II annual meeting, to solicit additional proxies in favor of the proposal to approve the company merger and the other transactions contemplated by the merger agreement; and
5. such other business as may properly come before the meeting and any adjournment or postponement thereof.

This joint proxy statement/prospectus also contains information regarding the PECO annual meeting, including the items of business for that annual meeting. Unless they also own shares of PECO as of the close of business on the record date for the PECO annual meeting, PE REIT II stockholders may not vote on the proposals to be voted on at the PECO annual meeting.

Approval of the proposal to approve the company merger and the other transactions contemplated by the merger agreement requires the affirmative vote of a majority of all of the votes entitled to be cast on such proposal.

The election of each of the nominees for director requires the affirmative vote of holders of a majority of the shares of stock entitled to vote who are present in person or by proxy.

Approval of the non-binding, advisory proposal to approve the PECO charter amendment in connection with the company merger requires the affirmative vote of a majority of all of the votes cast on such proposal.

Approval of the proposal to approve one or more adjournments of the PE REIT II annual meeting to another date, time or place, if necessary or appropriate, as determined by the Chair of the PE REIT II annual meeting, to solicit additional proxies in favor of the proposal to approve the company merger and the other transactions contemplated by the merger agreement requires the affirmative vote of a majority of all of the votes cast on such proposal.

At the close of business on the record date, directors and executive officers of PE REIT II and their affiliates were entitled to vote 67,069 shares of PE REIT II common stock, or less than 1% of the shares of PE REIT II common stock issued and outstanding on that date. PE REIT II currently expects that all PE REIT II directors and executive officers will vote their shares of PE REIT II common stock in favor of the proposal to approve the company merger and the other transactions contemplated by the merger agreement as well as the other proposals to be considered at the PE REIT II annual meeting, although none of them is contractually obligated to do so.

**Your vote as a PE REIT II stockholder is very important. Accordingly, please sign and return the enclosed proxy card whether or not you plan to attend the PE REIT II annual meeting in person.**

#### **Opinions of Financial Advisors**

##### *Opinion of PECO's Financial Advisor (See page [121](#))*

In connection with the mergers, BofA Merrill Lynch delivered a written opinion, dated July 17, 2018, to the PECO Board as to the fairness, from a financial point of view and as of such date, to PECO of the exchange ratio provided for in the company merger. The full text of BofA Merrill Lynch's written opinion, dated July 17, 2018, which describes, among other things, the assumptions made, procedures followed, matters considered and limitations and qualifications on the review undertaken, is attached as Annex C to this joint proxy statement/prospectus and is incorporated by reference herein in its entirety.

**BofA Merrill Lynch delivered its opinion to the PECO Board for the benefit and use of the PECO Board (in its capacity as such) in connection with and for purposes of the PECO Board's evaluation of the exchange ratio provided for in the company merger from a financial point of view to PECO. BofA Merrill Lynch's opinion did not address any terms or other aspects or implications of the mergers (other than the exchange ratio to the extent expressly specified in such opinion) or related transactions and no opinion or view was expressed as to the relative merits of the mergers in comparison to other strategies or transactions that might be available to PECO or in which PECO might engage or as to the underlying business decision of PECO to proceed with or effect the mergers or related transactions. BofA Merrill Lynch also expressed no opinion or recommendation as to how any stockholder should vote or act in connection with the mergers, any related transactions or any other matter. See "The Mergers—Opinion of PECO's Financial Advisor" beginning on page [121](#).**

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##### *Opinion of the PE REIT II Special Committee's Financial Advisor (See page [128](#))*

The PE REIT II Special Committee retained Morgan Stanley to provide it with financial advisory services and a financial opinion in connection with the company merger. The PE REIT II Special Committee selected Morgan Stanley to act as its financial advisor based on Morgan Stanley's qualifications, expertise and reputation, and its knowledge of the business and affairs of PE REIT II. As part of this engagement, the PE REIT II Special Committee requested that Morgan Stanley evaluate the fairness from a financial point of view of the exchange ratio provided for in the company merger to the holders of shares of PE REIT II

common stock. On July 17, 2018, at a meeting of the PE REIT II Special Committee, Morgan Stanley rendered its oral opinion, which was subsequently confirmed in writing by delivery of a written opinion to the PE REIT II Special Committee, dated July 17, 2018, that, as of such date and based upon and subject to the various assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of review undertaken by Morgan Stanley as set forth therein, the exchange ratio pursuant to the merger agreement was fair from a financial point of view to the holders of shares of PE REIT II common stock.

**The full text of the written opinion of Morgan Stanley, dated July 17, 2018, is attached to this joint proxy statement/prospectus as Annex D, and is hereby incorporated by reference into this joint proxy statement/prospectus in its entirety. The opinion sets forth, among other things, the various assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of the review undertaken by Morgan Stanley in rendering its opinion. You are encouraged to, and should, read Morgan Stanley’s opinion and the section summarizing Morgan Stanley’s opinion carefully and in their entirety. Morgan Stanley’s opinion was directed to the PE REIT II Special Committee, in its capacity as such, and addressed only the fairness from a financial point of view of the exchange ratio pursuant to the merger agreement to the holders of shares of the PE REIT II common stock, as of the date of the opinion, and did not address any other aspects or implications of the company merger. It was not intended to, and does not, constitute advice or a recommendation to any stockholder of PE REIT II or of PECO as to how to act or vote in connection with any of the transactions contemplated by the merger agreement. See “Opinion of the PE REIT II Special Committee’s Financial Advisor” beginning on page [128](#).**

#### **Treatment of PE REIT II Equity Awards (See pages [138](#) and [164](#))**

PE REIT II’s independent directors hold restricted shares of PE REIT II common stock issued pursuant to the PE REIT II independent director stock plan. Except as described below, at the effective time of the company merger, each of these outstanding restricted shares of PE REIT II common stock will vest and all restrictions thereon will lapse, and each such PE REIT II restricted share will be cancelled and converted into the right to receive 2.04 shares of PECO common stock (or with respect to any fractional share of PECO common stock, that fraction of PECO common stock consistent with the exchange ratio). Prior to the effective time of the company merger, Mark D. McDade will (i) resign from the PE REIT II Board and (ii) enter into an agreement with PE REIT II, whereby his unvested restricted shares of PE REIT II common stock will vest and PE REIT II will redeem his shares of PE REIT II common stock (including his newly vested restricted shares of PE REIT II common stock) for cash for an amount equal to the number of shares of PECO common stock he would have received in the company merger multiplied by \$11.05 (the most recent estimated value per share of PECO common stock). Accordingly, Mr. McDade will not receive any shares of PECO common stock in the company merger.

For more information regarding treatment of PE REIT II equity awards, see “The Mergers—Interests of PE REIT II’s Directors and Executive Officers in the Mergers—Treatment of PE REIT II Equity Awards” beginning on page [138](#) and “The Merger Agreement—Merger Consideration; Effects of the Merger—Treatment of PE REIT II Equity Awards” beginning on page [164](#).

#### **Directors and Management of the Combined Company After the Mergers (See page [139](#))**

Immediately following the effective time of the company merger, the board of directors of the Combined Company will be increased to seven members, with the five directors of the PECO Board elected by the PECO stockholders at the PECO annual meeting continuing as directors of the Combined Company. In addition, two independent directors of the PE REIT II Board, David W. Garrison and John A. Strong, will join the board of directors of the Combined Company, to serve until the next annual meeting of the stockholders of the Combined Company (and until their successors qualify and are duly elected).

The executive officers of PECO immediately prior to the effective time of the company merger will continue to serve as the executive officers of the Combined Company, with Jeffrey S. Edison continuing to serve as the Chief Executive Officer of the Combined Company. See “The Merger Agreement—Board of Directors, Partners and Officers of the Surviving Entities” on page [163](#) for more information.

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#### **Dissenters’ and Appraisal Rights in the Mergers (See page [164](#))**

Pursuant to the PE REIT II charter, and, with respect to PECO, as a result of the structure of the transaction, no dissenters’ or appraisal rights or rights of objecting stockholders will be available with respect to the mergers or the other transactions contemplated by the merger agreement.

#### **Conditions to Completion of the Mergers (See page [181](#))**

A number of conditions must be satisfied or waived, where legally permissible, before the mergers can be consummated. These include, among others:

- approval by PE REIT II stockholders of the mergers and the other transactions contemplated by the merger agreement (except that the approval of the PECO charter amendment by the PE REIT II stockholders is not a condition to the

closing of the mergers);

- approval by PECO stockholders of the mergers and the other transactions contemplated by the merger agreement, including the PECO charter amendment;
- the receipt by PECO of certain written consents from third parties previously agreed among the parties;
- declaration of effectiveness of the Form S-4 registration statement, of which this joint proxy statement/prospectus is a part, and the absence of any stop order suspending the effectiveness of such Form S-4 and any threat by the SEC to do so, or any commencement or threat of any proceeding to that effect; and
- truth and accuracy of the representations and warranties of each party made in the merger agreement as of the closing, subject to certain materiality standards.

Neither PECO nor PE REIT II can give any assurance as to when or if all of the conditions to the consummation of the mergers will be satisfied or waived or that the mergers will occur.

See “The Merger Agreement—Conditions to Completion of the Mergers” beginning on page [181](#) for more information.

#### **Regulatory Approvals Required for the Mergers (See page [140](#))**

PECO and PE REIT II are not aware of any material federal or state regulatory requirements that must be complied with, or regulatory approvals that must be obtained, in connection with the mergers or the other transactions contemplated by the merger agreement.

#### **PE REIT II Go Shop; Acquisition Proposals (See page [170](#))**

Until 11:59 p.m. (Eastern Time) on August 15, 2018 (the “go shop period end time”), under certain specified circumstances, the acquired companies and their respective representatives had the right to (i) initiate, solicit or knowingly facilitate, encourage or assist any inquiry or the making of any proposal or offer that constitutes, or would reasonably be expected to lead to, a Competing Proposal (as defined in “The Merger Agreement—Covenants and Agreements—No Solicitation and Change in Recommendation with Competing Proposal”), including by way of contacting third parties and providing non-public information pursuant to acceptable confidentiality agreements, (ii) engage in and continue to discuss and negotiate regarding such proposals, inquiries or offers, (iii) enter into any contract (including any letter of intent or agreement in principle) with respect to a Competing Proposal, (iv) grant any waiver, amendment or release under any standstill or confidentiality agreement to the extent, and only for so long as necessary to allow the counterparty to make a Competing Proposal or inquire, negotiate, evaluate, propose or make an offer that would be reasonably likely to lead to a Competing Proposal prior to the go shop period end time, and (v) disclose to PE REIT II stockholders certain information required to be disclosed under applicable law (provided, that in certain circumstances, such disclosure may constitute a PE REIT II Adverse Recommendation Change). In accordance with the terms of the merger agreement, following the execution of the merger agreement, Morgan Stanley, at the direction of the PE REIT II Special Committee, began soliciting inquiries and proposals from third parties. Prior to the go shop period end time, Morgan Stanley contacted 35 third parties, two of which executed confidentiality agreements with PE REIT II. None of the third parties contacted by Morgan Stanley provided PE REIT II with a proposal or offer regarding an alternative acquisition proposal.

#### **No Solicitation and Change in Recommendation with Competing Proposal (See page [171](#))**

Under the merger agreement, from and after the go shop period end time, PE REIT II has agreed not to, and to cause its subsidiaries not to, directly or indirectly: (i) solicit, initiate or knowingly facilitate, encourage or assist any inquiry or the making of any proposal or offer that constitutes, or would reasonably be expected to lead to, a Competing Proposal, (ii) engage in, continue or otherwise participate in any discussions or negotiations regarding any proposal or offer that constitutes, or would

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reasonably be expected to lead to, a Competing Proposal, or furnish to any other person or entity information or afford to any other person or entity access to the business, properties, assets or personnel of the acquired companies, in each case, in connection with, or for the purpose of knowingly encouraging, facilitating or assisting, a Competing Proposal, (iii) enter into any contract (including any letter of intent or agreement in principle) with respect to a Competing Proposal, (iv) grant any waiver, amendment or release under any standstill or confidentiality agreement or any takeover statute (provided, that notwithstanding anything contained in the merger agreement to the contrary, PE REIT II may waive any provision that prohibits a confidential proposal being made to the PE REIT II Special Committee or the PE REIT II Board), or (v) otherwise knowingly facilitate any effort or attempt to make a Competing Proposal.

However, prior to the approval of the company merger by the PE REIT II stockholders, PE REIT II may, under certain specified circumstances, engage in discussions or negotiations with and provide non-public information regarding itself to a third party making an unsolicited, written Competing Proposal. Under the merger agreement, PE REIT II is required to notify PECO promptly if it receives any inquiry or any request for negotiation regarding a Competing Proposal and must provide to PECO a

copy of any Competing Proposal (including a copy of any acquisition agreement and any related transaction documents and financing commitments, if any, and any subsequent amendments) and a written summary of any other material terms of any Competing Proposal not made in writing.

Before the approval of the company merger by the stockholders of PE REIT II, the PE REIT II Board may, under certain specified circumstances, withdraw its recommendation of the company merger and terminate the merger agreement to enter into an alternative acquisition agreement with respect to a Superior Proposal if the PE REIT II Special Committee and the PE REIT II Board determine in good faith, after consultation with outside legal counsel, that failure to take such action would be inconsistent with the directors' duties under applicable law.

For more information regarding the limitations on PE REIT II, the PE REIT II Board and the PE REIT II Special Committee to consider other proposals, see "The Merger Agreement—Covenants and Agreements—No Solicitation and Change in Recommendation with Competing Proposal" beginning on page [171](#).

#### **Change in Recommendation with Intervening Events (See page [174](#))**

In addition, each of the PE REIT II Board and the PECO Board may change its recommendation to stockholders in the event or occurrence of a material event, circumstance, change or development that was not known to the applicable board of directors prior to the execution of the merger agreement (other than with respect to a Competing Proposal, as discussed in the immediately preceding section above). However, in the event of such a change in recommendation, the applicable board of directors is still obligated under the merger agreement to cause the approval of the mergers (and, in the case of PECO, to the extent permitted under Maryland law, the PECO charter amendment) to be taken to a vote of its stockholders at its annual meeting.

For more information regarding the limitations on PECO, the PECO Board, PE REIT II, the PE REIT II Board and the PE REIT II Special Committee in connection with certain intervening events, see "The Merger Agreement—Covenants and Agreements—Change in Recommendation with Intervening Events" beginning on page [174](#).

#### **Termination of the Merger Agreement (See page [182](#))**

The merger agreement may be terminated at any time by the mutual consent of the PECO parties and the PE REIT II parties in a written instrument, even after receipt of the PE REIT II merger approval or the PECO stockholder approval.

In addition, the merger agreement may also be terminated prior to the effective time of the company merger by either PECO or PE REIT II under the following conditions, each subject to certain exceptions:

- there has been a breach by the other party of any representation, warranty or covenant set forth in the merger agreement, which causes a condition of the merger agreement not to be satisfied (and such breach is not curable prior to the Outside Date or, if curable, not cured within the required timeline) (provided that the terminating party is not then in material breach of any representation, warranty, covenant or agreement set forth in the merger agreement);
- the mergers are not consummated by the Outside Date;
- a governmental entity has issued a final, non-appealable judgment permanently restraining, enjoining or otherwise prohibiting the consummation of the mergers or the other transactions contemplated by the merger agreement;
- the holders of PE REIT II common stock do not approve the company merger and the other transactions contemplated by the merger agreement; or

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- the holders of PECO common stock do not approve the PECO charter amendment, the company merger and the other transactions contemplated by the merger agreement.

The merger agreement may also be terminated by PECO if, prior to the PE REIT II merger approval by the PE REIT II stockholders, the PE REIT II Board:

- fails to recommend to the PE REIT II stockholders that they approve the company merger (the "PE REIT II Board recommendation") or fails to include the PE REIT II Board recommendation in this joint proxy statement/prospectus;
- changes, qualifies, withholds, withdraws or modifies, or publicly proposes to change, qualify, withhold, withdraw or, in a manner adverse to PECO, modify, the PE REIT II Board recommendation;
- takes any formal action or makes any recommendation or public statement or other disclosure in connection with a tender offer or exchange offer other than as provided in the merger agreement;
- adopts, approves or recommends, or publicly proposes to approve or recommend to the PE REIT II stockholders a Competing Proposal; or

- fails to make or reaffirm the PE REIT II Board recommendation within five business days following PE REIT II's written request to do so following PE REIT II's or its representatives' receipt of a Competing Proposal or any material change thereto.

The merger agreement may also be terminated by PE REIT II if the PECO Board fails to recommend to the PECO stockholders that the PECO stockholder approval be given (the "PECO Board recommendation") or fails to include the PECO Board recommendation in this joint proxy statement/prospectus, or changes, qualifies, withholds, withdraws or modifies or publicly proposes to change, qualify, withhold, withdraw or, in any manner adverse to PE REIT II, modify, the PECO Board recommendation:

For more information regarding the rights of PECO and PE REIT II to terminate the merger agreement, see "The Merger Agreement—Termination of the Merger Agreement" beginning on page [182](#).

**Termination Fee and Expenses (See page [183](#))**

Generally, all fees and expenses incurred in connection with the mergers and the other transactions contemplated by the merger agreement will be paid by the party incurring those fees and expenses (other than expenses incurred to obtain the Debt Consents and Amendments, and certain financial printer escrow agreement expenses that will be borne 50% by each party). Additionally, upon termination of the merger agreement in certain circumstances, the merger agreement provides for the payment of a termination fee to PECO by PE REIT II of \$15,850,000 (in the case of termination in connection with the go shop provisions of the merger agreement) or \$31,700,000 (in connection with termination under certain other circumstances). The merger agreement also provides for the payment of a termination fee to PE REIT II by PECO of \$75,620,000 upon termination of the merger agreement in certain circumstances.

See "The Merger Agreement—Termination of the Merger Agreement—Termination Payments" beginning on page [183](#) for more information.

**Material U.S. Federal Income Tax Consequences of the Company Merger (See page [141](#))**

PECO and PE REIT II intend that the company merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. The closing of the mergers is conditioned on the receipt by each of PECO and PE REIT II of an opinion from its counsel to the effect that the company merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. Assuming that the company merger qualifies as a reorganization, U.S. holders (as defined below) of shares of PE REIT II common stock generally will not recognize gain or loss as a result of the company merger.

For further discussion of certain U.S. federal income tax consequences of the company merger and the ownership and disposition of the Combined Company common stock, see "The Mergers—U.S. Federal Income Tax Considerations" beginning on page [140](#).

Holders of shares of PE REIT II common stock should consult their tax advisors to determine the tax consequences to them (including the application and effect of any state, local or non-U.S. income and other tax laws) of the company merger and the ownership and disposition of the Combined Company common stock.

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**Accounting Treatment of the Mergers (See page [160](#))**

PECO prepares its financial statements in accordance with U.S. generally accepted accounting principles, which we refer to herein as GAAP. The mergers will be treated as an asset acquisition under GAAP. See "The Merger — Accounting Treatment" beginning on page [160](#) for more information.

**Comparison of Rights of PECO Stockholders and PE REIT II Stockholders (See page [191](#))**

The rights of PE REIT II stockholders are currently governed by and subject to the provisions of the Maryland General Corporation Law (the "MGCL"), and the charter and bylaws of PE REIT II. Upon consummation of the mergers, the rights of the former PE REIT II stockholders who receive shares of PECO common stock in the company merger will continue to be governed by the MGCL and will be governed by the PECO charter and bylaws (as amended by the PECO charter amendment and as they may be further amended from time to time in accordance with the MGCL), rather than the charter and bylaws of PE REIT II. In particular, as is typical for REITs to protect their status as a REIT, the PECO charter provides that, with limited exceptions, no person may beneficially own, or be deemed to beneficially own by virtue of the attribution provisions of the Code, more than 9.8% in value of the outstanding shares of PECO's capital stock or 9.8%, in value or in number of shares, whichever is more restrictive, of the aggregate of the outstanding shares of PECO common stock.

For a summary of certain differences between the rights of PECO stockholders and PE REIT II stockholders, see "Comparison of Rights of the PECO Stockholders and the PE REIT II Stockholders" beginning on page [191](#).

### Selected Historical Financial Information of PECO (See page F-13)

Presented below is the selected historical consolidated financial data of PECO as of and for the periods indicated. The selected historical consolidated financial data of PECO for each of the fiscal years ended December 31, 2017, 2016, 2015, 2014, and 2013 has been derived from PECO's historical audited consolidated financial statements, which are included in this joint proxy statement/prospectus beginning on page F-13. The selected historical financial information for the six months ended June 30, 2018, has been derived from PECO's unaudited interim consolidated financial statements, which are included in this joint proxy statement/prospectus.

You should read the historical financial information together with the financial statements included in this joint proxy statement/prospectus and their accompanying notes beginning on page F-18 and PECO management's discussion and analysis of operations and financial condition of PECO attached to this joint proxy statement/prospectus as Annex E.

(in thousands, except per share amounts)	As of and for the six months ended	As of and for the years ended December 31,				
	June 30, 2018	2017 <sup>(1)</sup>	2016	2015	2014	2013
<b>Balance Sheet Data:<sup>(2)</sup></b>						
Investment in real estate assets at cost	\$ 3,749,351	\$3,751,927	\$2,584,005	\$2,350,033	\$2,201,235	\$1,136,074
Cash and cash equivalents	8,310	5,716	8,224	40,680	15,649	460,250
Total assets	3,452,123	3,526,082	2,380,188	2,226,248	2,141,196	1,716,256
Debt obligations, net	1,838,472	1,806,998	1,056,156	845,515	640,889	195,601
<b>Operating Data:</b>						
Total revenues	\$ 207,372	\$ 311,543	\$ 257,730	\$ 242,099	\$ 188,215	\$ 73,165
Property operating expenses	(35,016)	(53,824)	(41,890)	(38,399)	(32,919)	(11,896)
Real estate tax expenses	(26,473)	(43,456)	(36,627)	(35,285)	(25,262)	(9,658)
General and administrative expenses	(23,911)	(36,348)	(31,804)	(15,829)	(8,632)	(4,346)
Interest expense, net	(33,830)	(45,661)	(32,458)	(32,390)	(20,360)	(10,511)
Net (loss) income	(15,913)	(41,718)	9,043	13,561	(22,635)	(12,350)
Net (loss) income attributable to stockholders	(12,951)	(38,391)	8,932	13,360	(22,635)	(12,404)
<b>Cash Flow Data:</b>						
Cash flows provided by operating activities	\$ 77,812	\$ 108,861	\$ 103,076	\$ 106,073	\$ 75,671	\$ 18,540
Cash flows used in investing activities <sup>(3)</sup>	(13,268)	(640,742)	(191,328)	(110,744)	(718,828)	(767,413)
Cash flows (used in) provided by financing activities	(66,951)	509,380	90,685	29,732	195,500	1,210,275
<b>Per Share Data:</b>						
Net (loss) income per share—basic and diluted	\$ (0.07)	\$ (0.21)	\$ 0.05	\$ 0.07	\$ (0.13)	\$ (0.18)
Common stock distributions declared	0.34	0.67	0.67	0.67	0.67	0.67
Weighted-average shares outstanding—basic	185,171	183,784	183,876	183,678	179,280	70,227
Weighted-average shares outstanding—diluted	229,624	196,497	186,665	186,394	179,280	70,227

(1) Includes the impact of the PELP transaction

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(2) Certain prior period balance sheet amounts have been restated to conform with PECO's adoption in 2016 of Accounting Standards Update ("ASU") 2015-03, *Simplifying the Presentation of Debt Issuance Costs*.

(3) Certain prior period cash flows used in investing activities amounts have been restated to conform with PECO's adoption in 2018 of ASU 2016-18, *Statement of Cash Flows (Topic 230)*.

### Selected Historical Financial Information of PE REIT II (See page F-70)

Presented below is the selected historical consolidated financial data of PE REIT II as of and for the periods indicated. The selected historical consolidated financial data of PE REIT II for each of the fiscal years ended December 31, 2017, 2016, 2015, and 2014, has been derived from PE REIT II's historical audited consolidated financial statements, which are included in this joint proxy statement/prospectus beginning on page F-70. The selected historical financial information for the six months ended June 30, 2018 has been derived from PE REIT II's unaudited interim consolidated financial statements, which are included in this joint proxy statement/prospectus.

You should read the historical financial information together with the financial statements included in this joint proxy

statement/prospectus and their accompanying notes beginning on page F-75 and PE REIT II management's discussion and analysis of operations and financial condition of PE REIT II attached to this joint proxy statement/prospectus as Annex F.

(in thousands, except per share amounts)	As of and for the six months ended	As of and for the years ended December 31,			
	June 30, 2018	2017	2016	2015	2014
<b>Balance Sheet Data:</b> <sup>(1)</sup>					
Investment in real estate assets at cost	\$ 1,765,771	\$ 1,741,536	\$ 1,510,160	\$ 1,066,509	\$ 341,554
Cash and cash equivalents	3,440	1,435	8,259	17,359	179,117
Total assets	1,644,725	1,652,317	1,486,527	1,079,713	524,091
Debt obligations, net	802,021	775,275	533,215	81,305	27,383
<b>Operating Data:</b>					
Total revenues	\$ 87,866	\$ 162,577	\$ 129,796	\$ 60,413	\$ 8,445
Property operating expenses	(14,158)	(27,270)	(22,226)	(10,756)	(1,651)
Real estate tax expenses	(14,003)	(25,154)	(20,157)	(9,592)	(966)
General and administrative expenses	(9,031)	(19,352)	(18,139)	(3,744)	(1,606)
Interest expense, net	(15,034)	(22,494)	(10,970)	(3,990)	(1,206)
Net loss	(2,872)	(9,531)	(5,497)	(6,698)	(5,833)
<b>Cash Flow Data:</b>					
Cash flows provided by (used in) operating activities	\$ 29,474	\$ 50,308	\$ 45,353	\$ 16,618	\$ (1,311)
Cash flows used in investing activities <sup>(2)</sup>	(19,406)	(197,535)	(360,548)	(617,941)	(296,089)
Cash flows provided by financing activities	(8,064)	141,956	307,775	440,478	476,653
<b>Per Share Data:</b>					
Net loss per share—basic and diluted	\$ (0.06)	\$ (0.20)	\$ (0.12)	\$ (0.18)	\$ (0.57)
Common distributions declared	0.81	1.62	1.62	1.62	1.49
Weighted-average shares outstanding—basic	46,726	46,544	46,228	36,538	10,302
Weighted-average shares outstanding—diluted	46,726	46,544	46,230	36,538	10,302

(1) Certain prior period balance sheet amounts have been restated to conform with PE REIT II's adoption in 2016 of ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*.

(2) Certain prior period cash flows used in investing activities amounts have been restated to conform with PE REIT II's adoption in 2018 of ASU 2016-18, *Statement of Cash Flows (Topic 230)*.

### Selected Unaudited Pro Forma Consolidated Financial Information (See page F-3)

The following tables set forth selected unaudited pro forma consolidated financial information. The pro forma consolidated financial information combines the historical financial statements of PECO and PE REIT II after giving effect to the mergers using the acquisition method of accounting and preliminary estimates, assumptions and pro forma adjustments as described below and in the accompanying notes to the unaudited pro forma consolidated financial information.

The unaudited pro forma consolidated financial information should be read in conjunction with PECO's historical consolidated financial statements and PE REIT II's historical consolidated financial statements, including the notes thereto, which are included herein. The selected unaudited pro forma combined consolidated financial information has been derived from and should be read in conjunction with the unaudited pro forma consolidated financial information and accompanying notes included in this joint proxy statement/prospectus beginning on page F-7.

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The unaudited pro forma consolidated financial information is presented for illustrative purposes only and does not purport to be indicative of the results that would actually have occurred if the transactions described above had occurred as presented in such statements or that may be obtained in the future. In addition, future results may vary significantly from the results reflected in such statements.

	For the Six Months Ended June 30, 2018		For the Year Ended December 31, 2017	
<b>Statements of operations data:</b>				
Total revenue	\$	282,869	\$	546,970
Net loss		(29,752)		(28,936)
Net loss attributable to stockholders		(25,682)		(24,961)

Net loss per share—basic and diluted	(0.09)	(0.09)
		<b>For the Six Months Ended June 30, 2018</b>
<b>Balance sheet data:</b>		
Total investment in real estate assets, net	\$	5,152,192
Cash and cash equivalents		11,750
Total assets		5,410,001
Debt obligations, net		2,666,479
Total liabilities		2,978,535
Total equity		2,431,466

#### Unaudited Comparative Per Share Information (See page F-13)

The following table sets forth for the year ended December 31, 2017 and the six months ended June 30, 2018, selected per share information for PECO and PE REIT II common stock on an historical basis and for the Combined Company on a pro forma basis after giving effect to the mergers accounted for as an asset acquisition. The information in the table is unaudited. You should read the tables below together with the historical consolidated financial statements and related notes of PECO and PE REIT II, which are included in this joint proxy statement/prospectus beginning on page F-13 and F-70, respectively.

The pro forma Combined Company net earnings per share for the six months ended June 30, 2018 and the year ended December 31, 2017 includes the combined net earnings attributable to the common stockholders of PECO and PE REIT II on a pro forma basis as if the transaction was consummated on January 1, 2017 and, with respect to net book value per share of common stock, on June 30, 2018.

The PECO pro forma combined per share data is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the transactions had been consummated at the beginning of the earliest period presented, nor is it necessarily indicative of future operating results or financial position. The pro forma adjustments are estimates based upon information and assumptions available at the time of the filing of this proxy statement/prospectus.

The PE REIT II pro forma equivalent information shows the effect of the mergers from the perspective of an owner of PE REIT II common stock and the information was computed by multiplying the PECO pro forma combined information by the exchange ratio of 2.04.

	PECO		PE REIT II	
	Historical	Pro Forma Combined	Historical	Pro Forma Equivalent
<b>For the year ended December 31, 2017</b>				
Net (loss) income per share—basic and diluted	\$ (0.21)	\$ (0.09)	\$ (0.20)	\$ (0.18)
Common stock distributions declared	0.67	0.67	1.625	1.367
<b>For the six months ended June 30, 2018</b>				
Net loss per share—basic and diluted	\$ (0.07)	\$ (0.09)	\$ (0.06)	\$ (0.18)
Common stock distributions declared	0.335	0.1675	0.8125	0.342
<b>As of June 30, 2018</b>				
Estimated net asset value per share	\$ 11.05	\$ 11.05	\$ 22.80	\$ 22.54

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#### Comparative PECO and PE REIT II Market Price and Dividend Information

##### *PECO's Market Price and Dividend Data*

	Distributions Declared Per Share	Annualized Rate (at \$10.00 per share)	Amount per \$1,000 Invested
<b>2018</b>			
Second Quarter	\$ 0.1675	6.70%	\$ 16.75
First Quarter	\$ 0.1675	6.70%	\$ 16.75
<b>2017</b>			
Fourth Quarter	\$ 0.1675	6.70%	\$ 16.75
Third Quarter	\$ 0.1675	6.70%	\$ 16.75
Second Quarter	\$ 0.1675	6.70%	\$ 16.75
First Quarter	\$ 0.1675	6.70%	\$ 16.75

<b>2016</b>				
Fourth Quarter	\$	0.1675	6.70%	\$ 16.75
Third Quarter	\$	0.1675	6.70%	\$ 16.75
Second Quarter	\$	0.1675	6.70%	\$ 16.75
First Quarter	\$	0.1675	6.70%	\$ 16.75

There is no established public trading market for shares of PECO common stock. At the close of business on August 28, 2018, the record date for PECO's annual meeting, there were approximately 40,091 holders of record of PECO common stock. The following table sets forth the distributions declared on PECO common stock for the first and second quarters of 2018 and for the 2017 and 2016 fiscal years, which correspond to PECO's respective quarterly fiscal periods for financial reporting purposes.

#### ***PE REIT II's Market Price and Dividend Data***

There is no established public trading market for shares of PE REIT II common stock. At the close of business on August 28, 2018, the record date for PE REIT II's annual meeting, there were approximately 24,480 holders of record of PE REIT II common stock. The following table sets forth the distributions declared on PE REIT II common stock for the first and second quarters of 2018 and for the 2017 and 2016 fiscal years, which correspond to PE REIT II's respective quarterly fiscal periods for financial reporting purposes.

		<b>Distributions Declared Per Share</b>	<b>Annualized Rate (at \$25.00 per share)</b>	<b>Amount per \$1,000 Invested</b>
<b>2018</b>				
Second Quarter	\$	0.40625	6.50%	\$ 16.25
First Quarter	\$	0.40625	6.50%	\$ 16.25
<b>2017</b>				
Fourth Quarter	\$	0.40625	6.50%	\$ 16.25
Third Quarter	\$	0.40625	6.50%	\$ 16.25
Second Quarter	\$	0.40625	6.50%	\$ 16.25
First Quarter	\$	0.40625	6.50%	\$ 16.25
<b>2016</b>				
Fourth Quarter	\$	0.40625	6.50%	\$ 16.25
Third Quarter	\$	0.40625	6.50%	\$ 16.25
Second Quarter	\$	0.40625	6.50%	\$ 16.25
First Quarter	\$	0.40625	6.50%	\$ 16.25

If the Combined Company continues to pay quarterly cash dividends at the rate of \$0.1675 per share, after giving effect to the exchange ratio of 2.04, this dividend, from the perspective of a holder of PE REIT II common stock, would be approximately 15.9% less than PE REIT II's most recent quarterly dividend of \$0.40625 per share.

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#### **RISK FACTORS**

*In addition to the other information included in this joint proxy statement/prospectus, including the matters addressed in the section entitled "Cautionary Statement Concerning Forward-Looking Statements," whether you are a PECO stockholder or a PE REIT II stockholder, you should carefully consider the following risks before deciding how to vote your shares of common stock of PECO and/or PE REIT II. In addition, you should read and consider the risks associated with each of the businesses of PECO and PE REIT II because these risks will also affect the Combined Company. These risks can be found in the respective Annual Reports on Form 10-K for the year ended December 31, 2017 and subsequent Quarterly Reports on Form 10-Q of PECO and PE REIT II. You should also read and consider the other information in this joint proxy statement/prospectus, including the Annexes. See "Where You Can Find More Information" beginning on page [199](#).*

#### **Risks Related to the Mergers**

***The exchange ratio will not be adjusted, other than as expressly contemplated in the merger agreement.***

Upon the consummation of the company merger, each outstanding share of PE REIT II common stock, and each fraction thereof, will be converted automatically into the right to receive 2.04 shares of PECO common stock (or with respect to any fractional share of PE REIT II common stock, that fraction of PECO common stock consistent with the exchange ratio). The exchange ratio of 2.04 will not be adjusted, other than as expressly contemplated in the merger agreement. Except as expressly contemplated in the merger agreement, no change in the exchange ratio will be made for any reason, including the following:

- changes in the respective businesses, operations, assets, liabilities and prospects of PECO and PE REIT II;
- changes in the estimated value per share of either the shares of PECO common stock or PE REIT II common stock;
- interest rates, general market and economic conditions and other factors generally affecting the businesses of PECO and PE REIT II;
- federal, state and local legislation, governmental regulation and legal developments in the businesses in which PECO and PE REIT II operate; and
- other factors beyond the control of PECO and PE REIT II, including those described or referred to elsewhere in this “Risk Factors” section.

***PECO and PE REIT II stockholders will be diluted by the mergers.***

The mergers will dilute the ownership position of PECO stockholders and result in PE REIT II stockholders having an ownership stake in the Combined Company that is smaller than their current stake in PE REIT II. Upon completion of the mergers, we estimate that continuing PECO stockholders will own approximately 71% of the issued and outstanding shares of the Combined Company on a fully diluted basis (determined as if each PECO OP unit were exchanged for one share of PECO common stock), and former PE REIT II stockholders will own approximately 29% of the issued and outstanding shares of the Combined Company on a fully diluted basis (determined as if each PECO OP unit were exchanged for one share of PECO common stock). Consequently, PECO stockholders and PE REIT II stockholders, as a general matter, will have less influence over the management and policies of the Combined Company after the effective time of the company merger than each currently exercises over the management and policies of PECO and/or PE REIT II, as applicable.

***Completion of the mergers is subject to many conditions and if these conditions are not satisfied or waived, the mergers will not be completed, which could result in the requirement that PECO or PE REIT II pay certain termination fees.***

The merger agreement is subject to many conditions which must be satisfied or waived in order to complete the mergers. The mutual conditions of the parties include, among others: (i) the approval by the PE REIT II stockholders of the company merger; (ii) the approval by PECO stockholders of the PECO charter amendment and the company merger; (iii) the absence of any law, order or injunction that would prohibit, restrain, enjoin or make illegal the consummation of the mergers or any judgment, order, decree, award, ruling, decision, verdict, subpoena, injunction or settlement entered, issued, made or rendered by, or any consent agreement, memorandum of understanding or other contract with, any governmental entity (whether temporary, preliminary or permanent) of a court of competent jurisdiction in effect preventing, restraining or enjoining the consummation of the mergers; and (iv) the effectiveness of the registration statement on Form S-4 to be filed by PECO for purposes of registering the PECO common stock to be issued in connection with the company merger. In addition, each party’s obligation to consummate the mergers is subject to certain other conditions, including, among others: (a) the accuracy of the other party’s representations and warranties (subject to customary materiality qualifiers and other customary exceptions); (b) the other party’s compliance with its covenants and agreements contained in the merger agreement (subject to customary materiality qualifiers);

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(c) the absence of any change, event, circumstance or development arising during the period from the date of the merger agreement until the effective time of the company merger that has had or is reasonably likely to have a material adverse effect on the other party; (d) the receipt of an opinion of counsel of the other party to the effect that such party has been organized and has operated in conformity with the requirements for qualification and taxation as a REIT; and (e) the receipt of an opinion of counsel of each party to the effect that the company merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. In addition, PECO’s obligation to consummate the mergers is also subject to certain other conditions, including, among others, receipt of reasonable evidence that all applicable lender(s), administrative agents, rating agencies, and/or servicers with respect to certain loan documents have affirmatively consented to the mergers (or waived their right to approve or consent to the mergers) and any amendments and/or modification to certain other loan documents. For a more complete summary of the conditions that must be satisfied or waived prior to completion of the mergers, see “The Merger Agreement—Conditions to Completion of the Mergers” beginning on page [181](#).

There can be no assurance that the conditions to closing of the mergers will be satisfied or waived or that the mergers will be completed. Failure to consummate the mergers may adversely affect PECO’s or PE REIT II’s results of operations and business prospects for the following reasons, among others: (i) each of PECO and PE REIT II will incur certain transaction costs, regardless of whether the proposed mergers close, which could adversely affect each company’s financial condition, results of operations and ability to make distributions to its stockholders; and (ii) the mergers, whether or not they close, will divert the attention of certain management and other key employees of PECO and PE REIT II from ongoing business activities, including the pursuit of other opportunities that could be beneficial to PECO or PE REIT II, respectively. In addition, PECO or PE REIT II may terminate the merger agreement under certain circumstances, including, among other reasons, if the mergers are not completed by the Outside Date. If the merger agreement is terminated under certain circumstances specified in the merger agreement, PECO may be required to pay PE REIT

II a termination fee of \$75,620,000, and PE REIT II may be required to pay PECO a termination fee of \$15,850,000, in connection with the go shop process, or of \$31,700,000 otherwise. If the mergers are not consummated, the ongoing businesses of PECO and PE REIT II could be adversely affected. See “The Merger Agreement—Termination of the Merger Agreement” beginning on page [182](#).

***The limited partners of PECO OP will vote on a proposal to approve the mergers, which may reduce the likelihood of the mergers being consummated, even if the company merger has been approved by the stockholders of PECO and PE REIT II.***

The merger agreement provides that PECO will use its reasonable best efforts to obtain the approval of the limited partners of PECO OP to the mergers. To obtain such approval of the limited partners of PECO OP, PECO must obtain the affirmative vote of a majority of the votes cast by the holders of PECO OP units (including PECO and its subsidiaries) entitled to vote on the mergers. For purposes of that vote, PECO is not entitled to vote its PECO OP units and instead is deemed to have cast its votes in proportion to the manner in which all outstanding shares of PECO common stock were voted in the PECO annual meeting for the proposal to approve the company merger and the other transactions contemplated by the merger agreement.

The limited partners of PECO OP may have interests in the mergers that differ from those of the PECO stockholders, and there can be no assurance that PECO will be able to obtain the approval of the limited partners of PECO OP to the mergers. As a result, if a sufficient number of limited partners of PECO OP oppose the mergers, the consummation of the mergers may be materially delayed and/or prevented from occurring, even if the PECO stockholder approval and the PE REIT merger approval have been obtained.

***Failure to complete the mergers could negatively impact the future business and financial results of both PECO and PE REIT II.***

If the mergers are not completed, the ongoing businesses of PECO and PE REIT II could be adversely affected and each of PECO and PE REIT II will be subject to a variety of risks associated with the failure to complete the mergers, including the following:

- PE REIT II being required, under certain circumstances, to pay to PECO a termination fee of \$15,850,000, in connection with the go shop process, or of \$31,700,000 otherwise;
- PECO being required, under certain circumstances, to pay to PE REIT II a termination fee of \$75,620,000;
- PECO and/or PE REIT II having to pay certain costs relating to the proposed mergers, such as legal, accounting, financial advisor, filing, printing and mailing fees; and
- the diversion of PECO and PE REIT II management focus and resources from operational matters and other strategic opportunities while working to implement the mergers.

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If the mergers are not completed, these risks could materially affect the business and financial results of both PECO and PE REIT II.

***The pendency of the mergers could adversely affect the business and operations of PECO and PE REIT II.***

Prior to the effective time of the company merger, some customers, prospective customers or vendors of each of PECO and PE REIT II may delay or defer decisions, which could negatively affect the revenues, earnings, cash flows and expenses of PECO and PE REIT II, regardless of whether the mergers are completed. Similarly, current and prospective employees of PECO may experience uncertainty about their future roles with the Combined Company following the mergers, which may materially adversely affect the ability of PECO to attract and retain key personnel during the pendency of the mergers. In addition, due to operating restrictions in the merger agreement, each of PECO and PE REIT II may be unable, during the pendency of the mergers, to pursue strategic transactions, undertake significant capital projects, undertake certain significant financing transactions and otherwise pursue other actions, even if such actions would prove beneficial.

***The merger agreement contains provisions that could discourage a potential competing acquirer of PE REIT II after the go shop period end time or could result in a competing acquisition proposal being at a lower price than it might otherwise be.***

The merger agreement contains provisions that, subject to limited exceptions necessary to comply with the duties of the PE REIT II Board and the PE REIT II Special Committee, restrict the ability of PE REIT II to, after the go shop period end time, solicit, initiate or knowingly facilitate any third party proposals to acquire beneficial ownership of at least 20% of the assets of, equity interest in, or businesses of, PE REIT II. Prior to receiving PE REIT II merger approval, PE REIT II may negotiate with a third party after receiving an unsolicited written proposal if the PE REIT II Board determines in good faith, after consultation with its financial advisors and outside legal counsel, that the unsolicited proposal would reasonably be likely to result in a transaction that is more favorable to the PE REIT II stockholders from a financial point of view than the mergers. Once a third party proposal is received, PE REIT II must notify PECO within 24 hours following receipt of the proposal and keep PECO informed of the status and terms of the proposal and associated negotiations. In response to such a proposal, PE REIT II may, under certain circumstances, withdraw or modify its recommendation to PE REIT II stockholders with respect to the mergers, and enter into an agreement to consummate a competing transaction with a third party, if each of the PE REIT II Board and the PE REIT II Special Committee determines in good faith, after consultation with their financial advisors and outside legal counsel, that the competing proposal is more favorable to PE REIT II

stockholders from a financial point of view and that failure to take such action would be inconsistent with its duties under applicable law, and PE REIT II pays the \$15,850,000 termination fee (in the case of a termination in connection with the “go shop” process) or \$31,700,000 (in the case of termination in certain other circumstances by PE REIT II) to PECO. See “The Merger Agreement—Covenants and Agreements—No Solicitation and Change in Recommendation with Competing Proposal” beginning on page [171](#) and “The Merger Agreement—Termination of the Merger Agreement” beginning on page [182](#).

These provisions could discourage a potential competing acquirer that might have an interest in acquiring all or a significant part of PE REIT II from considering or proposing such an acquisition, even if the potential competing acquirer was prepared to pay consideration with a higher per share value than the value proposed to be received or realized in the mergers, or might result in a potential competing acquirer proposing to pay a lower per share value than it might otherwise have proposed to pay because of the added expense of the termination fee that may become payable in certain circumstances under the merger agreement.

***The merger agreement contains provisions that grant the PE REIT II Board and the PECO Board a general ability to terminate the merger agreement based on the exercise of the directors’ duties.***

Either PE REIT II or PECO may terminate the merger agreement, subject to the terms thereof, in response to a material event, circumstance, change or development that was not known to the applicable entity’s board of directors prior to the execution of the merger agreement (or if known, the consequences of which were not known or reasonably foreseeable), which event, circumstance, change or development, or any material consequence thereof, becomes known to the applicable entity’s board of directors prior to the effective time of the merger if the applicable entity’s board of directors determines in good faith, after consultation with its outside legal counsel, that failure to change its recommendation with respect to the mergers (and, in the case of the PECO Board, with respect to the PECO charter amendment) would be inconsistent with the directors’ duties under applicable law. If the merger is not completed, the ongoing businesses of PE REIT II and PECO could be adversely affected.

***The pendency of the mergers could discourage a potential acquirer of PECO or could result in an offer being at a lower purchase multiple than it might otherwise be.***

A potential acquirer that might have interest in acquiring PECO or all or substantially all of PECO’s assets may be discouraged from considering, proposing or otherwise pursuing such an acquisition because of the pendency of the mergers and the transactions contemplated by the merger agreement. While the merger agreement permits PECO to agree to a merger,

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consolidation or recapitalization in a manner that would not materially and adversely affect the economic benefits of the mergers to the PE REIT II stockholders or materially delay or impair the ability of PECO and PECO OP to consummate the mergers, a potential acquirer may be discouraged by the obligation to be bound by the terms of the merger agreement in connection with a potential acquisition of PECO. A potential acquirer that might be interested in acquiring PECO may not be interested during the pendency of the mergers to pursue an acquisition of PECO given the increased regulatory issues associated with the mergers (and the other transactions contemplated by the merger agreement) and/or other obligations and issues related to acquiring the larger Combined Company, instead of PECO as a standalone business. A potential acquirer may also offer a lower per share value to the PECO stockholders than it might otherwise have proposed to pay because of the added risks surrounding the present transaction and the obligation to be bound by the terms of the merger agreement if an acquisition of PECO were completed prior to the closing of the mergers.

***If the mergers are not consummated by the Outside Date, either PECO or PE REIT II may terminate the merger agreement.***

Either PECO or PE REIT II may terminate the merger agreement if the mergers have not been consummated by the Outside Date. However, this termination right will not be available to a party if that party failed to fulfill its obligations under the merger agreement and that failure was a principal cause of, or resulted in, the failure to consummate the mergers.

***Some of the directors of PE REIT II have interests in the mergers that are different from, or in addition to, those of the other PE REIT II stockholders.***

Some of the directors of PE REIT II have arrangements that provide them with interests in the mergers that are different from, or in addition to, those of the PE REIT II stockholders, generally. These interests include, among other things, continued service as a director of the Combined Company. These interests, among other things, may influence or may have influenced the directors of PE REIT II to support or approve the company merger.

***The mergers will result in changes to the board of directors of the Combined Company.***

Upon completion of the mergers, the composition of the board of directors of the Combined Company will be different than the current PECO Board and the PE REIT II Board. The PECO Board currently consists of five directors and upon the consummation of the mergers, all of the directors of PECO immediately prior to the effective time of the company merger and two independent directors of PE REIT II, David W. Garrison and John A. Strong, are expected to comprise the board of directors of the Combined Company after the effective time of the company merger. Each of Mr. Garrison and Dr. Strong is currently a member of the PE REIT II Board and has

been nominated for reelection at the PE REIT II annual meeting. This new composition of the board of directors of the Combined Company may affect the future decisions of the Combined Company.

### **Risks Related to the Combined Company Following the Mergers**

#### ***The Combined Company will have substantial indebtedness upon completion of the mergers.***

In connection with the mergers, the Combined Company will assume and/or refinance certain indebtedness of PE REIT II and will be subject to risks associated with debt financing, including a risk that the Combined Company's cash flow could be insufficient to meet required payments on its debt. On June 30, 2018, PECO had indebtedness of \$1.8 billion, comprised of \$1.3 billion of outstanding unsecured debt, including \$46.6 million of outstanding borrowings under its revolving credit facility, a total of \$595.7 million of outstanding mortgage debt, and \$690,000 of capital leases. After giving effect to the mergers, the Combined Company's total pro forma consolidated indebtedness will increase. Taking into account PECO's existing indebtedness, transaction expenses, and the assumption and/or refinancing of indebtedness in the mergers, the Combined Company's pro forma consolidated indebtedness as of June 30, 2018, after giving effect to the mergers, would be approximately \$2.7 billion. The combined indebtedness is comprised of \$1.9 billion of outstanding unsecured debt, including \$132.0 million of outstanding borrowings under its revolving credit facility and a total of \$743.2 million of outstanding mortgage debt, and \$690,000 of capital leases. As of June 30, 2018, the latest practicable date before the date of this joint proxy statement/prospectus, PECO had an outstanding balance of \$46.6 million for its revolving credit facility, and PE REIT II had an outstanding balance of \$85.4 million for its revolving credit facility.

The Combined Company's indebtedness could have important consequences to holders of its common stock and preferred stock, if any, including PE REIT II stockholders who receive PECO common stock in the mergers, including:

- vulnerability of the Combined Company to general adverse economic and industry conditions;
- limiting the Combined Company's ability to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements;

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- requiring the use of a substantial portion of the Combined Company's cash flow from operations for the payment of principal and interest on its indebtedness, thereby reducing its ability to use its cash flow to fund working capital, acquisitions, capital expenditures and general corporate requirements;
- limiting the Combined Company's flexibility in planning for, or reacting to, changes in its business and its industry; and
- putting the Combined Company at a disadvantage compared to its competitors with less indebtedness.

If the Combined Company defaults under a mortgage loan, it will automatically be in default under any other loan that has cross-default provisions, and it may lose the properties securing these loans.

#### ***The future results of the Combined Company will suffer if the Combined Company does not effectively manage its expanded operations following the mergers.***

Following the mergers, the Combined Company expects to continue to expand its operations through additional acquisitions, some of which may involve complex challenges. The future success of the Combined Company will depend, in part, upon the ability of the Combined Company to manage its expansion opportunities, which may pose substantial challenges for the Combined Company to integrate new operations into its existing business in an efficient and timely manner, and upon its ability to successfully monitor its operations, costs, regulatory compliance and service quality, and to maintain other necessary internal controls. There is no assurance that the Combined Company's expansion or acquisition opportunities will be successful, or that the Combined Company will realize its expected operating efficiencies, cost savings, revenue enhancements, synergies or other benefits.

#### ***Counterparties to certain significant agreements with PECO or PE REIT II may exercise contractual rights under such agreements in connection with the mergers.***

PECO and PE REIT II are each party to certain agreements that give the counterparty certain rights following a "change in control," including in some cases the right to terminate the agreement. Under some such agreements, the mergers may constitute a change in control and therefore the counterparty may exercise certain rights under the agreement upon the closing of the mergers. Any such counterparty may request modifications of its agreements as a condition to granting a waiver or consent under its agreements. There can be no assurances that such counterparties will not exercise their rights under these agreements, including termination rights where available, or that the exercise of any such rights under, or modification of, these agreements will not adversely affect the business or operations of the Combined Company.

#### ***After the mergers are completed, PE REIT II stockholders who receive shares of PECO common stock in the mergers will have different rights that may be less favorable than their current rights as PE REIT II stockholders.***

After the closing of the mergers, PE REIT II stockholders who receive shares of PECO common stock in the mergers will have

different rights than they currently have as PE REIT II stockholders. For a detailed discussion of the significant differences between the current rights as a stockholder of PE REIT II and the rights as a stockholder of the Combined Company following the mergers, see “Comparison of Rights of the PECO Stockholders and the PE REIT II Stockholders” beginning on page [191](#).

***If the PECO charter amendment is approved and effectuated, PECO (or, if the mergers are consummated, the Combined Company) will not be required to effect a liquidity event by February 2019. If PECO (or, if the mergers are consummated, the Combined Company) does not successfully implement a liquidity transaction, stockholders may have to hold their investment for an indefinite period.***

There currently is no public trading market for shares of PECO common stock. If the PECO charter amendment is approved, and the Articles of Amendment are accepted for record by the State Department of Assessments and Taxation of Maryland (“SDAT”), there will be no requirement that PECO (or, if the mergers are consummated, the Combined Company) effect a liquidity event by February 2019. In the future, the PECO Board (or, if the mergers are consummated, the board of directors of the Combined Company) may consider various forms of liquidity, each of which is referred to as a liquidity event, including, but not limited to: (i) the listing of shares of common stock on a national securities exchange; (ii) the sale of all or substantially all of the assets of PECO (or, if the mergers are consummated, the Combined Company); (iii) a sale or merger that would provide stockholders of PECO (or, if the mergers are consummated, the Combined Company) with cash and/or securities of a publicly traded company; or (iv) the dissolution of PECO (or, if the mergers are consummated, the Combined Company). If the PECO charter amendment is effected, there can be no assurance that PECO (or, if the mergers are consummated, the Combined Company) will cause a liquidity event to occur by February 2019. If PECO does not pursue a liquidity transaction, shares of PECO common stock, including any shares issued in connection with the company merger, may continue to be illiquid and stockholders may, for an indefinite period of time, be unable to easily convert their investment to cash and could suffer losses on their investments.

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***If and when the Combined Company completes a liquidity event, the market value ascribed to the shares of common stock of the Combined Company upon the liquidity event may be significantly lower than the estimated net asset value per share of PECO and PE REIT II considered by their respective boards of directors in approving and recommending the mergers.***

In approving and recommending the mergers, the PECO Board, the PE REIT II Board, and the PE REIT II Special Committee, considered the most recent estimated value per share of PECO and PE REIT II as determined by their respective boards of directors with the assistance of their respective third party valuation experts. The estimated value per share of PECO, which will be the surviving company in the company merger, will not be updated in connection with the consummation of the mergers. In the event that the Combined Company completes a liquidity event after consummation of the mergers, such as a listing of its shares on a national securities exchange, a merger in which stockholders of the Combined Company receive securities that are listed on a national securities exchange, or a sale of the Combined Company for cash, the market value of the shares of the Combined Company upon consummation of such liquidity event may be significantly lower than the current estimated values considered by the PECO Board, the PE REIT II Board and the PE REIT II Special Committee and the estimated value per share of PECO that may be reflected on the account statements of stockholders of the Combined Company after consummation of the mergers. For example, if the shares of the Combined Company are listed on a national securities exchange at some point after the consummation of the mergers, the trading price of the shares may be significantly lower than the current PECO estimated value per share of \$11.05.

***The Combined Company cannot assure you that it will be able to continue paying dividends at or above the rates currently paid by PECO and PE REIT II.***

The stockholders of the Combined Company may not receive dividends at the same rate they received dividends as PECO stockholders and as PE REIT II stockholders following the mergers for various reasons, including the following:

- the Combined Company may not have enough cash to pay such dividends due to changes in the Combined Company’s cash requirements, capital spending plans, cash flow or financial position;
- decisions on whether, when and in which amounts to make any future distributions will remain at all times entirely at the discretion of the Combined Company’s board of directors, which reserves the right to change PECO’s current dividend practices at any time and for any reason;
- the Combined Company may desire to retain cash to maintain or improve its credit ratings; and
- the amount of dividends that the Combined Company’s subsidiaries may distribute to the Combined Company may be subject to restrictions imposed by state law, restrictions that may be imposed by state regulators, and restrictions imposed by the terms of any current or future indebtedness that these subsidiaries may incur.

Stockholders of the Combined Company will have no contractual or other legal right to dividends that have not been authorized by the Combined Company’s board of directors and declared by the Combined Company.

***The Combined Company may need to incur additional indebtedness in the future.***

In connection with executing the Combined Company's business strategies following the mergers, the Combined Company expects to evaluate the possibility of additional acquisitions and strategic investments, and the Combined Company may elect to finance these endeavors by incurring additional indebtedness. The amount of such indebtedness could have material adverse consequences for the Combined Company, including hindering the Combined Company's ability to adjust to changing market, industry or economic conditions; limiting the Combined Company's ability to access the capital markets to refinance maturing debt or to fund acquisitions or emerging businesses; limiting the amount of free cash flow available for future operations, acquisitions, dividends, stock repurchases or other uses; making the Combined Company more vulnerable to economic or industry downturns, including interest rate increases; and placing the Combined Company at a competitive disadvantage compared to less leveraged competitors.

***The historical and unaudited pro forma combined financial information included elsewhere in this joint proxy statement/prospectus may not be representative of the Combined Company's results following the effective time of the company merger, and accordingly, you have limited financial information on which to evaluate the Combined Company.***

The unaudited pro forma combined financial information included elsewhere in this joint proxy statement/prospectus has been presented for informational purposes only and is not necessarily indicative of the financial position or results of operations that actually would have occurred had the mergers been completed as of the date indicated, nor is it indicative of the future operating results or financial position of the Combined Company. The unaudited pro forma combined financial information does not reflect future events that may occur after the effective time of the company merger, including the costs related to the

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planned integration of the two companies and any future nonrecurring charges resulting from the mergers, and does not consider potential impacts of current market conditions on revenues or expense efficiencies. The unaudited pro forma combined financial information presented elsewhere in this joint proxy statement/prospectus is based in part on certain assumptions regarding the mergers that PECO and PE REIT II believe are reasonable under the circumstances. PECO and PE REIT II cannot assure you that the assumptions will prove to be accurate over time.

***The Combined Company may incur adverse tax consequences if PECO or PE REIT II has failed or fails to qualify as a REIT for U.S. federal income tax purposes.***

Each of PECO and PE REIT II has operated in a manner that it believes has allowed it to qualify as a REIT for U.S. federal income tax purposes under the Code and intends to continue to do so through the time of the company merger. Following the company merger, the Combined Company intends to operate in such a manner. Neither PECO nor PE REIT II has requested or plans to request a ruling from the Internal Revenue Service, or the IRS, that it qualifies as a REIT. Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The complexity of these provisions and of the applicable Treasury Regulations is greater in the case of a REIT, like each of PECO and PE REIT II, that holds its assets through a partnership. The determination of various factual matters and circumstances not entirely within the control of PECO or PE REIT II may affect its ability to qualify as a REIT. In order to qualify as a REIT, each of PECO or PE REIT II must satisfy a number of requirements, including requirements regarding the ownership of its stock and the composition of its gross income and assets. Also, a REIT must make distributions to stockholders aggregating annually at least 90% of its net taxable income, excluding any net capital gains.

If PECO (or, following the company merger, the Combined Company) loses its REIT status, or is determined to have lost its REIT status in a prior year, it will face serious tax consequences that would substantially reduce its cash available for distribution, including cash available to pay dividends to its stockholders, because:

- it would be subject to U.S. federal corporate income tax on its net income for the years it did not qualify for taxation as a REIT (and, for such years, would not be allowed a deduction for dividends paid to stockholders in computing its taxable income);
- it could be subject to the federal alternative minimum tax for taxable years prior to 2018 and possibly increased state and local taxes for such periods;
- unless it is entitled to relief under applicable statutory provisions, neither it nor any "successor" company could elect to be taxed as a REIT until the fifth taxable year following the year during which it was disqualified; and
- for five years following re-election of REIT status, upon a taxable disposition of an asset owned as of such re-election, it could be subject to corporate level tax with respect to any built-in gain inherent in such asset at the time of re-election.

PECO currently owns an entity and may acquire direct or indirect interests in additional entities that, in each case, have elected or will elect to be taxed as REITs under the Code (each, a "Subsidiary REIT"). A Subsidiary REIT is subject to the various REIT qualification requirements and other limitations described herein that are applicable to PECO. If a Subsidiary REIT were to fail to qualify as a REIT, then (i) that Subsidiary REIT would become subject to federal income tax, (ii) shares in such Subsidiary REIT would cease to be qualifying assets for purposes of the asset tests applicable to REITs, and (iii) it is possible that PECO would fail certain of the asset tests applicable to REITs, in which event PECO would fail to qualify as a REIT unless it could avail itself of certain relief provisions.

Even if PECO (or, following the company merger, the Combined Company) retains its REIT status, if PE REIT II is determined to have lost its REIT status for a taxable year ending on or before the company merger, PE REIT II would be subject to adverse tax consequences similar to those described above. This could substantially reduce the Combined Company's cash available for distribution, including cash available to pay dividends to its stockholders, because, assuming that the Combined Company otherwise maintains its REIT qualification:

- the Combined Company would be subject to corporate level tax with respect to the built-in gain on each asset of PE REIT II existing at the time of the company merger if the Combined Company were to dispose of the PE REIT II asset during the five-year period following the company merger;

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- the Combined Company would succeed to any earnings and profits accumulated by PE REIT II for taxable periods that it did not qualify as a REIT, and the Combined Company would have to pay a special dividend and/or employ applicable deficiency dividend procedures (including interest payments to the IRS) to eliminate such earnings and profits (or if the Combined Company does not timely distribute those earnings and profits, the Combined Company could fail to qualify as a REIT); and
- if PE REIT II incurred any unpaid tax liabilities prior to the company merger, those tax liabilities would be transferred to the Combined Company as a result of the company merger.

If there is an adjustment to PE REIT II's taxable income or dividends paid deductions, the Combined Company could elect to use the deficiency dividend procedure in order to maintain PE REIT II's REIT status. That deficiency dividend procedure could require the Combined Company to make significant distributions to its stockholders and to pay significant interest to the IRS.

As a result of all these factors, PECO's (or following the company merger, the Combined Company's) or PE REIT II's failure to qualify as a REIT could impair the Combined Company's ability to expand its business and have other material adverse effects on the Combined Company. In addition, for years in which the Combined Company does not qualify as a REIT, it would not otherwise be required to make distributions to stockholders.

***In certain circumstances, even if the Combined Company qualifies as a REIT, it and its subsidiaries may be subject to certain U.S. federal, state, and other taxes, which would reduce the Combined Company's cash available for distribution to its stockholders.***

Even if the Combined Company has qualified and continues to qualify as a REIT, it may be subject to some U.S. federal, state and local taxes on its income or property and, in certain cases, a 100% penalty tax, in the event it sells property as a dealer. In addition, the Combined Company's taxable REIT subsidiaries ("TRSs") could be subject to U.S. federal and state taxes. Any U.S. federal, state or other taxes the Combined Company pays will reduce its cash available for distribution to stockholders. See "The Mergers—U.S. Federal Income Tax Considerations—Material U.S. Federal Income Tax Considerations Applicable to Holders of the Combined Company Common Stock—Taxation of the Combined Company—General" beginning on page [144](#).

***If the company merger does not qualify as a tax-free reorganization, there may be adverse tax consequences.***

The company merger is intended to qualify as a tax-free reorganization within the meaning of Section 368(a) of the Code. The closing of the mergers is conditioned on the receipt by each of PECO and PE REIT II of an opinion of its counsel to the effect that the company merger will qualify as a tax-free reorganization within the meaning of Section 368(a) of the Code. If the company merger were to fail to qualify as a tax-free reorganization, then each PE REIT II stockholder generally would recognize gain or loss, as applicable, equal to the difference between (i) the sum of the fair market value of the shares of PECO common stock received by the PE REIT II stockholder in the company merger; and (ii) the PE REIT II stockholder's adjusted tax basis in its PE REIT II common stock.

***If the company merger qualifies as a tax-free reorganization, the Combined Company's stockholders may be subject to less favorable tax consequences with respect to the Combined Company's distributions than if the company merger were a taxable transaction.***

If the company merger qualifies as a tax-free reorganization, the tax basis of the PE REIT II assets in the hands of PE REIT II will carry over to the Combined Company for U.S. federal income tax purposes. However, if the PE REIT II assets had been acquired from PE REIT II in a taxable transaction, their tax basis would reflect their fair market value. Because the fair market value of the PE REIT II assets will exceed their tax basis at the time of the company merger, the Combined Company may have lower future depreciation deductions and may recognize higher gains on the taxable sales of its assets if the company merger qualifies as a tax-free reorganization than if the company merger were a taxable transaction. As a result, the Combined Company's earnings and profits may be increased for future taxable years, and the Combined Company's stockholders may be required to treat more of the Combined Company's distributions as taxable dividends, rather than as a return of basis or as capital gain, than if the company merger were a taxable transaction. For a more detailed discussion of the tax treatment of the Combined Company's distributions, see "The Mergers—U.S. Federal Income Tax Considerations—Material U.S. Federal Income Tax Considerations Applicable to Holders of the

***The Combined Company depends on key personnel for its future success, and the loss of key personnel or inability to attract and retain personnel could harm the Combined Company’s business.***

The future success of the Combined Company depends in large part on its ability to hire and retain a sufficient number of qualified personnel. The future success of the Combined Company also depends upon the service of the Combined Company’s executive officers, who have extensive market knowledge and relationships and will exercise substantial influence over the

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Combined Company’s operational, financing, acquisition and disposition activity. Among the reasons that they are important to the Combined Company’s success is that each has a national or regional industry reputation that is expected to attract business and investment opportunities and assist the Combined Company in negotiations with lenders, existing and potential tenants and industry personnel.

Many of the Combined Company’s other key executive personnel, particularly its senior managers, also have extensive experience and strong reputations in the industry. In particular, the extent and nature of the relationships that these individuals have developed with financial institutions and existing and prospective customers is critically important to the success of the Combined Company’s business. The loss of services of one or more members of the Combined Company’s senior management team, or the Combined Company’s inability to attract and retain highly qualified personnel, could adversely affect the Combined Company’s business, diminish the Combined Company’s investment opportunities and weaken its relationships with lenders, business partners, existing and prospective customers and industry personnel, which could materially and adversely affect the Combined Company.

Key employees may depart either before or after the mergers because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with the Combined Company following the mergers. Accordingly, no assurance can be given that PECO or, following the mergers, the Combined Company will be able to retain key employees to the same extent as in the past.

### **Risks Related to PECO’s Structure and an Investment in PECO**

***Because no public trading market for shares of PECO common stock currently exists, it is difficult for the PECO stockholders to sell their shares and, if the PECO stockholders are able to sell their shares, it may be at a discount to the public offering price.***

There is no public market for shares of PECO common stock. Until shares of PECO common stock are listed, if ever, stockholders may not sell their shares unless the buyer meets the applicable suitability and minimum purchase standards. Under PECO’s share repurchase program, PECO repurchases shares at a price in place at the time of the repurchase and not based on the price at which you initially purchased your shares. It is likely PECO will repurchase fewer shares than have been requested to be repurchased due to lack of readily available funds under its share repurchase program. Further, PECO’s share repurchase program includes numerous restrictions that would limit a stockholder’s ability to sell his or her shares to PECO. These restrictions have limited PECO from repurchasing shares submitted to PECO under its share repurchase program in the past and may do so again in the future.

Therefore, it is difficult for the PECO stockholders to sell their shares promptly or at all. If a PECO stockholder is able to sell his or her shares of PECO common stock, it may be at a discount to the public offering price of such shares. It is also likely that shares of PECO common stock would not be accepted as the primary collateral for a loan.

Because of the illiquid nature of shares of PECO common stock, investors should purchase shares of PECO common stock only as a long-term investment and be prepared to hold them for an indefinite period of time.

***The PECO stockholders may not be able to sell their shares under PECO’s share repurchase program and, if they are able to sell their shares under the program, they may not be able to recover the amount of their investment in shares of PECO common stock.***

PECO’s share repurchase program includes numerous restrictions that limit the PECO stockholders’ ability to sell their shares. During any calendar year, PECO may repurchase no more than 5% of the weighted-average number of shares outstanding during the prior calendar year. The PECO stockholders must hold their shares for at least one year in order to participate in PECO’s share repurchase program, except for repurchases sought upon a stockholder’s death or “qualifying disability.” The cash available for redemption on any particular date is generally limited to the proceeds from PECO’s dividend reinvestment plan during the period consisting of the preceding four fiscal quarters, less any cash already used for redemptions since the start of the same period; however, subject to the limitations described above, PECO may use other sources of cash at the discretion of the PECO Board. These limitations do not, however, apply to repurchases sought upon a stockholder’s death or “qualifying disability.” Only those stockholders who purchased their shares from PECO or received their shares from PECO (directly or indirectly) through one or more non-cash transactions may be able to participate in PECO’s share repurchase program. In other words, once shares of PECO common stock are transferred for value by a stockholder, the transferee and all subsequent holders of the shares are not eligible to participate in PECO’s share repurchase program. These limits may prevent PECO from accommodating all repurchase requests made in any year. For example, in 2017, repurchase requests exceeded the funding limits provided under PECO’s share repurchase program, and PECO

was unable to repurchase all of the shares submitted to it. These restrictions would severely limit the PECO stockholders' ability to sell their shares should they require liquidity and would limit their ability to recover the value they invested.

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In addition, the repurchase price per share for all stockholders under PECO's share repurchase program is equal to the estimated value per share as determined periodically by the PECO Board, which is currently \$11.05. The actual value per share as of the date on which an investor makes a repurchase request may be significantly different than the repurchase price such investor receives.

***PECO uses an estimated value of shares of PECO common stock that is based on a number of assumptions that may not be accurate or complete and is also subject to a number of limitations.***

To assist members of the Financial Industry Regulatory Authority ("FINRA") and their associated persons that participated in PECO's initial public offering, pursuant to applicable FINRA and National Association of Securities Dealers ("NASD") conduct rules, PECO discloses in each annual report distributed to PECO stockholders a per share estimated value of shares of PECO common stock, the method by which it was developed, and the date of the data used to develop the estimated value. For this purpose, PECO initially estimated the value of shares of PECO common stock as \$10.00 per share based on the offering price of shares of PECO common stock in PECO's initial public offering of \$10.00 per share (ignoring purchase price discounts for certain categories of purchasers). Effective May 9, 2018, the PECO Board approved an estimated value per share of PECO common stock of \$11.05 based on the estimated fair value range of PECO's real estate portfolio as indicated in a third-party valuation report plus the value of PECO's cash and cash equivalents less the value of PECO's mortgages and loans payable as of March 31, 2018.

PECO's estimated value per share is based upon a number of estimates and assumptions that may not be accurate or complete. Different parties with different assumptions and estimates could derive a different estimated value per share, and this difference could be significant. The estimated value per share is not audited and does not represent a determination of the fair value of PECO's assets or liabilities based on GAAP, nor does it represent a liquidation value of PECO's assets and liabilities or the amount at which shares of PECO common stock would trade if they were listed on a national securities exchange. Accordingly, with respect to the estimated value per share, there can be no assurance that:

- a stockholder would be able to resell his or her shares at the estimated value per share;
- a stockholder would ultimately realize distributions per share equal to PECO's estimated value per share upon liquidation of PECO's assets and settlement of PECO's liabilities or a sale of PECO;
- shares of PECO common stock would trade at the estimated value per share on a national securities exchange;
- a third party would offer the estimated value per share in an arm's-length transaction to purchase all or substantially all shares of PECO common stock;
- an independent third-party appraiser or third-party valuation firm would agree with PECO's estimated value per share; or
- the methodology used to calculate PECO's estimated value per share would be acceptable to FINRA or for compliance with Employee Retirement Income Security Act of 1974 ("ERISA") reporting requirements.

Furthermore, PECO has not made any adjustments to the valuation of its estimated value per share for the impact of other transactions occurring subsequent to May 9, 2018, including, but not limited to, (i) the issuance of common stock under PECO's dividend reinvestment plan, (ii) net operating income earned and dividends declared, (iii) the repurchase of shares and (iv) changes in leases, tenancy or other business or operational changes. The value of shares of PECO common stock will fluctuate over time in response to developments related to individual real estate assets, the management of those assets and changes in the real estate and finance markets. Because of, among other factors, the high concentration of PECO's total assets in real estate and the number of shares of PECO's common stock outstanding, changes in the value of individual real estate assets or changes in valuation assumptions could have a very significant impact on the value of shares of PECO common stock. In addition, the estimated value per share reflects a real estate portfolio premium as opposed to the sum of the individual property values. The estimated value per share also does not take into account any disposition costs or fees for real estate properties, debt prepayment penalties that could apply upon the prepayment of certain of PECO's debt obligations or the impact of restrictions on the assumption of debt. Accordingly, the estimated value per share of PECO's common stock may or may not be an accurate reflection of the fair market value of the PECO stockholders' investments and will not likely represent the amount of net proceeds that would result from an immediate sale of PECO's assets.

***If PECO pays distributions from sources other than PECO's cash flows from operations, PECO may not be able to sustain PECO's distribution rate, PECO may have fewer funds available for investment in properties and other assets, and the PECO stockholders' overall returns may be reduced.***

PECO's organizational documents permit PECO to pay distributions from any source without limit (other than those limits set forth under Maryland law). To the extent PECO funds distributions from borrowings or the net proceeds from the issuance of securities, as PECO has done, PECO will have fewer funds available for investment in real estate properties and other real estate-related assets, and the PECO stockholders' overall returns may be reduced.

At times, PECO may be forced to borrow funds to pay distributions during unfavorable market conditions or during periods when funds from operations are needed to make capital expenditures and pay other expenses, which could increase PECO's operating costs. Furthermore, if PECO cannot cover PECO's distributions with cash flows from operations, PECO may be unable to sustain PECO's distribution rate. For the six months ended June 30, 2018, PECO paid gross distributions to (i) the PECO stockholders of \$62.7 million, including distributions reinvested through PECO's dividend reinvestment plan of \$24.9 million, and (ii) the OP unit holders of \$14.1 million. For the six months ended June 30, 2018, PECO's net cash provided by operating activities was \$77.8 million, which represents an excess of \$1.0 million, or 1.3% of PECO's distributions paid, while PECO's FFO attributable to stockholders and convertible noncontrolling interests was \$79.1 million, which represents an excess of \$2.3 million, or 2.9%, of the distributions paid.

***The actual value of shares that PECO repurchases under PECO's share repurchase program may be less than what PECO pays.***

PECO repurchases shares under its share repurchase program at the estimated value per share of PECO common stock. This value is likely to differ from the price at which a stockholder could resell his or her shares. Thus, when PECO repurchases shares of PECO common stock, the repurchase may be dilutive to the remaining PECO stockholders.

***PECO recently transitioned to a self-managed real estate investment trust and has limited operating experience being self-managed.***

Effective October 4, 2017, PECO transitioned to a self-managed real estate investment trust following the closing of the PELP transaction. While PECO no longer bears the costs of the various fees and expense reimbursements previously paid to PECO's former external advisor and its affiliates, PECO's expenses now include the compensation and benefits of PECO's officers, employees and consultants, as well as overhead previously paid by PECO's former external advisor or their affiliates. PECO's employees now provide PECO services historically provided by PECO's former external advisor and its affiliates. PECO is also now subject to potential liabilities that are commonly faced by employers, such as workers' disability and compensation claims, potential labor disputes, and other employee-related liabilities and grievances, and PECO bears the costs of the establishment and maintenance of any employee compensation plans. In addition, PECO has limited experience operating as a self-managed REIT and PECO may encounter unforeseen costs, expenses, and difficulties associated with providing those services on a self-advised basis. If PECO incurs unexpected expenses as a result of PECO's self-management, PECO's results of operations could be lower than they otherwise would have been. Furthermore, PECO's results of operations following PECO's transition to self-management may not be comparable to PECO's results prior to the transition.

***PECO has agreed to nominate Mr. Edison to the PECO Board for each of the next ten succeeding annual meetings and for Mr. Edison to continue serving as Chairman of the PECO Board until the third anniversary of the closing of the PELP transaction.***

As part of the PELP transaction, PECO has agreed to nominate Mr. Edison to the PECO Board for each of the ten succeeding annual meetings, subject to certain terminating events. As a result, it is possible that Mr. Edison may continue to be nominated as a director in circumstances when the independent directors of the PECO Board would not otherwise have done so.

PECO's bylaws provide that Mr. Edison will continue to serve as Chairman of the PECO Board until October 7, 2020, subject to certain terminating events, including the listing of PECO's common stock on a national securities exchange. As a result, Mr. Edison may continue to serve as Chairman of the PECO Board in circumstances when the independent directors would not otherwise have elected him.

***PECO is subject to conflicts of interest relating to the management of multiple REITs by PECO's officers.***

PECO and its management team serve as the sponsor and advisor of PE REIT II and Phillips Edison Grocery Center REIT III, Inc. ("PE REIT III"). PECO, PE REIT II and PE REIT III have overlapping investment objectives and investment strategies. As a result, PECO may be seeking to acquire properties and real estate-related investments at the same time as PE REIT II

If PECO determines that an investment opportunity may be equally appropriate for more than one entity, then the entity that has had the longest period of time elapse since it was allocated an investment opportunity will be allocated such investment opportunity, subject to an expected right of first offer to be provided to PE REIT III. There can be no assurance that these policies will be adequate to address all of the conflicts that may arise or will address such conflicts in a manner that is favorable to PECO. Further, under PECO's advisory agreements with REIT II and REIT III, PECO receives fees for various services, including, but not limited to, the day-to-day management of the Phillips Edison-sponsored REITs and transaction-related services. The terms of these advisory agreements were not the result of arm's-length negotiations between independent parties and, as a result, the terms of these agreements may not be as favorable to PECO as they would have been if PECO had negotiated these agreements with unaffiliated third parties.

***The PECO OP partnership agreement grants certain rights and protections to the limited partners of PECO OP, which may prevent or delay a change of control transaction that might involve a premium price for shares of PECO common stock.***

The PECO OP partnership agreement grants certain rights and protections to the limited partners of PECO OP, including granting them the right to consent to a change of control transaction. Furthermore, Mr. Edison currently has voting control over approximately 44.73% of the PECO OP units (exclusive of those owned by PECO) and therefore could have a significant influence over votes on change of control transactions.

***PECO's future results will suffer if PECO does not effectively manage PECO's expanded portfolio and operations.***

With the closing of the PELP transaction, PECO has an expanded portfolio and operations, and likely will continue to expand PECO's operations through additional acquisitions and other strategic transactions, some of which may involve complex challenges. PECO's future success will depend, in part, upon PECO's ability to manage expansion opportunities, integrate new operations into PECO's existing business in an efficient and timely manner, successfully monitor PECO's operations, costs, regulatory compliance and service quality and maintain other necessary internal controls.

There can be no assurance, however, regarding when or to what extent PECO will be able to realize the benefits of the PELP transaction, which may be difficult, unpredictable and subject to delays. PECO will be required to devote significant management attention and resources to integrating PECO's business practices and operations with the newly acquired companies. It is possible that the integration process could result in the distraction of PECO's management, the disruption of PECO's ongoing business or inconsistencies in PECO's operations, services, standards, controls, procedures and policies, any of which could adversely affect PECO's ability to maintain relationships with operators, vendors and employees or to fully achieve the anticipated benefits of the PELP transaction. There may also be potential unknown or unforeseen liabilities, increased expenses, or delays associated with integrating the companies PECO acquired in the PELP transaction.

There can be no assurance that PECO's expansion or acquisition opportunities will be successful, or that it will realize PECO's expected operating efficiencies, cost savings, revenue enhancements, synergies or other benefits.

***The tax protection agreement, during its term, could limit PECO OP's ability to sell or otherwise dispose of certain properties and may require PECO OP to maintain certain debt levels that otherwise would not be required to operate its business.***

PECO and PECO OP entered into a tax protection agreement at the closing of the PELP transaction, pursuant to which if PECO OP (i) sells, exchanges, transfers, conveys or otherwise disposes of certain properties in a taxable transaction for a period of ten years commencing on the closing, or (ii) fails, prior to the expiration of such period, to maintain minimum levels of indebtedness that would be allocable to each protected partner for tax purposes or, alternatively, fails to offer such protected partners the opportunity to guarantee specific types of PECO OP's indebtedness in order to enable such partners to continue to defer certain tax liabilities, PECO OP will indemnify each affected protected partner against certain resulting tax liabilities. Therefore, although it may be in the PECO stockholders' best interest for PECO to cause PECO OP to sell, exchange, transfer, convey or otherwise dispose of one of these properties, it may be economically prohibitive for PECO to do so during the 10-year protection period because of these indemnity obligations. Moreover, these obligations may require PECO to cause PECO OP to maintain more or different indebtedness than PECO would otherwise require for PECO's business. As a result, the tax protection agreement will, during its term, restrict PECO's ability to take actions or make decisions that otherwise would be in PECO's best interests.

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### **General Risks Related to Investments in Real Estate**

***Economic and regulatory changes that impact the real estate market generally may decrease the value of PECO's and/or PE REIT II's investments and weaken their respective operating results.***

PECO's and PE REIT II's properties and their performance are subject to the risks typically associated with real estate, including:

- downturns in national, regional, and local economic conditions;
- increased competition for real estate assets targeted by their respective investment strategies;

- adverse local conditions, such as oversupply or reduction in demand for similar properties in an area and changes in real estate zoning laws that may reduce the desirability of real estate in an area;
- vacancies, changes in market rental rates and the need to periodically repair, renovate and re-let space;
- changes in interest rates and the availability of permanent mortgage financing, which may render the sale of a property or loan difficult or unattractive;
- changes in tax, real estate, environmental, and zoning laws;
- periods of high interest rates and tight money supply; and
- the illiquidity of real estate investments generally.

Any of the above factors, or a combination thereof, could result in a decrease in the value of PECO's and/or PE REIT II's investments, which would have an adverse effect on their respective operations, their respective ability to pay distributions to their respective stockholders and on the value of their respective stockholders' investments.

***PECO and PE REIT II depend on their respective tenants for revenue, and, accordingly, their respective revenue and ability to make distributions to their respective stockholders is dependent upon the success and economic viability of their respective tenants.***

PECO and PE REIT II depend upon their respective tenants for revenue. Rising vacancies across commercial real estate result in increased pressure on real estate investors and their property managers to find new tenants and keep existing tenants. A property may incur vacancies either by the expiration of a tenant lease, the continued default of a tenant under its lease or the early termination of a lease by a tenant. If vacancies continue for a long period of time, PECO and/or PE REIT II may suffer reduced revenues resulting in less cash available to distribute to stockholders. In order to maintain tenants, PECO and/or PE REIT II may have to offer inducements, such as free rent and tenant improvements, to compete for attractive tenants. In addition, if PECO and/or PE REIT II is unable to attract additional or replacement tenants, the resale value of the property could be diminished, even below their respective cost to acquire the property, because the market value of a particular property depends principally upon the value of the cash flow generated by the leases associated with that property. Such a reduction on the resale value of a property could also reduce the value of PECO and/or PE REIT II's respective stockholders' investments.

***PECO and PE REIT II's revenue will be affected by the success and economic viability of their respective anchor retail tenants. Their reliance on single or significant tenants in certain buildings may decrease their respective ability to lease vacated space and adversely affect the returns on their respective stockholders' investments.***

In the retail sector, a tenant occupying all or a large portion of the gross leasable area of a retail center, commonly referred to as an anchor tenant, may become insolvent, may suffer a downturn in business, may decide not to renew its lease, or may decide to cease its operations at the retail center but continue to pay rent. Any of these events could result in a reduction or cessation in rental payments to PECO and/or PE REIT II and could adversely affect their respective financial condition. A lease termination or cessation of operations by an anchor tenant could result in lease terminations or reductions in rent by other tenants whose leases may permit cancellation or rent reduction if another tenant terminates its lease or ceases its operations at that shopping center. In such event, PECO and/or PE REIT II (as applicable) may be unable to re-lease the vacated space. Similarly, the leases of some anchor tenants may permit the anchor tenant to transfer its lease to another retailer. The transfer to a new anchor tenant could cause customer traffic in the retail center to decrease and thereby reduce the income generated by that retail center. A lease transfer to a new anchor tenant could also allow other tenants to make reduced rental payments or to terminate their leases. In the event that PECO and/or PE REIT II is unable to re-lease the vacated space to a new anchor tenant in such a situation, the applicable company may incur additional expenses in order to re-model the space to be able to re-lease the space to more than one tenant.

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***E-commerce can have a negative impact on PECO's and/or PE REIT II's respective businesses.***

The use of the internet by consumers continues to gain popularity and the migration towards e-commerce is expected to continue. This increase in internet sales could result in a downturn in the business of PECO's and/or PE REIT II's current tenants in their "brick and mortar" locations and could affect the way future tenants lease space. While PECO (on behalf of itself and the advisor) devotes considerable effort and resources to analyze and respond to tenant trends, preferences and consumer spending patterns, PECO cannot predict with certainty what future tenants will want, what future retail spaces will look like and how much revenue will be generated at traditional "brick and mortar" locations. If PECO and/or PE REIT II is unable to anticipate and respond promptly to trends in the market, their respective occupancy levels and rental amounts may decline.

***If PECO and/or PE REIT II enter into long-term leases with retail tenants, those leases may not result in fair value over time.***

Long-term leases do not typically allow for significant changes in rental payments and do not expire in the near term. If PECO and/or

PE REIT II does not accurately judge the potential for increases in market rental rates when negotiating these long-term leases, significant increases in future property operating costs could result in receiving less than fair value from these leases. Such circumstances would adversely affect PECO's or PE REIT II's, as applicable, revenues and funds available for distribution.

***The bankruptcy or insolvency of a major tenant may adversely impact PECO's and/or PE REIT II's operations and their respective ability to pay distributions to stockholders.***

The bankruptcy or insolvency of a significant tenant or a number of smaller tenants may have an adverse impact on financial condition and PECO and/or PE REIT II's ability to pay distributions to their respective stockholders. Generally, under bankruptcy law, a debtor tenant has 120 days to exercise the option of assuming or rejecting the obligations under any unexpired lease for nonresidential real property, which period may be extended once by the bankruptcy court. If the tenant assumes its lease, the tenant must cure all defaults under the lease and may be required to provide adequate assurance of its future performance under the lease. If the tenant rejects the lease, PECO or PE REIT II, as applicable, will have a claim against the tenant's bankruptcy estate. Although rent owing for the period between filing for bankruptcy and rejection of the lease may be afforded administrative expense priority and paid in full, pre-bankruptcy arrears and amounts owing under the remaining term of the lease will be afforded general unsecured claim status (absent collateral securing the claim). Moreover, amounts owing under the remaining term of the lease will be capped. Other than equity and subordinated claims, general unsecured claims are the last claims paid in a bankruptcy, and therefore, funds may not be available to pay such claims in full.

***PECO and/or PE REIT II may be restricted from re-leasing space at their respective retail properties.***

Leases with retail tenants may contain provisions giving the particular tenant the exclusive right to sell particular types of merchandise or provide specific types of services within the particular retail center. These provisions may limit the number and types of prospective tenants interested in leasing space in a particular retail property.

***In PECO's and/or PE REIT II's due diligence review of potential investments, they may rely on third-party consultants and advisors and representations made by sellers of potential portfolio properties, and they may not identify all relevant facts that may be necessary or helpful in evaluating potential investments.***

Before making investments, PECO and PE REIT II will typically conduct due diligence that they deem reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment, the costs of which will be borne by PECO or PE REIT II, as applicable. Such involvement of third-party advisors or consultants may present a number of risks primarily relating to PECO's or PE REIT II's, as applicable, reduced control of the functions that are outsourced. In addition, if PECO or PE REIT II, as applicable, is unable to timely engage third-party providers, the ability to evaluate and acquire more complex targets could be adversely affected. When conducting due diligence and making an assessment regarding a potential investment, PECO or PE REIT II, as applicable, will rely on the resources available to it, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that PECO or PE REIT II, as applicable, carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being

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successful. There can be no assurance that attempts to provide downside protection with respect to investments, including pursuant to risk management procedures, will achieve their desired effect and potential investors should regard an investment in PECO or PE REIT II, as applicable, as being speculative and having a high degree of risk.

***PECO and/or PE REIT II's properties may be subject to impairment charges.***

PECO and/or PE REIT II routinely evaluate their respective real estate investments for impairment indicators. The judgment regarding the existence of impairment indicators is based on factors such as market conditions, tenant performance and lease structure. For example, the early termination of, or default under, a lease by a tenant may lead to an impairment charge. Since PECO or PE REIT II's, as applicable, investment focus is on properties net leased to a single tenant, the financial failure of, or other default by, a single tenant under its lease may result in a significant impairment loss. If PECO or PE REIT II's, as applicable, determine that an impairment has occurred, PECO or PE REIT II, as applicable, would be required to make a downward adjustment to the net carrying value of the property, which could have a material adverse effect on its results of operations in the period in which the impairment charge is recorded. Negative developments in the real estate market may cause PECO and/or PE REIT II to reevaluate the business and macro-economic assumptions used in its impairment analysis. Changes in PECO and/or PE REIT II's assumptions based on actual results may have a material impact on PECO or PE REIT II's, as applicable, financial statements.

***Changes in supply of or demand for similar real properties in a particular area may increase the price of real properties PECO***

***and/or PE REIT II seek to purchase and decrease the price of real properties when they seek to sell them.***

The real estate industry is subject to market forces. PECO and PE REIT II are unable to predict certain market changes, including changes in supply of, or demand for, similar real properties in a particular area. Any potential purchase of an overpriced asset could decrease their respective rates of return on these investments and result in lower operating results and overall returns to their respective stockholders.

***Uninsured losses relating to real property or excessively expensive premiums for insurance coverage could reduce PECO's and/or PE REIT II's cash flows and the return on their respective stockholders' investments.***

PECO and PE REIT II will attempt to adequately insure all of their respective real properties against casualty losses. There are types of losses, generally catastrophic in nature, such as losses due to wars, acts of terrorism, earthquakes, floods, hurricanes, pollution or environmental matters, that are uninsurable or not economically insurable, or may be insured subject to limitations, such as large deductibles or co-payments. Insurance risks associated with potential acts of terrorism could sharply increase the premiums that PECO and PE REIT II respectively pay for coverage against property and casualty claims. Additionally, mortgage lenders in some cases have begun to insist that commercial property owners purchase coverage against terrorism as a condition for providing mortgage loans. Such insurance policies may not be available at reasonable costs, if at all, which could inhibit PECO's or PE REIT II's, as applicable, ability to finance or refinance its properties. In such instances, PECO or PE REIT II, as applicable, may be required to provide other financial support, either through financial assurances or self-insurance, to cover potential losses. PECO or PE REIT II, as applicable, may not have adequate, or any, coverage for such losses. Changes in the cost or availability of insurance could expose PECO or PE REIT II, as applicable, to uninsured casualty losses. If any of PECO's or PE REIT II's, as applicable, properties incur a casualty loss that is not fully insured, the value of its assets will be reduced by any such uninsured loss, which may reduce the value of PECO's or PE REIT II's, as applicable, stockholders' investments. In addition, other than any working capital reserve or other reserves PECO or PE REIT II, as applicable, may establish, it has no source of funding to repair or reconstruct any uninsured property. Also, to the extent PECO or PE REIT II, as applicable, must pay unexpectedly large amounts for insurance, it could suffer reduced earnings that would result in lower distributions to stockholders. The Terrorism Risk Insurance Act of 2002 is designed for a sharing of terrorism losses between insurance companies and the federal government.

***PECO and/or PE REIT II could become subject to liability for environmental violations, regardless of whether PECO or PE REIT II, as applicable, caused such violations.***

PECO or PE REIT II, as applicable, could become subject to liability in the form of fines or damages for noncompliance with environmental laws and regulations. These laws and regulations generally govern wastewater discharges, air emissions, the operation and removal of underground and above-ground storage tanks, the use, storage, treatment, transportation and disposal of solid hazardous materials, the remediation of contaminated property associated with the disposal of solid and hazardous materials and other health and safety-related concerns. Some of these laws and regulations may impose joint and several liability on tenants, owners or managers for the costs of investigation or remediation of contaminated properties, regardless of fault or the legality of the original disposal. Under various federal, state and local environmental laws, ordinances, and

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regulations, a current or former owner or manager of real property may be liable for the cost to remove or remediate hazardous or toxic substances, wastes, or petroleum products on, under, from, or in such property. These costs could be substantial and liability under these laws may attach whether or not the owner or manager knew of, or was responsible for, the presence of such contamination. Even if more than one person may have been responsible for the contamination, each liable party may be held entirely responsible for all of the clean-up costs incurred.

***Compliance or failure to comply with the Americans with Disabilities Act could result in substantial costs and may decrease cash available for distributions.***

PECO's and PE REIT II's respective properties are, or may become subject to, the Americans with Disabilities Act of 1990, as amended (the "Disabilities Act"). Under the Disabilities Act, all places of public accommodation are required to comply with federal requirements related to access and use by disabled persons. The Disabilities Act's requirements could require removal of access barriers and could result in the imposition of injunctive relief, monetary penalties, or, in some cases, an award of damages. While PECO and PE REIT II attempt to acquire properties that are already in compliance with the Disabilities Act or place the burden of compliance on the seller or other third party, such as a tenant, neither PECO nor PE REIT II can assure its stockholders that it will be able to acquire properties or allocate responsibilities in this manner. Any of PECO's or PE REIT II's funds used for Disabilities Act compliance will reduce its net income and the amount of cash available for distributions to its stockholders.

***PECO and PE REIT II's business and operations would suffer in the event of system failures.***

Despite system redundancy, the implementation of security measures and the existence of a disaster recovery plan for PECO's (on behalf of itself and the advisor) internal information technology systems, PECO's systems are vulnerable to damages from any

number of sources, including computer viruses and other cyber incidents (i.e., an intentional attack or an unintentional event that can include gaining unauthorized access to systems to disrupt operations, corrupt data, or steal confidential information), energy blackouts, natural disasters, terrorism, war, and telecommunication failures. Any system failure that causes interruptions in PECO's or PE REIT II's operations could result in a material disruption to PECO's or PE REIT II's, as applicable, business. PECO or PE REIT II may also incur additional costs to remedy damages caused by such disruptions.

### **Risks Associated with Debt Financing**

***PECO and PE REIT II have incurred mortgage indebtedness, and are likely to incur other indebtedness, which increases their business risks, could hinder their ability to pay distributions, and could decrease the value of their respective stockholders' investment.***

PECO and PE REIT II have obtained, and are likely to continue to obtain, lines of credit and other long-term financing that are secured by its properties and other assets. In some instances, PECO or PE REIT II may acquire real properties by financing a portion of the price of the properties and mortgaging or pledging some or all of the properties purchased as security for that debt. PECO or PE REIT II may also incur mortgage debt on properties that they already own in order to obtain funds to acquire additional properties. In addition, PECO or PE REIT II may borrow as necessary or advisable to ensure that they maintain their respective qualifications as a REIT for U.S. federal income tax purposes, including borrowings to satisfy the REIT requirement that they distribute at least 90% of their annual REIT taxable income to their stockholders (computed without regard to the dividends-paid deduction and excluding net capital gain). Neither PECO nor PE REIT II, however, can give their stockholders any assurance that they will be able to obtain such borrowings on satisfactory terms. High debt levels would cause PECO or PE REIT II to incur higher interest charges, which would result in higher debt service payments and could be accompanied by restrictive covenants. If PECO or PE REIT II does mortgage a property and there is a shortfall between the cash flow from that property and the cash flow needed to service mortgage debt on that property, then the amount of cash available for distributions to stockholders may be reduced. In addition, incurring mortgage debt increases the risk of loss of a property since defaults on indebtedness secured by a property may result in lenders initiating foreclosure actions. Additionally, PECO or PE REIT II may give full or partial guaranties to lenders of mortgage debt on behalf of the entities that own their respective properties. When PECO or PE REIT II gives a guaranty on behalf of an entity that owns one of their respective properties, they will be responsible to the lender for satisfaction of the debt if it is not paid by such entity. If any mortgages contain cross-collateralization or cross-default provisions, a default on a single property could affect multiple properties. PECO or PE REIT II may also obtain recourse debt to finance their respective acquisitions and meet their REIT distribution requirements. If PECO or PE REIT II has insufficient income to service their respective recourse debt obligations, their respective lenders could institute proceedings against them to foreclose upon their assets.

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***Increases in interest rates could increase the amount of PECO's or PE REIT II's loan payments and adversely affect their ability to pay distributions to their stockholders.***

The interest PECO or PE REIT II pays on its loan obligations reduces cash available for distributions. If PECO or PE REIT II obtains variable rate loans, increases in interest rates would increase their respective interest costs, which would reduce their respective cash flows and their ability to pay distributions to stockholders. In addition, if PECO or PE REIT II needs to repay existing loans during periods of rising interest rates, they could be required to liquidate one or more of their respective investments in properties at times which may not permit realization of the maximum return on such investments.

If mortgage debt is unavailable at reasonable rates, PECO or PE REIT II may not be able to finance the purchase of properties. If PECO or PE REIT II places mortgage debt on properties, they run the risk of being unable to refinance the properties when the debt becomes due or of being unable to refinance on favorable terms. If interest rates are higher when PECO or PE REIT II refinances the properties, PECO's or PE REIT II's income (as applicable) could be reduced. PECO or PE REIT II may be unable to refinance properties. If any of these events occurs, PECO's or PE REIT II's cash flow would be reduced. This, in turn, would reduce cash available for distribution to stockholders and may hinder the ability to raise capital by issuing more stock or borrowing more money.

***PECO and/or PE REIT II may not be able to access financing or refinancing sources on attractive terms, which could adversely affect their ability to execute their respective business plans.***

PECO and/or PE REIT II may finance their respective assets over the long-term through a variety of means, including repurchase agreements, credit facilities, issuance of commercial mortgage-backed securities, collateralized debt obligations and other structured financings. Their ability to execute this strategy will depend on various conditions in the markets for financing in this manner that are beyond their control, including lack of liquidity and greater credit spreads. Neither PECO nor PE REIT II can be certain that these markets will remain an efficient source of long-term financing for their assets. If their strategy is not viable, they will have to find alternative forms of long-term financing for their assets, as secured revolving credit facilities and repurchase facilities may not accommodate long-term financing. This could subject PECO and/or PE REIT II to more recourse indebtedness and the risk that debt service on less efficient forms of financing would require a larger portion of their respective cash flows, thereby reducing cash available for distribution to their respective stockholders and funds available for operations as well as for future business

opportunities.

***Lenders may require PECO and/or PE REIT II to enter into restrictive covenants relating to their respective operations, which could limit their ability to make distributions to their stockholders.***

When providing financing, a lender may impose restrictions on PECO and/or PE REIT II that affect their distribution and operating policies and their ability to incur additional debt. Loan agreements into which PECO and/or PE REIT II enter may contain covenants that limit their ability, respectively, to further mortgage a property or discontinue insurance coverage. In addition, loan documents may limit PECO's and/or PE REIT II's ability to replace a property's property manager or terminate certain operating or lease agreements related to a property. These or other limitations would decrease PECO and/or PE REIT II's operating flexibility and ability to achieve their respective operating objectives, which may adversely affect their ability to make distributions to their stockholders.

#### **Risks Related to Organization and Qualification as a REIT**

***The PECO stockholders have limited control over changes in PECO's policies and operations, which increases the uncertainty and risks the PECO stockholders face.***

The PECO Board determines its major policies, including its policies regarding financing, growth, debt capitalization, REIT qualification and distributions. The PECO Board may amend or revise these and other policies without a vote of the stockholders. Under the MGCL and the PECO charter, the PECO stockholders have a right to vote only on limited matters. The PECO Board's broad discretion in setting policies and PECO stockholders' inability to exert control over those policies increases the uncertainty and risks PECO stockholders face.

***Although PECO has not currently opted out of the protection of the MGCL relating to deterring or defending hostile takeovers, the PECO Board could elect to become subject to these provisions of Maryland law in the future, which may discourage others from trying to acquire control of PECO and may prevent the PECO stockholders from receiving a premium price for their stock in connection with a business combination.***

Under Maryland law, "business combinations" between a Maryland corporation and certain interested stockholders or affiliates of interested stockholders are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange, or, in circumstances

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specified in the statute, an asset transfer or issuance or reclassification of equity securities. Also under Maryland law, control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by stockholders by a vote of two-thirds of the votes entitled to be cast on the matter.

***The PECO charter limits the number of shares a person may own, which may discourage a takeover that could otherwise result in a premium price to the PECO stockholders.***

The PECO charter, with certain exceptions, authorizes the PECO Board to take such actions as are necessary and desirable to preserve PECO's qualification as a REIT. To help PECO comply with the REIT ownership requirements of the Code, among other purposes, the PECO charter prohibits a person from directly or constructively owning more than 9.8% in value of PECO's aggregate outstanding stock or more than 9.8% in value or number of shares, whichever is more restrictive, of PECO's aggregate outstanding common stock, unless exempted by the PECO Board. This restriction may have the effect of delaying, deferring or preventing a change in control of PECO, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of PECO's assets) that might provide a premium price for holders of PECO common stock.

***The PECO Charter permits the PECO Board to issue stock with terms that may subordinate the rights of PECO stockholders or discourage a third party from acquiring PECO in a manner that could result in a premium price to PECO stockholders.***

The PECO Board may classify or reclassify any unissued common stock or preferred stock and establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications, and terms or conditions of redemption of any such stock. Thus, the PECO Board could authorize the issuance of preferred stock with priority as to distributions and amounts payable upon liquidation over the rights of the holders of PECO common stock. Such preferred stock could also have the effect of delaying, deferring or preventing a change in control, including an extraordinary transaction (such as a merger, tender offer, or sale of all or substantially all of PECO's assets) that might provide a premium price to holders of PECO common stock.

***Because Maryland law permits the PECO Board to adopt certain anti-takeover measures without stockholder approval, investors may be less likely to receive a "control premium" for their shares.***

In 1999, the State of Maryland enacted legislation that enhances the power of Maryland corporations to protect themselves from unsolicited takeovers. Among other things, the legislation permits the PECO Board, without stockholder approval, to amend the PECO Charter to:

- stagger the PECO Board into three classes;
- require a two-thirds stockholder vote for removal of directors;
- provide that only the board can fix the size of the board;
- require that special stockholder meetings may only be called by holders of a majority of the voting shares entitled to be cast at the meeting; and
- provide the PECO Board with the exclusive right to fill vacancies on the PECO Board, with any individual elected to fill such a vacancy to serve for the full term of the directorship.

Under Maryland law, a corporation can opt to be governed by some or all of these provisions if it has a class of equity securities registered under the Exchange Act, and has at least three independent directors. The PECO Charter does not prohibit the PECO Board from opting into any of the above provisions permitted under Maryland law. Becoming governed by any of these provisions could discourage an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of PECO's assets) that might provide a premium price for holders of PECO's securities.

***PECO's rights and the rights of the PECO stockholders to recover claims against PECO's officers and directors are limited, which could reduce the PECO stockholders' and PECO's recovery against them if they cause PECO to incur losses.***

Maryland law provides that a director has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in the corporation's best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. The PECO Charter, in the case of PECO's directors and officers, requires PECO to indemnify its directors and officers to the maximum extent permitted by Maryland law. Additionally, the PECO Charter limits the liability of its directors and officers for monetary damages to the maximum extent permitted under Maryland law. As a result, PECO and the PECO stockholders may have more limited rights against PECO's directors, officers,

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employees and agents, than might otherwise exist under common law, which could reduce the PECO stockholders' and PECO's recovery against them. In addition, PECO may be obligated to fund the defense costs incurred by PECO's directors, officers, employees and agents in some cases which would decrease the cash otherwise available for distribution to stockholders.

***If PECO OP fails to qualify as a partnership for U.S. federal income tax purposes, PECO would fail to qualify as a REIT and suffer other adverse consequences.***

PECO believes that PECO OP is organized and will be operated in a manner so as to be treated as a partnership, and not an association or publicly traded partnership taxable as a corporation for U.S. federal income tax purposes. As a partnership, PECO OP will not be subject to U.S. federal income tax on its income. Instead, each of its partners, including PECO, will be allocated that partner's share of PECO OP's income. No assurance can be provided, however, that the IRS will not challenge PECO OP's status as a partnership for U.S. federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating PECO OP as an association or publicly traded partnership taxable as a corporation for U.S. federal income tax purposes, PECO would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, would cease to qualify as a REIT. Also, the failure of PECO OP to qualify as a partnership would cause it to become subject to U.S. federal corporate income tax, which would reduce significantly the amount of its cash available for debt service and for distribution to its partners, including PECO.

***PECO OP has a carryover tax basis on certain of its assets as a result of the PELP transaction, and the amount that PECO has to distribute to stockholders therefore may be higher.***

As a result of the PELP transaction, certain of PECO OP's properties have carryover tax bases that are lower than the fair market values of these properties at the time of the acquisition. As a result of this lower aggregate tax basis, PECO OP will recognize higher taxable gain upon the sale of these assets, and PECO OP will be entitled to lower depreciation deductions on these assets than if it had purchased these properties in taxable transactions at the time of the acquisition. Such lower depreciation deductions and increased gains on sales allocated to PECO generally will increase the amount of PECO's required distribution under the REIT rules, and will decrease the portion of any distribution that otherwise would have been treated as a "return of capital" distribution.

***PECO intends to use TRSs, which may cause PECO to fail to qualify as a REIT.***

To qualify as a REIT for federal income tax purposes, PECO holds, and plans to continue to hold, its non-qualifying REIT assets and conduct certain of PECO's non-qualifying REIT income activities in or through one or more TRSs. A TRS is a corporation other than a REIT in which a REIT directly or indirectly holds stock, and that has made a joint election with such REIT to be treated as a TRS. A TRS also includes any corporation other than a REIT with respect to which a TRS owns securities possessing more than 35% of the total voting power or value of the outstanding securities of such corporation. Other than some activities relating to lodging and health care facilities, a TRS may generally engage in any business, including the provision of customary or non-customary services

to tenants of its parent REIT. A TRS is subject to income tax as a regular C-corporation.

The net income of PECO's TRSs is not required to be distributed to PECO and income that is not distributed to PECO will generally not be subject to the REIT income distribution requirement. However, PECO's TRSs may pay dividends. Such dividend income should qualify under the 95%, but not the 75%, gross income test. PECO will monitor the amount of the dividend and other income from PECO's TRSs and will take actions intended to keep this income, and any other non-qualifying income, within the limitations of the REIT income tests. While PECO expects these actions will prevent a violation of the REIT income tests, PECO cannot guarantee that such actions will in all cases prevent such a violation.

***PECO's ownership of TRSs will be subject to limitations that could prevent PECO from growing PECO's management business and PECO's transactions with its TRSs could cause PECO to be subject to a 100% penalty tax on certain income or deductions if those transactions are not conducted on an arm's-length basis.***

Overall, (i) for taxable years beginning after December 31, 2017, no more than 20% of the value of a REIT's gross assets, and (ii) for taxable years beginning prior to January 1, 2018, no more than 25% of the value of a REIT's gross assets, may consist of interests in TRSs; compliance with this limitation could limit PECO's ability to grow its management business. The Code also imposes a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis. PECO will monitor the value of investments in its TRSs in order to ensure compliance with TRS ownership limitations and will structure its transactions with its TRSs on terms that PECO believes are arm's-length to avoid incurring the 100% excise tax described above. There can be no assurance, however, that PECO will be able to comply with the TRS ownership limitation or be able to avoid application of the 100% excise tax.

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***REIT distribution requirements could adversely affect PECO's ability to execute its business plans, including because PECO may be required to borrow funds to make distributions to its stockholders or otherwise depend on external sources of capital to fund such distributions.***

PECO generally must distribute annually at least 90% of its REIT taxable income (which is determined without regard to the dividends paid deduction or net capital gain for this purpose) in order to continue to qualify as a REIT. To the extent that PECO satisfies the distribution requirement, but distributes less than 100% of its taxable income, PECO will be subject to federal corporate income tax on its undistributed taxable income. In addition, PECO may elect to retain and pay income tax on its net long-term capital gain. In that case, if PECO so elects, a stockholder would be taxed on its proportionate share of PECO's undistributed long-term gain and would receive a credit or refund for its proportionate share of the tax paid by PECO. A stockholder, including a tax-exempt or foreign stockholder, would have to file a federal income tax return to claim that credit or refund. Furthermore, PECO will be subject to a 4% nondeductible excise tax if the actual amount distributed by PECO to its respective stockholders in a calendar year is less than a minimum amount specified under federal tax laws.

PECO intends to make distributions to its stockholders to comply with the REIT requirements of the Code and to avoid corporate income tax and the 4% excise tax. PECO may be required to make distributions to its stockholders at times when it would be more advantageous to reinvest cash in its business or when it does not have funds readily available for distribution. Thus, compliance with the REIT requirements may hinder its ability to operate solely on the basis of maximizing profits.

If PECO does not have other funds available, PECO could be required to borrow funds on unfavorable terms, sell investments at disadvantageous prices or find another alternative source of funds to make distributions sufficient to enable PECO to distribute enough of its taxable income to satisfy the REIT distribution requirement and to avoid corporate income tax and the 4% excise tax in a particular year. These alternatives could increase PECO's costs or reduce PECO's equity.

***Complying with REIT requirements may cause PECO to forgo otherwise attractive opportunities or liquidate otherwise attractive investments.***

To continue to qualify as a REIT for federal income tax purposes, PECO must continually satisfy tests concerning, among other things, the sources of its income, the nature and diversification of its assets, the amounts it distributes to stockholders and the ownership of its stock. See "The Mergers—U.S. Federal Income Tax Considerations—Material U.S. Federal Income Tax Considerations Applicable to Holders of the Combined Company Common Stock—Taxation of the Combined Company" beginning on page [144](#).

***The prohibited transactions tax may limit PECO's ability to engage in transactions, including disposition of assets, which would be treated as sales for federal income tax purposes.***

A REIT's net income from prohibited transactions is subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of dealer property, other than foreclosure property. PECO may be subject to the prohibited transaction tax upon a disposition of real property. Although a safe-harbor exception to prohibited transaction treatment is available, PECO cannot assure you that it can comply with such safe harbor or that it will avoid owning property that may be characterized as held primarily for sale

to customers in the ordinary course of its trade or business. Consequently, PECO may choose not to engage in certain sales of real property or may conduct such sales through a TRS.

It may be possible to reduce the impact of the prohibited transaction tax by conducting certain activities through a TRS. However, to the extent that PECO engages in such activities through a TRS, the income associated with such activities will be subject to a corporate income tax. In addition, the IRS may attempt to ignore or otherwise recast such activities in order to impose a prohibited transaction tax on PECO and there can be no assurance that such recast will not be successful.

***PECO may recognize substantial amounts of REIT taxable income, which PECO would be required to distribute to its stockholders, in a year in which it is not profitable under GAAP principles or other economic measures.***

PECO may recognize substantial amounts of REIT taxable income in years in which PECO is not profitable under GAAP or other economic measures as a result of the differences between GAAP and tax accounting methods. For instance, certain of PECO's assets will be marked-to-market for GAAP purposes but not for tax purposes, which could result in losses for GAAP purposes that are not recognized in computing its REIT taxable income. Additionally, PECO may deduct its capital losses only to the extent of its capital gains in computing its respective REIT taxable income for a given taxable year. Consequently, PECO could recognize substantial amounts of REIT taxable income and would be required to distribute such income to you, in a year in which PECO is not profitable under GAAP or other economic measures.

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***PECO's qualification as a REIT could be jeopardized as a result of an interest in joint ventures or investment funds.***

PECO may hold certain limited partner or non-managing member interests in partnerships or limited liability companies that are joint ventures or investment funds. If a partnership or limited liability company in which PECO owns an interest takes or expects to take actions that could jeopardize PECO's qualification as a REIT or require PECO to pay tax, PECO may be forced to dispose of its interest in such entity. In addition, it is possible that a partnership or limited liability company could take an action which could cause PECO to fail a REIT gross income or asset test, and that PECO would not become aware of such action in time to dispose of its interest in the partnership or limited liability company or take other corrective action on a timely basis. In that case, PECO could fail to continue to qualify as a REIT unless it is able to qualify for a statutory REIT "savings" provision, which may require it to pay a significant penalty tax to maintain PECO's REIT qualification.

***Distributions paid by REITs do not qualify for the reduced tax rates that apply to other corporate distributions.***

The maximum tax rate for "qualified dividends" paid by corporations to non-corporate stockholders is currently 20%. Distributions paid by REITs to non-corporate stockholders generally are taxed at rates that are lower than ordinary income rates, but those rates are higher than the 20% tax rate on qualified dividend income paid by corporations. Although this does not adversely affect the taxation of REITs or dividends payable by REITs, to the extent that the preferential rates continue to apply to regular corporate qualified dividends, the more favorable rates for corporate dividends may cause non-corporate investors to perceive that an investment in a REIT is less attractive than an investment in a non-REIT entity that pays dividends, thereby reducing the demand and market price of the stock of PECO.

***Legislative or regulatory tax changes could adversely affect PECO or its stockholders.***

At any time, the federal income tax laws or regulations governing REITs or the administrative interpretations of those laws or regulations may be amended. PECO cannot predict when or if any new federal income tax law, regulation or administrative interpretation, or any amendment to any existing federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation or interpretation may take effect retroactively. Any such change could result in an increase in PECO's, or its stockholders', tax liability or require changes in the manner in which PECO operates in order to minimize increases in its tax liability. A shortfall in tax revenues for states and municipalities in which PECO operates may lead to an increase in the frequency and size of such changes. If such changes occur, PECO may be required to pay additional taxes on its assets or income or be subject to additional restrictions. These increased tax costs could, among other things, adversely affect PECO's financial condition, the results of operations and the amount of cash available for the payment of dividends. PECO and its stockholders could be adversely affected by any such change in, or any new, federal income tax law, regulation, or administrative interpretation.

On December 22, 2017, President Trump signed into law H.R. 1, known as the "Tax Cuts and Jobs Act" (the "TCJA"). The provisions of the TCJA generally apply to taxable years beginning after December 31, 2017. Significant provisions of the TCJA that investors should be aware of include provisions that: (i) permanently eliminate the progressive corporate tax rate structure, with a maximum corporate tax rate of 35%, and replace it with a flat corporate tax rate of 21%, (ii) provide noncorporate taxpayers with a deduction of up to 20% of certain income earned through partnerships and REITs for taxable years beginning after December 31, 2017 and before January 1, 2026, (iii) limit the net operating loss deduction to 80% of taxable income, where taxable income is determined without regard to the net operating loss deduction itself, generally eliminate net operating loss carrybacks and allow unused net operating

losses to be carried forward indefinitely, (iv) expand the ability of businesses to deduct the cost of certain property investments in the year in which the property is purchased, (v) eliminate the corporate alternative minimum tax and (vi) generally temporarily lower tax rates for individuals and other noncorporate taxpayers, while limiting deductions such as miscellaneous itemized deductions and state and local tax deductions. In addition, the TCJA limits the deduction for net interest expense incurred by a business to 30% of the “adjusted taxable income” of the taxpayer. However, the limitation on the interest expense deduction does not apply to certain small-business taxpayers or electing real property trades or businesses, such as any real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operation, management, leasing, or brokerage trade or business. Making the election to be treated as a real property trade or business requires the electing real property trade or business to depreciate non-residential real property, residential rental property, and qualified improvement property over a longer period using the alternative depreciation system. PECO believes that it will be eligible to make this election. If PECO makes this election, although PECO would not be subject to the interest expense limitation described above, PECO’s depreciation deductions may be reduced and, as a result, PECO’s REIT taxable income for a taxable year may be increased.

Stockholders of PECO are urged to consult with their own tax advisors with respect to the impact that the TCJA and other legislation may have on their investment and the status of legislative, regulatory or administrative developments and proposals and their potential effect on their investment in shares of PECO common stock.

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***If the fiduciary of an employee benefit plan subject to ERISA (such as a profit sharing, Section 401(k) or pension plan) or an owner of a retirement arrangement subject to Section 4975 of the Code (such as an individual retirement account (“IRA”)) fails to meet the fiduciary and other standards under ERISA or the Code as a result of an investment in PECO’s or PE REIT II’s stock, the fiduciary could be subject to penalties and other sanctions.***

There are special considerations that apply to employee benefit plans subject to ERISA (such as profit sharing, Section 401(k) or pension plans) and other retirement plans or accounts subject to Section 4975 of the Code (such as an IRA) that are investing in shares PECO’s and/or PE REIT II’s common stock. Fiduciaries and IRA owners investing the assets of such a plan or account in PECO’s or PE REIT II’s common stock should satisfy themselves that:

- the investment is consistent with their fiduciary and other obligations under ERISA and the Code;
- the investment is made in accordance with the documents and instruments governing the plan or IRA, including the plan’s or account’s investment policy;
- the investment satisfies the prudence and diversification requirements of Sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA and other applicable provisions of ERISA and the Code;
- the investment in PECO’s or PE REIT II’s, as applicable, shares, for which, in each case, no public market currently exists, is consistent with the liquidity needs of the plan or IRA;
- the investment will not produce an unacceptable amount of “unrelated business taxable income” for the plan or IRA;
- PECO’s or PE REIT II’s, as applicable, stockholders will be able to comply with the requirements under ERISA and the Code to value the assets of the plan or IRA annually; and
- the investment will not constitute a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Failure to satisfy the fiduciary standards of conduct and other applicable requirements of ERISA and the Code may result in the imposition of civil and criminal penalties and could subject the fiduciary to claims for damages or for equitable remedies, including liability for investment losses. In addition, if an investment in PECO’s or PE REIT II’s shares constitutes a prohibited transaction under ERISA or the Code, the fiduciary or IRA owner who authorized or directed the investment may be subject to the imposition of excise taxes with respect to the amount invested. In addition, the investment transaction must be undone. In the case of a prohibited transaction involving an IRA owner, the IRA may be disqualified as a tax-exempt account and all of the assets of the IRA may be deemed distributed and subjected to tax. ERISA plan fiduciaries and IRA owners should consult with counsel before making an investment in PECO’s or PE REIT II’s, as applicable, common stock.

***If PECO’s and/or PE REIT II’s assets are deemed to be plan assets, PECO or PE REIT II, as applicable, may be exposed to liabilities under Title I of ERISA and the Code.***

In some circumstances where an ERISA plan holds an interest in an entity, the assets of the entity are deemed to be ERISA plan assets unless an exception applies. This is known as the “look-through rule.” Under those circumstances, the obligations and other responsibilities of plan sponsors, plan fiduciaries and plan administrators, and of parties in interest and disqualified persons, under Title I of ERISA or Section 4975 of the Code, may be applicable, and there may be liability under these and other provisions of ERISA and the Code. PECO and PE REIT II believe that their respective assets should not be treated as plan assets because the shares of common stock of PECO and PE REIT II, respectively, should qualify as “publicly-offered securities” that are exempt from the look-through rules under applicable Treasury Regulations. PECO and PE REIT II note, however, that because certain limitations are

imposed upon the transferability of each company's shares of common stock so that each company may qualify as a REIT, and perhaps for other reasons, it is possible that this exemption may not apply. If that is the case, and if PECO and/or PE REIT II are exposed to liability under ERISA or the Code, PECO's and/or PE REIT II's, as applicable, performance and results of operations could be adversely affected.

***If stockholders invested in PECO and/or PE REIT II shares through an IRA or other retirement plan, they may be limited in their ability to withdraw required minimum distributions.***

If stockholders established an IRA or other retirement plan through which they invested in PECO's and/or PE REIT II's shares, federal law may require them to withdraw required minimum distributions ("RMDs") from such plan in the future. Each of the PECO share repurchase program and the PE REIT II share repurchase program limits the amount of repurchases (other than those repurchases as a result of a stockholder's death or disability) that can be made in a given year. Additionally, stockholders of PECO and/or PE REIT II will not be eligible to have their shares repurchased until they have held their shares for at least one year. As a result, they may not be able to have their shares repurchased at a time in which they need liquidity to satisfy the RMD requirements under their IRA or other retirement plan. Even if they are able to have their shares repurchased, the

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applicable share repurchase price is based on the estimated value per share of PECO common stock or PE REIT II common stock, as applicable, as determined by the PECO Board or the PE REIT II Board, as applicable, and this value is expected to fluctuate over time. As such, a repurchase may be at a price that is less than the price at which the shares were initially purchased. If stockholders fail to withdraw RMDs from their IRA or other retirement plan, they may be subject to certain tax penalties.

***PECO and PE REIT II face other risks.***

The foregoing risks are not exhaustive, and you should be aware that, following the mergers, the Combined Company will face various other risks, including those discussed in reports filed by PECO and/or PE REIT II with the SEC. See "Where You Can Find More Information" beginning on page [199](#).

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### **CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

This joint proxy statement/prospectus (including the Annexes), contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These forward-looking statements are based on current expectations, estimates and projections about the industry and markets in which PECO and PE REIT II operate and beliefs of, and assumptions made by, PECO management and PE REIT II management and involve uncertainties that could significantly affect the financial results of PECO, PE REIT II or the Combined Company. Words such as "pro forma," "may," "will," "would," "could," "expects," "anticipates," "intends," "anticipates," "plans," "believes," "seeks," "estimates," variations of such words and similar expressions are intended to identify such forward-looking statements, which generally are not historical in nature. Such forward-looking statements include, but are not limited to, statements about the anticipated benefits of the business combination transaction involving PECO and PE REIT II, including future financial and operating results, and the Combined Company's plans, objectives, expectations and intentions. All statements that address operating performance, events or developments that PECO and PE REIT II expect or anticipate will occur in the future — including statements relating to expected synergies, improved liquidity and balance sheet strength — are forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Although PECO and PE REIT II believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, PECO and PE REIT II can give no assurance that their expectations will be attained and therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Some of the factors that may affect outcomes and results include, but are not limited to:

- each of PECO's and PE REIT II's success, or the success of the Combined Company, in implementing its business strategy and its ability to identify, underwrite, finance, consummate and integrate acquisitions or investments;
- changes in national, regional and local economic conditions;
- changes in financial markets and interest rates, or to the business or financial condition of PECO, PE REIT II or the Combined Company or their respective businesses;

- the nature and extent of future competition;
- each of PECO's and PE REIT II's ability, or the ability of the Combined Company, to pay down, refinance, restructure and/or extend its indebtedness as it becomes due;
- the ability and willingness of PECO, PE REIT II and the Combined Company to maintain its qualification as a REIT due to economic, market, legal, tax or other considerations;
- availability to PECO, PE REIT II and the Combined Company of financing and capital;
- each of PECO's and PE REIT II's ability, or the ability of the Combined Company, to deliver high quality properties and services, to attract and retain qualified personnel and to attract and retain customers;
- the ability and willingness of the Combined Company to complete a liquidity event, such as a listing of the shares of common stock of the Combined Company;
- risks associated with achieving expected revenue synergies or cost savings as a result of the mergers;
- risks associated with the companies' ability to consummate the mergers, the timing of the closing of the mergers and unexpected costs or unexpected liabilities that may arise from the mergers, whether or not consummated; and
- those additional risks and factors discussed in reports filed with the SEC, by PECO and PE REIT II from time to time, including those discussed under the heading "Risk Factors" in their respective most recently filed reports on Forms 10-K and 10-Q.

Should one or more of the risks or uncertainties described above or elsewhere in this joint proxy statement/prospectus occur, or should underlying assumptions prove incorrect, actual results and plans could differ materially from those expressed in any forward-looking statements. You are cautioned not to place undue reliance on these statements, which speak only as of the date of this joint proxy statement/prospectus.

All forward-looking statements, expressed or implied, included in this joint proxy statement/prospectus are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that PECO, PE REIT II or persons acting on their behalf may issue.

Neither PECO nor PE REIT II undertakes any duty to update any forward-looking statements appearing in this joint proxy statement/prospectus.

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### THE COMPANIES

#### **Phillips Edison & Company, Inc. and Phillips Edison Grocery Center Operating Partnership I, L.P. 11501 Northlake Drive Cincinnati, OH 45249**

PECO is an internally-managed, public non-traded REIT that was formed as a Maryland corporation in October 2009 and elected to be taxed as a REIT for U.S. federal income tax purposes for the year ended December 31, 2010 and each year thereafter.

PECO primarily owns and manages well-occupied, grocery-anchored neighborhood and community shopping centers having a mix of creditworthy national and regional retailers selling necessity-based goods and services in strong demographic markets throughout the United States. As of June 30, 2018, PECO managed a diversified portfolio of 339 shopping centers, including 235 centers owned directly by PECO comprising approximately 26.3 million square feet located in 32 states.

PECO was incorporated in the state of Maryland on October 13, 2009. PECO OP was organized in the state of Delaware on December 3, 2009. PECO's principal executive offices are located at 11501 Northlake Drive, Cincinnati, Ohio 45249. PECO's telephone number at that location is (513) 554-1110. PECO's website is located at [www.phillipsedison.com](http://www.phillipsedison.com). The information found on, or otherwise accessible through, PECO's website is not incorporated into, and does not form a part of, this joint proxy statement/prospectus or any other report or document PECO files with or furnishes to the SEC.

#### ***Business Objectives and Strategies of PECO***

##### *Owned Real Estate*

PECO's business objective is to own and operate well-occupied, grocery-anchored shopping centers that generate cash flows to support distributions to PECO's stockholders with the potential for capital appreciation.

PECO typically invests in neighborhood shopping centers (generally containing less than 125,000 leasable square feet) located in attractive demographic markets throughout the United States where PECO's management believes PECO's fully integrated operating platform can add value through the following strategies:

- *Acquisitions*—PECO’s acquisitions team takes a disciplined, targeted approach to acquisitions as it reviews thousands of properties each year. After a thorough financial review, comprehensive underwriting analysis, and exhaustive due diligence process, only the most financially attractive grocery-anchored properties are ultimately added to PECO’s portfolio.
- *Leasing*—PECO’s national footprint of experienced leasing professionals is dedicated to increasing rental income by capitalizing on PECO’s portfolio’s below-market leases and increasing the occupancy at PECO’s centers through the lease-up of property vacancies by leveraging national and regional tenant relationships.
- *Portfolio Management*— PECO’s portfolio management team seeks to add value by overseeing all aspects of operations at PECO’s properties, as well as optimizing the centers’ merchandising mix, and identifying opportunities for redevelopment or repositioning.
- *Property Management*— PECO’s national footprint of property managers strives to develop and maintain a pleasant, clean, and safe environment where retailers can be successful and customers can enjoy their shopping experience. Property management is committed to effectively managing operating costs at the property level in order to maximize cash flows and improve profitability.
- *Capital Markets*— PECO’s capital markets team is dedicated to maintaining a conservative balance sheet with an appropriately staggered debt maturity profile that is well positioned for long-term growth.
- *Legal, Finance, Accounting, Tax, Marketing, Risk Management, IT, Human Resources, etc.*— PECO’s other in-house teams add value by utilizing technology and broad processes to create efficiencies through scale, creating a better experience for PECO’s tenants while reducing costs. PECO’s associates are dedicated to PECO’s long-term commitment of being the leading owner and operator of grocery-anchored shopping centers.

### *Third-Party Investment Management Business and Potential Joint Venture*

In addition to managing PECO’s shopping centers, PECO’s third-party investment management business provides comprehensive real estate and asset management services to three non-traded, publicly registered REITs and private funds with assets under management of approximately \$2.1 billion as of June 30, 2018.

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For each of these programs, PECO raises equity capital through either public or private offerings, invests those funds, and manages their assets in return for fee revenue as specified in PECO’s advisory and property management agreements with them.

PECO is in negotiations with a partner to recapitalize a portfolio of 17 assets, with an estimated gross asset value in excess of \$350 million, which are subject to approximately \$175 million of mortgage debt. PECO’s intent is to sell such portfolio of assets (including the aforementioned mortgage debt) to a newly formed joint venture, with (i) the partner owning 85% of the joint venture and (ii) PECO owning 15% of the joint venture and continuing to perform the day-to-day asset and property management services to the portfolio. PECO has not reached a binding agreement with respect to this joint venture transaction and negotiations are ongoing, and therefore PECO cannot provide assurances that it will ultimately be consummated (including on the terms described in this paragraph).

### *Strategic Alternatives*

PECO is continuously evaluating strategic alternatives to create liquidity for PECO’s investors. In conjunction with the PELP transaction, PECO brought on an experienced management team that allows PECO to fully consider all alternatives. PECO is focused on maximizing the value for PECO’s stockholders while seeking to provide liquidity for PECO’s stockholders.

### *Segment Data*

As of June 30, 2018, PECO operated through two business segments: Owned Real Estate and Investment Management. Prior to the completion of the PELP transaction on October 4, 2017, PECO was externally-managed and PECO’s only reportable segment was the aggregated operating results of PECO’s owned real estate. Therefore, PECO did not report any segment disclosures for the years ended December 31, 2016 and 2015. For a more detailed discussion regarding these segments, including operating data for the year ended December 31, 2017, see Note 18 to “Phillips Edison & Company, Inc. Financial Statements” on page F-41.

### *Real Estate Investments*

As of June 30, 2018, PECO owned 235 properties throughout the United States. The following table presents information regarding the geographical location of PECO’s properties by annualized base rent (“ABR”) as of June 30, 2018 (dollars and square feet in thousands). For additional portfolio information, refer to PECO’s “Schedule III - Real Estate Assets and Accumulated Depreciation” in this joint proxy statement/prospectus beginning on page F-44.

State	ABR <sup>(1)</sup>	% ABR	ABR/Leased Square Foot	GLA <sup>(2)</sup>	% GLA	% Leased	Number of Properties
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Florida	\$ 36,820	13.1%	\$ 12.61	3,193	12.3%	91.4%	35
Ohio	24,413	8.7%	9.51	2,679	10.3%	95.8%	22
Georgia	23,910	8.5%	11.67	2,142	8.3%	95.7%	23
California	21,023	7.4%	17.99	1,233	4.8%	94.8%	12
Texas	20,723	7.4%	14.05	1,560	6.0%	94.5%	10
Illinois	14,852	5.3%	12.38	1,334	5.1%	89.9%	9
Virginia	14,061	5.0%	12.13	1,281	4.9%	90.5%	12
North Carolina	11,901	4.2%	9.81	1,240	4.8%	97.8%	13
South Carolina	11,025	3.9%	9.64	1,271	4.9%	90.0%	13
Massachusetts	9,813	3.5%	12.92	767	3.0%	99.0%	6
Indiana	9,068	3.2%	7.79	1,244	4.3%	93.5%	8
Pennsylvania	9,016	3.2%	9.64	1,025	3.9%	91.2%	6
Arizona	7,939	2.8%	11.02	797	3.1%	90.3%	7
Tennessee	7,929	2.8%	7.92	1,038	4.0%	96.4%	7
Maryland	6,464	2.3%	19.06	347	1.3%	97.7%	3
Colorado	6,352	2.2%	13.10	504	1.9%	96.2%	5
Oregon	6,325	2.2%	13.87	472	1.8%	96.7%	6
Minnesota	5,770	2.0%	11.93	493	1.9%	98.1%	6
New Mexico	5,522	1.9%	13.41	471	1.8%	87.5%	5
Michigan	5,351	1.9%	8.26	701	2.0%	92.5%	4
Kentucky	5,042	1.8%	8.90	598	2.3%	94.8%	4
Wisconsin	4,524	1.6%	11.43	423	1.6%	93.5%	5
Iowa	2,959	1.0%	8.48	360	1.4%	97.0%	3
Washington	2,425	0.9%	14.91	171	0.7%	95.4%	2
Nevada	2,394	0.9%	18.93	128	0.5%	98.9%	1
Connecticut	1,762	0.6%	15.08	124	0.5%	94.1%	1
Kansas	1,400	0.5%	10.04	153	0.6%	91.4%	2

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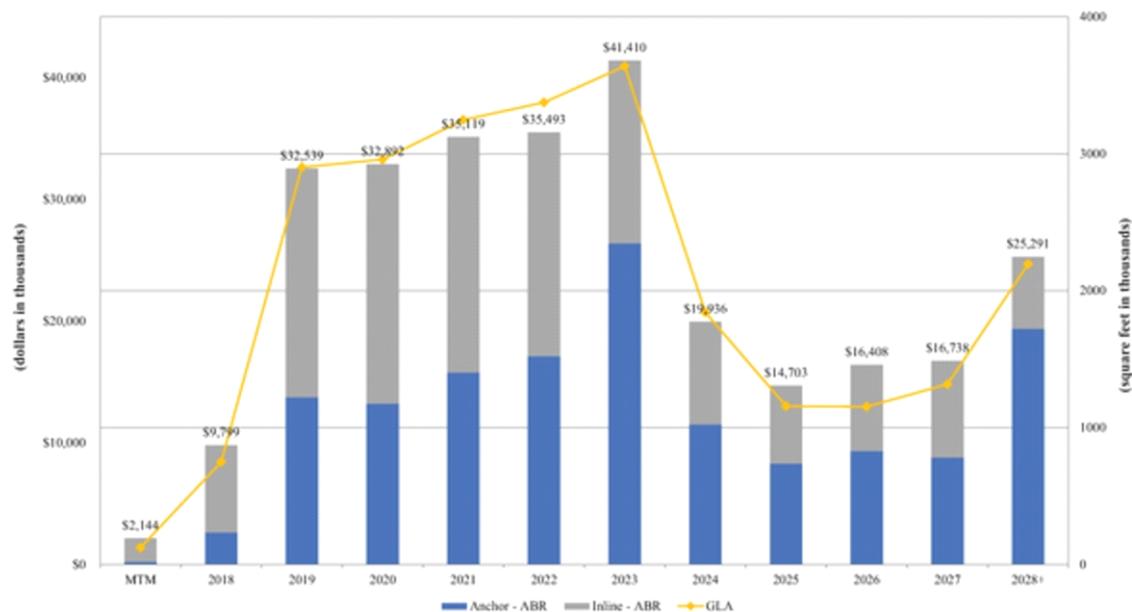
State	ABR <sup>(1)</sup>	% ABR	ABR/Leased Square Foot	GLA <sup>(2)</sup>	% GLA	% Leased	Number of Properties
Alabama	\$ 1,076	0.4%	\$ 6.92	174	0.7%	89.3%	1
New Jersey	867	0.3%	8.06	111	0.4%	97.3%	1
Missouri	865	0.3%	7.70	112	0.4%	100.0%	1
Mississippi	640	0.2%	5.78	112	0.4%	98.6%	1
Utah	237	0.1%	16.32	14	0.1%	100%	1
Total	\$ 282,469	100%	\$ 11.46	25,955	100%	94.99%	235

(1) PECO calculates ABR as monthly contractual rent as of June 30, 2018, multiplied by 12 months.

(2) Gross leasable area ("GLA") is defined as the portion of the total square feet of a building that is available for tenant leasing.

### *Lease Expirations*

The following chart shows, on an aggregate basis, all of the scheduled lease expirations after June 30, 2018, for each of the next ten years and thereafter for PECO's 235 shopping centers. The chart shows the leased square feet and ABR represented by the applicable lease expiration year (dollars and square feet in thousands):



Subsequent to June 30, 2018, PECO renewed approximately 331,000 total square feet and \$3.6 million of total ABR of the leases expiring.

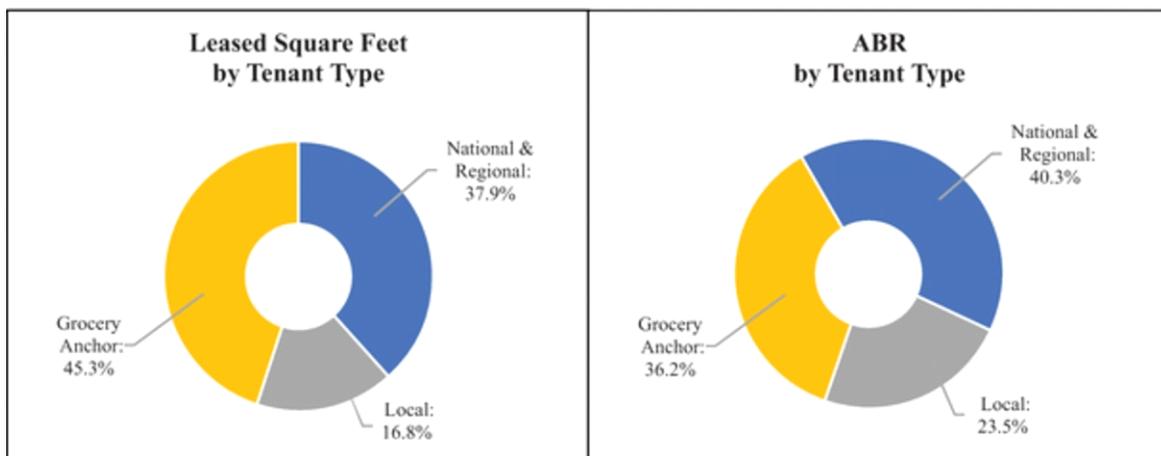
During the year ended December 31, 2017, rent per square foot for renewed leases increased 8.5% when compared to rent per square foot prior to renewal. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Leasing Activity” attached to this joint proxy statement/prospectus as Annex E, for further discussion of leasing activity. Based on current market base rental rates, PECO believes PECO will achieve an overall positive increase in its average ABR for expiring leases. However, changes in base rental income associated with individual signed leases on comparable spaces may be positive or negative, and PECO can provide no assurance that the base rents on new leases will continue to increase from current levels.

**Portfolio Tenancy**

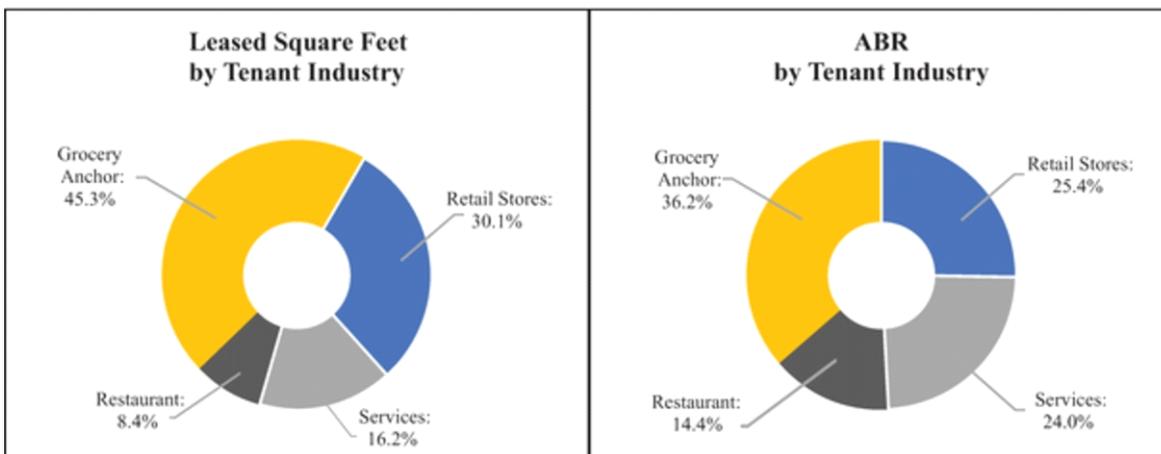
Prior to the acquisition of a property, PECO assesses the suitability of the grocery-anchor tenant and other tenants in light of PECO’s investment objectives, namely, preserving capital and providing stable cash flows for distributions. Generally, PECO assesses the strength of the tenant by consideration of many factors, such as its financial strength and market share in the geographic area of the shopping center, as well as location-specific factors, such as the store’s sales, local competition, and demographics. When assessing the tenancy of the non-anchor space at the shopping center, PECO considers the tenant mix at each shopping center in light of PECO’s portfolio, the proportion of national and national-franchise tenants, the creditworthiness of specific tenants, and the timing of lease expirations. When evaluating non-national tenancy, PECO attempts to obtain credit enhancements to leases, which typically come in the form of deposits and/or guarantees from one or more individuals.

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PECO defines national tenants as those tenants that operate in at least three states. Regional tenants are defined as those tenants that have at least three locations. The following charts present the composition of PECO’s portfolio by tenant type as of June 30, 2018:



The following charts present the composition of PECO's portfolio by tenant industry as of June 30, 2018:



The following table presents PECO's top tenants, grouped according to parent company, by ABR as of June 30, 2018 (dollars and square feet in thousands):

Tenant	ABR	% of ABR	Leased Square Feet	% of Leased Square Feet	Number of Locations <sup>(1)</sup>
Kroger	\$ 25,834	9.1%	3,138	12.7%	55
Publix Super Markets	17,258	6.1%	1,715	7.0%	37
Ahold Delhaize	10,233	3.6%	854	3.5%	19
Albertsons-Safeway	9,461	3.4%	924	3.7%	17
Giant Eagle	6,764	2.4%	700	2.8%	9
Walmart	5,562	2.0%	1,213	4.9%	11
Dollar Tree	3,591	1.3%	409	1.7%	41
Raley's	3,547	1.3%	193	0.8%	3
SUPERVALU	2,884	1.0%	371	1.5%	9
Southeastern Grocers <sup>(2)</sup>	2,673	0.9%	310	1.3%	8
<b>Total</b>	<b>\$ 87,807</b>	<b>31.1%</b>	<b>9,827</b>	<b>39.9%</b>	<b>209</b>

(1) Number of locations excludes auxiliary leases with grocery anchors such as fuel stations, pharmacies, and liquor stores.

(2) In March 2018, Southeastern Grocers, the parent company of Winn Dixie and Bi-Lo, filed a petition for relief under Chapter 11 of the United States Bankruptcy Code. Since that time, Southeastern Grocers has emerged from bankruptcy and all of PECO's leases with them have been assumed and remain in full force and effect.

### Legal Proceedings

From time to time, PECO is party to legal proceedings, which arise in the ordinary course of PECO's business. PECO is not currently

involved in any legal proceedings of which PECO is not covered by its liability insurance or the outcome is reasonably likely to have a material impact on PECO's results of operations or financial condition, nor is PECO aware of any such legal proceedings contemplated by governmental authorities.

### ***Tax Status***

As a result of the PELP transaction, PECO holds, and plans to continue to hold, PECO's non-qualifying REIT assets and conduct certain of PECO's non-qualifying REIT income activities in or through a TRS. A TRS is a corporation other than a REIT in which a REIT directly or indirectly holds stock, and that has made a joint election with such REIT to be treated as a TRS. A TRS also includes any corporation other than a REIT with respect to which a TRS owns securities possessing more than 35% of the total voting power or value of the outstanding securities of such corporation. A TRS is subject to income tax as a C-corporation.

The net income of PECO's TRS is not required to be distributed to PECO and income that is not distributed to PECO will generally not be subject to the REIT income distribution requirement. However, PECO's TRS may pay dividends. Such dividend income should qualify under the 95%, but not the 75%, gross income test. PECO will monitor the amount of dividend and other income from PECO's TRS and will take actions that are intended to keep this income, and any other non-qualifying income, within the limitations of the REIT income tests. While PECO expects these actions will prevent a violation of the REIT income tests, PECO cannot guarantee that such actions will, in all cases, prevent such a violation.

### ***Competition***

PECO is subject to significant competition in seeking real estate investments and tenants. PECO competes with many third parties engaged in real estate investment activities including other REITs, specialty finance companies, savings and loan associations, banks, mortgage bankers, insurance companies, mutual funds, institutional investors, investment banking firms, lenders, hedge funds, governmental bodies, and other entities. Some of these competitors, including larger REITs, have substantially greater financial resources than PECO does and generally enjoy significant competitive advantages that result from, among other things, increased access to capital, lower cost of capital, and enhanced operating efficiencies.

### ***Employees***

As of June 30, 2018, PECO had 319 employees. Prior to the completion of the PELP transaction, PECO did not have any employees. However, PELP's employees and executive officers were compensated, in part, for their services rendered to PECO.

### ***Environmental Matters***

As an owner of real estate, PECO is subject to various environmental laws of federal, state, and local governments. Compliance with federal, state, and local environmental laws has not had a material, adverse effect on PECO's business, assets, results of operations, financial condition, and ability to pay distributions, and PECO does not believe that PECO's existing portfolio will require PECO to incur material expenditures to comply with these laws and regulations.

### ***Quantitative and Qualitative Disclosures about Market Risk***

PECO utilizes interest rate swaps in order to hedge a portion of its exposure to interest rate fluctuations. PECO does not intend to enter into derivative or interest rate transactions for speculative purposes. PECO's hedging decisions are determined based upon the facts and circumstances existing at the time of the hedge and may differ from PECO's currently anticipated hedging strategy. Because PECO uses derivative financial instruments to hedge against interest rate fluctuations, PECO may be exposed to both credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. If the fair value of a derivative contract is positive, the counterparty will owe PECO, which creates credit risk for PECO. If the fair value of a derivative contract is negative, PECO will owe the counterparty and, therefore, not have credit risk. PECO seeks to minimize the credit risk in derivative instruments by entering into transactions with high-quality counterparties. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest-rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

As of June 30, 2018, PECO had six interest rate swaps that fixed the LIBOR on \$992 million of PECO's unsecured term loan facilities.

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As of June 30, 2018, PECO had not fixed the interest rate on \$259.6 million of its unsecured debt through derivative financial instruments, and as a result PECO is subject to the potential impact of rising interest rates, which could negatively impact PECO's profitability and cash flows. The impact on PECO's results of operations of a one-percentage point increase in interest rates on the outstanding balance of PECO's variable-rate debt at June 30, 2018, would result in approximately \$2.6 million of additional interest expense annually. The additional interest expense was determined based on the impact of hypothetical interest rates on PECO's borrowing cost and assumes no changes in PECO's capital structure (including the consummation of the transactions contemplated

by the merger agreement).

The information presented above does not consider all exposures or positions that could arise in the future. Hence, the information represented herein has limited predictive value. As a result, the ultimate realized gain or loss with respect to interest rate fluctuations will depend on the exposures that arise during the period, the hedging strategies at the time, and the related interest rates.

PECO does not have any foreign operations, and thus PECO is not exposed to foreign currency fluctuations.

### ***Access to Company Information***

PECO electronically files its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy and Information statements, and all amendments to those reports with the SEC. The public may read and copy any of the reports that are filed with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549, on official business days during the hours of 10:00 AM to 3:00 PM. The public may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330. The SEC maintains an Internet site at [www.sec.gov](http://www.sec.gov) that contains the reports, proxy and information statements, and other information regarding issuers, including PECO, that are filed electronically. The contents of PECO's website are not incorporated by reference.

PECO makes available, free of charge, by responding to requests addressed to PECO's investor relations group, the Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports on its website, [www.phillipsedison.com](http://www.phillipsedison.com). These reports are available as soon as reasonably practicable after such material is electronically filed or furnished to the SEC.

### **Phillips Edison Grocery Center REIT II, Inc. and Phillips Edison Grocery Center Operating Partnership II, L.P. 11501 Northlake Drive Cincinnati, OH 45249**

PE REIT II is a public non-traded REIT that was formed as a Maryland corporation in June 2013 and elected to be taxed as a REIT for U.S. federal income tax purposes for the year ended December 31, 2014 and each year thereafter.

Historically, PE REIT II has been externally advised and paid fees to the advisor under the advisory agreement. In connection with the mergers, the advisory agreement will be terminated immediately prior to the closing of the mergers.

As of June 30, 2018, PE REIT II owned fee simple interests in 86 real estate properties, comprising 10.3 million square feet. In addition, PE REIT II owns a 20% equity interest in a joint venture that owned 14 properties as of June 30, 2018.

PE REIT II's principal executive offices are located at 11501 Northlake Drive, Cincinnati, Ohio 45249, and its telephone number is (513) 554-1110. PE REIT II's website is located at [www.grocerycenterREIT2.com](http://www.grocerycenterREIT2.com). The information found on, or otherwise accessible through, PE REIT II's website is not incorporated into, and does not form a part of, this joint proxy statement/prospectus or any other report or document PE REIT II files with or furnishes to the SEC.

### ***Business Objectives and Strategies of PE REIT II***

PE REIT II invests primarily in well-occupied, grocery-anchored neighborhood and community shopping centers having a mix of creditworthy national and regional retailers selling necessity-based goods and services in strong demographic markets throughout the United States. PE REIT II owns its interests in all of its properties and conducts substantially all of its business through PE OP II, a Delaware limited partnership formed in June 2013.

### ***Segment Data***

In 2017, PE REIT II modified its approach of evaluating operating segments. PE REIT II internally evaluates the operating performance of its portfolio of properties and currently does not differentiate properties by geography, size, or type. As operating performance is reviewed at a portfolio level rather than at a property level, PE REIT II's entire portfolio of properties is considered to be one operating segment. Accordingly, PE REIT II did not report any other segment disclosures in 2017.

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### ***Real Estate Investments***

As of June 30, 2018, PE REIT II wholly owned 86 properties throughout the United States, acquired from third parties unaffiliated with PE REIT II or PECO. PE REIT II also owned 14 properties through a joint venture in which PE REIT II owns a 20% equity interest. The following table presents information regarding the geographical location of PE REIT II's wholly-owned properties, by annual base rent ("ABR"), as of December 31, 2017 (dollars and square feet in thousands). For additional portfolio information, refer to PE REIT II's Schedule III - Real Estate Assets and Accumulated Depreciation beginning on page F-93.

State	ABR <sup>(1)</sup>	% ABR	ABR/Leased Square Foot	GLA <sup>(2)</sup>	% GLA	% Leased	Number of Properties
Florida	\$ 18,682	14.9%	\$ 11.54	1,750	16.9%	92.6%	17

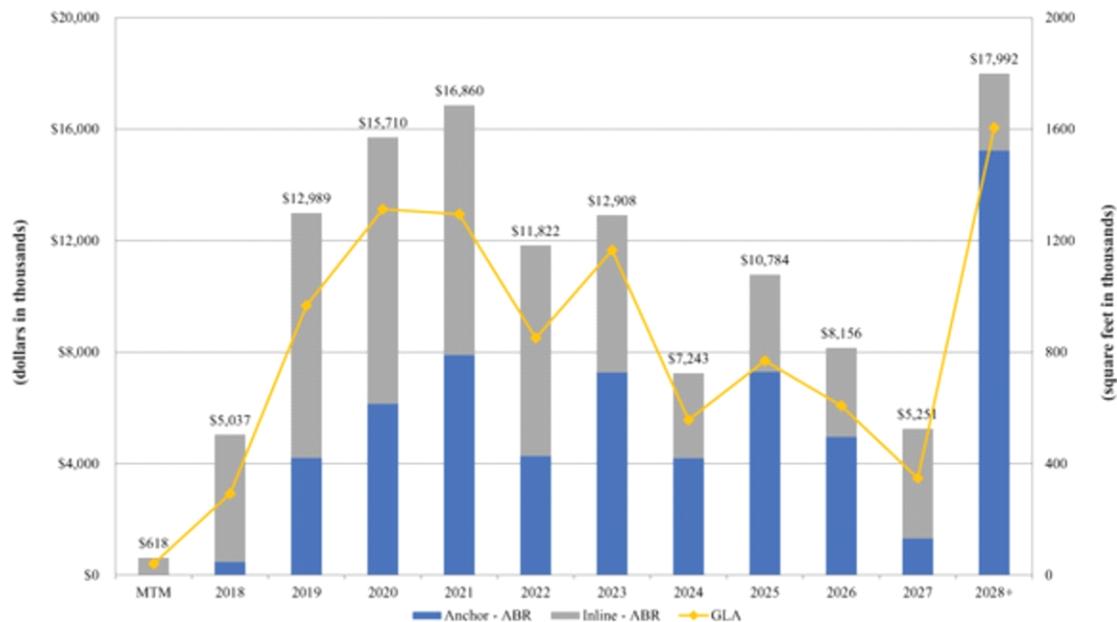
California	16,709	13.3%	16.37	1,049	10.2%	97.3%	11
Georgia	13,834	11.0%	11.50	1,235	11.9%	97.4%	9
Texas	11,984	9.6%	16.03	785	7.6%	95.2%	8
Colorado	8,148	6.5%	15.36	554	5.4%	95.8%	4
Ohio	6,792	5.4%	9.81	740	7.2%	93.6%	6
Illinois	6,235	5.0%	12.99	551	5.3%	87.2%	4
Minnesota	4,702	3.8%	12.24	409	4.0%	93.9%	3
Wisconsin	4,487	3.6%	8.72	522	5.0%	98.6%	3
Massachusetts	4,110	3.3%	15.48	272	2.6%	97.5%	2
Connecticut	3,598	2.9%	13.11	298	2.9%	92.2%	3
New Jersey	3,393	2.7%	21.07	161	1.6%	100.0%	1
Kansas	3,035	2.4%	10.51	298	2.9%	96.8%	2
South Carolina	2,668	2.1%	7.45	374	3.6%	95.9%	1
Arizona	2,354	1.9%	12.39	221	2.1%	86.1%	2
Pennsylvania	2,260	1.8%	15.90	153	1.5%	92.8%	1
Maryland	2,097	1.7%	19.81	112	1.1%	94.1%	1
Michigan	1,959	1.6%	9.86	199	1.9%	100.0%	2
Nevada	1,681	1.3%	18.82	89	0.9%	100.0%	1
New York	1,628	1.3%	10.68	165	1.6%	92.3%	1
Missouri	1,535	1.2%	14.78	109	1.1%	94.9%	1
Virginia	1,408	1.1%	17.54	80	0.8%	100.0%	1
New Mexico	1,381	1.1%	9.93	139	1.3%	100.0%	1
North Carolina	689	0.5%	10.26	72	0.7%	93.7%	1
<b>Total</b>	<b>\$ 125,370</b>	<b>100%</b>	<b>\$ 12.78</b>	<b>10,337</b>	<b>100%</b>	<b>94.90%</b>	<b>86</b>

- (1) PE REIT II calculates ABR as monthly contractual rent as of June 30, 2018, multiplied by 12 months.
- (2) Gross leasable area ("GLA") is defined as the portion of the total square feet of a building that is available for tenant leasing.

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### *Lease Expirations*

The following chart shows, on an aggregate basis, all of the scheduled lease expirations after June 30, 2018, for each of the next ten years and thereafter for PE REIT II's 86 wholly-owned shopping centers. The chart shows the leased square feet and ABR represented by the applicable lease expirations (dollars and square feet in thousands):



Subsequent to June 30, 2018, PE REIT II renewed approximately 132,000 total square feet and \$1.4 million of total ABR of the leases

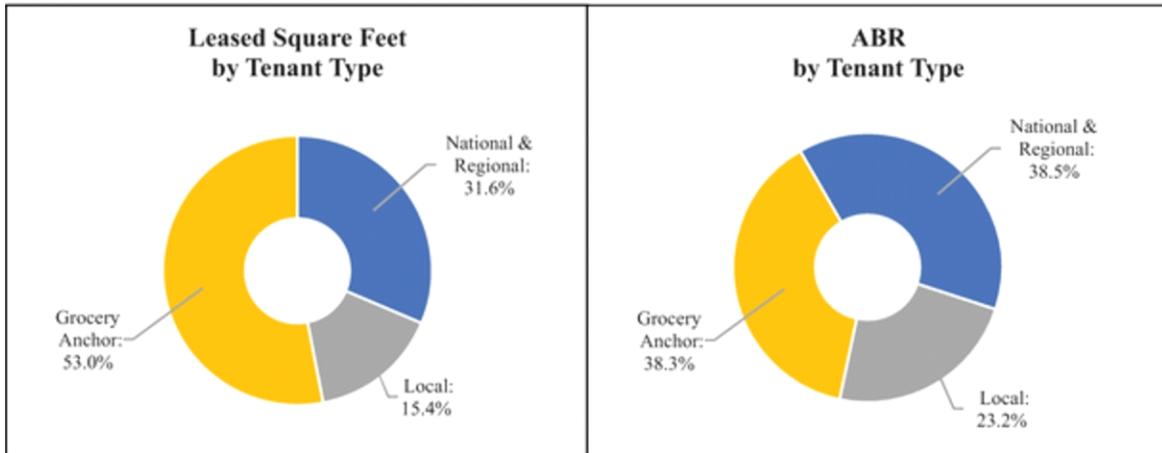
expiring.

**Portfolio Tenancy**

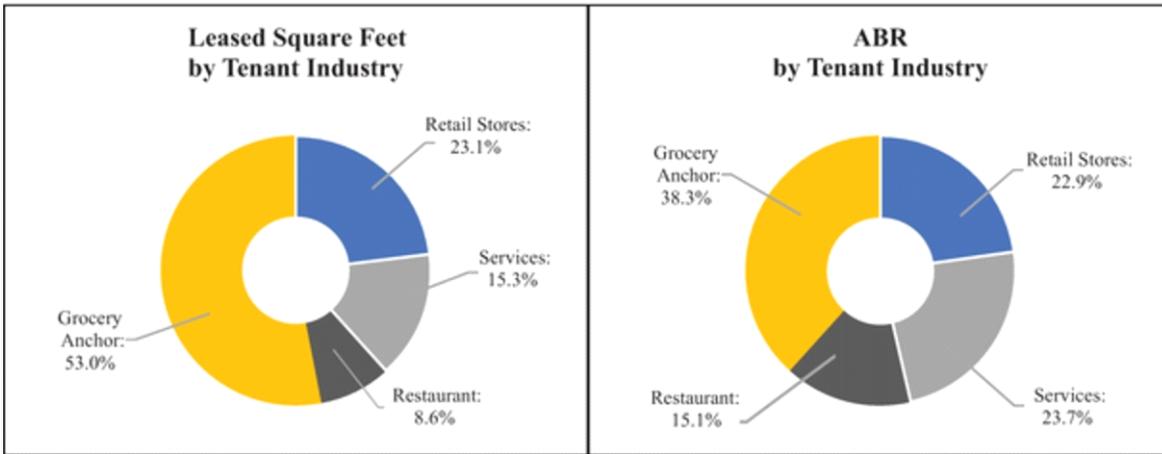
Prior to the acquisition of a property, PE REIT II assesses the suitability of the grocery anchor tenant and other tenants in light of PE REIT II’s investment objectives, namely, preserving capital and providing stable cash flows for distributions. Generally, PE REIT II assesses the strength of the tenant by consideration of company factors, such as its financial strength and market share in the geographic area of the shopping center, as well as location-specific factors, such as the store’s sales, local competition, and demographics. When assessing the tenancy of the non-anchor space at the shopping center, PE REIT II considers the tenant mix at each shopping center in light of PE REIT II’s portfolio, the proportion of national and national franchise tenants, the creditworthiness of specific tenants, and the timing of lease expirations. When evaluating non-national tenancy, PE REIT II attempts to obtain credit enhancements to leases, which typically come in the form of deposits and/or guarantees from one or more individuals.

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PE REIT II defines national tenants as those tenants that operate in at least three states. Regional tenants are defined as those tenants that have at least three locations. The following charts present the composition of PE REIT II’s portfolio by tenant type as of June 30, 2018:



The following charts present the composition of PE REIT II’s portfolio by tenant industry as of June 30, 2018 (dollars and square feet in thousands):



The following table presents PE REIT II’s top ten tenants, grouped according to parent company, by ABR as of June 30, 2018 (dollars and square feet in thousands):

Tenant	ABR	% of ABR	Leased Square Feet	% of Leased Square Feet	Number of Locations <sup>(1)</sup>
Publix Super Markets	\$ 8,157	6.5%	843	8.6%	18
Albertsons-Safeway	7,208	5.7%	716	7.3%	12
Ahold Delhaize	6,374	5.1%	389	4.0%	6
Walmart	5,820	4.6%	903	9.2%	7

Kroger	5,512	4.4%	792	8.1%	12
Giant Eagle	2,776	2.2%	273	2.8%	4
Sprouts Farmers Market	1,843	1.5%	109	1.1%	4
Save Mart Supermarkets	1,775	1.4%	208	2.1%	4
T.J. Maxx	1,371	1.1%	108	1.1%	4
Subway	1,104	0.9%	46	0.5%	32
Total	\$ 41,940	33.4%	4,387	44.8%	103

(1) Number of locations excludes auxiliary leases with grocery anchors such as fuel stations, pharmacies, and liquor stores.

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### ***Legal Proceedings***

From time to time, PE REIT II is party to legal proceedings, which arise in the ordinary course of PE REIT II's business. PE REIT II is not currently involved in any legal proceedings of which the outcome is reasonably likely to have a material impact on PE REIT II's results of operations or financial condition, nor is PE REIT II aware of any such legal proceedings contemplated by any governmental authorities.

### ***Competition***

PE REIT II is subject to significant competition in seeking real estate investments and tenants. PE REIT II competes with many third parties engaged in real estate investment activities including other REITs, specialty finance companies, savings and loan associations, banks, mortgage bankers, insurance companies, mutual funds, institutional investors, investment banking firms, lenders, hedge funds, governmental bodies, and other entities. Some of these competitors, including larger REITs, have substantially greater financial resources than PE REIT II does and generally enjoy significant competitive advantages that result from, among other things, increased access to capital, lower cost of capital, and enhanced operating efficiencies.

### ***Employees***

PE REIT II does not have any employees. In addition, all of PE REIT II's executive officers are also officers of PECO or one or more of its affiliates and are compensated by those entities, in part, for their service rendered to PE REIT II. PE REIT II does not separately compensate its executive officers for their service as officers.

### ***Environmental Matters***

As an owner of real estate, PE REIT II is subject to various environmental laws of federal, state and local governments. Compliance with federal, state and local environmental laws has not had a material, adverse effect on PE REIT II's business, assets, results of operations, financial condition and ability to pay distributions, and PE REIT II does not believe that PE REIT II's existing portfolio will require PE REIT II to incur material expenditures to comply with these laws and regulations.

### ***Quantitative and Qualitative Disclosures about Market Risks***

PE REIT II utilizes interest rate swaps in order to hedge a portion of its exposure to interest rate fluctuations. PE REIT II does not intend to enter into derivative or interest rate transactions for speculative purposes. PE REIT II's hedging decisions are determined based upon the facts and circumstances existing at the time of the hedge and may differ from PE REIT II's currently anticipated hedging strategy. Because PE REIT II uses derivative financial instruments to hedge against interest rate fluctuations, PE REIT II may be exposed to both credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. If the fair value of a derivative contract is positive, the counterparty will owe PE REIT II, which creates credit risk for PE REIT II. If the fair value of a derivative contract is negative, PE REIT II will owe the counterparty and, therefore, not have credit risk. PE REIT II seeks to minimize the credit risk in derivative instruments by entering into transactions with high-quality counterparties. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest-rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

As of June 30, 2018, PE REIT II had five interest rate swaps that fixed LIBOR on \$570 million of PE REIT II's unsecured term loan facilities. PE REIT II was also party to two interest rate swaps that fixed the variable interest rate on \$15.2 million of two of PE REIT II's variable-rate mortgage notes.

As of June 30, 2018, PE REIT II had not fixed the interest rate on \$85.4 million of its unsecured variable-rate debt through derivative financial instruments, and as a result, PE REIT II is subject to the potential impact of rising interest rates, which could negatively

impact PE REIT II's profitability and cash flows. The impact on PE REIT II's annual results of operations of a one-percentage point increase in interest rates on the outstanding balance of PE REIT II's variable-rate debt at June 30, 2018, would result in approximately \$0.9 million of additional interest expense.

These amounts were determined based on the impact of hypothetical interest rates on PE REIT II's borrowing cost and assume no changes in PE REIT II's capital structure. As the information presented above includes only those exposures that exist as of June 30, 2018, it does not consider those exposures or positions that could arise after that date. Hence, the information represented herein has limited predictive value. As a result, the ultimate realized gain or loss with respect to interest rate fluctuations will depend on the exposures that arise during the period, the hedging strategies at the time, and the related interest rates.

PE REIT II does not have any foreign operations, and thus PE REIT II is not exposed to foreign currency fluctuations.

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### ***Access to Company Information***

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PE REIT II makes available, free of charge, by responding to requests addressed to PE REIT II's investor relations group, the Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports on its website, [www.grocerycenterREIT2.com](http://www.grocerycenterREIT2.com). These reports are available as soon as reasonably practicable after such material is electronically filed or furnished to the SEC.

### **The Combined Company**

References to the Combined Company are to PECO after the effective time of the company merger. The Combined Company will be named "Phillips Edison & Company, Inc." and will be a Maryland corporation. The Combined Company after the completion of the mergers is expected to have a pro forma total enterprise value of approximately \$6.3 billion (based on the estimated net asset value per share of PECO of \$11.05 and the total estimated pro forma outstanding indebtedness of \$2.7 billion, including transaction expenses). The Combined Company's asset base after the completion of the mergers will consist primarily of 321 wholly owned grocery-anchored shopping centers encompassing approximately 36.6 million square feet across 33 states.

The business of the Combined Company will be operated through PECO OP and its subsidiaries, including the Surviving Partnership. After giving effect to the mergers, PECO OP will hold a limited partnership interest in the Surviving Partnership (and be the sole limited partner of the Surviving Partnership), and a wholly owned subsidiary of PECO OP will be the sole general partner of the Surviving Partnership. Following the effective time of the company merger and the partnership merger, the PECO parties will have the full, exclusive and complete responsibility for and discretion in the day-to-day management and control of PECO OP and the Surviving Partnership.

The Combined Company's principal executive offices will be located at 11501 Northlake Drive, Cincinnati, Ohio 45249, and its telephone number is (513) 554-1110.

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### **THE PECO ANNUAL MEETING**

This joint proxy statement/prospectus is being furnished in connection with the solicitation of proxies from PECO stockholders for use at the PECO annual meeting. This joint proxy statement/prospectus and accompanying form of proxy are first being mailed to the PECO stockholders on or about August 28, 2018.

### **Date, Time, Place and Purpose of the PECO Annual Meeting**

The annual meeting of the PECO stockholders will be held at the offices of Latham & Watkins, located at 885 Third Avenue, New York, New York 10022 on November 14, 2018, commencing at 8:00 a.m. Eastern Time for the following purposes:

1. to consider and vote on a proposal to approve the company merger and the other transactions contemplated by the merger agreement;
2. to consider and vote on the election of five nominees for director, with each to serve until the next annual meeting of PECO stockholders and until their respective successors are duly elected and qualify;
3. to consider and vote on a proposal to approve the PECO charter amendment;
4. to consider and vote, on a non-binding, advisory basis, on the compensation of the PECO named executive officers;
5. to consider and vote, on a non-binding, advisory basis, on the frequency of future non-binding, advisory resolutions on the compensation of PECO named executive officers (every year, every two years or every three years);
6. to consider and vote on a proposal to approve one or more adjournments of the PECO annual meeting to another date, time or place, if necessary or appropriate, as determined by the Chair of the PECO annual meeting, to solicit additional proxies in favor of the proposal to approve the company merger and the other transactions contemplated by the merger agreement or to approve the PECO charter amendment; and
7. to attend to such other business as may properly come before the meeting and any adjournment or postponement thereof.

This joint proxy statement/prospectus also contains information regarding the PE REIT II annual meeting, including the items of business for that annual meeting. PECO stockholders are not voting on the proposals to be voted on at the PE REIT II annual meeting.

### **Recommendation of the PECO Board of Directors**

The PECO Board has unanimously (i) determined that the mergers and the other transactions contemplated by the merger agreement are advisable and in the best interests of PECO and its stockholders, (ii) approved the merger agreement, the mergers and the other transactions contemplated by the merger agreement, and (iii) declared the PECO charter amendment advisable. The PECO Board unanimously recommends that PECO stockholders vote (a) **FOR** the proposal to approve the company merger and the other transactions contemplated by the merger agreement, (b) **FOR** each of the nominees for election as a director, (c) **FOR** the proposal to approve the PECO charter amendment, (d) **FOR** the approval of the non-binding, advisory resolution on executive compensation, (e) for **“EVERY YEAR”** on the non-binding, advisory vote on the frequency of future non-binding, advisory resolutions on executive compensation and (f) **FOR** the proposal to approve one or more adjournments of the PECO annual meeting to another date, time or place, if necessary or appropriate, as determined by the Chair of the PECO annual meeting, to solicit additional proxies in favor of the proposal to approve the company merger and the other transactions contemplated by the merger agreement or to approve the PECO charter amendment.

### **PECO Record Date; Who Can Vote at the PECO Annual Meeting**

Only holders of record of shares of PECO common stock at the close of business on August 28, 2018, PECO’s record date, are entitled to notice of, and to vote at, the PECO annual meeting and any adjournment of the PECO annual meeting. As of the record date, there were 183,695,565.955 shares of PECO common stock outstanding (which includes 31,264 unvested restricted shares) and entitled to vote at the PECO annual meeting, held by approximately 40,091 stockholders of record.

Each share of PECO common stock owned on PECO’s record date is entitled to one vote on each proposal at the PECO annual meeting.

### **Required Vote; Quorum**

Approval of the proposal to approve the company merger and the other transactions contemplated by the merger agreement requires the affirmative vote of a majority of all of the votes cast on such proposal.

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The election of each of the nominees for director requires the affirmative vote of the holders of a majority of the shares of stock entitled to vote who are present in person or by proxy.

Approval of the proposal to approve the PECO charter amendment requires the affirmative vote of a majority of all of the votes entitled to be cast on such proposal.

Approval of the non-binding, advisory resolution on executive compensation requires the affirmative vote of a majority of all of the votes cast on such proposal.

With regard to the non-binding, advisory vote on the frequency of future non-binding, advisory resolutions on executive

compensation, the option of every year, every two years or every three years that receives the affirmative vote of a majority of all of the votes cast on such proposal will be the frequency recommended by stockholders. In the event that no option receives such a majority, the PECO Board will consider the option that receives the most votes to be the frequency recommended by PECO stockholders.

Approval of the proposal to approve one or more adjournments of the PECO annual meeting to another date, time or place, if necessary or appropriate, as determined by the Chair of the PECO annual meeting, to solicit additional proxies in favor of the proposal to approve the PECO charter amendment or to approve the company merger and the other transactions contemplated by the merger agreement requires the affirmative vote of a majority of all of the votes cast on such proposal.

**Regardless of the number of shares of PECO common stock you own, your vote is very important. Please complete, sign, date and promptly return the enclosed proxy card today or vote by phone or Internet.**

PECO's bylaws provide that the presence in person or by proxy of stockholders entitled to cast 50% of all the votes entitled to be cast at such meeting on any matter constitutes a quorum at a meeting of its stockholders. Shares that are voted and shares abstaining from voting are treated as being present at the PECO annual meeting for purposes of determining whether a quorum is present.

No business may be conducted at the PECO annual meeting if a quorum is not present at such meeting other than the proposal to adjourn the PECO annual meeting to solicit additional proxies. Pursuant to PECO's bylaws, the chairman of the meeting may adjourn the PECO annual meeting to a later date, time and place announced at the meeting, whether or not a quorum is present and without a vote of stockholders.

#### **Abstentions and Broker Non-Votes**

Abstentions and broker non-votes will be counted in determining the presence of a quorum. Abstentions and broker non-votes, if any, or, in the election of directors, instructions to WITHHOLD with respect to any or all nominees, will have the same effect as votes **AGAINST** (i) the proposal to approve the PECO charter amendment and (ii) the election of each such nominee for director. Abstentions and broker non-votes, if any, will have no effect on the remaining proposals (or any other matters presented at the PECO annual meeting for PECO stockholder approval). Broker non-votes, if any, will be considered as "present" for purposes of determining a quorum.

#### **Manner of Submitting Proxy**

PECO stockholders may vote for or against the proposals to be considered at the PECO annual meeting in person or by proxy. PECO stockholders can authorize a proxy in the following ways:

- *Internet.* PECO stockholders may submit a proxy over the Internet by going to [www.proxyvote.com/peco](http://www.proxyvote.com/peco) with use of the control number on their proxy card. Once at the website, they should follow the instructions to submit a proxy.
- *Telephone.* PECO stockholders may submit a proxy using the toll-free number at 1-800-690-6903 and follow the recorded instructions. PECO stockholders will be asked to provide the control number from the enclosed proxy card.
- *Mail.* PECO stockholders may submit a proxy by completing, signing, dating and returning their proxy card or voting instruction card in the preaddressed postage-paid envelope provided.

PECO stockholders should refer to their proxy cards or the information forwarded by their broker or other nominee to see which options are available to them.

The Internet and telephone proxy submission procedures are designed to authenticate stockholders and to allow them to confirm that their instructions have been properly recorded. If you submit a proxy over the Internet or by telephone, then you need not return a written proxy card or voting instruction card by mail. The Internet and telephone facilities available to record holders will close at 11:59 P.M. Eastern Time on November 13, 2018.

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The method by which PECO stockholders submit a proxy will in no way limit their right to vote at the PECO annual meeting if they later decide to attend the meeting and vote in person. If shares of PECO common stock are held in the name of a broker or other nominee, PECO stockholders must obtain a proxy, executed in their favor, from the broker or other nominee, to be able to vote in person at the PECO annual meeting.

All shares of PECO common stock entitled to vote and represented by properly authorized proxies received prior to the PECO annual meeting, and not revoked, will be voted at the PECO annual meeting as instructed on the proxies. **If PECO stockholders of record return properly authorized proxies but do not indicate how their shares of PECO common stock should be voted on a proposal, the shares of PECO common stock represented by their properly authorized proxy will be voted as the PECO Board recommends and therefore, (i) FOR the proposal to approve the company merger and the other transactions contemplated by the merger agreement,**

(ii) FOR each of the nominees for election as a director, (iii) FOR the proposal to approve the PECO charter amendment, (iv) FOR the approval of the non-binding, advisory resolution on executive compensation, (v) for “EVERY YEAR” on the non-binding, advisory vote on the frequency of future non-binding, advisory resolutions on executive compensation and (vi) FOR the proposal to approve one or more adjournments of the PECO annual meeting to another date, time or place, if necessary or appropriate, as determined by the Chair of the PECO annual meeting, to solicit additional proxies in favor of the proposal to approve the PECO charter amendment or to approve the company merger and the other transactions contemplated by the merger agreement. If you do not provide voting instructions to your broker or other nominee, your shares of PECO common stock will NOT be voted.

#### **Shares Held in “Street Name”**

If PECO stockholders hold shares of PECO common stock in an account of a broker or other nominee and they wish to vote such shares, they must return their voting instructions to the broker or other nominee.

If PECO stockholders hold shares of PECO common stock in an account of a broker or other nominee and attend the PECO annual meeting, they should bring a letter from their broker or other nominee identifying them as the beneficial owner of such shares of PECO common stock and authorizing them to vote.

If PECO stockholders hold their shares in “street name” and they fail to provide their broker or other nominee with any instructions regarding how to vote their shares of PECO common stock, their shares of PECO common stock held by brokers and other nominees will NOT be voted and may NOT be present for the purposes of determining a quorum.

#### **Revocation of Proxies or Voting Instructions**

PECO stockholders of record may change their vote or revoke a previously authorized proxy at any time before it is exercised at the PECO annual meeting by:

- submitting notice in writing to PECO’s Secretary at Phillips Edison & Company, Inc., 11501 Northlake Drive, Cincinnati, Ohio 45249, Attn: Secretary;
- executing and delivering a later-dated proxy card or submitting a later-dated proxy by telephone or on the Internet; or
- voting in person at the PECO annual meeting.

Attending the PECO annual meeting without voting will not revoke your proxy.

PECO stockholders who hold shares of PECO common stock in an account of a broker or other nominee may revoke their voting instructions by following the instructions provided by their broker or other nominee.

#### **Solicitation of Proxies; Payment of Solicitation Expenses**

The solicitation of proxies from PECO stockholders is made on behalf of the PECO Board. PECO will pay the cost of soliciting proxies from PECO stockholders. PECO has contracted with BFS to assist PECO in the distribution of proxy materials and the solicitation of proxies. PECO expects to pay BFS fees of approximately \$975,000 to solicit proxies plus other fees and expenses for other services related to this proxy solicitation, including the review of proxy materials, dissemination of brokers’ search cards, distribution of proxy materials, operating online and telephone voting systems and receipt of executed proxies. PECO will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to PECO’s stockholders.

In accordance with the regulations of the SEC, PECO also will reimburse brokerage firms and other custodians, nominees and fiduciaries for their expenses incurred in sending proxies and proxy materials to beneficial owners of shares of PECO common stock.

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### **PROPOSALS SUBMITTED TO PECO STOCKHOLDERS**

#### **PECO Merger Proposal**

##### ***(Proposal 1 on the PECO Proxy Card)***

PECO stockholders are being asked to approve the company merger and the other transactions contemplated by the merger agreement. For a detailed discussion of the terms and conditions of the company merger and the other transactions contemplated by the merger agreement, see “The Mergers—The Merger Agreement.” As discussed in the section entitled “The Mergers—Recommendation of the PECO Board of Directors and Its Reasons for the Mergers,” after careful consideration the PECO Board unanimously approved the company merger and the other transactions contemplated by the merger agreement and determined that the company merger and the other transactions contemplated by the merger agreement are advisable and in the best interests of PECO and its stockholders.

Pursuant to the merger agreement, approval of this proposal is a condition to the closing of the mergers. If the proposal is not approved, the mergers will not be completed.

PECO is requesting that PECO stockholders approve the company merger and the other transactions contemplated by the merger agreement. Approval of this proposal requires the affirmative vote of a majority of all of the votes cast on such proposal.

### **Recommendation of the PECO Board**

**The PECO Board unanimously recommends that PECO stockholders vote FOR the proposal to approve the company merger and the other transactions contemplated by the merger agreement.**

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### **Election of Directors**

#### ***(Proposal 2 on the PECO Proxy Card)***

PECO stockholders are being asked to vote on the election of all five members of the PECO Board. Those persons elected will serve as directors until the 2019 annual meeting of the PECO stockholders and until their successors are duly elected and qualified. The PECO Board has nominated the following persons for re-election as directors:

- Jeffrey S. Edison
- Stephen R. Quazzo
- Leslie T. Chao
- Gregory S. Wood
- Paul J. Massey, Jr.

Each of the nominees is a current member of the PECO Board. The names and ages of the nominees, together with certain biographical information is provided below.

PECO is requesting that PECO stockholders approve each of the nominees for election as a director of the PECO Board. Election of each of the nominees for director requires, in each case the affirmative vote of the holders of a majority of the shares of stock entitled to vote who are present in person or by proxy.

### **Recommendation of the PECO Board**

**The PECO Board unanimously recommends that PECO stockholders vote FOR each of the nominees listed for election as a director.**

#### ***The PECO Board***

The PECO Board has oversight responsibility for PECO's operations and makes all major decisions concerning PECO's business. PECO currently has five directors, all of whom have been nominated for election at the PECO annual meeting. PECO currently has no vacant director positions. The PECO Board held six meetings during 2017. During 2017, each director attended at least 75% of the aggregate number of the meetings of the PECO Board and each committee of the PECO Board on which he served during the period in which he served. For biographical information regarding PECO's directors, see "Executive Officers and Directors" on page [69](#).

The PECO Board has established an audit committee (the "PECO Audit Committee") and a compensation committee (the "PECO Compensation Committee"). Previously, the PECO Board had also established a conflicts committee (the "PECO Conflicts Committee"), but the PECO Conflicts Committee was disbanded on October 20, 2017, following the consummation of the PELP transaction. Information regarding each of the committees is set forth below.

#### ***Director Independence***

Although shares of PECO common stock are not listed for trading on any national securities exchange, a majority of PECO's directors, and all of the members of the PECO Audit Committee and the PECO Compensation Committee are "independent" as defined by the rules of the New York Stock Exchange (the "NYSE"). The NYSE independence standards provide that to qualify as an independent director, in addition to satisfying certain bright-line criteria, the PECO Board must affirmatively determine that a director has no material relationship with PECO (either directly or as a partner, stockholder, or officer of an organization that has a relationship with PECO). The PECO Board has determined that each of Leslie T. Chao, Paul J. Massey, Jr., Stephen R. Quazzo, and Gregory S. Wood is "independent" as defined by the NYSE.

#### ***The Audit Committee***

##### *General*

The PECO Audit Committee's primary function is to assist the PECO Board in fulfilling its responsibilities by overseeing its independent auditors and reviewing the financial information to be provided to the PECO stockholders and others, overseeing the

system of internal control over financial reporting that PECO management has established, and overseeing PECO’s audit and financial reporting process. The PECO Audit Committee also is responsible for overseeing PECO’s compliance with applicable laws and regulations and for establishing procedures for the ethical conduct of PECO’s business. The PECO Audit Committee fulfills these responsibilities primarily by carrying out the activities enumerated in the PECO Audit Committee Charter adopted by the PECO Board in 2010. The Audit Committee Charter is available on PECO’s website at [www.phillipsedison.com/investors/governance](http://www.phillipsedison.com/investors/governance).

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The members of the PECO Audit Committee are Leslie T. Chao (Chair), Paul J. Massey, Jr., Stephen R. Quazzo, and Gregory S. Wood. The PECO Board has determined that Mr. Chao qualifies as the PECO Audit Committee “financial expert” within the meaning of SEC rules. During 2017, the Audit Committee held four meetings.

*Independent Auditors*

During the year ended December 31, 2017, Deloitte & Touche LLP served as PECO’s independent auditor and provided certain domestic tax and other services. Deloitte & Touche LLP has served as PECO’s independent auditor since PECO’s formation in 2009. The PECO Audit Committee has engaged Deloitte & Touche LLP as its independent auditor to audit PECO’s consolidated financial statements for the year ending December 31, 2018. The PECO Audit Committee may, however, select new auditors at any time in the future in its discretion if it deems such decision to be in PECO’s best interest. Any decision to select new auditors would be disclosed to the PECO stockholders in accordance with applicable securities laws.

Representatives from Deloitte & Touche LLP are expected to be present at the PECO annual meeting, to have the opportunity to make a statement if they desire to do so and to be available to respond to appropriate questions posed by any PECO stockholders.

*Preapproval Policies*

The PECO Audit Committee charter imposes a duty on the PECO Audit Committee to preapprove all auditing services performed for PECO by PECO’s independent auditors, as well as all permitted nonaudit services (including the fees and terms thereof) in order to ensure that the provision of such services does not impair the auditors’ independence. Unless a type of service to be provided by the independent auditors has received “general” preapproval, it will require “specific” preapproval by the PECO Audit Committee. Additionally, any proposed services exceeding “general” preapproved cost levels will require specific preapproval by the PECO Audit Committee.

All requests or applications for services to be provided by the independent auditor that do not require specific preapproval by the PECO Audit Committee will be submitted to PECO management and must include a detailed description of the services to be rendered. PECO management will determine whether such services are included within the list of services that have received the general preapproval of the PECO Audit Committee. The PECO Audit Committee will be informed on a timely basis of any such services rendered by the independent auditors.

Requests or applications to provide services that require specific preapproval by the PECO Audit Committee will be submitted to the PECO Audit Committee by both the independent auditors and PECO’s Chief Financial Officer, and must include a joint statement as to whether, in their view, the request or application is consistent with the SEC’s rules on auditor independence. The Chair of the PECO Audit Committee has been delegated the authority to specifically preapprove all services not covered by the general preapproval guidelines. Amounts requiring preapproval in excess of the general preapproved cost levels require specific preapproval by all members of the PECO Audit Committee prior to engagement of PECO’s independent auditors. All amounts specifically preapproved by the Chair of the PECO Audit Committee in accordance with this policy are to be disclosed to the full PECO Audit Committee at the next regularly scheduled meeting. All services rendered by Deloitte & Touche LLP for the year ended December 31, 2017 were preapproved in accordance with the policies and procedures described above.

*Principal Auditor Fees*

The aggregate fees billed to PECO for professional accounting services, including the audit of PECO’s annual consolidated financial statements by PECO’s principal auditor for the years ended December 31, 2017 and 2016, are set forth in the table below.

	<u>2017</u>	<u>2016</u>
Audit fees	\$ 1,024,740	\$ 613,800
Audit-related fees	225,382	19,000
Tax fees	10,000	3,895
All other fees	—	—
Total fees	<u>\$ 1,260,122</u>	<u>\$ 636,695</u>

For purposes of the preceding table, the principal auditor’s professional fees are classified as follows:

- Audit fees – These are fees for professional services performed for the audit of PECO’s annual consolidated financial

statements and the required review of quarterly consolidated financial statements and other procedures performed by the principal auditor in order for them to be able to form an opinion on PECO's consolidated financial statements.

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These fees also cover services that are normally provided by independent auditors in connection with statutory and regulatory filings or engagements, including reviews of PECO's consolidated financial statements included in the registration statements, as amended, related to PECO's public offerings of common stock. Audit fees are presented for the period to which the audit work relates, regardless of whether the fees are actually billed during the period.

- Audit-related fees – These are fees for assurance and related services that traditionally are performed by independent auditors that are reasonably related to the performance of the audit or review of the consolidated financial statements, such as due diligence related to acquisitions and dispositions, attestation services that are not required by statute or regulation, internal control reviews, and consultation concerning financial accounting and reporting standards.
- Tax fees – These are fees for all professional services performed by professional staff in PECO's independent auditor's tax division, except those services related to the audit of PECO's consolidated financial statements. These include fees for tax compliance, tax planning and tax advice, including federal, state, and local issues. Services also may include assistance with tax audits and appeals before the IRS and similar state and local agencies, as well as federal, state, and local tax issues related to due diligence. Tax fees are presented for the period in which the services were provided.
- All other fees – These are fees for any services not included in the above-described categories.

### *Report of the PECO Audit Committee*

The PECO Audit Committee reviews the financial reporting process on behalf of the PECO Board. PECO management has the primary responsibility for the financial statements and the reporting process, including the system of internal control over financial reporting. Membership on the PECO Audit Committee does not call for the professional training and technical skills generally associated with career professionals in the field of accounting and auditing. In addition, the independent auditors devote more time and have access to more information than does the PECO Audit Committee. Accordingly, the PECO Audit Committee's role does not provide any special assurance with regard to PECO's financial statements, nor does it involve a professional evaluation of the quality of the audits performed by the independent auditors. In this context, the PECO Audit Committee reviewed the 2017 audited consolidated financial statements with PECO management, including a discussion of the quality and acceptability of PECO's financial reporting, the reasonableness of significant judgments, and the clarity of disclosures in the consolidated financial statements.

The PECO Audit Committee reviewed with Deloitte & Touche LLP, which is responsible for expressing an opinion on the conformity of those audited consolidated financial statements with U.S. generally accepted accounting principles, their judgments as to the quality and the acceptability of the consolidated financial statements and such other matters as are required to be discussed with the PECO Audit Committee under Statement on Auditing Standards No. 16 (*Communication with Audit Committees*). The PECO Audit Committee received from and discussed with Deloitte & Touche LLP the written disclosures and the letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding that firm's independence from PECO. In addition, the PECO Audit Committee considered whether Deloitte & Touche LLP's provision of nonaudit services is compatible with maintaining its independence from PECO.

The PECO Audit Committee discussed with Deloitte & Touche LLP the overall scope and plans for the audit. The PECO Audit Committee meets periodically, and at least quarterly, with Deloitte & Touche LLP, with and without PECO management present, to discuss the results of their examinations, their evaluations of PECO's internal controls, and the overall quality of PECO's financial reporting.

In reliance on these reviews and discussions, the PECO Audit Committee recommended to the PECO Board, and the PECO Board approved, the inclusion of the 2017 audited consolidated financial statements in PECO's Annual Report on Form 10-K for the year ended December 31, 2017 for filing with the SEC.

August 3, 2018

The Audit Committee of the Board of Directors:

*Leslie T. Chao (Chair), Paul J. Massey, Jr.,  
Stephen R. Quazzo, and Gregory S. Wood*

### *The PECO Conflicts Committee*

Prior to October 20, 2017, the PECO Conflicts Committee's primary functions were to approve transactions with affiliates and to supervise and evaluate the performance of PECO's external advisor. The PECO Conflicts Committee fulfilled these responsibilities primarily by carrying out the activities enumerated in the Corporate Governance Guidelines adopted by the PECO Board in 2014. As a result of the PELP transaction, PECO became an internally-managed REIT and no longer had an

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external advisor. On October 20, 2017 the PECO Board adopted Amended Corporate Governance Guidelines which disbanded the PECO Conflicts Committee, and the PECO Board amended the PECO Audit Committee Charter to grant authority to the PECO Audit Committee to address certain conflicts matters going forward. The Amended Corporate Governance Guidelines are available on PECO's website at [www.phillipsedison.com/investors/governance](http://www.phillipsedison.com/investors/governance).

The members of the PECO Conflicts Committee were Paul J. Massey, Jr. (Chair), Leslie T. Chao, Stephen R. Quazzo, and Gregory S. Wood, all of whom are independent directors. The PECO Conflicts Committee held five meetings during 2017.

### ***The PECO Compensation Committee***

The PECO Compensation Committee's primary functions are to discharge the PECO Board's responsibility relating to compensation of PECO's directors and executive officers by evaluating and approving director and executive officer compensation plans, policies and programs. The PECO Compensation Committee is also responsible for (i) reviewing and discussing with PECO's management the Compensation Discussion and Analysis ("PECO CD&A") required to be included in PECO's proxy statement for the annual meeting of stockholders and recommending to the PECO Board whether the PECO CD&A should be included in such proxy statement and (ii) providing a Compensation Committee Report that complies with the federal securities laws and regulations for inclusion in PECO's proxy statement for the annual meeting of stockholders. The PECO Compensation Committee fulfills these responsibilities primarily by carrying out the activities enumerated in the PECO Compensation Committee Charter adopted by the PECO Board in 2017. The PECO Compensation Committee Charter is available on PECO's website at [www.phillipsedison.com/investors/governance](http://www.phillipsedison.com/investors/governance).

The members of the PECO Compensation Committee are Paul J. Massey, Jr. (Chair), Leslie T. Chao, Stephen R. Quazzo, and Gregory S. Wood, all of whom are independent directors. The PECO Compensation Committee was formed in October 2017 but did not hold any meetings during fiscal year 2017.

### **PECO Compensation Committee Report**

The Compensation Committee (the "PECO Compensation Committee") of the Board of Directors (the "PECO Board") of Phillips Edison & Company, Inc. ("PECO") has reviewed and discussed with management PECO's Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K, and, based on such review and discussions, the PECO Compensation Committee recommended to the PECO Board that PECO's Compensation Discussion and Analysis be included in the Proxy Statement for PECO's 2018 Annual Meeting of stockholders.

#### *Submitted by the PECO Compensation Committee*

Paul J. Massey, Jr. (Chair)

Leslie T. Chao

Stephen R. Quazzo

Gregory S. Wood

### **Compensation Committee Interlocks and Insider Participation**

During 2017, Messrs. Chao, Quazzo and Wood served as members of PECO's Compensation Committee and Mr. Massey served as the Chair of PECO's Compensation Committee. None of PECO's executive officers serve as a member of a board of directors or compensation committee, or other committee serving an equivalent function, of any other entity that has one or more of its executive officers serving as a member of the PECO Board or the PECO Compensation Committee.

### ***Transactions with Related Persons***

Prior to October 20, 2017, PECO's Corporate Governance Guidelines required the PECO Conflicts Committee to review and approve all transactions involving PECO's affiliates and PECO. Prior to the disbandment of the PECO Conflicts Committee, before PECO could enter into a transaction with an affiliate that is not covered by the advisory agreement, a majority of the PECO Conflicts Committee would have to conclude that the transaction is fair and reasonable to PECO and on terms and conditions not less favorable to PECO than those available from unaffiliated third parties. In addition, PECO's Code of Ethics lists examples of types of transactions with affiliates that would create prohibited conflicts of interest. After the disbandment of the PECO Conflicts Committee on October 20, 2017, under PECO's Code of Ethics, PECO's officers and directors are required to bring potential conflicts of interest to the attention of the Chair of the PECO Audit Committee promptly. Prior to October 20, 2017, the PECO Conflicts Committee had reviewed the material transactions between PECO's affiliates and PECO since the

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beginning of 2016. From and after October 20, 2017, consistent with PECO's Code of Ethics, all potential conflicts of interest matters have been brought to the attention of the Chair of the PECO Audit Committee. There are no currently proposed material transactions with related persons other than the PELP transaction and those covered by the terms of the agreements described below.

Neither PECO nor PE REIT II is party to any transaction with related parties required to be disclosed in this section other than as discussed above.

***Fee and Management Income from Advisory Agreements***—Upon closing of the PELP transaction on October 4, 2017, PECO entered into advisory agreements under which PECO earns revenue for managing day-to-day activities and implementing the investment strategy for certain non-traded, publicly registered REITS and private funds ("Managed Funds"). The advisory agreements have a duration of one year and are renewed annually at the discretion of the respective boards of directors.

PECO earns an acquisition fee related to services provided to the Managed Funds in connection with the selection and purchase or origination of real estate and real estate-related investments. The acquisition fee earned from PE REIT II and PE REIT III is equal to 0.85% and 2.0%, respectively, of the cost of investments acquired or originated by PECO, including acquisition or origination expenses and any debt attributable to such investments. PECO earned acquisition fee income of \$0.7 million for the year ended December 31, 2017.

In addition to acquisition fees, PECO is reimbursed by the Managed Funds for customary acquisition expenses, whether or not they ultimately acquire an asset. For the year ended December 31, 2017, PECO was reimbursed for acquisition expenses of approximately \$0.2 million.

Under the terms of PECO's advisory agreements, PECO receives a monthly asset management and subordinated participation fee from the Managed Funds. The asset management and subordinated participation fee earned from PE REIT II is 0.85% and is paid 80% in cash and 20% in restricted operating partnership units designated as Class B Units of PE OP II. The asset management fee paid by PE REIT III and other related parties is between 0.5% and 1.0% and is paid in cash. PECO earned asset management fees of \$3.1 million for the year ended December 31, 2017.

***Fee and Management Income from Master Property Management and Master Services Agreements ("Management Agreements")***—Under PECO's Management Agreements, PECO earns revenues for managing day-to-day activities at the properties of the Managed Funds. As property manager, PECO is to provide services including accounting, finance, and operations for which PECO receives a distinct fee based on a set percentage of gross cash receipts each month. Under the Management Agreements, PECO also serves as a leasing agent to the Managed Funds. For each new lease, lease renewal, and expansion, PECO receives a leasing commission. Leasing commissions are recognized as lease deals occur and are dependent on the terms of the lease. PECO assists in overseeing the construction of various improvements for Managed Funds, for which PECO receives a distinct fee based on a set percentage of total project cost calculated upon completion of construction. Because both parties in these contracts can cancel upon 30 days' notice without penalties, their term is considered month-to-month.

Under the terms of PECO's Management Agreements, PECO earned a monthly property management fee equal to 4% of the monthly cash receipts of the properties PECO managed for the Managed Funds. PECO may have hired, directed, or established policies for employees who had direct responsibility for the operations of each real property PECO managed, which may have included on-site managers and building and maintenance personnel. For the year ended December 31, 2017, PECO earned property management fees of \$1.8 million.

PECO also earned leasing commissions and construction management fees from the Managed Funds in an amount that is usual and customary for comparable services rendered to properties in a similar geographic market. PECO earned leasing commissions in connection with a tenant's exercise of an option to extend an existing lease. For the year ended December 31, 2017, PECO earned leasing commissions of \$1.0 million and construction management fees of \$0.4 million.

PECO was also reimbursed for costs and expenses incurred by PECO, including legal, travel, and other out-of-pocket expenses, that were directly related to the management of specific properties of the Managed Funds. For the year ended December 31, 2017, PECO received other fees and reimbursements of \$0.6 million.

***PE-NTR Fees and Expenditure Reimbursements***—PECO entered into the amended advisory agreement (the "PE-NTR Agreement") with Phillips Edison NTR LLC ("PE-NTR") in December 2014. Certain of PECO's officers, Messrs. Edison, Addy, Murphy, and Myers served as officers of PE-NTR. PECO's former property manager, Phillips Edison & Company, Ltd.,

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was wholly owned by PELP, and Messrs. Edison, Murphy, and Myers held key positions at PECO's property manager. On October 4, 2017, PECO completed the PELP transaction. Upon closing of the PELP transaction, the PE-NTR Agreement was terminated. As a result, PECO will no longer pay the fees listed below and had no outstanding unpaid amounts related to those fees as of December 31, 2017.

Pursuant to the PE-NTR Agreement, PE-NTR was entitled to specified fees for certain services, including managing PECO's day-to-day activities and implementing PECO's investment strategy. Reimbursable expenses under the PE-NTR Agreement were also reimbursed to PE-NTR.

PECO paid PE-NTR under the PE-NTR Agreement an acquisition fee related to services provided in connection with the selection and purchase or origination of real estate and real estate-related investments. The acquisition fee was up to 1% of the cost of investments acquired or originated by PECO, including acquisition or origination expenses and any debt attributable to such investments. PECO incurred acquisition fees, which were paid to PE-NTR and its affiliates, of approximately \$1.3 million for the year ended December 31, 2017.

In addition to acquisition fees, PECO reimbursed PE-NTR under the PE-NTR Agreement for customary acquisition expenses, whether or not PECO ultimately acquired an asset. For the year ended December 31, 2017, PECO incurred acquisition expenses reimbursable to PE-NTR of approximately \$0.6 million.

Pursuant to the second amended and restated agreement of limited partnership of PECO OP, as amended, PECO OP issued performance-based restricted units designated as "Class B units" to PE-NTR as partial compensation for asset management services. PECO OP issued approximately 291,000 Class B units to PE-NTR for the asset management services performed during 2017. In connection with the PELP transaction, Class B units were no longer issued for asset management services subsequent to September 2017. Upon closing of the PELP transaction, all outstanding Class B units vested and were converted to OP units.

PECO incurred cash asset management fees, which were paid to PE-NTR, of approximately \$12.6 million for the year ended December 31, 2017.

**Property Manager Fees and Expenditure Reimbursements**—All of PECO's real properties were managed and leased by a property manager. The property manager also managed real properties acquired by PE REIT II, PE REIT III, and other related parties. Upon closing of the PELP transaction on October 4, 2017, PECO's relationship with the property manager was acquired. As a result, PECO will no longer pay the fees listed below and had no outstanding unpaid amounts related to those fees as of December 31, 2017.

PECO paid the property manager monthly property management fees equal to 4% of the annualized gross revenues of the properties it managed. In addition to the property management fee, if the property manager provided leasing services with respect to a property, PECO paid the property manager leasing fees in an amount equal to the usual and customary leasing fees charged by unaffiliated persons rendering comparable services based on national market rates. PECO paid a leasing fee to the property manager in connection with a tenant's exercise of an option to extend an existing lease, and the leasing fees payable to the property manager may have been increased by up to 50% in the event that the property manager engaged a co-broker to lease a particular vacancy. PECO reimbursed the costs and expenses incurred by the property manager on PECO's behalf, including legal, travel, and other out-of-pocket expenses that were directly related to the management of specific properties, as well as fees and expenses of third-party accountants.

If PECO engaged the property manager to provide construction management services with respect to a particular property, PECO paid a construction management fee in an amount that is usual and customary for comparable services rendered to similar projects in the geographic market of the property.

PECO's property manager hired, directed, and established policies for employees who had direct responsibility for the operations of each real property it managed, which may have included, but was not limited to, on-site managers and building and maintenance personnel. Certain employees of the property manager may have been employed on a part-time basis and may also have been employed by PE-NTR or certain of its affiliates. The property manager also directed the purchase of equipment and supplies and supervised all maintenance activity.

For the year ended December 31, 2017, PECO incurred property management fees of approximately \$8.4 million, leasing fees of approximately \$6.7 million, and construction management fees of approximately \$1.4 million due to the property manager. Additionally, the property manager incurred approximately \$6.2 million of costs and expenses on PECO's behalf for which the property manager was entitled to reimbursement during the year ended December 31, 2017. Of these costs and expenses,

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\$0.4 million was attributable to travel-related expenses for business purposes on aircraft owned by a company in which Mr. Edison has a 50% ownership interest. The aircraft was utilized to provide timely and cost-effective travel alternatives in connection with company-related business activities at market rates.

### ***Nomination of Directors***

#### *General*

PECO does not have a standing nominating committee. However, the PECO Conflicts Committee is responsible for identifying and nominating replacements for vacancies among PECO's independent director positions. The PECO Board believes that the primary

reason for creating a standing nominating committee is to ensure that candidates for independent director positions can be identified and their qualifications assessed under a process free from conflicts of interest with PECO. Because nominations for vacancies in independent director positions are handled exclusively by a committee composed only of independent directors, the PECO Board has determined that the creation of a standing nominating committee is not necessary. Nominations for replacements for vacancies among non-independent director positions are considered and made by the full PECO Board. PECO does not have a charter that governs the director nomination process.

#### *Board Membership Criteria*

The PECO Board annually reviews the appropriate experience, skills, and characteristics required of directors in the context of the then-current membership of the PECO Board. This assessment includes, in the context of the perceived needs of the PECO Board at that time, issues of knowledge, experience, judgment, and skills such as an understanding of commercial real estate, capital markets, business leadership, accounting and financial management. No one person is likely to possess deep experience in all of these areas. Therefore, the PECO Board has sought a diverse board of directors whose members collectively possess these skills and experiences. Other considerations include the candidate's independence from PECO and its affiliates and the ability of the candidate to participate in board meetings regularly and to devote an appropriate amount of effort in preparation for those meetings. It also is expected that independent directors nominated by the PECO Board shall be individuals who possess a reputation and hold (or have held) positions or affiliations befitting a director of a large publicly held company and are (or have been) actively engaged in their occupations or professions or are otherwise regularly involved in the business, professional, or academic community. As detailed in the director biographies below, the PECO Board believes that the slate of directors recommended for election at the PECO annual meeting possesses these diverse skills and experiences.

#### *Selection of Directors*

The PECO Board is responsible for selecting its own nominees and recommending them for election by the PECO stockholders. Pursuant to PECO's Corporate Governance Guidelines, however, the independent directors must nominate replacements for any vacancies among the independent director positions. All director nominees then stand for election by the PECO stockholders annually.

In order for PECO stockholder nominees to be considered for nomination by the PECO Board, recommendations made by PECO stockholders must be submitted within the timeframe required to request a proposal to be included in the proxy materials. See "Stockholder Proposals" on page 195. In evaluating the persons recommended as potential directors, the PECO Board will consider each candidate without regard to the source of the recommendation and take into account those factors that the PECO Board determines are relevant. PECO stockholders may directly nominate potential directors (without the recommendation of the PECO Board) by satisfying the procedural requirements for such nomination as provided in Section 2.12 of PECO's bylaws.

#### *Stockholder Communications with the PECO Board*

PECO has established several means for PECO stockholders to communicate concerns to the PECO Board. If the concern relates to PECO's financial statements, accounting practices, or internal controls, PECO stockholders should submit the concern in writing to Leslie T. Chao, the Chair of the PECO Audit Committee, in care of PECO's Secretary at PECO's headquarters address at 11501 Northlake Drive, Cincinnati, Ohio 45249. If the concern relates to PECO's governance practices, business ethics, or corporate conduct, PECO stockholders should submit the concern in writing to Paul J. Massey, Jr., the Chair of the PECO Conflicts Committee, in care of PECO's Secretary at PECO's headquarters address at 11501 Northlake Drive, Cincinnati, Ohio 45249. If uncertain as to which category a concern relates, a stockholder may communicate the concern to any one of the independent directors in care of PECO's Secretary.

PECO stockholders also may communicate concerns with PECO's directors at PECO's annual meetings. PECO expects all of its directors to be present at the PECO annual meeting. All of PECO's directors were present at PECO's 2017 annual meeting.

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### *Leadership Structure of the PECO Board and Role in Risk Oversight*

#### *Chief Executive Officer and Chairman of the PECO Board Positions*

Mr. Edison serves as both Chief Executive Officer and as Chairman of the PECO Board. As Chief Executive Officer, Mr. Edison manages PECO's business under the direction of the PECO Board and implements PECO's policies as determined by the PECO Board. As Chairman of the PECO Board, Mr. Edison presides over the PECO Board and stockholder meetings, represents PECO at public events and oversees the setting of the agenda for those meetings and the dissemination of information about PECO to the PECO Board. The PECO Board believes that it is appropriate for PECO that one person serve in both capacities. Mr. Edison, along with Michael C. Phillips, founded PECO and devotes a substantial amount of his time to PECO's management. With his greater knowledge of PECO's day-to-day operations, the PECO Board believes that Mr. Edison is in the best position to oversee the setting

of the agenda for the meetings of the PECO Board and the dissemination of information about PECO to the PECO Board. The PECO Board believes that Mr. Edison is best suited to preside over PECO stockholder meetings and that his representation of PECO at public events is good for PECO's growth.

Some commentators regarding board leadership advocate separating the role of Chairman of the Board of Directors and Chief Executive Officer, maintaining that such separation creates a system of checks and balances to prevent one person from having too much power. The PECO Board believes that this issue is less of a concern for PECO than many others. The PECO Board has four independent directors out of a five-member board of directors. Those four directors constitute the PECO Conflicts Committee and PECO Audit Committee.

### *Risk Oversight*

Prior to the closing of the PELP transaction, PECO's executive officers and its external managers, and following the closing of the PELP transaction, PECO's executive officers, in each case, were responsible for the day-to-day management of risks faced by PECO, while the PECO Board has an active role in the oversight of the management of such risks. The entire PECO Board is actively involved in overseeing risk management for PECO through (i) its approval of all property acquisitions and the incurrence and assumption of debt; (ii) its oversight of PECO's executive officers and its affiliates; (iii) its review and approval of all transactions with affiliated parties; (iv) its review and discussion of regular periodic reports to the PECO Board and its committees, including management reports on property operating data, compliance with debt covenants, actual and projected financial results, compliance with requirements set forth in PECO's charter and Corporate Governance Guidelines, and various other matters relating to PECO's business; and (v) regular periodic reports from PECO's independent public accounting firm to the PECO Audit Committee regarding various areas of potential risk, including, among others, those relating to PECO's qualification as a REIT for tax purposes.

### *Executive Officers and Directors*

PECO has provided below certain information about PECO's executive officers and directors. All of PECO's directors have terms expiring on the date of the PECO annual meeting, and all of PECO's directors have been nominated to be re-elected to serve until PECO's 2019 annual meeting and until their successors are elected and qualified.

Name	Position(s)	Age	Year First Became a Director
Jeffrey S. Edison	Chairman of the Board of Directors and Chief Executive Officer	58	2009
Leslie T. Chao	Independent Director	61	2010
Paul J. Massey, Jr.	Independent Director	58	2010
Stephen R. Quazzo	Independent Director	58	2013
Gregory S. Wood	Independent Director	59	2016
Devin I. Murphy	Chief Financial Officer, Treasurer and Secretary	58	N/A
Robert F. Myers	Chief Operating Officer	45	N/A
R. Mark Addy	Executive Vice President	56	N/A

### *Directors*

**Jeffrey S. Edison, 58** (Chairman of the PECO Board and Chief Executive Officer of PECO). Mr. Edison has served as Chairman or Co-Chairman of the PECO Board and as PECO's Chief Executive Officer since December 2009. Mr. Edison has served as Chairman of the Board and Chief Executive Officer of PE REIT II since August 2013 and as the chairman of the Board and the Chief Executive Officer of PE REIT III since April 2016. Mr. Edison co-founded PELP and has served as a

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principal of Phillips Edison since 1995. Before founding Phillips Edison, Mr. Edison was a senior vice president from 1993 until 1995 and was a vice president from 1991 until 1993 at Nations Bank's South Charles Realty Corporation. From 1987 until 1990, Mr. Edison was employed by Morgan Stanley Realty Incorporated and was employed by The Taubman Company from 1984 to 1987. Mr. Edison holds a master's degree in business administration from Harvard Business School and a bachelor's degree in mathematics and economics from Colgate University.

Among the factors that led to the PECO Board's recommendation that Mr. Edison serve as a director of PECO are Mr. Edison's leadership skills, integrity, judgment, knowledge of PECO, his experience as a director and Chief Executive Officer of PECO, PE REIT II and PE REIT III, and his commercial real estate expertise.

**Leslie T. Chao, 61** (Independent Director). Mr. Chao has been a director of PECO since July 2010, and has served as lead independent director since November 2017. Mr. Chao co-founded and, since February 2012, has served as Chairman and Chief Executive Officer of Value Retail (Suzhou) Co., Ltd., a developer of outlet centers in China. Mr. Chao retired as Chief Executive Officer of Chelsea Property Group ("Chelsea"), a subsidiary of Simon Property Group, Inc. ("Simon") (NYSE: SPG), in 2008. Previously he

served in various senior capacities at Chelsea, including President and Chief Financial Officer, from 1987 through its initial public offering in 1993 (NYSE: CPG) and acquisition by Simon in 2004. Chelsea was the world's largest developer, owner and manager of premium outlet centers, with operations in the United States, Japan, Korea and Mexico. Prior to Chelsea, Mr. Chao was a vice president in the treasury group of Manufacturers Hanover Corporation, a New York bank holding company now part of JPMorgan Chase & Co., where he was employed from 1978 to 1987. Since January 2009, he has served as a non-executive director of Value Retail PLC, a leading developer of outlet centers in Europe, and from 2005 to October 2008 he served as an independent director of The Link REIT, the first and largest public REIT in Hong Kong. He received an AB from Dartmouth College in 1978 and an MBA from Columbia Business School in 1986.

Among the factors that led to the PECO Board's recommendation that Mr. Chao serve as a director of PECO are Mr. Chao's integrity, judgment, leadership skills, extensive domestic and international commercial real estate expertise, accounting and financial management expertise, public company director experience, and independence from management and PECO's sponsor and its affiliates.

**Paul J. Massey, Jr., 58** (Independent Director). Mr. Massey has been a director of PECO since July 2010. Mr. Massey also served as a director of PE REIT II from July 2014 to August 2017. Mr. Massey began his career in 1983 at Coldwell Banker Commercial Real Estate Services in Midtown Manhattan, first as the head of the market research department, and next as an investment sales broker. Together with partner Robert A. Knakal, whom he met at Coldwell Banker, he then founded Massey Knakal Realty Services, which became New York City's largest investment property sales brokerage firm, of which Mr. Massey served as Chief Executive Officer. With 250 sales professionals serving more than 200,000 property owners, Massey Knakal Realty Services was ranked as New York City's #1 property sales company in transaction volume by the CoStar Group, a national, independent real estate analytics provider. With more than \$4.0 billion in annual sales, Massey Knakal was also ranked as one of the nation's largest privately owned real estate brokerage firms. On December 31, 2014, Massey Knakal was sold to global commercial real estate firm Cushman & Wakefield, Inc., for which Mr. Massey served as President - New York Investment Sales through April 2018. In July 2018, Mr. Massey founded B6 Real Estate Advisors, a real estate brokerage firm in New York City, and currently serves as its Chief Executive Officer. In 2007, Mr. Massey was the recipient of the Real Estate Board of New York's ("REBNY") prestigious Louis B. Smadbeck Broker Recognition Award. Mr. Massey also serves as Chair for REBNY's Ethics and Business Practice Subcommittee, is a director on the Commercial Board of Directors of REBNY, is an active member of the Board of Trustees for the Lower East Side Tenement Museum and serves as a chair or member of numerous other committees. Mr. Massey graduated from Colgate University with a Bachelor of Arts degree in economics.

Among the factors that led to the PECO Board's recommendation that Mr. Massey serve as a director of PECO are Mr. Massey's integrity, judgment, leadership skills, extensive commercial real estate expertise, and independence from management and PECO's sponsor and its affiliates.

**Stephen R. Quazzo, 58** (Independent Director). Mr. Quazzo has been a director of PECO since November 2013. Mr. Quazzo is co-founder and Chief Executive Officer of Pearlmark Real Estate, L.L.C. From 1991 to 1996, Mr. Quazzo served as President of Equity Institutional Investors, Inc., a subsidiary of investor Sam Zell's private holding company, Equity Group Investments, Inc. Mr. Quazzo was responsible for raising equity capital and performing various portfolio management services in connection with the firm's real estate investments, including institutional opportunity funds and public REITs. Prior to joining the Zell organization, Mr. Quazzo was in the Real Estate Department of Goldman, Sachs & Co., where he was a vice president responsible for the firm's real estate investment banking activities in the Midwest. Mr. Quazzo holds undergraduate and MBA degrees from Harvard University, where he serves as a member of the Board of Dean's Advisors for the business school. He is a Trustee of the Urban Land Institute (ULI), Trustee and immediate past Chair of the ULI Foundation, a member of the Pension

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Real Estate Association, and a licensed real estate broker in Illinois. In addition, Mr. Quazzo serves as a director of ILG, Inc. (NASDAQ: ILG) and he also sits on a number of non-profit boards, including: Rush University Medical Center, the Chicago Symphony Orchestra, the Chicago Parks Foundation, Deerfield Academy and City Year Chicago.

Among the factors that led to the PECO Board's recommendation that Mr. Quazzo serve as a director of PECO are Mr. Quazzo's integrity, judgment, leadership skills, commercial real estate expertise, investment management expertise, public company director experience, and independence from management and PECO's sponsor and its affiliates.

**Gregory S. Wood, 59** (Independent Director). Mr. Wood has been a director of PECO since April 2016. Mr. Wood has been Executive Vice President and Chief Financial Officer of EnergySolutions, Inc., a leading services provider to the nuclear industry, since June 2012. Prior to that, Mr. Wood held the role of Chief Financial Officer at numerous public and private companies, including Actian Corporation, Silicon Graphics (filed for Chapter 11 bankruptcy protection in 2009 in order to effect the sale of its business to Rackable Systems), Liberate Technologies and InterTrust Technologies. Mr. Wood was a director of Steinway Musical Instruments, Inc. from October 2011 to October 2013, where he also served as Chairman of the Audit Committee. Mr. Wood, a certified public accountant (inactive), received his bachelor of business administration in accounting degree from the University of San Diego and his law degree from the University of San Francisco School of Law.

Among the factors that led to the PECO Board's recommendation that Mr. Wood serve as a director of PECO are Mr. Wood's integrity, judgment, leadership skills, accounting and financial management expertise, public company director experience, and independence from management and PECO's sponsor and its affiliates.

*Lead Independent Director*—Mr. Chao is an independent director and has served as PECO's lead independent director since November 2017.

The responsibilities of PECO's lead independent director include, but are not limited to, the following:

- meeting at least once every quarter with the Chairman of the PECO Board (if the Chairman of the PECO Board is a management director) and the Chief Executive Officer;
- presiding at all meetings of the PECO Board at which the Chairman of the PECO Board, if different from the lead independent director, is not present, including executive sessions of the independent directors;
- serving as liaison between the Chairman of the PECO Board, if different from the lead independent director, and the independent directors;
- reviewing all information sent to the PECO Board;
- reviewing all meeting agendas for the PECO Board; and
- overseeing meeting schedules to assure that there is sufficient time for discussion of all agenda items.

PECO's lead independent director also has the authority to call meetings of the independent directors. If the Chairman of the PECO Board is an independent director, he or she will serve as the lead independent director. Otherwise, the lead independent director is to be selected by the independent directors at the meeting of the PECO Board scheduled on the day of each annual meeting of the PECO stockholders (or, if no such meeting is held, on the first subsequent regularly scheduled meeting of the PECO Board).

#### *Executive Officers*

**Devin I. Murphy, 58.** Mr. Murphy has served as PECO's Chief Financial Officer, Treasurer and Secretary since August 2013. He also serves as the Chief Financial Officer, Treasurer and Secretary of PE REIT III since April 2016, and as a principal and Chief Financial Officer of PECO since June 2013. From November 2009 to June 2013, he served as Vice Chairman of Investment Banking at Morgan Stanley. He began his real estate career in 1986 when he joined the real estate group at Morgan Stanley as an associate. Prior to rejoining Morgan Stanley in June 2009, Mr. Murphy was a managing partner of Coventry Real Estate Advisors ("Coventry"), a real estate private equity firm founded in 1998 which sponsors a series of institutional investment funds that acquire and develop retail properties. Prior to joining Coventry in March 2008, from February 2004 until November 2007, Mr. Murphy served as global head of real estate investment banking for Deutsche Bank Securities, Inc. ("Deutsche Bank"). At Deutsche Bank, Mr. Murphy ran a team of over 100 professionals located in eight offices in the United States, Europe and Asia. Prior to joining Deutsche Bank, Mr. Murphy was with Morgan Stanley for 15 years. He held a number of senior positions at Morgan Stanley including co-head of United States real estate investment banking and head of the private capital markets group. Mr. Murphy served on the investment committee of the Morgan Stanley Real Estate Funds from 1994 until his departure in 2004. Mr. Murphy has served as an advisory director for Hawkeye Partners, a real estate private equity

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firm headquartered in Austin, Texas, since March 2005 and for Trigate Capital, a real estate private equity firm headquartered in Dallas, Texas, since September 2007. Mr. Murphy received a master's of business administration degree from the University of Michigan and a bachelor of arts degree with honors from the College of William and Mary. He is a member of the Urban Land Institute, the Pension Real Estate Association and the National Association of Real Estate Investment Trusts.

**Robert F. Myers, 45.** Mr. Myers was appointed Chief Operating Officer of PECO in September 2017. Mr. Myers joined Phillips Edison in 2003 as a senior leasing manager, was promoted to regional leasing manager in 2005 and became Vice President of Leasing in 2006. He was named Senior Vice President of Leasing and Operations in 2009, and Chief Operating Officer in 2010. Before joining Phillips Edison, Mr. Myers spent six years with Equity Investment Group, where he started as a property manager in 1997. He served as director of operations from 1998 to 2000 and as director of lease renegotiations/leasing agent from 2000 to 2003. He received his bachelor's degree in business administration from Huntington College in 1995.

**R. Mark Addy, 56.** Mr. Addy has served as PECO's Executive Vice President since October 2017. Mr. Addy served as Chief Operating Officer for PECO from 2004 to October 2010, and has since led PECO's non-traded REIT business. Mr. Addy has served as the President or Co-President and Chief Operating Officer of PE REIT II since August 2013, and as the President and Chief Operating Officer of PE REIT III since April 2016. Mr. Addy served as Chief Operating Officer for PECO from 2004 to October 2010. He also served PECO as Senior Vice President from 2002 until 2004, when he became Chief Operating Officer. From 1987 until 2002, Mr. Addy practiced law with Santen & Hughes in the areas of commercial real estate, financing, leasing, mergers and acquisitions and general corporate law. While at Santen & Hughes, he represented PECO from its inception in 1991 to 2002. Mr. Addy received his law degree from the University of Toledo, where he was a member of the Order of the Barristers, and his bachelor's degree in environmental

science and chemistry from Bowling Green State University, where he received the President's Award for academic achievement and was a member of the Order of the Omega leadership honor society.

### Compensation of the Directors of PECO

The following table sets forth information concerning the compensation of PECO's independent directors for the year ended December 31, 2017:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) <sup>(1)</sup>	Total (\$)
Leslie T. Chao	73,532	25,000	98,532
Paul J. Massey, Jr.	53,532	25,000	78,532
Stephen R. Quazzo	53,532	25,000	78,532
Gregory S. Wood	52,532	25,000	77,532

(1) Represents the aggregate grant date fair value of restricted stock awards made to PECO's directors in 2017, calculated in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718, *Compensation—Stock Compensation*. Such aggregate grant date fair values do not take into account any estimated forfeitures related to service-vesting conditions. The amounts reported in this column reflect the accounting cost for these restricted stock awards, and do not correspond to the actual economic value that may be received by the director upon vesting of the awards. Assumptions used in the calculation of these amounts are included in Note 12 to PECO's audited financial statements beginning on page F-34.

As of December 31, 2017, the non-employee members of the PECO Board, mentioned above, each held 4,289 restricted shares of PECO common stock.

**Director Compensation Policy**—During 2017, PECO did not provide any compensation to Mr. Edison, PECO's Chief Executive Officer, for his service as a member of the PECO Board. Mr. Edison's compensation as an executive officer is set forth below under "Executive Compensation-2017 Summary Compensation Table."

Non-employee director compensation is set by the PECO Board at the recommendation of PECO's Compensation Committee. In 2017, PECO's non-employee directors received the following compensation for their service on the PECO Board and committees of the PECO Board:

	Annual Cash Retainer (\$)	Annual Equity Retainer (\$)
PECO Board	30,000	25,000
PECO Audit Committee Chair	20,000	—
PECO Conflicts Committee Chair	3,000	—

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In addition, the non-employee members of the PECO Board received \$1,000 per each PECO Board and committee meeting attended and received reimbursement of reasonable out-of-pocket expenses incurred in connection with attendance of meetings of the PECO Board and committees of the PECO Board.

PECO retained FPL Associates L.P. ("FPL") to assist in assessing its non-employee director compensation program and provide recommendations for changes to the program, if any. Based upon input from FPL and the recommendation of the PECO Compensation Committee, the PECO Board approved the following compensation for the PECO Board for 2018:

	Annual Cash Retainer (\$)
PECO Board	52,500
Lead PECO Independent Director	10,000
PECO Audit Committee Chair	10,000
PECO Compensation Committee Chair	10,000

In addition, each non-employee member of the PECO Board will receive an equity retainer in the form of restricted shares of PECO common stock with a grant date fair value of \$52,500. The equity retainer will vest in full on the first anniversary of the date of grant. This program is intended to provide a total compensation package that enables PECO to attract and retain qualified and experienced individuals to serve as members of the PECO Board and to align PECO's directors' interests with those of PECO's stockholders.

## **PECO Charter Amendment Proposal**

### ***(Proposal 3 on the PECO Proxy Card)***

PECO stockholders are being asked to approve a proposal to amend the PECO charter to remove the requirement that, by February 2019, PECO sell all or substantially all of its assets, sell or merge into another entity, list the PECO common stock on a national exchange or enter into another similar transaction that provides liquidity to the PECO stockholders. The PECO Board declared the PECO charter amendment to be advisable on July 17, 2018. The full text of the PECO charter amendment is set forth in the form of Articles of Amendment attached as Annex B.

Pursuant to the merger agreement, approval of this proposal is a condition to the closing of the mergers. If the proposal is not approved, the mergers will not be completed. However, approval of the company merger and the other transactions contemplated by the merger agreement is not a condition to the effectiveness of the PECO charter amendment if approved by the affirmative vote of PECO's stockholders as set forth immediately below.

PECO is requesting that PECO stockholders approve the proposal to amend the PECO charter. Approval of this proposal requires the affirmative vote of a majority of all of the votes entitled to be cast on such proposal.

### **Recommendation of the PECO Board**

**The PECO Board unanimously recommends that PECO stockholders vote FOR the proposal to approve the PECO charter amendment.**

## **Advisory Vote to Approve Executive Compensation**

### ***(Proposal 4 on the PECO Proxy Card)***

In accordance with the requirements of Section 14A of the Exchange Act and the related rules of the SEC, PECO stockholders have the opportunity to cast an advisory vote to approve the compensation of PECO's named executive officers as disclosed pursuant to the SEC's compensation disclosure rules, including the compensation discussion and analysis, the compensation tables, and the narrative disclosures that accompany the compensation tables (a "say-on-pay proposal"), which are set forth below.

The key objectives of PECO's executive compensation program are to (i) attract, motivate, reward and retain superior executive officers with the skills necessary to successfully lead and manage its business; (ii) achieve accountability for performance by linking annual cash incentive compensation to the achievement of measurable performance objectives; and (iii) incentivize its executive officers to build value and achieve financial objectives designed to increase the value of the business through short-term and long-term incentive compensation programs. For PECO's executive officers, these short-term and long-term incentives are designed to accomplish these objectives by providing a significant correlation between PECO's financial results and their actual total compensation.

Accordingly, PECO is requesting that PECO stockholders approve the following resolution at the PECO annual meeting:

"RESOLVED, that the stockholders approve, on an advisory basis, the compensation paid to the named executive officers, as disclosed in the joint proxy statement/prospectus for the annual meeting pursuant to the compensation disclosure rules of the SEC, including the compensation discussion and analysis, compensation tables and narrative discussion, and other related disclosure."

Approval of this proposal requires the affirmative vote of a majority of all of the votes cast at the annual meeting on the proposal.

As an advisory vote, this proposal is not binding on PECO, the PECO Board, or the PECO Compensation Committee. However, the PECO Compensation Committee and the PECO Board value the opinions expressed by stockholders in their votes on this proposal and will consider the outcome of the vote when making future compensation decisions regarding named executive officers.

### **Recommendation of the PECO Board**

**The PECO Board unanimously recommends that PECO stockholders vote FOR the say-on-pay proposal.**

Messrs. Edison, Addy, Murphy, and Myers are PECO's named executive officers.

## **Equity Compensation Plan Information**

The following table provides information as of December 31, 2017, regarding shares of PECO common stock that may be issued under

PECO's equity compensation plans, consisting of PECO's Amended and Restated 2010 Long-Term Incentive Plan (the "2010 PECO LTIP Plan") and PECO's Amended and Restated 2010 Independent Director Stock Plan (the "2010 PECO Director Plan"):

Plan Category	Number of Securities To Be Issued Upon Exercise of Outstanding Options, Warrants, and, Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants, and, Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans <sup>(1)(2)</sup>
Equity compensation plans approved by security holders	17,157	—	9,182,843
Equity compensation plans not approved by security holders	—	—	—
Total / Weighted Average	17,157	—	9,182,843

(1) Excludes number of securities to be issued upon exercise of outstanding options, warrants, and rights.

(2) As of December 31, 2017, there were 9,000,000 shares of PECO common stock available for grants under the 2010 PECO LTIP Plan and 200,000 shares of PECO common stock available for grants under the 2010 PECO Director Plan.

## Compensation Discussion and Analysis

**Overview**—This Compensation Discussion and Analysis describes PECO's executive compensation program as it relates to the following "named executive officers."

- Jeffrey S. Edison, PECO's Chairman of the Board and Chief Executive Officer;
- R. Mark Addy, PECO's Executive Vice President;

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- Devin I. Murphy, PECO's Chief Financial Officer, Treasurer and Secretary; and
- Robert F. Myers, PECO's Chief Operating Officer.

The following discussion should be read together with the compensation tables and related disclosures set forth below.

**Executive Summary**—In October 2017, upon the closing of the PELP transaction, PECO acquired certain real estate assets, the third-party asset management business and certain other assets of PELP, PECO's former sponsor and external advisor. As a result of the PELP transaction, PECO is now an internally-managed, non-traded grocery-anchored shopping center REIT with a total enterprise value, as of June 30, 2018, of approximately \$4.4 billion. As of June 30, 2018, PECO owned a high-quality, nationally diversified portfolio of 235 grocery-anchored shopping centers comprising approximately 26.3 million square feet in 32 states. Following the PELP transaction, PECO is well positioned to drive sustained growth and create enhanced value for PECO's stockholders. In addition, in 2017, PECO:

- Exceeded its 2017 budget and peer companies on key financial metrics, including Same-Center net operating income ("NOI"), modified funds from operations ("MFFO") and adjusted funds from operations ("AFFO");
- Increased net asset value per share by 8% to \$11.00 from \$10.20; and
- Achieved dividend to MFFO per share coverage of 101% in the fourth quarter of 2017.

The compensation paid to and earned by PECO's named executive officers for 2017 was primarily paid by and with respect to their services to PELP. Because of PECO's change from an externally managed REIT to an internally managed REIT, the Compensation Discussion and Analysis will also discuss the compensation decisions relating to PECO's named executive officers initiated in 2017 and 2018 intended to maintain management continuity and establish appropriate incentives to build value over time as PECO transitions to an internally managed REIT.

**Executive Compensation Objectives and Philosophy**—As PECO moves forward as an internally managed, non-traded REIT, the key objectives of PECO's executive compensation program are (i) to attract, motivate, reward and retain superior executive officers with the skills necessary to successfully lead and manage PECO's business; (ii) to achieve accountability for performance by linking annual cash incentive compensation to the achievement of measurable performance objectives; and (iii) to incentivize PECO's executive officers to build value and achieve financial objectives designed to increase the value of PECO's business through short-term and long-term incentive compensation programs. For PECO's executive officers, these short-term and long-term incentives are designed to accomplish these objectives by providing a significant correlation between PECO's financial results and their actual total compensation.

PECO expects to continue to provide its executive officers with a significant portion of their compensation through cash incentive compensation contingent upon the achievement of financial and individual performance metrics as well as through equity compensation. These two elements of executive compensation are aligned with the interests of PECO's stockholders because the

amount of compensation ultimately received will vary with PECO's financial performance. Equity compensation derives its value from the appreciation of shares of PECO common stock.

Historically, PECO's executive officers have generally received equity incentive awards in the form of restricted management units ("RMUs") in PELP. In connection with the PELP transaction, the RMUs granted to PECO's named executive officers were canceled and exchanged for phantom units in PECO that will be settled in cash. In March 2018, the named executive officers were granted equity incentive awards in the form of restricted stock units ("RSUs") of PECO or LTIP Units of PECO OP ("LTIP Units"), which are described in more detail under the heading "—Equity Compensation" below.

PECO seeks to apply a consistent philosophy to compensation for all of its executive officers.

**Setting Executive Compensation**—PECO's Compensation Committee is responsible for approving the compensation of the Chief Executive Officer and the other named executive officers.

When setting executive compensation, PECO's Compensation Committee considers PECO's overall company performance, including its achievement of financial goals, and individual performance. They also consider compensation paid by similarly situated REITs. In addition, PECO's Compensation Committee continues to consider performance, the changing roles and responsibilities of PECO's executive officers and the expected future contributions of PECO's executive officers. PECO's Compensation Committee believes that understanding competitive market data is an important part of its decision-making process and while this exercise does not perfectly capture all the unique aspects of PECO's business, typically it provides a solid foundation upon which to base executive compensation decisions.

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**Role of the Compensation Committee**—PECO's Compensation Committee, which is comprised entirely of independent directors, reviews the compensation packages for PECO's named executive officers, including an analysis of all elements of compensation separately and in the aggregate. PECO's Compensation Committee operates under a written charter adopted by the PECO Board, which provides that PECO's Compensation Committee has overall responsibility for:

- periodically reviewing and assessing PECO's processes and procedures for the consideration and determination of executive compensation;
- reviewing and approving grants and awards under incentive-based compensation plans and equity-based plans; and
- determining the equity awards and bonus amounts for PECO's executive officers.

In reviewing and approving these matters, PECO's Compensation Committee considers such matters as it deems appropriate, including PECO's financial and operating performance, the alignment of the interests of PECO's executive officers and PECO's stockholders and PECO's ability to attract and retain qualified and committed individuals. In determining appropriate compensation levels for PECO's Chief Executive Officer, the PECO Compensation Committee meets outside the presence of all PECO executive officers. With respect to the compensation levels of all other executive officers, the PECO Compensation Committee meets outside the presence of all executive officers, other than PECO's Chief Executive Officer. PECO's Chief Executive Officer annually reviews the performance of each of the other named executive officers with the PECO Compensation Committee.

**Role of Compensation Consultant**—In 2017, PECO's Compensation Committee engaged FPL to provide guidance regarding PECO's executive compensation program for 2018.

PECO's Compensation Committee performs an annual assessment of the compensation consultants' independence to determine whether the consultants are independent. During 2017, FPL did not provide services to PECO other than the services to PECO's Compensation Committee. PECO's Compensation Committee has determined that FPL is independent and that its work has not raised any conflicts of interest.

**Competitive Positioning and Peer Company Comparisons**—In 2017, FPL compared the compensation of PECO's named executive officers to data in the National Association of Real Estate Investment Trusts ("NAREIT") survey to assess compensation levels.

The NAREIT survey includes 143 REITs and provides a broad market reference of REITs, including retail REITs, many of which compete with PECO for executive talent. FPL furnished the PECO Compensation Committee with a report that compared PECO's compensation of certain of PECO's named executive to the survey data. This report was considered by the PECO Compensation Committee in setting total compensation for 2018.

Although comparisons of compensation paid to PECO's senior management relative to compensation paid to similarly situated executives in the survey assists the PECO Compensation Committee in determining compensation, the PECO Compensation Committee principally evaluates compensation based on corporate objectives and individual performance.

## **Compensation Best Practices**

### WHAT PECO DOES

- A significant portion of PECO's executive officers' total compensation opportunity is based on performance (i.e., not

### WHAT PECO DOES NOT DO

- × PECO does not provide "single-trigger" change in control cash severance payments.

guaranteed).

- PECO established a formulaic short-term incentive bonus program based on rigorous goals for PECO management. × PECO does not guarantee annual salary increases or minimum cash bonuses.
- PECO aligns the interests of PECO's executive officers with PECO's long-term investors by awarding a significant percentage of their equity compensation in the form of multi-year, performance-based equity awards. × PECO does not provide tax gross-up payments to any of PECO's executive officers for tax amounts they might pay pursuant to Section 4999 or Section 409A of the Code.
- PECO enhances executive officer retention with time-based, multi-year vesting equity incentive awards. × PECO does not allow for repricing or buyouts of stock options without prior stockholder approval.
- PECO engages an independent compensation consultant to advise the PECO Compensation Committee, which is comprised solely of independent directors.

*Elements of Executive Compensation*—The primary elements of PECO's compensation program are:

- base salary;
- performance-based cash incentives;

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- long-term equity incentives; and
- severance and change in control payments and benefits.

Base salary, performance-based cash incentives and long-term equity incentives are the most significant elements of PECO's executive compensation program and, on an aggregate basis, they are intended to substantially satisfy PECO's program's overall objectives. Typically the PECO Compensation Committee has, and will seek to, set each of these elements of compensation at the same time to enable it to simultaneously consider all of the significant elements and their impact on compensation as a whole. Taking this comprehensive view of all compensation components allows the PECO Compensation Committee to also make compensation determinations that reflect the principles of PECO's compensation philosophy. PECO strives to achieve an appropriate mix between the various elements of PECO's compensation program to meet PECO's compensation objectives and philosophy; however, PECO's Compensation Committee does not apply any rigid allocation formula in setting PECO's executive compensation, and may make adjustments to this approach for various positions after giving due consideration to prevailing circumstances, internal pay equity, the individuals involved, and their responsibilities, experience and performance.

**Base Salary**—PECO provides base salary to PECO's named executive officers to compensate them for services rendered on a day-to-day basis. Base salary also provides guaranteed cash compensation to secure the services of PECO's executive talent. The base salaries of PECO's named executive officers are primarily established based on the scope of their responsibilities, experience, performance, contributions, and internal pay equity considerations, taking into account comparable company data provided by PECO's compensation consultant and based upon PECO's Compensation Committee's understanding of compensation paid to similarly situated executives, adjusted as necessary to recruit or retain specific individuals. PECO's Compensation Committee intends to review the base salaries of PECO's named executive officers annually and may also increase the base salary of a named executive officer at other times if a change in the scope of his responsibilities, such as a promotion, justifies such consideration.

PECO believes that providing a competitive base salary relative to the companies with which PECO competes for executive talent is a necessary element of a compensation program that is designed to attract and retain talented and experienced executives. PECO also believes that attractive base salaries can motivate and reward PECO's executive officers for their overall performance. Accordingly, the compensation philosophy and approach of PECO's Compensation Committee is to generally provide base salaries for each of PECO's executive officers at or near the 50<sup>th</sup> percentile base salary amount of similarly situated executives at companies in the NAREIT survey. However, the PECO Compensation Committee also considers other factors in setting base salaries, such as the responsibilities of the named executive officer and internal pay equity.

*2017 Base Salaries*—The annual base salaries for PECO's named executive officers for the year ended December 31, 2017 were as follows.

<u>Name</u>	<u>2017 Base Salary</u> <u>(\$)<sup>(1)</sup></u>
Jeffrey S. Edison	412,000
R. Mark Addy	225,000
Devin I. Murphy	412,000
Robert F. Myers	463,500

(1) These amounts were paid by PELP prior to the closing of the PELP transaction and by PECO following the closing of the PELP transaction.

**2018 Base Salaries**—Base salaries for PECO’s named executive officers for 2018 are set forth in the table below. As discussed above, 2018 base salaries were set based upon the PECO Compensation Committee’s review of compensation data for similarly situated executives set forth in the NAREIT survey, the scope of the executive officer’s responsibilities and internal pay equity considerations. Messrs. Addy and Myers’ base salaries were each increased by 3% from 2017 levels. Mr. Edison received an increase in his base salary from \$412,000 in 2017 to \$800,000 in 2018 in order to align his base salary with approximately the 50<sup>th</sup> percentile of peer group companies in the NAREIT survey, and to compensate Mr. Edison for his greater day-to-day responsibilities as chief executive officer of an internally-managed REIT following the closing of the PELP transaction in October 2017. Mr. Murphy’s base salary was increased from \$412,000 to \$477,500 in order to incentivize Mr. Murphy’s day-to-day performance and to address considerations regarding internal pay equity.

Name	2018 Base Salary (\$)
Jeffrey S. Edison	800,000
R. Mark Addy	231,750
Devin I. Murphy	477,405
Robert F. Myers	477,405

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***Performance-Based Cash Incentives***

**2017 Annual Incentives**—PECO’s Compensation Committee seeks to establish an appropriate mix of cash payments and equity awards to meet PECO’s short-term and long-term goals and objectives. Cash bonuses for 2017 performance were approved by the PECO Compensation Committee in the first quarter of 2018 and the amounts of the cash bonuses reflect the PECO Compensation Committee’s qualitative assessment of PECO’s and individual performance for 2017. In addition, the PECO Compensation Committee took into account the recommendations of the Chief Executive Officer for the other named executive officers. In determining the cash bonuses payable to the named executive officers for 2017, the PECO Compensation Committee considered the following:

- The successful completion of the PELP transaction in October 2017 and the significant efforts of the named executive officers in connection with that transaction;
- PECO exceeded budget and peer companies on key financial metrics for 2017, including Same-Center NOI, MFFO/share and AFFO/share;
- PECO increased net asset value per share by 8% to \$11.00 from \$10.20; and
- PECO achieved dividend to MFFO/share per share coverage of 101% in the fourth quarter of 2017.

The cash bonuses paid to the named executive officers for 2017 performance are set forth in the “Bonus” column of the “2017 Summary Compensation Table” below.

**2018 Annual Incentive Program**—For 2018, the PECO Compensation Committee, in consultation with FPL, approved the 2018 annual incentive program of PECO. For each of the named executive officers other than Mr. Addy, 80% of the 2018 annual cash incentive will be based upon achievement of a specified AFFO/share target and 20% of the annual cash incentive award will be based upon individual performance metrics. For Mr. Addy, 90% of his annual cash incentive will be based upon individual performance metrics and 10% will be based upon the specified AFFO/share target. The following table shows the target performance-based incentive award opportunity for each named executive officer for 2018:

Name	2018 Target Award Opportunity (\$)
Jeffrey S. Edison	1,000,000
R. Mark Addy	800,000
Devin I. Murphy	477,405
Robert F. Myers	477,405

For the portion of the 2018 annual incentive award tied to AFFO/share, the named executive officers could receive from 0% up to 150% of the target award. If the AFFO/share target is achieved at the threshold level, the named executive officers will receive 50% of target for the portion of the award tied to AFFO/share, if the AFFO/share target is achieved at the target level, the named executive officers will receive 100% of the target award tied to AFFO/share and, if the AFFO/share target is achieved at the maximum level, the named executive officers will receive 150% of the target award tied to AFFO/share, with linear interpolation for AFFO/share between threshold and target and target and maximum levels. The named executive officers may not receive more than 150% of their target annual incentive bonus.

**Equity Compensation**—The PECO Compensation Committee believes that a substantial portion of each named executive officer’s annual compensation should be in the form of long-term equity incentive awards. Long-term equity incentive awards encourage

PECO management to create stockholder value over the long term, because the value of the equity awards is directly attributable to changes in the value of PECO common stock over time. In addition, long-term equity incentive awards are an effective tool for management retention because full vesting of the awards generally requires continued employment for multiple years. Historically, long-term equity incentive awards were generally granted in the form of RMUs of PELP. Going forward, long-term equity awards will be in the form of RSUs or LTIP Units and will be comprised of 50% performance-based awards and 50% time-based awards as further described below under the heading “—2018 Equity Awards.”

*2017 PELP Equity Awards*—For 2017, the named executive officers were awarded RMUs of PELP, which were canceled and converted into phantom units of PECO on a three-for-one basis upon the closing of the PELP transaction. The phantom units are tied to the value of shares of PECO common stock but are settled in cash upon vesting. The outstanding phantom units held by the named executive officers as of December 31, 2017 are set forth in the “—Outstanding Equity Awards at 2017 Fiscal Year End Table” below.

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*2018 Equity Awards*—In February 2018, the PECO Compensation Committee approved the Long-Term Incentive Program (the “LTIP Program”), a multi-year long-term incentive program. The purpose of the LTIP Program is to further align the interests of PECO’s stockholders with that of PECO management by encouraging PECO’s named executive officers to remain employed by PECO for the long term and to create stockholder value in a “pay for performance” structure. Pursuant to the LTIP Program, the named executive officers will be granted equity incentive awards in the form of RSUs or LTIP Units, 50% of which vest in equal annual installments over a four-year period, subject to the named executive officer’s continued employment through the relevant vesting date, and 50% (at target levels) of which vest based on the achievement of specified performance metrics over a three-year period.

***New Long-Term Incentive Plan***

	Year 1	Year 2	Year 3	Year 4
Performance Per				