UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2017

OR

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

For the transition period from to

Commission file number 000-54691

PHILLIPS EDISON & COMPANY

PHILLIPS EDISON & COMPANY, INC.
(Exact Name of Registrant as Specified in Its Charter)

Maryland	**27-1106076**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
11501 Northlake Drive Cincinnati, Ohio	**45249**
(Address of Principal Executive Offices)	**(Zip Code)**

(513) 554-1110

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
None	None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $0.01 par value per share

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment of this Form 10-K. ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). (Check one):

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-Accelerated Filer	☑ (Do not check if a smaller reporting company)	Smaller reporting company	☐
Emerging growth company	☐		

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

Indicate by check mark whether the Registrant is a shell company (as defined in rule 12b-2 of the Securities Exchange Act). Yes ☐ No ☑

There is no established public market for the Registrant's shares of common stock. On November 8, 2017, the board of directors of the Registrant approved an estimated value per share of the Registrant's common stock of $11.00 based substantially on the estimated market value of its portfolio of real estate properties as of October 5, 2017. Prior to November 8, 2017, the estimated value per share was $10.20. For a full description of the methodologies used to establish the estimated value per share, see Part II, Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities - Market Information, of this Form 10-K. As of June 30, 2017, the last business day of the Registrant's most recently completed second fiscal quarter, there were approximately 182.7 million shares of common stock held by non-affiliates.

As of March 15, 2018, there were approximately 186.2 million outstanding shares of common stock of the Registrant.

Documents Incorporated by Reference: None

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Cautionary Note Regarding Forward-Looking Statements

Certain statements contained in this Annual Report on Form 10-K of Phillips Edison & Company, Inc. (“we,” the “Company,” “our,” or “us”), formerly known as Phillips Edison Grocery Center REIT I, Inc., other than historical facts may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We intend for all such forward-looking statements to be covered by the applicable safe harbor provisions for forward-looking statements contained in those acts. Such statements include, in particular, statements about our plans, strategies, and prospects and are subject to certain risks and uncertainties, including known and unknown risks, which could cause actual results to differ materially from those projected or anticipated. These risks include, without limitation, (i) changes in national, regional, or local economic climates; (ii) local market conditions, including an oversupply of space in, or a reduction in demand for, properties similar to those in our portfolio; (iii) vacancies, changes in market rental rates, and the need to periodically repair, renovate, and re-let space; (iv) changes in interest rates and the availability of permanent mortgage financing; (v) competition from other available properties and the attractiveness of properties in our portfolio to our tenants; (vi) the financial stability of tenants, including the ability of tenants to pay rent; (vii) changes in tax, real estate, environmental, and zoning laws; (viii) the concentration of our portfolio in a limited number of industries, geographies, or investments; and (ix) any of the other risks included in this Annual Report on Form 10-K, including those set forth in Part I, Item 1A. Risk Factors. Therefore, such statements are not intended to be a guarantee of our performance in future periods.

Such forward-looking statements can generally be identified by our use of forward-looking terminology such as “may,” “will,” “expect,” “intend,” “anticipate,” “estimate,” “believe,” “continue,” or other similar words. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date this report is filed with the U.S. Securities and Exchange Commission (“SEC”). We make no representations or warranties (expressed or implied) about the accuracy of any such forward-looking statements contained in this Annual Report on Form 10-K, and we do not intend to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Any such forward-looking statements are subject to risks, uncertainties, and other factors and are based on a number of assumptions involving judgments with respect to, among other things, future economic, competitive, and market conditions, all of which are difficult or impossible to predict accurately. To the extent that our assumptions differ from actual conditions, our ability to accurately anticipate results expressed in such forward-looking statements, including our ability to generate positive cash flows from operations, make distributions to stockholders, and maintain the value of our real estate properties, may be significantly hindered. See Item 1A. Risk Factors, herein, for a discussion of some of the risks and uncertainties, although not all of the risks and uncertainties, that could cause actual results to differ materially from those presented in our forward-looking statements. Except as required by law, we do not undertake any obligation to update or revise any forward-looking statements contained in this Form 10-K. Important factors that could cause actual results to differ materially from the forward-looking statements are disclosed in Item 1A. Risk Factors, Item 1. Business, and Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

All references to “Notes” throughout this document refer to the footnotes to the consolidated financial statements in Part II, Item 8. Financial Statements and Supplementary Data.

w **PART I**

ITEM 1. BUSINESS

Overview

Phillips Edison & Company, Inc. ("we," the "Company," "our," or "us"), formerly known as Phillips Edison Grocery Center REIT I, Inc., is an internally-managed real estate investment trust ("REIT") and one of the nation's largest owners and operators of grocery-anchored shopping centers. The majority of our revenues are lease revenues derived from our owned real estate investments. Additionally, we operate a third-party investment management business providing property management and advisory services to $2.1 billion of assets under management.

We primarily own and manage 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 December 31, 2017, we managed a diversified portfolio of over 340 shopping centers; we directly owned 236 centers comprising approximately 26.3 million square feet located in 32 states.

We were formed as a Maryland corporation in October 2009 and have elected to be taxed as a REIT for U.S. federal income tax purposes. Substantially all of our business is conducted through Phillips Edison Grocery Center Operating Partnership I, L.P. ("Operating Partnership"), a Delaware limited partnership formed in December 2009. We are a limited partner of the Operating Partnership, and our wholly owned subsidiary, Phillips Edison Grocery Center OP GP I LLC, is the sole general partner of the Operating Partnership.

On October 4, 2017, we completed a transaction to acquire certain real estate assets, the third-party investment management business, and the captive insurance company of Phillips Edison Limited Partnership ("PELP") in exchange for stock and cash ("PELP transaction"). Prior to that date, our advisor was Phillips Edison NTR LLC ("PE-NTR"), which was directly or indirectly owned by PELP. Under the terms of the advisory agreement between PE-NTR and us ("PE-NTR Agreement"), PE-NTR was responsible for the management of our day-to-day activities and the implementation of our investment strategy. Our relationship with PE-NTR was acquired as part of the PELP transaction.

Business Objectives and Strategies

Owned Real Estate

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

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

- *Acquisitions*—Our 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 our portfolio.
- *Leasing*—Our national footprint of experienced leasing professionals is dedicated to increasing rental income by capitalizing on our portfolio's below-market leases and increasing the occupancy at our centers through the lease-up of property vacancies by leveraging national and regional tenant relationships.
- *Portfolio Management*—Our portfolio management team seeks to add value by overseeing all aspects of operations at our properties, as well as optimizing the centers' merchandising mix, and identifying opportunities for redevelopment or repositioning.
- *Property Management*—Our 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*—Our 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.*—Our other in-house teams add value by utilizing technology and broad processes to create efficiencies through scale, creating a better experience for our tenants while reducing costs. Our associates are dedicated to the company's long-term commitment of being the leading owner and operator of grocery-anchored shopping centers.

Third-Party Investment Management Business

In addition to managing our shopping centers, our third-party investment management business provides comprehensive real estate and asset management services to five non-traded, publicly registered REITS and private funds with assets under management of approximately $2.1 billion as of December 31, 2017.

For each of these programs, we raise equity capital through either public or private offerings, invest those funds, and manage their assets in return for fee revenue as specified in our advisory agreements with them.

Strategic Alternatives

We are continuously evaluating strategic alternatives to create liquidity for our investors. In conjunction with the PELP transaction, we brought on an experienced management team that allows us to fully consider all alternatives. We are focused on maximizing the value for our shareholders while seeking to provide liquidity for our shareholders.

Segment Data

As of December 31, 2017, we operated through two business segments: Owned Real Estate and Investment Management. Prior to the completion of the PELP transaction on October 4, 2017, we were externally-managed and our only reportable segment was the aggregated operating results of our owned real estate. Therefore, we 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.

Tax Status

As a result of the PELP transaction, we hold, and plan to continue to hold, our non-qualifying REIT assets and conduct certain of our non-qualifying REIT income activities in or through a taxable REIT subsidiary ("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 our TRS is not required to be distributed to us and income that is not distributed to us will generally not be subject to the REIT income distribution requirement. However, our TRS may pay dividends. Such dividend income should qualify under the 95%, but not the 75%, gross income test. We will monitor the amount of dividend and other income from our 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 we expect these actions will prevent a violation of the REIT income tests, we cannot guarantee that such actions will, in all cases, prevent such a violation.

Competition

We are subject to significant competition in seeking real estate investments and tenants. We compete 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 we do 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 December 31, 2017, we had 304 employees. Prior to the completion of the PELP transaction, we did not have any employees. However, PELP's employees and executive officers were compensated, in part, for their services rendered to us.

Environmental Matters

As an owner of real estate, we are 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 our business, assets, results of operations, financial condition, and ability to pay distributions, and we do not believe that our existing portfolio will require us to incur material expenditures to comply with these laws and regulations.

Access to Company Information

We electronically file our 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 Securities and Exchange Commission ("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 that contains the reports, proxy and information statements, and other information regarding issuers, including ours that are filed electronically. The contents of our website are not incorporated by reference.

We make available, free of charge, by responding to requests addressed to our 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 our website, www.phillipsedison.com. These reports are available as soon as reasonably practicable after such material is electronically filed or furnished to the SEC.

ITEM 1A. RISK FACTORS

You should specifically consider the following material risks in addition to the other information contained in this Annual Report on Form 10-K. The occurrence of any of the following risks might have a material adverse effect on our business and financial condition. The risks and uncertainties discussed below are not the only ones we face, but do represent those risks and uncertainties that we believe are most significant to our business, operating results, financial condition, prospects and forward-looking statements.

Risks Related to Our Structure and an Investment in Us

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

There is no public market for our shares. Until our shares are listed, if ever, stockholders may not sell their shares unless the buyer meets the applicable suitability and minimum purchase standards. Under the share repurchase program ("SRP"), we repurchase 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 we will repurchase fewer shares than have been requested to be repurchased due to lack of readily available funds under the SRP. While we have a limited SRP, in its sole discretion, our board of directors ("Board") could amend, suspend or terminate our SRP upon 30 days' notice. Further, the SRP includes numerous restrictions that would limit a stockholder's ability to sell his or her shares to us. These restrictions have limited us from repurchasing shares submitted to us under the SRP in the past and may do so again in the future.

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

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

Our stockholders may not be able to sell their shares under our SRP 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 our shares.

Our SRP includes numerous restrictions that limit our stockholders' ability to sell their shares. During any calendar year, we may repurchase no more than 5% of the weighted-average number of shares outstanding during the prior calendar year. Our stockholders must hold their shares for at least one year in order to participate in the SRP, 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 the dividend reinvestment plan ("DRIP") 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, we may use other sources of cash at the discretion of our 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 us or received their shares from us (directly or indirectly) through one or more non-cash transactions may be able to participate in the SRP. In other words, once our shares are transferred for value by a stockholder, the transferee and all subsequent holders of the shares are not eligible to participate in the SRP. These limits may prevent us from accommodating all repurchase requests made in any year. For example, in 2017 repurchase requests exceeded the funding limits provided under the SRP, and we were unable to repurchase all of the shares submitted to us. These restrictions would severely limit our stockholders' ability to sell their shares should they require liquidity and would limit their ability to recover the value they invested. Our board is free to amend, suspend or terminate the SRP upon 30 days' notice.

In addition, the repurchase price per share for all stockholders under the SRP is equal to the estimated value per share as determined periodically by our Board. 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.

We use an estimated value of our shares 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 our initial public offering, pursuant to applicable FINRA and National Association Security Dealers ("NASD") conduct rules, we disclose in each annual report distributed to stockholders a per share estimated value of our shares, the method by which it was developed, and the date of the data used to develop the estimated value. For this purpose, we initially estimated the value of our common shares as $10.00 per share based on the offering price of our shares of common stock in our initial public offering of $10.00 per share (ignoring purchase price discounts for certain categories of purchasers). Effective November 1, 2017, our Board approved an estimated value per share of our common stock of $11.00 based on the estimated fair value range of our real estate portfolio as indicated in a third-party valuation report plus the value of our cash and cash equivalents less the value of our mortgages and loans payable as of October 5, 2017.

Our 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 our assets or liabilities based on U.S. generally accepted accounting principles ("GAAP"), nor does it represent a liquidation value of our assets and liabilities or the amount at which our shares of 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 our estimated value per share upon liquidation of our assets and settlement of our liabilities or a sale of our company;
- our shares of 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 of our shares of common stock;
- an independent third-party appraiser or third-party valuation firm would agree with our estimated value per share; or
- the methodology used to calculate our estimated value per share would be acceptable to FINRA or for compliance with Employee Retirement Income Security Act of 1974 ("ERISA") reporting requirements.

Furthermore, we have not made any adjustments to the valuation of our estimated value per share for the impact of other transactions occurring subsequent to October 5, 2017, including, but not limited to, (1) the issuance of common stock under the DRIP, (2) net operating income earned and dividends declared, (3) the repurchase of shares and (4) changes in leases, tenancy or other business or operational changes. The value of our shares 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 our total assets in real estate and the number of shares of our 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 our shares. 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 our debt obligations or the impact of restrictions on the assumption of debt. Accordingly, the estimated value per share of our common stock may or may not be an accurate reflection of the fair market value of our stockholders' investments and will not likely represent the amount of net proceeds that would result from an immediate sale of our assets.

If a Liquidity Event, as defined in our Charter, does not occur by the fifth anniversary of the termination of our initial primary public offering, we may be required to adopt a plan of liquidation of our properties and assets.

Our charter provides that we must effect a Liquidity Event which includes a sale of all or substantially all of our assets, a sale or merger of our company, a listing of our common stock on a national securities exchange, or other similar transaction, on or before the fifth anniversary of the termination of the initial primary public offering. If we do not begin the process of achieving a Liquidity Event by that date, our charter requires that we seek approval from our stockholders to amend the charter to extend the deadline. If we sought and failed to obtain stockholder approval of a charter amendment extending the deadline, our charter requires us to submit a plan of liquidation for the approval of our stockholders. If we sought and failed to obtain stockholder approval of both the charter amendment and our liquidation, we would continue our business. If we sought and obtained stockholder approval of our liquidation, we would begin an orderly sale of our properties and other assets.

The precise timing of any such sales would consider the prevailing real estate and financial markets, the economic conditions in the submarkets where our properties are located and the U.S. federal income tax consequences to our stockholders. The actual amount that we would distribute to stockholders in the liquidation would depend upon the actual amount of our liabilities, the actual proceeds from the sale of our properties, the actual fees and expenses incurred in connection with the sale of our properties, the actual expenses incurred in the administration of our properties prior to disposition, our actual general and administrative expenses, our ability to continue to meet the requirements necessary to retain our status as a REIT throughout the liquidation process, our ability to avoid U.S. federal income and excise taxes throughout the period of the liquidation process and other factors. If our liabilities (including, without limitation, tax liabilities and compliance costs) are greater than we currently expect or if the sales prices of our assets are less than we expect, stockholders will receive less in total liquidating distribution. Additionally, our Board will have discretion as to the timing of distributions of net sales proceeds.

If we are unable to find buyers for our assets on a timely basis or at our expected sales prices, our liquidating distributions may be delayed or reduced.

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

Our organizational documents permit us to pay distributions from any source without limit. To the extent we fund distributions from borrowings or the net proceeds from the issuance of securities, as we have done, we will have fewer funds available for investment in real estate properties and other real estate-related assets, and our stockholders' overall returns may be reduced.

At times, we 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 our operating costs. Furthermore, if we cannot cover our distributions with cash flows from operations, we may be unable to sustain our distribution rate. For the year ended December 31, 2017, we paid gross distributions to our common stockholders of $123.3 million, including distributions reinvested through the DRIP of $49.1 million. For the year ended December 31, 2017, our net cash provided by operating activities was $108.9 million, which represents a shortfall of $14.4 million, or 11.7%, of our distributions paid, while our funds from operations ("FFO") Attributable to Stockholders and Convertible Noncontrolling Interests were $84.2 million, which represents a shortfall of $39.1 million, or 31.7%, of the distributions paid. The shortfall was funded by proceeds from borrowings. For the year ended December 31, 2016, we paid distributions of $123.1 million, including distributions reinvested through the DRIP of $58.9 million. For the year ended December 31, 2016, our net cash provided by operating activities was $103.1 million, which represents a shortfall of $20.0 million, or 16.3%, of our distributions paid, while our FFO was $110.4 million, which represents a shortfall of $14.3 million, or 11.6% of our distributions paid. The shortfall was funded by proceeds from borrowings.

The actual value of shares that we repurchase under our SRP may be less than what we pay.

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

We recently transitioned to a self-managed real estate investment trust and have limited operating experience being self-managed.

Effective October 4, 2017, we transitioned to a self-managed real estate investment trust following the closing of the PELP transaction. While we no longer bear the costs of the various fees and expense reimbursements previously paid to our former external advisor and its affiliates, our expenses now include the compensation and benefits of our officers, employees and consultants, as well as overhead previously paid by our former external advisor or their affiliates. Our employees now provide us services historically provided by our former external advisor and its affiliates. We are 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 we bear the costs of the establishment and maintenance of any employee compensation plans. In addition, we have limited experience operating as a self-managed REIT and we may encounter unforeseen costs, expenses, and difficulties associated with providing those services on a self-advised basis. If we incur unexpected expenses as a result of our self-management, our results of operations could be lower than they otherwise would have been. Furthermore, our results of operations following our transition to self-management may not be comparable to our results prior to the transition.

The loss of or the inability to obtain key real estate professionals could delay or hinder implementation of our investment strategies, which could limit our ability to make distributions and decrease the value of our stockholders' investments.

Our success depends to a significant degree upon the contributions of Jeffrey S. Edison, Chief Executive Officer and the Chairman of our Board; R. Mark Addy, Executive Vice President; Robert Myers, Chief Operating Officer; and Devin I. Murphy, Chief Financial Officer. We do not have employment agreements with these individuals, and they may not remain associated with us. If any of these persons were to cease their association with us, our operating results could suffer. We do not intend to maintain key person life insurance on any person. We believe that our future success depends, in large part, upon our ability to hire and retain highly skilled managerial, operational and marketing professionals. The market for such professionals is competitive, and we may be unsuccessful in attracting and retaining such skilled individuals. Further, we intend to establish strategic relationships with firms, as needed, which have special expertise in certain services or detailed knowledge regarding real properties in certain geographic regions. Maintaining such relationships will be important for us to effectively compete with other investors for properties and tenants in such regions. We may be unsuccessful in establishing and retaining such relationships. If we lose or are unable to obtain the services of highly skilled professionals or do not establish or maintain appropriate strategic relationships, our ability to implement our investment strategies could be delayed or hindered, and the value of our stockholders' investments may decline.

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

As part of the PELP transaction, we have agreed to nominate Jeffrey S. Edison, our Chief Executive Officer and the Chairman of our Board, to the 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 would not otherwise have done so.

Our bylaws provide that Mr. Edison will continue to serve as Chairman of the Board until the third anniversary of the closing of the PELP transaction, subject to certain terminating events, including the listing of our common stock on a national securities exchange. As a result, Mr. Edison may continue to serve as Chairman of the Board in circumstances when the independent directors would not otherwise have selected him.

We are subject to conflicts of interest relating to the management of multiple REITs by our officers.

We and our management team serve as the sponsor and advisor of Phillips Edison Grocery Center REIT II, Inc. ("REIT II"), and Phillips Edison Grocery Center REIT III, Inc. ("REIT III"). We and REIT II and REIT III have overlapping investment objectives and investment strategies. As a result, we may be seeking to acquire properties and real estate-related investments at the same time as REIT II and/or REIT III. We have implemented certain procedures to help manage any perceived or actual conflicts among us and the REIT II and REIT III, including adopting an allocation policy to allocate property acquisitions among the three companies.

If we determine 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 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 us. Further, under our advisory agreements with REIT II and REIT III, we receive 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 us as they would have been if we had negotiated these agreements with unaffiliated third parties.

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

In connection with the PELP transaction, we amended and restated the Operating Partnership's limited partnership agreement to, among other things, grant certain rights and protections to the limited partners, including granting limited partners the right to consent to a change of control transaction. Furthermore, Mr. Edison currently has voting control over approximately 9.6% of the Operating Partnership's operating partnership units (inclusive of those owned by us) and therefore could have a significant influence over votes on change of control transactions.

Our future results will suffer if we do not effectively manage our expanded portfolio and operations.

With the closing of the PELP transaction, we have an expanded portfolio and operations, and likely will continue to expand our operations through additional acquisitions and other strategic transactions, some of which may involve complex challenges. Our future success will depend, in part, upon our ability to manage expansion opportunities, integrate new operations into our existing business in an efficient and timely manner, successfully monitor our 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 we will be able to realize the benefits of the PELP transaction, which may be difficult, unpredictable and subject to delays. We will be required to devote significant management attention and resources to integrating our business practices and operations with the newly acquired companies. It is possible that the integration process could result in the distraction of our management, the disruption of our ongoing business or inconsistencies in our operations, services, standards, controls, procedures and policies, any of which could adversely affect our 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 we acquired in the PELP transaction.

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

We cannot assure stockholders that we will be able to continue paying distributions at the rate currently paid.

We expect to continue our current distribution practices following the closing of the PELP transaction. Stockholders however may not receive distributions following the closing of the PELP transaction equivalent to those previously paid by us for various reasons, including the following:

- as a result of the PELP transaction and the issuance of OP Units in connection with the PELP transaction, the total amount of cash required for us to pay distributions at our current rate has increased;
- we may not have enough cash to pay such distributions due to changes in our cash requirements, indebtedness, capital spending plans, cash flows or financial position or as a result of unknown or unforeseen liabilities incurred in connection with the PELP transaction;
- decisions on whether, when and in what amounts to make any future distributions will remain at all times entirely at the discretion of the Board, which reserves the right to change our distribution practices at any time and for any reason; and
- our Board may elect to retain cash to maintain or improve our credit ratings and financial position.

Existing and future stockholders have no contractual or other legal right to distributions that have not been declared.

We may be liable for potentially large, unanticipated costs arising from our acquisition of companies contributed in the PELP transaction.

Prior to completing the PELP transaction, we performed certain due diligence reviews of the business of PELP. Our due diligence review may not have adequately uncovered all of the contingent or undisclosed liabilities we may incur as a consequence of the PELP transaction. Any such liabilities could cause us to experience potentially significant losses, which could materially adversely affect our business, results of operations and financial condition.

In addition, we have agreed to honor and fulfill, following the closing, the rights to indemnification and exculpation from liabilities for acts or omissions occurring at or prior to the closing now existing in favor of a manager, director, officer, trustee, agent or fiduciary of any company contributed under the PELP transaction or subsidiary contained in (i) the organizational documents of such company or subsidiary and (ii) all existing indemnification agreements of such companies and their subsidiaries. For six years after the closing, we may not amend, modify or repeal the organizational documents of companies contributed under the PELP transaction and their subsidiaries in any way that would adversely affect such rights. We may incur substantial costs to address such claims and are limited in our ability to modify such indemnification obligations.

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

We and the Operating Partnership entered into a tax protection agreement at closing of the PELP transaction, pursuant to which if the Operating Partnership (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 the Operating Partnership s indebtedness in order to enable such partners to continue to defer certain tax liabilities, the Operating Partnership will indemnify each affected protected partner against certain resulting tax liabilities. Therefore, although it may be in the stockholders’ best interest for us to cause the Operating Partnership to sell, exchange, transfer, convey or otherwise dispose of one of these properties, it may be economically prohibitive for us to do so during the 10-year protection period because of these indemnity obligations. Moreover, these obligations may require us to cause the Operating Partnership to maintain more or different indebtedness than we would otherwise require for our business. As a result, the tax protection agreement will, during its term, restrict our ability to take actions or make decisions that otherwise would be in our best interests.

General Risks Related to Investments in Real Estate

Economic and regulatory changes that impact the real estate market generally may decrease the value of our investments and weaken our operating results.

Our 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 our investment strategy;
- 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 our investments, which would have an adverse effect on our operations, on our ability to pay distributions to our stockholders and on the value of our stockholders' investments.

We depend on our tenants for revenue, and, accordingly, our revenue and our ability to make distributions to our stockholders is dependent upon the success and economic viability of our tenants.

We depend upon 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, we may suffer reduced revenues resulting in less cash available to distribute to stockholders. In order to maintain tenants, we may have to offer inducements, such as free rent and tenant improvements, to compete for attractive tenants. In addition, if we are unable to attract additional or replacement tenants, the resale value of the property could be diminished, even below our 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 our stockholders' investments.

Our revenue will be affected by the success and economic viability of our anchor retail tenants. Our reliance on single or significant tenants in certain buildings may decrease our ability to lease vacated space and adversely affect the returns on our 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 us and could adversely affect our 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, we 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 we are unable to re-lease the vacated space to a new anchor tenant, we may incur additional expenses in order to re-model the space to be able to re-lease the space to more than one tenant.

E-commerce can have a negative impact on our business.

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 our current tenants in their "brick and mortar" locations and could affect the way future tenants lease space. While we devote considerable effort and resources to analyze and respond to tenant trends, preferences and consumer spending patterns, we 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 we are unable to anticipate and respond promptly to trends in the market, our occupancy levels and rental amounts may decline.

If we 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 we do 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 our revenues and funds available for distribution.

The bankruptcy or insolvency of a major tenant may adversely impact our operations and our 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 our ability to pay distributions to our 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, we 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. See Item 2. Properties, for information related to concentration of our tenants.

We may be restricted from re-leasing space at our 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.

Competition with third parties in acquiring properties and other investments may reduce our profitability and the return on our stockholders' investments.

We face competition from various entities for investment opportunities in retail properties, including other REITs, pension funds, insurance companies, investment funds and companies, partnerships, and developers. Many of these entities have substantially greater financial resources than we do and may be able to accept more risk than we can prudently manage, including risks with respect to the creditworthiness of a tenant or the geographic location of its investments. Competition from these entities may reduce the number of suitable investment opportunities offered to us or increase the bargaining power of property owners seeking to sell.

In our due diligence review of potential investments, we may rely on third-party consultants and advisors and representations made by sellers of potential portfolio properties, and we may not identify all relevant facts that may be necessary or helpful in evaluating potential investments.

Before making investments, we will typically conduct due diligence that we 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 us. Such involvement of third-party advisors or consultants may present a number of risks primarily relating to our reduced control of the functions that are outsourced. In addition, if we are 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, we will rely on the resources available to us, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that the we carry 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 successful. There can be no assurance that attempts to provide downside protection with respect to investments, including pursuant to risk management procedures described in this Annual Report on Form 10-K, will achieve their desired effect and potential investors should regard an investment in us as being speculative and having a high degree of risk.

There can be no assurance that we will be able to detect or prevent irregular accounting, employee misconduct or other fraudulent practices during the due diligence phase or during our efforts to monitor the investment on an ongoing basis or that any risk management procedures implemented by us will be adequate. In the event of fraud by the seller of any portfolio property, we may suffer a partial or total loss of capital invested in that property. An additional concern is the possibility of material misrepresentation or omission on the part of the seller. Such inaccuracy or incompleteness may adversely affect the value of our investments in such portfolio property. We will rely upon the accuracy and completeness of representations made by sellers of portfolio properties in the due diligence process to the extent reasonable when we make our investments, but cannot guarantee such accuracy or completeness.

We may be unable to successfully integrate and operate acquired properties, which may have a material adverse effect on our business and operating results.

Even if we are able to make acquisitions on favorable terms, we may not be able to successfully integrate and operate them. We may be required to invest significant capital and resources after an acquisition to maintain or grow the properties that we acquire. In addition, we may need to adapt our management, administrative, accounting, and operational systems, or hire and retain sufficient operational staff, to integrate and manage successfully any future acquisitions of additional assets. These and other integration efforts may disrupt our operations, divert management's attention away from day-to-day operations and cause us to incur unanticipated costs. The difficulties of integration may be increased by the necessity of coordinating operations in geographically dispersed locations. Our failure to integrate successfully any acquisitions into our portfolio could have a material adverse effect on our business and operating results. Further, acquired properties may have liabilities or adverse operating issues that we fail to discover through due diligence prior to the acquisition. The failure to discover such issues prior to such acquisition could have a material adverse effect on our business and results of operations.

Our properties may be subject to impairment charges.

We routinely evaluate our 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 our 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 we determine that an impairment has occurred, we would be required to make a downward adjustment to the net carrying value of the property, which could have a material adverse effect on our results of operations in the period in which the impairment charge is recorded. Negative developments in the real estate market may cause us to reevaluate the business and macro-economic assumptions used in its impairment analysis. Changes in our assumptions based on actual results may have a material impact on our financial statements.

We may obtain only limited warranties when we purchase a property and would have only limited recourse in the event our due diligence did not identify any issues that lower the value of our property.

The seller of a property often sells the property in its "as is" condition on a "where is" basis and "with all faults," without any warranties of merchantability or fitness for a particular use or purpose. In addition, purchase agreements may contain only limited warranties, representations and indemnifications that will only survive for a limited period after the closing. The purchase of properties with limited warranties increases the risk that we may lose some or all of our invested capital in the property, as well as the loss of rental income from that property.

Changes in supply of or demand for similar real properties in a particular area may increase the price of real properties we seek to purchase and decrease the price of real properties when we seek to sell them.

The real estate industry is subject to market forces. We 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 our rate of return on these investments and result in lower operating results and overall returns to our stockholders.

Our portfolio may be concentrated in a limited number of industries, geographies or investments.

Our portfolio may be heavily concentrated at any time in only a limited number of industries, geographies or investments, and, as a consequence, our aggregate return may be substantially affected by the unfavorable performance of even a single investment. As of December 31, 2017, approximately 14.8% and 10.2% of our properties were located in Florida and Georgia, respectively. To the extent we concentrate our investments in a particular type of asset or geography, our portfolio may become more susceptible to fluctuations in value resulting from adverse economic or business conditions affecting that particular type of asset or geography. For investments that we plan to finance (directly or by selling assets), there is a risk that such financing may not be completed, which could result in us holding a larger percentage of our assets in a single investment and asset type than desired. Investors have no assurance as to the degree of diversification in our investments, either by geographic region or asset type.

We may be unable to adjust our portfolio in response to changes in economic or other conditions or sell a property if or when we decide to do so, limiting our ability to pay cash distributions to our stockholders.

Many factors that are beyond our control affect the real estate market and could affect our ability to sell properties on the terms that we desire. These factors include general economic conditions, the availability of financing, interest rates and other factors, including supply and demand. Because real estate investments are relatively illiquid, we have a limited ability to vary our portfolio in response to changes in economic or other conditions. Further, before we can sell a property on the terms we want, it may be necessary to expend funds to correct defects or to make improvements. However, we can give no assurance that we will have the funds available to correct such defects or to make such improvements. We may be unable to sell our properties at a profit. Our inability to sell properties on the terms we want could reduce our cash flow and limit our ability to make distributions to our stockholders and could reduce the value of our stockholders' investments. Moreover, in acquiring a property, we may agree to restrictions that prohibit the sale of that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. We cannot predict the length of time needed to find a willing purchaser and to close the sale of a property. Our inability to sell a property when we desire to do so may cause us to reduce our selling price for the property. Any delay in our receipt of proceeds, or diminishment of proceeds, from the sale of a property could adversely affect our ability to pay distributions to our stockholders.

We have acquired, and may continue to acquire or finance, properties with lock-out provisions, which may prohibit us from selling a property, or may require us to maintain specified debt levels for a period of years on some properties.

A lock-out provision is a provision that prohibits the prepayment of a loan during a specified period of time. Lock-out provisions may include terms that provide strong financial disincentives for borrowers to prepay their outstanding loan balance and exist in order to protect the yield expectations of lenders. We currently own properties, and may acquire additional properties in the future, that are subject to lock-out provisions. Lock-out provisions could materially restrict us from selling or otherwise disposing of or refinancing properties when we may desire to do so. Lock-out provisions may prohibit us from reducing the outstanding indebtedness with respect to any properties, refinancing such indebtedness on a non-recourse basis at maturity, or increasing the amount of indebtedness with respect to such properties. Lock-out provisions could impair our ability to take other actions during the lock-out period that could be in the best interests of our stockholders and, therefore, may have an adverse impact on the value of our shares relative to the value that would result if the lock-out provisions did not exist. In particular, lock-out provisions could preclude us from participating in major transactions that could result in a disposition of our assets or a change in control even though that disposition or change in control might be in the best interests of our stockholders.

If we set aside insufficient capital reserves, we may be required to defer necessary capital improvements.

If we do not have enough reserves for capital to supply needed funds for capital improvements throughout the life of the investment in a property and there is insufficient cash available from our operations, we may be required to defer necessary improvements to a property, which may cause that property to suffer from a greater risk of obsolescence or a decline in value, or a greater risk of decreased cash flow as a result of fewer potential tenants being attracted to the property. If this happens, we may not be able to maintain projected rental rates for affected properties, and our results of operations may be negatively impacted.

If we are unable to obtain funding for future capital needs, cash distributions to our stockholders and the value of our investments could decline.

When tenants do not renew their leases or otherwise vacate their space, we will often need to expend substantial funds for improvements to the vacated space in order to attract replacement tenants. Even when tenants do renew their leases, we may agree to make improvements to their space as part of our negotiation. If we need additional capital in the future to improve or maintain our properties or for any other reason, we may have to obtain financing from sources, beyond our funds from operations, such as borrowings or future equity offerings. These sources of funding may not be available on attractive terms or at all. If we cannot procure additional funding for capital improvements, our investments may generate lower cash flows or decline in value, or both, which would limit our ability to make distributions to our stockholders and could reduce the value of your investment.

Our operating expenses may increase in the future, and, to the extent such increases cannot be passed on to tenants, our cash flow and our operating results would decrease.

Operating expenses, such as expenses for fuel, utilities, labor and insurance, are not fixed and may increase in the future. There is no guarantee that we will be able to pass such increases on to our tenants. To the extent such increases cannot be passed on to tenants, any such increase would cause our cash flow and our operating results to decrease.

Our real properties are subject to property and other taxes that may increase in the future, which could adversely affect our cash flow.

Our real properties are subject to property and other taxes that may increase as tax rates change and as the real properties are assessed or reassessed by taxing authorities. We anticipate that certain of our leases will generally provide that the property taxes, or increases therein, are charged to the lessees as an expense related to the real properties that they occupy, while other leases will generally provide that we are responsible for such taxes. In any case, as the owner of the properties, we are ultimately responsible for payment of the taxes to the applicable government authorities. If real property taxes increase, our tenants may be unable to make the required tax payments, ultimately requiring us to pay the taxes even if otherwise stated under the terms of the lease. If we fail to pay any such taxes, the applicable taxing authority may place a lien on the real property and the real property may be subject to a tax sale. In addition, we are generally responsible for real property taxes related to any vacant space.

Uninsured losses relating to real property or excessively expensive premiums for insurance coverage could reduce our cash flows and the return on our stockholders' investments.

We will attempt to adequately insure all of our 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 we 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 our ability to finance or refinance our properties. In such instances, we may be required to provide other financial support, either through financial assurances or self-insurance, to cover potential losses. We may not have adequate, or any, coverage for such losses. Changes in the cost or availability of insurance could expose us to uninsured casualty losses. If any of our properties incur a casualty loss that is not fully insured, the value of our assets will be reduced by any such uninsured loss, which may reduce the value of our stockholders' investments. In addition, other than any working capital reserve or other reserves we may establish, we have no source of funding to repair or reconstruct any uninsured property. Also, to the extent we must pay unexpectedly large amounts for insurance, we 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.

Costs of complying with governmental laws and regulations related to environmental protection and human health and safety may reduce our net income and the cash available for distributions to our stockholders.

Real property and the operations conducted on real property are subject to federal, state and local laws and regulations relating to protection of the environment and human health. We could be subject to liability in the form of fines, penalties or damages for noncompliance with these 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 and hazardous materials, the remediation of contamination associated with the release or disposal of solid and hazardous materials, the presence of toxic building materials, and other health and safety- related concerns.

Some of these laws and regulations may impose joint and several liability on the tenants, owners or operators of real property for the costs to investigate or remediate contaminated properties, regardless of fault, whether the contamination occurred prior to purchase, or whether the acts causing the contamination were legal. Our tenants' operations, the condition of properties at the time we buy them, operations in the vicinity of our properties, such as the presence of underground storage tanks, or activities of unrelated third parties may affect our properties.

The presence of hazardous substances, or the failure to properly manage or remediate these substances, may hinder our ability to sell, rent or pledge such property as collateral for future borrowings. Environmental laws also may impose liens on property or restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures or prevent us from entering into leases with prospective tenants that may be impacted by such laws. Some of these laws and regulations have been amended so as to require compliance with new or more stringent standards as of future dates. Compliance with new or more stringent laws or regulations or stricter interpretation of existing laws may require us to incur material expenditures. Future laws, ordinances or regulations may impose material environmental liability. Any material expenditures, fines, penalties, or damages we must pay will reduce our ability to make distributions and may reduce the value of our stockholders' investments.

The costs of defending against claims of environmental or personal injury liability, or of paying such claims could reduce the amounts available for distribution to our stockholders.

Environmental laws provide for sanctions for noncompliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Certain environmental laws and common law principles could be used to impose liability for the release of and exposure to hazardous substances, including asbestos-containing materials and lead-based paint. Third parties may seek recovery from real property owners or operators for personal injury or property damage associated with exposure to released hazardous substances. The costs of defending against claims of environmental or personal injury liability or of paying such claims could reduce the amounts available for distribution to our stockholders. Generally, we expect that the real estate properties that we acquire will have been subject to Phase I environmental assessments at the time they were acquired. A Phase I environmental assessment or site assessment is an initial environmental investigation to identify potential environmental liabilities associated with the current and past uses of a given property.

We could become subject to liability for environmental violations, regardless of whether we caused such violations.

We 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 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.

In addition, third parties may sue the owner or manager of a property for damages based on personal injury, natural resources, or property damage and/or for other costs, including investigation and clean-up costs, resulting from the environmental contamination. The presence of contamination on one of our properties, or the failure to properly remediate a contaminated property, could give rise to a lien in favor of the government for costs it may incur to address the contamination, or otherwise adversely affect our ability to sell or lease the property or borrow using the property as collateral. In addition, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which the property may be used or businesses may be operated, and these restrictions may require substantial expenditures or prevent us from entering into leases with prospective tenants. There can be no assurance that future laws, ordinances or regulations will not impose any material environmental liability, or that the environmental condition of our properties will not be affected by the operations of the tenants, by the existing condition of the land, by operations in the vicinity of the properties. There can be no assurance that these laws, or changes in these laws, will not have a material adverse effect on our business, results of operations or financial condition.

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

Our 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 has separate compliance requirements for “public accommodations” and “commercial facilities” that generally require that buildings and services be made accessible and available to people with disabilities. We may be required to make substantial capital expenditures to make upgrades at our properties or otherwise comply with Disabilities Act requirements. We are currently, and may be in the future, subject to third party and/or class action litigation with respect to Disabilities Act requirements, which could result in the imposition of injunctive relief, monetary penalties, or, in some cases, an award of damages. While we 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, we cannot assure you that we will be able to acquire properties or allocate responsibilities in this manner. Any of our funds used for Disabilities Act compliance will reduce our net income and the amount of cash available for distributions to our stockholders.

Our 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 our internal information technology systems, our systems are vulnerable to damages from any number of sources, including computer viruses, unauthorized access, energy blackouts, natural disasters, terrorism, war, and telecommunication failures. Any system failure that causes interruptions in our operations could result in a material disruption to our business. We may also incur additional costs to remedy damages caused by such disruptions.

The occurrence of cyber incidents, or a deficiency in our cybersecurity, could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and/or damage to our business relationships, all of which could negatively impact our financial results.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity, or availability of our information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to systems to disrupt operations, corrupt data, or steal confidential information. As our reliance on technology has increased, so have the risks posed to our systems, both internal and those we have outsourced. Our three primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to our relationship with our tenants, and private data exposure. We have implemented processes, procedures and controls to help mitigate these risks, but these measures, as well as our increased awareness of a risk of a cyber incident, do not guarantee that our financial results will not be negatively impacted by such an incident.

Risks Associated with Debt Financing

We have incurred mortgage indebtedness, and we are likely to incur other indebtedness, which increases our business risks, could hinder our ability to pay distributions, and could decrease the value of your investment.

We have obtained, and are likely to continue to obtain, lines of credit and other long-term financing that are secured by our properties and other assets. Our charter does not limit the amount of funds that we may borrow. In some instances, we 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. We may also incur mortgage debt on properties that we already own in order to obtain funds to acquire additional properties. In addition, we may borrow as necessary or advisable to ensure that we maintain our qualification as a REIT for U.S. federal income tax purposes, including borrowings to satisfy the REIT requirement that we distribute at least 90% of our annual REIT taxable income to our stockholders (computed without regard to the dividends-paid deduction and excluding net capital gain). We, however, can give our stockholders no assurance that we will be able to obtain such borrowings on satisfactory terms.

High debt levels will cause us to incur higher interest charges, which would result in higher debt service payments and could be accompanied by restrictive covenants. If we do 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. In that case, we could lose the property securing the loan that is in default, reducing the value of our stockholders' investments. For tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure even though we would not necessarily receive any cash proceeds. We may give full or partial guaranties to lenders of mortgage debt on behalf of the entities that own our properties. When we give a guaranty on behalf of an entity that owns one of our properties, we 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.

We may also obtain recourse debt to finance our acquisitions and meet our REIT distribution requirements. If we have insufficient income to service our recourse debt obligations, our lenders could institute proceedings against us to foreclose upon our assets. If a lender successfully forecloses upon any of our assets, our ability to pay cash distributions to our stockholders will be limited, and our stockholders could lose all or part of their investment.

Increases in interest rates could increase the amount of our loan payments and adversely affect our ability to pay distributions to our stockholders.

Interest we pay on our loan obligations will reduce cash available for distributions. If we obtain variable rate loans, increases in interest rates would increase our interest costs, which would reduce our cash flows and our ability to pay distributions to stockholders. In addition, if we need to repay existing loans during periods of rising interest rates, we could be required to liquidate one or more of our 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, we may not be able to finance the purchase of properties. If we place mortgage debt on properties, we 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 we refinance the properties, our income could be reduced. We may be unable to refinance properties. If any of these events occurs, our cash flow would be reduced. This, in turn, would reduce cash available for distribution to our stockholders and may hinder our ability to raise capital by issuing more stock or borrowing more money.

We may not be able to access financing or refinancing sources on attractive terms, which could adversely affect our ability to execute our business plan.

We may finance our 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. Our ability to execute this strategy will depend on various conditions in the markets for financing in this manner that are beyond our control, including lack of liquidity and greater credit spreads. We cannot be certain that these markets will remain an efficient source of long-term financing for our assets. If our strategy is not viable, we will have to find alternative forms of long-term financing for our assets, as secured revolving credit facilities and repurchase facilities may not accommodate long-term financing. This could subject us to more recourse indebtedness and the risk that debt service on less efficient forms of financing would require a larger portion of our cash flows, thereby reducing cash available for distribution to our stockholders and funds available for operations as well as for future business opportunities.

Lenders may require us to enter into restrictive covenants relating to our operations, which could limit our ability to make distributions to our stockholders.

When providing financing, a lender may impose restrictions on us that affect our distribution and operating policies and our ability to incur additional debt. Loan agreements into which we enter may contain covenants that limit our ability to further mortgage a property, discontinue insurance coverage or replace PE-NTR. In addition, loan documents may limit our 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 our operating flexibility and our ability to achieve our operating objectives, which may adversely affect our ability to make distributions to our stockholders.

Our derivative financial instruments that we use to hedge against interest rate fluctuations may not be successful in mitigating our risks associated with interest rates and could reduce the overall returns on our stockholders' investment.

We use derivative financial instruments to hedge exposures to changes in interest rates on loans secured by our assets, but no hedging strategy can protect us completely. We cannot assure our stockholders that our hedging strategy and the derivatives that we use will adequately offset the risk of interest rate volatility or that our hedging transactions will not result in losses. In addition, the use of such instruments may reduce the overall return on our investments. These instruments may also generate income that may not be treated as qualifying REIT income for purposes of the 75% or 95% REIT income test.

Interest-only indebtedness may increase our risk of default and ultimately may reduce our funds available for distribution to our stockholders.

We have financed certain of our property acquisitions using interest-only mortgage indebtedness. During the interest-only period, the amount of each scheduled payment is less than that of a traditional amortizing mortgage loan. The principal balance of the mortgage loan will not be reduced (except in the case of prepayments) because there are no scheduled monthly payments of principal during this period. After the interest-only period, we will be required either to make scheduled payments of amortized principal and interest or to make a lump-sum or balloon payment at maturity. These required principal or balloon payments will increase the amount of our scheduled payments and may increase our risk of default under the related mortgage loan. If the mortgage loan has an adjustable interest rate, the amount of our scheduled payments also may increase at a time of rising interest rates. Increased payments and substantial principal or balloon maturity payments will reduce the funds available for distribution to our stockholders because cash otherwise available for distribution will be required to pay principal and interest associated with these mortgage loans.

If we enter into financing arrangements involving balloon payment obligations, it may adversely affect our ability to make distributions to our stockholders.

Some of our financing arrangements may require us to make a lump-sum or "balloon" payment at maturity. Our ability to make a balloon payment at maturity is uncertain and may depend upon our ability to obtain additional financing or our ability to sell the property. At the time the balloon payment is due, we may or may not be able to refinance the balloon payment on terms as favorable as the original loan or sell the property at a price sufficient to make the balloon payment. The effect of a refinancing or sale could affect the rate of return to stockholders and the projected time of disposition of our assets. In addition, payments of principal and interest made to service our debts may leave us with insufficient cash to pay the distributions that we are required to pay to maintain our qualification as a REIT. Any of these results would have a significant, negative impact on our stockholders' investments.

Risks Related to our Organization and Qualification as a REIT

Our stockholders have limited control over changes in our policies and operations, which increases the uncertainty and risks our stockholders face.

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

We may change our targeted investments without stockholder consent.

Our portfolio is primarily invested in well-occupied, grocery-anchored neighborhood and community shopping centers leased to a mix of national, creditworthy retailers selling necessity-based goods and services in strong demographic markets throughout the United States. Though this is our current target portfolio, we may make adjustments to our target portfolio based on real estate market conditions and investment opportunities, and we may change our targeted investments and investment guidelines at any time without the consent of our stockholders, which could result in our making investments that are different from, and possibly riskier than, our current targeted investments. A change in our targeted investments or investment guidelines may increase our exposure to interest rate risk, default risk and real estate market fluctuations, all of which could adversely affect the value of our common stock and our ability to make distributions to our stockholders.

Our stockholders' interests in us will be diluted if we issue additional shares, which could reduce the overall value of our stockholders' investment.

Our common stockholders do not have preemptive rights to any shares we issue in the future. Our charter authorizes us to issue 1.01 billion shares of capital stock, of which 1 billion shares are designated as common stock and 0.01 billion shares are designated as preferred stock. Our Board may amend our charter to increase or decrease the number of authorized shares of capital stock or the number of shares of stock of any class or series that we have authority to issue without stockholder approval. Additionally, our board may elect to (1) sell additional shares in the DRIP and future public offerings, (2) issue equity interests in private offerings, (3) issue share-based awards to our independent directors or to our officers or employees, or (4) issue shares of our common stock to sellers of properties or assets we acquire in connection with an exchange of limited partnership interests of the Operating Partnership. To the extent we issue additional equity interests, our stockholders' ownership interest in us will be diluted. In addition, depending upon the terms and pricing of any additional offerings and the value of our real estate investments, our investors may also experience dilution in the book value and fair value of their shares.

Although we are not currently afforded the protection of the Maryland General Corporation Law relating to deterring or defending hostile takeovers, our Board could opt into these provisions of Maryland law in the future, which may discourage others from trying to acquire control of us and may prevent our 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 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. Should our board opt into these provisions of Maryland law, it may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer. Similarly, provisions of Title 3, Subtitle 8 of the Maryland General Corporation Law could provide similar anti-takeover protection.

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

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

Our charter permits our Board to issue stock with terms that may subordinate the rights of our common stockholders or discourage a third party from acquiring us in a manner that could result in a premium price to our stockholders.

Our 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, our 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 our 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 our assets) that might provide a premium price to holders of our common stock.

Because Maryland law permits our 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 our board, without stockholder approval, to amend our charter to:

- stagger our 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; and
- 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.

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. Our charter does not prohibit our 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 our assets) that might provide a premium price for holders of our securities.

Our rights and the rights of our stockholders to recover claims against our officers and directors are limited, which could reduce our stockholders' and our recovery against them if they cause us 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. Our charter, in the case of our directors, officers, employees and agents, requires us to indemnify our directors, officers, employees and agents for actions taken by them in good faith and without negligence or misconduct. Additionally, our charter limits the liability of our directors and officers for monetary damages to the maximum extent permitted under Maryland law. As a result, we and our stockholders may have more limited rights against our directors, officers, employees and agents, than might otherwise exist under common law, which could reduce our stockholders' and our recovery against them. In addition, we may be obligated to fund the defense costs incurred by our directors, officers, employees and agents in some cases which would decrease the cash otherwise available for distribution to stockholders.

If the Operating Partnership fails to qualify as a partnership for U.S. federal income tax purposes, we would fail to qualify as a REIT and suffer other adverse consequences.

We believe that the Operating Partnership 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, the Operating Partnership will not be subject to U.S. federal income tax on its income. Instead, each of its partners, including us, will be allocated that partner's share of the Operating Partnership's income. No assurance can be provided, however, that the Internal Revenue Service will not challenge the Operating Partnership's status as a partnership for U.S. federal income tax purposes, or that a court would not sustain such a challenge. If the Internal Revenue Service were successful in treating the Operating Partnership as an association or publicly traded partnership taxable as a corporation for U.S. federal income tax purposes, we 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 the Operating Partnership 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 us.

The Operating Partnership has a carryover tax basis on certain of its assets as a result of the PELP transaction, and the amount that we have to distribute to stockholders therefore may be higher.

As a result of the PELP transaction, certain of the Operating Partnership'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, the Operating Partnership will recognize higher taxable gain upon the sale of these assets, and the Operating Partnership 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 us generally will increase the amount of our 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.

We intend to use TRSs, which may cause us to fail to qualify as a REIT.

To qualify as a REIT for federal income tax purposes, we hold, and plan to continue to hold, our non-qualifying REIT assets and conduct our 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 our TRSs is not required to be distributed to us and income that is not distributed to us will generally not be subject to the REIT income distribution requirement. However, our TRS may pay dividends. Such dividend income should qualify under the 95%, but not the 75%, gross income test. We will monitor the amount of the dividend and other income from our TRS and will take actions intended to keep this income, and any other non-qualifying income, within the limitations of the REIT income tests. While we expect these actions will prevent a violation of the REIT income tests, we cannot guarantee that such actions will in all cases prevent such a violation.

Our ownership of TRSs will be subject to limitations that could prevent us from growing our management business and our transactions with our TRSs could cause us 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 prior to January 1, 2018, no more than 25% of the value of a REIT's gross assets, and (ii) for taxable years beginning after December 31, 2017, no more than 20% of the value of a REIT's gross assets, may consist of interests in TRSs; compliance with this limitation could limit our ability to grow our management business. In addition, the Internal Revenue Code limits the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The Internal Revenue 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. We will monitor the value of investments in our TRSs in order to ensure compliance with TRS ownership limitations and will structure our transactions with our TRSs on terms that we believe are arm's-length to avoid incurring the 100% excise tax described above. There can be no assurance, however, that we will be able to comply with the TRS ownership limitation or be able to avoid application of the 100% excise tax.

Our failure to continue to qualify as a REIT would subject us to federal income tax and reduce cash available for distribution to our stockholders.

We elected to be taxed as a REIT under the Code commencing with our taxable year ended December 31, 2010. We intend to continue to operate in a manner so as to continue to qualify as a REIT for federal income tax purposes. Qualification as a REIT involves the application of highly technical and complex Code provisions for which only a limited number of judicial and administrative interpretations exist. Even an inadvertent or technical mistake could jeopardize our REIT status. Our continued qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. Moreover, new tax legislation, administrative guidance or court decisions, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to continue to qualify as a REIT. If we fail to continue to qualify as a REIT in any taxable year, we would be subject to federal and applicable state and local income tax on our taxable income at corporate rates, in which case we might be required to borrow or liquidate some investments in order to pay the applicable tax. Losing our REIT status would reduce our net income available for investment or distribution to you because of the additional tax liability. In addition, distributions to our stockholders would no longer qualify for the dividends-paid deduction and we would no longer be required to make distributions. Furthermore, if we fail to qualify as a REIT in any taxable year for which we have elected to be taxed as a REIT, we would generally be unable to elect REIT status for the four taxable years following the year in which our REIT status is lost.

Complying with REIT requirements may force us to borrow funds to make distributions to you or otherwise depend on external sources of capital to fund such distributions.

To continue to qualify as a REIT, we are required to distribute annually at least 90% of our taxable income, subject to certain adjustments, to our stockholders. To the extent that we satisfy the distribution requirement, but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed taxable income. In addition, we may elect to retain and pay income tax on our net long-term capital gain. In that case, if we so elect, a stockholder would be taxed on its proportionate share of our undistributed long-term gain and would receive a credit or refund for its proportionate share of the tax we paid. 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, we will be subject to a 4% nondeductible excise tax if the actual amount that we distribute to our stockholders in a calendar year is less than a minimum amount specified under federal tax laws.

From time-to-time, we may generate taxable income greater than our net income (loss) for GAAP. In addition, our taxable income may be greater than our cash flow available for distribution to you as a result of, among other things, investments in assets that generate taxable income in advance of the corresponding cash flow from the assets (for instance, if a borrower defers the payment of interest in cash pursuant to a contractual right or otherwise).

If we do not have other funds available in the situations described in the preceding paragraphs, we 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 us to distribute enough of our 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 our costs or reduce our equity.

Because of the distribution requirement, it is unlikely that we will be able to fund all future capital needs, including capital needs in connection with investments, from cash retained from operations. As a result, to fund future capital needs, we likely will have to rely on third-party sources of capital, including both debt and equity financing, which may or may not be available on favorable terms or at all. Our access to third-party sources of capital will depend upon a number of factors, including our current and potential future earnings and cash distributions.

Despite our qualification for taxation as a REIT for federal income tax purposes, we may be subject to other tax liabilities that reduce our cash flow and our ability to make distributions to our stockholders.

Despite our qualification for taxation as a REIT for federal income tax purposes, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income or property. Any of these taxes would decrease cash available for distribution to our stockholders. For instance:

- In order to continue to qualify as a REIT, we must distribute annually at least 90% of our REIT taxable income (which is determined without regard to the dividends paid deduction or net capital gain for this purpose) to our stockholders.
- To the extent that we satisfy the distribution requirement but distribute less than 100% of our REIT taxable income, we will be subject to federal corporate income tax on the undistributed income.
- We will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions we pay in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years.
- If we have net income from the sale of foreclosure property that we hold primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, we must pay a tax on that income at the highest corporate income tax rate.
- If we sell an asset, other than foreclosure property, that we hold primarily for sale to customers in the ordinary course of business and do not qualify for a safe harbor in the Code, our gain would be subject to the 100% “prohibited transaction” tax.
- Any domestic taxable REIT subsidiary, or TRS, of ours will be subject to federal corporate income tax on its income, and on any non-arm’s-length transactions between us and any TRS, for instance, excessive rents charged to a TRS could be subject to a 100% tax.
- We may be subject to tax on income from certain activities conducted as a result of taking title to collateral.
- We may be subject to state or local income, property and transfer taxes, such as mortgage recording taxes.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities or liquidate otherwise attractive investments.

To continue to qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to stockholders and the ownership of our stock. As discussed above, we may be required to make distributions to you at disadvantageous times or when we do not have funds readily available for distribution. Additionally, we may be unable to pursue investments that would be otherwise attractive to us in order to satisfy the requirements for qualifying as a REIT.

We must also ensure that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified real estate assets, including certain mortgage loans and mortgage-backed securities. The remainder of our investment in securities (other than government securities and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets can consist of the securities of any one issuer (other than government securities and qualified real estate assets) and no more than 25% of the value of our gross assets (20% for tax years after 2017) may be represented by securities of one or more TRSs. Finally, for the taxable years after 2015, no more than 25% of our assets may consist of debt investments that are issued by “publicly offered REITs” and would not otherwise be treated as qualifying real estate assets. If we fail to comply with these requirements at the end of any calendar quarter, we must correct such failure within 30 days after the end of the calendar quarter to avoid losing our REIT status and suffering adverse tax consequences, unless certain relief provisions apply. As a result, compliance with the REIT requirements may hinder our ability to operate solely on the basis of profit maximization and may require us to liquidate investments from our portfolio, or refrain from making, otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to stockholders.

Complying with REIT requirements may limit our ability to hedge effectively.

The REIT provisions of the Code may limit our ability to hedge our operations effectively. Our aggregate gross income from non-qualifying hedges, fees and certain other non-qualifying sources cannot exceed 5% of our annual gross income. As a result, we might have to limit our use of advantageous hedging techniques or implement those hedges through a TRS. Any hedging income earned by a TRS would be subject to federal, state and local income tax at regular corporate rates. This could increase the cost of our hedging activities or expose us to greater risks associated with interest rate or other changes than we would otherwise incur.

Liquidation of assets may jeopardize our REIT qualification.

To continue to qualify as a REIT, we must comply with requirements regarding our assets and our sources of income. If we are compelled to liquidate our investments to satisfy our obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, or we may be subject to a 100% prohibited transaction tax on any resulting gain if we sell assets that are treated as dealer property or inventory.

The prohibited transactions tax may limit our ability to engage in transactions, including disposition of assets and certain methods of securitizing loans, 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, but including loans held primarily for sale to customers in the ordinary course of business. We might be subject to the prohibited transaction tax if we were to dispose of or securitize loans in a manner that is treated as a sale of the loans, for federal income tax purposes. In order to avoid the prohibited transactions tax, we may choose not to engage in certain sales of loans and may limit the structures we use for any securitization financing transactions, even though such sales or structures might otherwise be beneficial to us. Additionally, we 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, we cannot assure you that we can comply with such safe harbor or that we will avoid owning property that may be characterized as held primarily for sale to customers in the ordinary course of our trade or business. Consequently, we 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 we engage 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 us, and there can be no assurance that such recast will not be successful.

We also may not be able to use secured financing structures that would create taxable mortgage pools, other than in a TRS or through a subsidiary REIT.

We may recognize substantial amounts of REIT taxable income, which we would be required to distribute to our stockholders, in a year in which we are not profitable under GAAP principles or other economic measures.

We may recognize substantial amounts of REIT taxable income in years in which we are not profitable under GAAP or other economic measures as a result of the differences between GAAP and tax accounting methods. For instance, certain of our 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 our REIT taxable income. Additionally, we may deduct our capital losses only to the extent of our capital gains in computing our REIT taxable income for a given taxable year. Consequently, we could recognize substantial amounts of REIT taxable income and would be required to distribute such income to you, in a year in which we are not profitable under GAAP or other economic measures.

REIT distribution requirements could adversely affect our ability to execute our business plan.

We generally must distribute annually at least 90% of our 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. We intend to make distributions to our stockholders to comply with the REIT requirements of the Code and to avoid corporate income tax and the 4% excise tax. We may be required to make distributions to stockholders at times when it would be more advantageous to reinvest cash in our business or when we do not have funds readily available for distribution. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

Our qualification as a REIT could be jeopardized as a result of an interest in joint ventures or investment funds.

We 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 we own an interest takes or expects to take actions that could jeopardize our qualification as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. In addition, it is possible that a partnership or limited liability company could take an action which could cause us to fail a REIT gross income or asset test, and that we would not become aware of such action in time to dispose of our interest in the partnership or limited liability company or take other corrective action on a timely basis. In that case, we could fail to continue to qualify as a REIT unless we are able to qualify for a statutory REIT "savings" provision, which may require us to pay a significant penalty tax to maintain our 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, however, generally are taxed at ordinary income rates (subject to a maximum rate of 39.6% for non-corporate stockholders), rather than the preferential rate applicable to qualified dividends.

Legislative or regulatory tax changes could adversely affect us or 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. We 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 our, or our stockholders', tax liability or require changes in the manner in which we operate in order to minimize increases in our tax liability. A shortfall in tax revenues for states and municipalities in which we operate may lead to an increase in the frequency and size of such changes. If such changes occur, we may be required to pay additional taxes on our assets or income or be subject to additional restrictions. These increased tax costs could, among other things, adversely affect our financial condition, the results of operations and the amount of cash available for the payment of dividends. We and our 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 TCJA is the most far-reaching tax legislation to be passed in over 30 years. 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) lower the corporate income tax rate to 21%, (ii) provide noncorporate taxpayers with a deduction of up to 20% of certain income earned through partnerships and REITs, (iii) limits 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 eliminates net operating loss carrybacks and allows 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, and (v) generally 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. We generally will decide whether to make any available election to treat as a real property trade or business any direct or indirect investment made through an entity that we control.

Stockholders 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 our shares.

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 IRA) fails to meet the fiduciary and other standards under ERISA or the Code as a result of an investment in our 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 our shares. Fiduciaries and IRA owners investing the assets of such a plan or account in our 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 our shares, for which 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;
- our 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 our 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 our common stock.

If our assets are deemed to be plan assets, we 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. We believe that our assets should not be treated as plan assets because the shares should qualify as "publicly-offered securities" that are exempt from the look-through rules under applicable Treasury Regulations. We note, however, that because certain limitations are imposed upon the transferability of shares so that we 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 we are exposed to liability under ERISA or the Code, our performance and results of operations could be adversely affected.

If stockholders invested in our 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 our shares, federal law may require them to withdraw required minimum distributions ("RMDs") from such plan in the future. Our SRP 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, our stockholders 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, our share repurchase price is based on the estimated value per share of our common stock as determined by our Board, 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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Real Estate Investments

As of December 31, 2017, we owned 236 properties throughout the United States. The following table presents information regarding the geographical location of our properties by annualized base rent ("ABR") as of December 31, 2017 (dollars and square feet in thousands). For additional portfolio information, refer to Schedule III - Real Estate Assets and Accumulated Depreciation, herein.

State	ABR(1)	% ABR	ABR/Leased Square Foot	GLA(2)	% GLA	% Leased	Number of Properties
Florida	$ 35,769	12.8%	$ 12.66	3,069	11.7%	92.0%	35
Georgia	24,369	8.7%	11.19	2,266	8.6%	96.1%	24
Ohio	24,361	8.7%	9.49	2,679	10.2%	95.8%	22
California	20,497	7.3%	17.70	1,233	4.7%	93.9%	12
Texas	20,235	7.2%	13.77	1,560	5.9%	94.2%	10
Illinois	14,833	5.3%	12.15	1,334	5.1%	91.5%	9
Virginia	14,015	5.0%	12.16	1,281	4.9%	90.0%	12
North Carolina	11,735	4.2%	9.72	1,240	4.7%	97.3%	13
South Carolina	10,741	3.8%	9.40	1,271	4.8%	89.9%	13
Pennsylvania	9,903	3.5%	10.40	1,025	3.9%	92.9%	6
Massachusetts	9,651	3.5%	12.87	767	2.9%	97.8%	6
Indiana	8,847	3.2%	7.68	1,244	4.7%	92.6%	8
Tennessee	7,993	2.9%	7.79	1,038	4.0%	98.8%	7
Arizona	7,594	2.7%	11.13	797	3.0%	85.6%	7
Maryland	6,360	2.3%	18.82	347	1.3%	97.4%	3
Colorado	6,266	2.2%	12.87	504	1.9%	96.6%	5
Oregon	6,221	2.2%	13.64	472	1.8%	96.6%	6
Minnesota	5,691	2.0%	11.73	493	1.9%	98.4%	6
New Mexico	5,484	2.0%	13.25	471	1.8%	87.9%	5
Michigan	5,252	1.9%	7.87	701	2.7%	95.1%	4
Kentucky	4,868	1.8%	8.57	598	2.3%	95.0%	4
Wisconsin	4,618	1.7%	11.46	423	1.6%	95.3%	5
Iowa	2,888	1.0%	8.32	360	1.4%	96.4%	3
Washington	2,419	0.9%	14.93	171	0.6%	94.7%	2
Nevada	2,307	0.8%	18.60	128	0.5%	96.9%	1
Connecticut	1,806	0.6%	15.18	124	0.5%	96.0%	1
Kansas	1,392	0.5%	10.01	153	0.6%	90.8%	2
Alabama	1,018	0.4%	6.88	174	0.7%	85.1%	1
Missouri	861	0.3%	7.69	112	0.4%	100.0%	1
New Jersey	838	0.3%	8.06	111	0.4%	93.7%	1
Mississippi	628	0.2%	5.66	112	0.4%	99.1%	1
Utah	237	0.1%	16.93	14	0.1%	100.0%	1
Total	$ 279,697	100.0%	$ 11.33	26,272	100.0%	93.9%	236

(1) We calculate ABR as monthly contractual rent as of December 31, 2017, 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 December 31, 2017, for each of the next ten years and thereafter for our 236 shopping centers. The chart shows the leased square feet and ABR represented by the applicable lease expiration year (dollars and square feet in thousands):

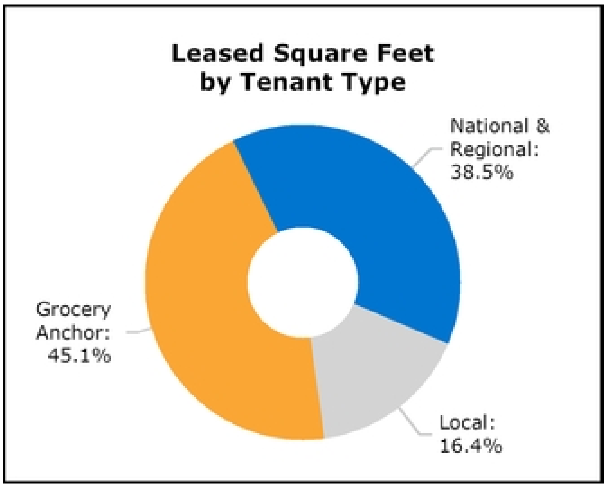
Subsequent to December 31, 2017, we renewed approximately 455,000 total square feet and $6.2 million of total ABR of the leases expiring.

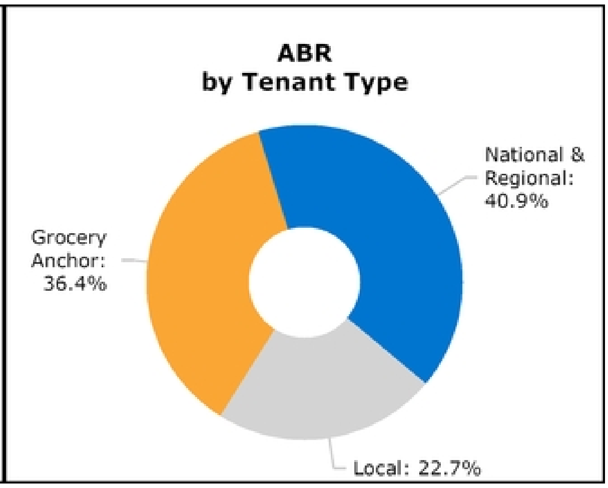
During the year ended December 31, 2017, rent per square foot for renewed leases increased 8.5% when compared to rent per square foot prior to renewal. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations - Leasing Activity, for further discussion of leasing activity. Based on current market base rental rates, we believe we will achieve an overall positive increase in our 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 we can provide no assurance that the base rents on new leases will continue to increase from current levels.

Portfolio Tenancy

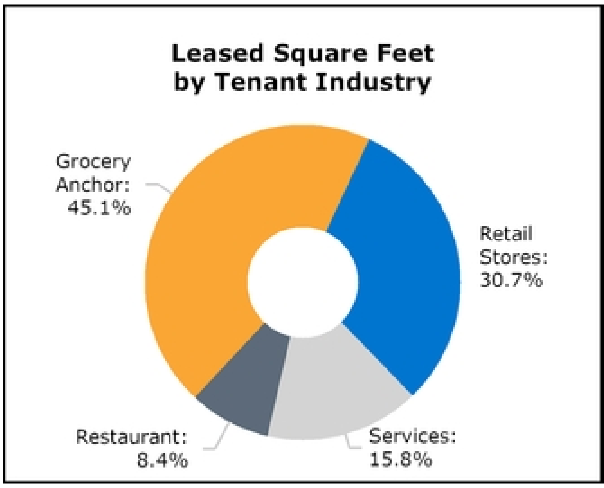
Prior to the acquisition of a property, we assess the suitability of the grocery-anchor tenant and other tenants in light of our investment objectives, namely, preserving capital and providing stable cash flows for distributions. Generally, we assess the strength of the tenant by consideration of company 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, we consider the tenant mix at each shopping center in light of our 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, we attempt to obtain credit enhancements to leases, which typically come in the form of deposits and/or guarantees from one or more individuals.

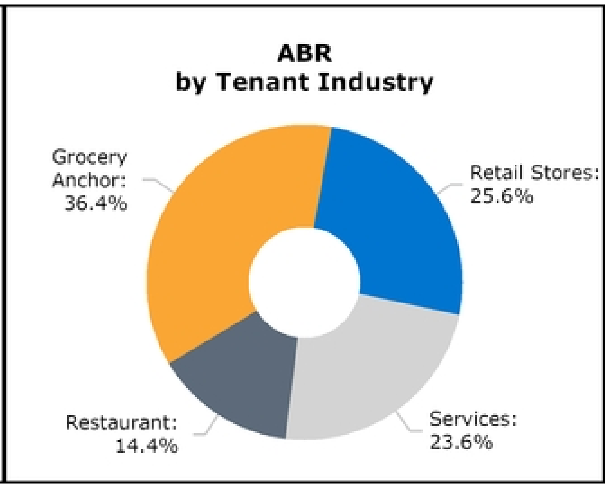
We define national tenants as those tenants that operate in at least three states. Regional tenants are defined as those tenants that have at least three locations. The following charts present the composition of our portfolio by tenant type as of December 31, 2017:





The following charts present the composition of our portfolio by tenant industry as of December 31, 2017:





The following table presents our top ten tenants, grouped according to parent company, by ABR as of December 31, 2017 (dollars and square feet in thousands):

Tenant	ABR	% of ABR	Leased Square Feet	% of Leased Square Feet	Number of Locations(1)
Kroger	$ 25,820	9.2%	3,138	12.7%	55
Publix	17,016	6.1%	1,672	6.8%	36
Ahold Delhaize	10,233	3.7%	854	3.5%	19
Albertsons-Safeway	9,461	3.4%	924	3.7%	17
Giant Eagle	6,797	2.4%	700	2.8%	9
Walmart	5,562	2.0%	1,213	4.9%	11
Dollar Tree	3,505	1.3%	399	1.6%	40
Raley's	3,422	1.2%	193	0.8%	3
Lowe's	3,020	1.1%	474	1.9%	4
SUPERVALU	2,844	1.0%	371	1.5%	9
	$ 87,680	31.4%	9,938	40.2%	203

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

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are party to legal proceedings, which arise in the ordinary course of our business. We are not currently involved in any legal proceedings of which we are not covered by our liability insurance or the outcome is reasonably likely to have a material impact on our results of operations or financial condition, nor are we aware of any such legal proceedings contemplated by governmental authorities.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

w PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

As of March 15, 2018, we had approximately 186.2 million shares of common stock outstanding, held by a total of 40,019 stockholders of record. The number of stockholders is based on the records of our registrar and transfer agent. Our common stock is not currently traded on any exchange, and there is no established trading market for our common stock. Therefore, there is a risk that a stockholder may not be able to sell our stock at a time or price acceptable to the stockholder, or at all.

Valuation Overview

On November 8, 2017, the independent directors of the board of directors (“Independent Directors”) of Phillips Edison & Company, Inc. (“we,” the “Company,” “our,” or “us”), formerly known as Phillips Edison Grocery Center REIT I, Inc., established its estimated value per share of our common stock of $11.00. The valuation was based substantially on the estimated market value of our portfolio of real estate properties in various geographic locations in the United States (“Portfolio”) and our recently acquired third-party asset management business as of October 5, 2017. On October 4, 2017, we completed a transaction to acquire certain real estate assets, the third-party investment management business, and the captive insurance company of Phillips Edison Limited Partnership (“PELP”) in a stock and cash transaction (“PELP transaction”).

We provided the estimated value per share to assist broker-dealers that participated in our public offering in meeting their customer account statement reporting obligations under National Association of Securities Dealers Conduct Rule 2340 as required by the Financial Industry Regulatory Authority (“FINRA”). This valuation was performed in accordance with the provisions of Practice Guideline 2013-01, Valuations of Publicly Registered Non-Listed REITs, issued by the Investment Program Association (“IPA”) in April 2013 (“IPA Valuation Guidelines”).

We engaged Duff & Phelps, LLC (“Duff & Phelps”), an independent valuation expert which has expertise in appraising commercial real estate assets to provide a calculation of the range in estimated value per share of our common stock as of October 5, 2017, the date immediately following the PELP transaction. Duff & Phelps prepared a valuation report (“Valuation Report”) that provided this range based substantially on its estimate of the “as is” market values of the Portfolio and the estimated value of in-place contracts of the third-party asset management business. Duff & Phelps made adjustments to the aggregate estimated value of our Portfolio to reflect pro forma balance sheet assets and liabilities provided by our management as of October 5, 2017, before calculating a range of estimated values based on the number of outstanding shares of our common stock as of October 5, 2017. These calculations produced an estimated value per share in the range of $10.34 to $11.70 as of October 5, 2017. The Independent Directors ultimately approved $11.00 as the estimated value per share of our common stock on November 8, 2017. We previously established an estimated value per share of $10.20 as of July 31, 2015, which was reaffirmed as of April 14, 2016 and March 31, 2017. We expect to review the estimated value per share as of March 31, 2018, and thereafter, at least annually.

The following table summarizes the material components of the estimated value per share of our common stock as of October 5, 2017 (in thousands, except per share amounts):

	Low	High
Investment in Real Estate Assets:		
Phillips Edison real estate valuation	$ 3,972,120	$ 4,284,420
Management company	90,202	90,202
Total market value	4,062,322	4,374,622
Other Assets:		
Cash and cash equivalents	13,068	13,068
Restricted cash	16,480	16,480
Accounts receivable	45,360	45,360
Prepaid expenses and other assets	26,701	26,701
Total other assets	101,609	101,609
Liabilities:		
Notes payable and credit facility	1,776,636	1,776,636
Mark to market of debt	9,014	9,014
Accounts payable and accrued expenses	1,866	1,866
Security deposits	7,740	7,740
Total liabilities	1,795,256	1,795,256
Net Asset Value	$ 2,368,675	$ 2,680,975
Common stock and OP units outstanding	229,077	229,077
Net Asset Value Per Share	$ 10.34	$ 11.70

Our goal is to provide an estimate of the market value of our shares. However, the majority of our assets will consist of commercial real estate and, as with any valuation methodology, the methodologies used were based upon a number of assumptions and estimates that may not have been accurate or complete. Different parties with different assumptions and estimates could have derived a different estimated value per share, and those differences could have been significant. These limitations are discussed further under “Limitations of Estimated Value per Share” below.

Valuation Methodologies—Our goal in calculating an estimated value per share was to arrive at a value that was reasonable and based off of what we deemed to be appropriate valuation and appraisal methodologies and assumptions and a process that was in accordance with the IPA Valuation Guidelines. The following is a summary of the valuation methodologies and components used to calculate the estimated value per share.

Independent Valuation Firm—Duff & Phelps was retained by us on September 25, 2017, as authorized by the Conflicts Committee of the Board of Directors, to provide independent valuation services. The Conflicts Committee was composed of all of our Independent Directors. Duff & Phelps is a leading global valuation advisor with expertise in complex valuation work that is not affiliated with us. Duff & Phelps had previously provided services to us pertaining the allocation of acquisition purchase prices for financial reporting purposes in connection with the Portfolio for which it received usual and customary compensation. Duff & Phelps may be engaged to provide professional services to us in the future. The Duff & Phelps personnel who prepared the valuation had no present or prospective interest in the Portfolio and no personal interest with us.

Duff & Phelps’ engagement for its valuation services was not contingent upon developing or reporting predetermined results.

In addition, Duff & Phelps’ compensation for completing the valuation services was not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of us, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of its Valuation Report. We agreed to indemnify Duff & Phelps against certain liabilities arising out of this engagement.

Duff & Phelps’ analyses, opinions, or conclusions were developed, and the Valuation Report was prepared, in conformity with the Uniform Standards of Professional Appraisal Practice. The Valuation Report was reviewed, approved and signed by individuals with the professional designation of MAI ("Member of the Appraisal Institute"). The use of the Valuation Report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. Duff & Phelps did not inspect the properties that formed the Portfolio.

In preparing the Valuation Report, Duff & Phelps relied on information provided by us regarding the Portfolio. For example, we provided information regarding building size, year of construction, land size and other physical, financial, and economic characteristics. We also provided lease information, such as current rent amounts, rent commencement and expiration dates, and rent increase amounts and dates.

Duff & Phelps did not investigate the legal description or legal matters relating to the Portfolio, including title or encumbrances, and title to the properties was assumed to be good and marketable. The Portfolio was also assumed to be free and clear of liens, easements, encroachments and other encumbrances, and to be in full compliance with zoning, use, occupancy, environmental and similar laws unless otherwise stated by us. The Valuation Report contains other assumptions, qualifications and limitations that qualify the analysis, opinions and conclusions set forth therein. Furthermore, the prices at which our real estate properties may actually be sold could differ from their appraised values.

The foregoing is a summary of the standard assumptions, qualifications and limitations that generally apply to the Valuation Report.

Real Estate Portfolio Valuation—Duff & Phelps estimated the "as is" market values of the Portfolio as of October 5, 2017, using various methodologies. Generally accepted valuation practice suggests assets may be valued using a range of methodologies. Duff & Phelps utilized the income capitalization approach with support from the sales comparison approach for each property. The income approach was the primary indicator of value, with secondary consideration given to the sales approach. Duff & Phelps performed a study of each market to measure current market conditions, supply and demand factors, growth patterns, and their effect on each of the subject properties.

The income capitalization approach simulates the reasoning of an investor who views the cash flows that would result from the anticipated revenue and expense on a property throughout its lifetime. Under the income capitalization approach, Duff & Phelps used an estimated net operating income ("NOI") for each property, and then converted it to a value indication using a discounted cash flow analysis. The discounted cash flow analysis focuses on the operating cash flows expected from a property and the anticipated proceeds of a hypothetical sale at the end of an assumed holding period, with these amounts then being discounted to their present value. The discounted cash flow method is appropriate for the analysis of investment properties with multiple leases, particularly leases with cancellation clauses or renewal options, and especially in volatile markets.

The sales comparison approach estimates value based on what other purchasers and sellers in the market have agreed to as a price for comparable improved properties. This approach is based upon the principle of substitution, which states that the limits of prices, rents and rates tend to be set by the prevailing prices, rents and rates of equally desirable substitutes. Duff & Phelps gathered comparable sales data throughout various markets as secondary support for its valuation estimate.

The following summarizes the range of capitalization rates that were used to arrive at the estimated market values of our Portfolio:

	Range in Values
Overall Capitalization Rate	6.23 - 6.72%
Terminal Capitalization Rate	6.96 - 7.46%
Discount Rate	7.55 - 8.05%

Management Company Valuation—Duff & Phelps estimated the aggregate market value associated with our third-party asset management business using various methodologies. Duff & Phelps considered various applications of the income approach, market approach, and underlying assets approach, with the income approach determined to be the most reliable method for purposes of the analysis. The income approach analysis considered the projected fee income earned for services provided pursuant to various management and advisory agreements over the expected duration of that contract, assuming normal and customary renewal provisions. Such services include property management services performed for the properties in the Portfolio, as well as property and asset management services for certain unaffiliated real estate investment portfolios. In performing this analysis, solely fee income related to properties owned as of October 5, 2017 was considered. The income approach also considered a reasonable level of expenses to support such activities, as well as other adjustments, and a discount rate that accounted for the time value of money and the risk of achieving the projected cash flows. The result of the income approach analysis was the aggregate market value of the third-party asset management business, from which an estimated market value of net tangible assets (liabilities) was subtracted (added), to result in the aggregate intangible value of the management company.

Sensitivity Analysis—While we believe that Duff & Phelps' assumptions and inputs were reasonable, a change in these assumptions would have impacted the calculations of the estimated value of the Portfolio, the estimated value of its recently acquired third-party asset management business, and our estimated value per share. The table below illustrates the impact on Duff & Phelps' range in estimated value per share if the terminal capitalization rates or discount rates were adjusted by 25 basis points and assumes all other factors remain unchanged. Additionally, the table illustrates the impact of a 5% change in these rates in accordance with the IPA Valuation Guidelines. The table illustrates hypothetical results if only one change in assumptions was made, with all other factors held constant. Further, each of these assumptions could change by more than 25 basis points or 5%.

	Resulting Range in Estimated Value Per Share			
	Increase of 25 basis points ($)	Decrease of 25 basis points ($)	Increase of 5% ($)	Decrease of 5% ($)
Terminal Capitalization Rate	10.03 - 11.33	10.67 - 12.10	9.91 - 11.22	10.82 - 12.23
Discount Rate	10.01 - 11.34	10.66 - 12.05	9.83 - 11.18	10.84 - 12.22

Other Assets and Other Liabilities—Duff & Phelps made adjustments to the aggregate estimated values of our investments to reflect our other assets and other liabilities based on pro forma balance sheet information provided by us and the Advisor as of October 5, 2017.

Role of the Independent Directors—The Independent Directors received a copy of the Valuation Report and discussed the report with representatives of Duff & Phelps. The Independent Directors also discussed the Valuation Report, the Portfolio, the third-party asset management business, our other assets and liabilities and other matters with management. Management recommended to the Independent Directors that $11.00 per share be approved as the estimated value per share of our common stock. The Independent Directors discussed the rationale for this value with management.

Following the Independent Directors' receipt and review of the Valuation Report, the recommendation of management, and in light of other factors considered by the Independent Directors, the Independent Directors concluded that the range in estimated value per share of $10.34 and $11.70 was appropriate. Management then recommended to our Independent Directors that it select $11.00 as the estimated value per share of our common stock. Our Independent Directors agreed to accept the recommendation of management and approved $11.00 as the estimated value per share of our common stock as of October 5, 2017, which determination was ultimately and solely the responsibility of the Independent Directors.

Limitations of Estimated Value per Share—We provided this estimated value per share to assist broker-dealers that participated in our public offering in meeting our customer account statement reporting obligations. This valuation was performed in accordance with the provisions of the IPA Valuation Guidelines. As with any valuation methodology, the methodologies used were based upon a number of estimates and assumptions that may not have been accurate or complete. Different parties with different assumptions and estimates could have derived a different estimated value per share, and this difference could have been significant. The estimated value per share is not audited and does not represent a determination of the fair value of our assets or liabilities based on U.S. generally accepted accounting principles ("GAAP"), nor does it represent a liquidation value of our assets and liabilities or the amount at which our shares of common stock would trade on a national securities exchange.

Accordingly, with respect to the estimated value per share, we can give 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 our estimated value per share upon liquidation of our assets and settlement of our liabilities or a sale of us;
- our shares of 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 of our shares of common stock;
- another independent third-party appraiser or third-party valuation firm would agree with our estimated value per share; or
- the methodologies used to calculate our estimated value per share would be acceptable to FINRA or for compliance with ERISA reporting requirements.

We did not make any adjustments to the valuation for the impact of other transactions occurring subsequent to October 5, 2017, including, but not limited to, (1) the issuance of common stock under the distribution reinvestment plan, (2) net operating income earned and dividends declared, (3) the repurchase of shares, (4) asset acquisitions, and (5) changes in leases, tenancy or other business or operational changes. The value of our shares will fluctuate over time in response to developments related to individual assets in the Portfolio, the management of those assets and changes in the real estate and finance markets. Because of, among other factors, the high concentration of our total assets in real estate and the number of shares of our common stock outstanding, changes in the value of individual assets in the Portfolio or changes in valuation assumptions could have a very significant impact on the value of our shares. The estimated value per share does not reflect a portfolio premium or the fact that we are internally-managed. 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 our debt obligations or the impact of restrictions on the assumption of debt.

Amended and Restated Dividend Reinvestment Plan

We have adopted the dividend reinvestment program ("DRIP"), through which stockholders may elect to reinvest an amount equal to the dividends declared on their shares of common stock into shares of our common stock in lieu of receiving cash dividends. In accordance with the DRIP, participants in the DRIP acquire shares of common stock at a price equal to the estimated value per share. Participants in the DRIP may purchase fractional shares so that 100% of the dividends may be used to acquire additional shares of our common stock. For the year ended December 31, 2017, 4.8 million shares were issued through the DRIP, resulting in proceeds of approximately $49.1 million. For the year ended December 31, 2016, 5.8 million shares were issued through the DRIP, resulting in proceeds of approximately $58.9 million.

Distributions—We elected to be taxed as a REIT for federal income tax purposes commencing with our taxable year ended December 31, 2010. As a REIT, we have made, and intend to continue to make, distributions each taxable year equal to at least 90% of our taxable income (excluding capital gains and computing without regard to the dividends paid deduction). One of our primary goals is to pay regular monthly distributions to our stockholders. During the years ended December 31, 2017 and 2016, our Board of Directors ("Board") authorized distributions equal to a daily amount of $0.00183562 and

$0.00183060, respectively, per share of common stock outstanding based on daily record dates. Beginning January 1, 2018, we pay distributions to stockholders based on monthly record dates. The 2018 monthly distribution rate is currently at the same annual distribution rate as 2017.

The total gross distributions declared to stockholders for the years ended December 31, 2017 and 2016, were as follows (in thousands):

	2017	2016
Distributions declared	$ 123,363	$ 123,141

All distributions declared during the years ended December 31, 2017 and 2016, have been funded by a combination of cash generated through operations and borrowings.

Distributions declared to common stockholders subsequent to December 31, 2017, were as follows (in thousands):

Month[1]	Date of Record	Distribution Rate	Date Distributions Paid	Gross Amount of Distributions Paid	Distributions Reinvested through the DRIP	Net Cash Distributions
December	12/1/2017 - 12/31/2017	$ 0.00183562	1/2/2018	$ 10,544	$ 4,354	$ 6,190
January	1/16/2018	0.05583344	2/1/2018	10,363	4,228	6,135
February	2/15/2018	0.05583344	3/1/2018	10,381	4,186	6,195

(1) The distribution for March, payable to shareholders of record as of March 15, 2018, will be paid on April 2, 2018.

Unregistered Sales of Equity Securities

During 2017, we did not sell any equity securities that were not registered under the Securities Act.

Share Repurchases

Our Share Repurchase Program ("SRP") may provide a limited opportunity for stockholders to have shares of common stock repurchased, subject to certain restrictions and limitations that are discussed below:

- During any calendar year, we may repurchase no more than 5% of the weighted-average number of shares outstanding during the prior calendar year.
- We have no obligation to repurchase shares if the repurchase would violate the restrictions on distributions under Maryland law, which prohibits distributions that would cause a corporation to fail to meet statutory tests of solvency.
- The cash available for repurchases on any particular date will generally be limited to the proceeds from the DRIP during the preceding four fiscal quarters, less any cash already used for repurchases since the beginning of the same period; however, subject to the limitations described above, we may use other sources of cash at the discretion of the Board. The limitations described above do not apply to shares repurchased due to a stockholder's death, "qualifying disability," or "determination of incompetence."
- Only those stockholders who purchased their shares from us or received their shares from us (directly or indirectly) through one or more non-cash transactions may be able to participate in the SRP. In other words, once our shares are transferred for value by a stockholder, the transferee and all subsequent holders of the shares are not eligible to participate in the SRP.
- The Board reserves the right, in its sole discretion, at any time and from time to time, to reject any request for repurchase.

The repurchase price per share for all stockholders is equal to the estimated value per share. Repurchases of shares of common stock will be made monthly upon written notice received by us at least five days prior to the end of the applicable month, assuming no limitations, as noted above, exist. Stockholders may withdraw their repurchase request at any time up to five business days prior to the repurchase date. Unfulfilled repurchase requests are treated as requests for repurchase during future months until satisfied or withdrawn.

Our Board may amend, suspend, or terminate the program upon 30 days' notice. We may provide notice by including such information (a) in a current report on Form 8-K or in our annual or quarterly reports, all publicly filed with the SEC, or (b) in a separate mailing to the stockholders. In connection with the May 2017 announcement of the PELP transaction (see Note 3), the SRP was suspended in May 2017 and resumed in June 2017.

The following table presents all share repurchases for the years ended December 31, 2017 and 2016 (in thousands, except per share amounts):

	2017	2016
Shares repurchased	4,617	2,019
Cost of repurchases	$ 47,157	$ 20,301
Average repurchase price	$ 10.21	$ 10.05

During the quarter ended December 31, 2017, we repurchased shares as follows (shares in thousands):

Period	Total Number of Shares Redeemed	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program(2)	Approximate Dollar Value of Shares Available That May Yet Be Redeemed Under the Program
October 2017	68	$ 10.20	68	(3)
November 2017	22	10.98	22	(3)
December 2017	56	11.00	56	(3)

(1) On November 8, 2017, our Board increased the estimated value per share of our common stock to $11.00 based substantially on the estimated market value of our portfolio of real estate properties and our recently acquired third-party investment management business as of October 5, 2017, the first full business day after the closing of the PELP transaction. Prior to November 8, 2017, the estimated value per share was $10.20 (see Note 13). The repurchase price per share for all stockholders is equal to the estimated value per share on the date of the repurchase.

(2) We announced the commencement of the SRP on August 12, 2010, and it was subsequently amended on September 29, 2011, and on April 14, 2016.

(3) We currently limit the dollar value and number of shares that may yet be repurchased under the SRP as described above.

In 2017 and 2016, repurchase requests surpassed the funding limits under the SRP. Due to the program's funding limits, no funds were available for repurchases during the fourth quarter of 2017 and no funds will be available for the the first quarter of 2018. Additionally, repurchases during the remainder of 2018 are expected to be limited. When we are unable to fulfill all repurchase requests in any month, we will honor requests on a pro rata basis to the extent possible. As of December 31, 2017, we had 10.8 million shares of unfulfilled repurchase requests. We will continue to fulfill repurchases sought upon a stockholder's death, "qualifying disability," or "determination of incompetence" in accordance with the terms of the SRP.

ITEM 6. SELECTED FINANCIAL DATA

	As of and for the years ended December 31,				
(in thousands, except per share amounts)	2017(1)	2016	2015	2014	2013
Balance Sheet Data:(2)					
Investment in real estate assets at cost	$ 3,751,927	$ 2,584,005	$ 2,350,033	$ 2,201,235	$ 1,136,074
Cash and cash equivalents	5,716	8,224	40,680	15,649	460,250
Total assets	3,526,082	2,380,188	2,226,248	2,141,196	1,716,256
Debt obligations, net	1,806,998	1,056,156	845,515	640,889	195,601
Operating Data:					
Total revenues	$ 311,543	$ 257,730	$ 242,099	$ 188,215	$ 73,165
Property operating expenses	(53,824)	(41,890)	(38,399)	(32,919)	(11,896)
Real estate tax expenses	(43,456)	(36,627)	(35,285)	(25,262)	(9,658)
General and administrative expenses	(36,348)	(31,804)	(15,829)	(8,632)	(4,346)
Interest expense, net	(45,661)	(32,458)	(32,390)	(20,360)	(10,511)
Net (loss) income	(41,718)	9,043	13,561	(22,635)	(12,350)
Net (loss) income attributable to stockholders	(38,391)	8,932	13,360	(22,635)	(12,404)
Other Operational Data:(3)(4)					
Owned Real Estate NOI	$ 204,519	$ 173,910	$ 163,017	$ 125,816	$ 50,152
Funds from operations (“FFO”) attributable to stockholders and convertible noncontrolling interests	84,150	110,406	115,040	56,513	12,769
Modified funds from operations (“MFFO”)	125,183	107,862	114,344	94,552	28,982
Cash Flow Data:					
Cash flows provided by operating activities	$ 108,861	$ 103,076	$ 106,073	$ 75,671	$ 18,540
Cash flows used in investing activities	(620,749)	(226,217)	(110,774)	(715,772)	(776,219)
Cash flows provided by financing activities	509,380	90,685	29,732	195,500	1,210,275
Per Share Data:					
Net (loss) income per share—basic and diluted	$ (0.21)	$ 0.05	$ 0.07	$ (0.13)	$ (0.18)
Common stock distributions declared	$ 0.67	$ 0.67	$ 0.67	$ 0.67	$ 0.67
Weighted-average shares outstanding—basic	183,784	183,876	183,678	179,280	70,227
Weighted-average shares outstanding—diluted	183,784	186,665	186,394	179,280	70,227

(1) Includes the impact of the PELP transaction (see Note 3).

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

(3) See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP Measures, for further discussion and for a reconciliation of the non-GAAP financial measures to Net (Loss) Income.

(4) Certain prior period amounts have been restated to conform with current year presentation.

The selected financial data should be read in conjunction with the consolidated financial statements and notes appearing in this Annual Report on Form 10-K.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our accompanying consolidated financial statements and notes thereto. See also "Cautionary Note Regarding Forward-Looking Statements" preceding Part I.

Overview

We were formed as a Maryland corporation in 2009, and elected to be taxed as a real estate investment trust ("REIT") commencing with the taxable year ended December 31, 2010. We are one of the nation's largest owners and operators of market-leading, grocery-anchored shopping centers. The majority of our revenues are lease revenues derived from our owned real estate investments. Additionally, we operate a third-party investment management business providing property management and advisory services to $2.0 billion of assets under management. This business provides comprehensive real estate and asset management services to certain non-traded, publicly registered REITS and private funds ("Managed Funds").

Below are statistical highlights of our portfolio:

	Total Portfolio as of December 31, 2017	Property Acquisitions During the Year Ended December 31, 2017(1)
Number of properties(2)	236	84
Number of states	32	25
Total square feet (in thousands)	26,272	9,595
Leased % of rentable square feet	93.9%	89.6%
Average remaining lease term (in years)(3)	5.0	4.6

(1) Property acquisitions include the 76 properties acquired as part of the PELP transaction.

(2) The number of properties does not include additional real estate purchased adjacent to previously acquired centers.

(3) The average remaining lease term in years excludes future options to extend the term of the lease.

Market Outlook—Real Estate and Real Estate Finance Markets

Management reviews a number of economic forecasts and market commentaries in order to evaluate general economic conditions and to formulate a view of the current environment's effect on the real estate markets in which we operate.

According to the Bureau of Economic Analysis, the U.S. economy's real gross domestic product ("GDP") increased 2.3% in 2017 compared to 1.5% in 2016, according to preliminary estimates. The increase in real GDP in 2017 reflected positive contributions from personal consumption expenditures ("PCE"), nonresidential fixed investment, and exports. These upturns were partially offset by decelerations in residential fixed investment and in state and local government spending. Imports, which are a subtraction in the calculation of GDP, increased.

According to J.P. Morgan's Global Economic Outlook Summary and 2018 REIT Outlook, real GDP is expected to grow approximately 2.5% in 2018. The U.S. retail real estate market displayed positive but decelerating fundamentals in 2017, with vacancy rates rising and increased emphasis on redevelopment pipelines.

Overall, retail real estate fundamentals remain strong but are expected to decelerate relative to previous years. Short-term interest rates are expected to increase in 2018 more than long-term interest rates. There is less occupancy to be gained in portfolios, new supply levels are below historical averages, and job growth is expected to be 1% monthly in 2018. Reductions to the corporate tax rate will add to economic growth, although commercial real estate is expected to benefit to a lesser extent than other sectors. Tax reform passed by Congress in 2017 is expected to have a minimal to slightly negative impact on REITs, although retailers should benefit from increased consumer spending. Stronger retailers should be better for shopping center owners as tenants can invest more to grow and improve their credit quality, reducing turnover.

Critical Accounting Policies and Estimates

Below is a discussion of our critical accounting policies and estimates. Our accounting policies have been established to conform with GAAP. We consider these policies critical because they involve significant management judgments and assumptions, require estimates about matters that are inherently uncertain, and are important for understanding and evaluating our reported financial results. These judgments affect the reported amounts of assets and liabilities and our disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, as well as the reported amounts of revenue and expenses during the reporting periods. With different estimates or assumptions, materially different amounts could be reported in our consolidated financial statements. Additionally, other companies may utilize different estimates that may impact the comparability of our results of operations to those of companies in similar businesses.

Real Estate Acquisition Accounting—In January 2017, the Financial Accounting Standards Board ("FASB") issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. This update amended existing guidance in order to clarify when an integrated set of assets and activities is considered a business. We adopted ASU 2017-01 on January 1, 2017, and applied it prospectively. Under this new guidance, most of our real estate acquisition activity is no longer considered a business combination and instead is classified as an asset acquisition. As a result, most acquisition-related costs that would have been recorded on our consolidated statements of operations prior to adoption have been capitalized and will be amortized over the life of the related assets. However, the PELP transaction is considered a business combination, and therefore the associated transaction expenses were expensed as incurred. The treatment of acquisition-related costs and the recognition of goodwill are the primary differences between how we account for business combinations and asset acquisitions. Regardless of whether an acquisition is considered a business combination or an asset acquisition, we record the costs of the business or assets acquired as tangible and intangible assets and liabilities based upon their estimated fair values as of the acquisition date.

We assess the acquisition-date fair values of all tangible assets, identifiable intangibles, and assumed liabilities using methods similar to those used by independent appraisers (e.g., discounted cash flow analysis and replacement cost) and that utilize appropriate discount and/or capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including historical operating results, known and anticipated trends, and market and economic conditions. The fair value of tangible assets of an acquired property considers the value of the property as if it were vacant.

We generally determine the value of construction in progress based upon the replacement cost. However, for certain acquired properties that are part of a new development, we determine fair value by using the same valuation approach as for all other properties and deducting the estimated cost to complete the development. During the remaining construction period, we capitalize interest expense until the development has reached substantial completion. Construction in progress, including capitalized interest, is not depreciated until the development has reached substantial completion.

We record above-market and below-market lease values for acquired properties based on the present value (using an discount rate that reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. We amortize any recorded above-market or below-market lease values as a reduction or increase, respectively, to rental income over the remaining non-cancelable terms of the respective lease. We also include fixed-rate renewal options in our calculation of the fair value of below-market leases and the periods over which such leases are amortized. If a tenant has a unilateral option to renew a below-market lease, we include such an option in the calculation of the fair value of such lease and the period over which the lease is amortized if we determine that the tenant has a financial incentive and wherewithal to exercise such option.

Intangible assets also include the value of in-place leases, which represents the estimated value of the net cash flows of the in-place leases to be realized, as compared to the net cash flows that would have occurred had the property been vacant at the time of acquisition and subject to lease-up. Acquired in-place lease value is amortized to depreciation and amortization expense over the average remaining non-cancelable terms of the respective in-place leases.

We estimate the value of tenant origination and absorption costs by considering the estimated carrying costs during hypothetical expected lease-up periods, considering current market conditions. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses, and estimates of lost rentals at market rates during the expected lease-up periods.

Estimates of the fair values of the tangible assets, identifiable intangibles, and assumed liabilities require us to estimate market lease rates, property operating expenses, carrying costs during lease-up periods, discount rates, market absorption periods, and the number of years the property will be held for investment. The use of inappropriate estimates would result in an incorrect valuation of our acquired tangible assets, identifiable intangibles and assumed liabilities, which would impact the amount of our net income.

We calculate the fair value of assumed long-term debt by discounting the remaining contractual cash flows on each instrument at the current market rate for those borrowings, which we approximate based on the rate at which we would expect to incur a replacement instrument on the date of acquisition, and recognize any fair value adjustments related to long-term debt as effective yield adjustments over the remaining term of the instrument.

Impairment of Real Estate, Goodwill, and Intangible Assets—We monitor events and changes in circumstances that could indicate that the carrying amounts of our real estate or intangible assets may be impaired. When indicators of potential impairment suggest that the carrying value of real estate or intangible assets may be greater than fair value, we will assess the recoverability, considering recent operating results, expected net operating cash flow, and plans for future operations. If, based on this analysis of undiscounted cash flows, we do not believe that we will be able to recover the carrying value of the real estate and related intangible assets, we would record an impairment loss to the extent that the carrying value exceeds the estimated fair value of the real estate or intangible assets as defined by ASC 360, *Property, Plant, and Equipment*. Particular examples of events and changes in circumstances that could indicate potential impairments are significant decreases in occupancy, rental income, operating income, and market values, or changes in our property or asset management agreements.

We adopted ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, prospectively on January 1, 2018. Therefore, when we perform a quantitative test of goodwill for impairment we will compare the carrying value of net assets to the fair value of the reporting unit. If the fair value of the reporting unit exceeds its carrying amount, we would not consider goodwill to be impaired and no further analysis would be required. If the fair value is determined to be less than its carrying value, the amount of goodwill impairment would be the amount by which the reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill.

Estimates of fair value used in our evaluation of real estate, goodwill, and intangible assets are based upon discounted future cash flow projections, relevant competitor multiples, or other acceptable valuation techniques. These techniques are based, in turn, upon all available evidence including level three inputs, such as revenue and expense growth rates, estimates of future cash flows, capitalization rates, discount rates, general economic conditions and trends, or other available market data. Our ability to accurately predict future operating results and cash flows and to estimate and determine fair values impacts the timing and recognition of impairments. While we believe our assumptions are reasonable, changes in these assumptions may have a material impact on our financial results.

Revenue Recognition—We recognize minimum rent, including rental abatements and contractual fixed increases attributable to operating leases, on a straight-line basis over the terms of the related leases, and we include amounts expected to be received in later years in deferred rents receivable. Our policy for percentage rental income is to defer recognition of contingent rental income until the specified target (i.e., breakpoint) that triggers the contingent rental income is achieved.

We record property operating expense reimbursements due from tenants for common area maintenance, real estate taxes, and other recoverable costs in the period the related expenses are incurred. We make certain assumptions and judgments in estimating the reimbursements at the end of each reporting period. We do not expect the actual results to differ materially from the estimated reimbursement.

We make estimates of the collectability of our tenant receivables related to base rents, expense reimbursements, and other revenue or income. We specifically analyze accounts receivable and historical bad debts, customer creditworthiness, current economic trends, and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. In addition, with respect to tenants in bankruptcy, we will make estimates of the expected recovery of pre-petition and post-petition claims in assessing the estimated collectability of the related receivable. In some cases, the ultimate resolution of these claims can exceed one year. These estimates have a direct impact on our net income because a higher bad debt reserve results in less net income.

We record lease termination income if there is a signed termination letter agreement, all of the conditions of the agreement have been met, collectability is reasonably assured, and the tenant is no longer occupying the property. Upon early lease termination, we provide for losses related to unrecovered intangibles and other assets.

We recognize gains on sales of real estate pursuant to the provisions of ASC 605-976, *Accounting for Sales of Real Estate*. The specific timing of a sale will be measured against various criteria in ASC 605-976 related to the terms of the transaction and any continuing involvement associated with the property. If the criteria for profit recognition under the full-accrual method are not met, we will defer gain recognition and account for the continued operations of the property by applying the percentage-of-completion, reduced profit, deposit, installment, or cost recovery methods, as appropriate, until the appropriate criteria are met.

Revenues from management, leasing, and other fees charged in accordance with the various management agreements executed, are recognized in the period in which the services have been provided, the earnings process is complete, and collectability is reasonably assured.

On January 1, 2018, we adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our revenue-producing contracts are primarily leases that are not within the scope of this standard. As a result, we do not expect the adoption of this standard to have a material impact on our rental revenue. However, the standard will apply to a majority of our fees and management income. We have evaluated the impact of this standard to fees and management income and do not expect a material impact on our revenue recognition, but we do expect to provide additional disclosures around fees and management revenue in our future filings. We are adopting this guidance on a modified retrospective basis.

Impact of Recently Issued Accounting Pronouncements—Refer to Note 2 for discussion of the impact of recently issued accounting pronouncements.

Results of Operations

Included in the PELP transaction was the acquisition of PELP's third-party investment management business. Prior to the completion of the transaction, we were externally-managed, and our only reportable segment was related to the aggregated operating results of our owned real estate. Therefore, there is no data available prior to 2017 for the Investment Management segment for comparative purposes. For more detail regarding our segments, see Note 18.

Segment Profit, which is a non-GAAP financial measure, represents revenues less property operating, real estate tax, and general and administrative expenses that are attributable to our reportable segments. We use Segment Profit to evaluate the results of our segments and believe that this measure provides a useful comparison of our revenues based on the source of those revenues and the expenses that are directly related to them. However, Segment Profit should not be viewed as an alternative to results prepared in accordance with GAAP.

Summary of Operating Activities for the Years Ended December 31, 2017 and 2016

			Favorable (Unfavorable) Change	
(in thousands, except per share amounts)	**2017**	**2016**	**$**	**%**
Segment Profit:				
Owned Real Estate	$ 206,432	$ 175,802	$ 30,630	17.4 %
Investment Management	1,553	—	1,553	NM
Total segment profit	207,985	175,802	32,183	18.3 %
Corporate general and administrative expenses	(30,070)	(28,393)	(1,677)	(5.9)%
Vesting of Class B units	(24,037)	—	(24,037)	NM
Termination of affiliate arrangements	(5,454)	—	(5,454)	NM
Depreciation and amortization	(130,671)	(106,095)	(24,576)	(23.2)%
Interest expense, net	(45,661)	(32,458)	(13,203)	(40.7)%
Transaction and acquisition expenses	(16,243)	(5,803)	(10,440)	(179.9)%
Other income, net	2,433	5,990	(3,557)	(59.4)%
Net (loss) income	(41,718)	9,043	(50,761)	NM
Net loss (income) attributable to noncontrolling interests	3,327	(111)	3,438	NM
Net (loss) income attributable to stockholders	$ (38,391)	$ 8,932	$ (47,323)	NM

Owned Real Estate - Segment Profit

			Favorable (Unfavorable) Change	
(in thousands, except per share amounts)	**2017**	**2016**	**$**	**%**
Total revenues	$ 303,410	$ 257,730	$ 45,680	17.7 %
Property operating expenses	(50,328)	(41,890)	(8,438)	(20.1)%
Real estate tax expenses	(43,247)	(36,627)	(6,620)	(18.1)%
General and administrative expenses	(3,403)	(3,411)	8	0.2 %
Segment profit	$ 206,432	$ 175,802	$ 30,630	17.4 %

- Total revenues increased as follows:
  - $21.1 million was related to the 76 properties acquired in the PELP transaction.
  - $21.4 million was related to 15 properties acquired after December 31, 2015, exclusive of the PELP transaction, net of two properties disposed of during each reporting period.
  - The remaining $3.2 million increase was related to the properties acquired before January 1, 2016, outside of the PELP transaction ("same-center portfolio"). The increase was driven by a $0.23 increase in minimum rent per square foot and a 0.9% increase in occupancy.
- Property operating expenses, which include (i) operating and maintenance expense, which consists of property-related costs including repairs and maintenance costs, landscaping, snow removal, utilities, property insurance costs, security, and various other property-related expenses; (ii) bad debt expense; and (iii) allocated property management costs prior to the PELP transaction, increased as follows:
  - $4.5 million was the impact of the PELP transaction, including additional costs related to the 76 properties acquired and the effect of internalizing our management structure.
  - $3.7 million was related to properties acquired or disposed of after December 31, 2015, excluding properties acquired in the PELP transaction.
  - Property operating costs increased by $0.3 million on our same-center portfolio.

- Real estate tax expenses increased as follows:
  - $2.2 million was related to the 76 properties acquired in the PELP transaction.
  - $4.2 million was related to properties acquired or disposed of after December 31, 2015, excluding properties acquired in the PELP transaction.
- General and administrative expenses were primarily attributed to costs to manage the administrative activities and implement the investment strategies of our Owned Real Estate.

Investment Management - Segment Profit

(in thousands, except per share amounts)		2017
Total revenues	$	8,133
Property operating expenses		(3,496)
Corporate real estate tax expenses		(209)
General and administrative expenses		(2,875)
Segment profit	$	1,553

- Total revenues were primarily compromised of the following:
  - $4.0 million was attributed to advisory agreements, including acquisition, disposition, and asset management fees, between us and the Managed Funds.
  - $3.8 million was attributed to property management agreements, including property management fees, leasing commissions, and construction management fees, between us and the Managed Funds.
  - For additional detail regarding our fees and management income, see Note 14.
- The $3.5 million in property operating expenses was primarily related to employee compensation costs to manage the daily property operations of the Managed Funds, as well as insurance costs related to our captive insurance company.
- General and administrative expenses were primarily attributed to employee compensation costs for managing the day-to-day affairs of the Managed Funds, identifying and making acquisitions and investments on their behalf, and recommending to the respective boards of directors an approach for providing investors of the Managed Funds with liquidity.

Corporate General and Administrative Expenses

- The $1.7 million increase in corporate general and administrative expenses was related to additional expenses that were not directly attributable to the revenues generated by either of our segments, including adding personnel costs and other corporate expenses in the PELP transaction, offset by the elimination of the asset management fee.

Vesting of Class B Units

- The $24.0 million expense resulted from the PELP transaction and was a combination of the vesting of 2.8 million Class B units as well as the reclassification of previous distributions on those Class B units to noncontrolling interests. The vesting of the Class B units was a noncash expense of $27.6 million for asset management services rendered between December 2014 and September 2017. Distributions paid on these units totaled $3.6 million over this time period and have been reclassified from the 2017 consolidated statement of operations and reflected as distributions from equity instead.

Termination of Affiliate Arrangements

- The $5.5 million expense was related to the redemption of unvested Class B units at the estimated value per share on the date of termination, that had been earned by our former advisor for historical asset management services (see Note 11).

Depreciation and Amortization

- The $24.6 million increase in depreciation and amortization included a $16.1 million increase related to the 76 properties and the management contracts acquired in the PELP transaction.
- The increase included a $12.1 million increase related to properties acquired after December 31, 2015, excluding properties acquired in the PELP transaction, as well as properties classified as redevelopment.
- The increase was offset by a $1.7 million decrease due to the disposition of two properties in December 2016 and October 2017.
- The increase was also offset by a $1.8 million decrease attributed to certain intangible lease assets becoming fully amortized on our same-center portfolio.

Interest Expense, Net

- The $13.2 million increase in interest expense was primarily due to additional borrowings on our revolving credit facility and new secured and unsecured term loan facilities entered into in 2017, including $485 million in loans that were entered into in order to extinguish the corporate debt assumed from PELP in the PELP transaction.
- The increase was partially offset by a decrease in interest expense from refinancing certain mortgages and improving the associated interest rate.

Transaction and Acquisition Expenses

- The transaction expenses incurred resulted from costs related to the PELP transaction (see Note 3), primarily third-party professional fees, such as financial advisor, consulting, accounting, legal, and tax fees, as well as fees associated with obtaining debt consents necessary to complete the transaction.
- The transaction expenses incurred were partially offset by a decrease in acquisition expenses directly related to asset acquisitions that was attributed to the implementation of ASU 2017-01 on January 1, 2017, resulting in the capitalization of most acquisition-related costs. For a more detailed discussion of this adoption, see Note 2.

Other Income, Net

- The $3.6 million decrease in other income was primarily due to a 2016 gain on real estate sold exceeding 2017 gains on sales of properties and land. It also decreased due to a 2016 gain related to hedging ineffectiveness that is no longer realized due to our adoption of ASU 2017-12 (see Note 8).

Summary of Operating Activities for the Years Ended December 31, 2016 and 2015

			Favorable (Unfavorable) Change	
(in thousands, except per share amounts)	2016	2015	$	%
Operating Data:				
Total revenues	$ 257,730	$ 242,099	$ 15,631	6.5 %
Property operating expenses	(41,890)	(38,399)	(3,491)	(9.1)%
Real estate tax expenses	(36,627)	(35,285)	(1,342)	(3.8)%
General and administrative expenses	(31,804)	(15,829)	(15,975)	(100.9)%
Acquisition expenses	(5,803)	(5,404)	(399)	(7.4)%
Depreciation and amortization	(106,095)	(101,479)	(4,616)	(4.5)%
Interest expense, net	(32,458)	(32,390)	(68)	(0.2)%
Other income, net	5,990	248	5,742	NM
Net income	9,043	13,561	(4,518)	(33.3)%
Net income attributable to noncontrolling interests	(111)	(201)	90	44.8 %
Net income attributable to stockholders	$ 8,932	$ 13,360	$ (4,428)	(33.1)%
Net income per share—basic and diluted	$ 0.05	$ 0.07	$ (0.02)	(28.6)%

Below are explanations of the significant fluctuations in our results of operations for the years ended December 31, 2016 and 2015.

Total revenues— Of the $15.6 million increase in total revenues, $5.6 million was from same-center properties, which were the 132 properties that were owned and operational for the entire portion of both comparable reporting periods, except for those properties classified as redevelopment as of December 31, 2016. The remaining $10.0 million was attributable to non-same-center properties, including the 16 properties that were acquired since the beginning of 2015. The increase in same-center revenue was due to a $3.5 million increase in rental income and a $2.4 million increase in tenant recovery income. The increase in same-center rental income was driven by a $0.20 increase in minimum rent per square foot and a 0.2% increase in occupancy since December 31, 2015. The increase in same-center tenant recovery income stemmed from a 2.3% increase in our overall recovery rate.

Property operating expenses—Of the $3.5 million increase in property operating expenses, $1.8 million was due to the acquisition of 16 properties in 2015 and 2016. The remaining $1.7 million was primarily a result of an increase in recoverable property maintenance expenses due to an increase in additional maintenance projects during 2016, as well as a $0.7 million increase in property management fees due to higher cash receipts from the increase in revenues.

General and administrative expenses—General and administrative expenses increased $16.0 million, which was primarily related to a $14.6 million increase in cash asset management fees as a result of the change to our advisory fee structure in October 2015. Prior to that date, the asset management fee had been deferred via the issuance of Class B units of our Operating Partnership, which did not result in the recognition of expense in accordance with GAAP. After that date, the asset management fee remained at 1% of the cost of our assets; however, 80% was paid in cash and therefore recognized on a current basis as expense under GAAP, with the remaining 20% paid in Class B units. The remaining $1.4 million increase resulted from both a $1.0 million increase in distributions paid on unvested Class B units as a result of an increase in outstanding Class B units, as well as additional administrative costs associated with managing a larger portfolio.

Acquisition expenses—Acquisition expenses increased $0.4 million due to an increase in the purchase price paid for the seven properties acquired in 2016 compared to the nine properties acquired in 2015.

Other income, net—The $5.7 million increase in other income primarily resulted from a gain of $4.7 million on the disposal of a property in December 2016, as well as an increase of $1.3 million stemming from gains recognized on a portion of our derivatives.

Leasing Activity—The average rent per square foot and cost of executing leases fluctuates based on the tenant mix, size of the space, and lease term. Leases with national and regional tenants generally require a higher cost per square foot than those with local tenants. However, such tenants will also pay for a longer term. As we continue to attract more of these national and regional tenants, our costs to lease may increase.

Below is a summary of leasing activity for the years ended December 31, 2017 and 2016:

	Total Deals		Inline Deals(1)	
	2017	2016	2017	2016
New leases:				
Number of leases	185	163	179	156
Square footage (in thousands)	547	690	382	379
First-year base rental revenue (in thousands)	$ 8,108	$ 8,469	$ 6,762	$ 6,337
Average rent per square foot (“PSF”)	$ 14.81	$ 12.27	$ 17.69	$ 16.70
Average cost PSF of executing new leases(2)(3)	$ 27.03	$ 22.53	$ 28.11	$ 33.09
Weighted average lease term (in years)	7.9	9.8	7.0	7.3
Renewals and options:				
Number of leases	369	321	334	301
Square footage (in thousands)	1,977	1,639	676	593
First-year base rental revenue (in thousands)	$ 25,196	$ 19,581	$ 14,664	$ 12,686
Average rent PSF	$ 12.75	$ 11.95	$ 21.68	$ 21.39
Average rent PSF prior to renewals	$ 11.74	$ 10.87	$ 19.42	$ 18.94
Percentage increase in average rent PSF	8.5%	9.9%	11.6%	12.9%
Average cost PSF of executing renewals and options(2)(3)	$ 3.12	$ 2.67	$ 4.80	$ 4.70
Weighted average lease term (in years)	5.2	5.3	5.1	5.2
Portfolio retention rate(4)	93.8%	86.7%	85.9%	78.7%

(1) We consider an inline deal to be a lease for less than 10,000 square feet of gross leasable area (“GLA”).

(2) The cost of executing new leases, renewals, and options includes leasing commissions, tenant improvement costs, and tenant concessions.

(3) The costs associated with landlord improvements are excluded for repositioning and redevelopment projects.

(4) The portfolio retention rate is calculated by dividing (a) total square feet of retained tenants with current period lease expirations by (b) the square feet of leases expiring during the period.

Non-GAAP Measures

Pro Forma Same-Center Net Operating Income—Same-Center NOI represents the NOI for the properties that were owned and operational for the entire portion of both comparable reporting periods, except for the properties we currently classify as redevelopment. Redevelopment properties are being repositioned in the market and such repositioning is expected to have a significant impact on property operating income. As such, these properties have been classified as redevelopment and have been excluded from our same-center pool. For purposes of evaluating Same-Center NOI on a comparative basis, and in light of the PELP transaction, we are presenting Pro Forma Same-Center NOI, which is Same-Center NOI on a pro forma basis as if the transaction had occurred on January 1, 2016. This perspective allows us to evaluate Same-Center NOI growth over a comparable period. Pro Forma Same-Center NOI is not necessarily indicative of what actual Same-Center NOI and growth would have been if the PELP transaction had occurred on January 1, 2016, nor does it purport to represent Same-Center NOI and growth for future periods.

Pro Forma Same-Center NOI highlights operating trends such as occupancy rates, rental rates, and operating costs on properties that were operational for both comparable periods. Other REITs may use different methodologies for calculating Same-Center NOI, and accordingly, our Pro Forma Same-Center NOI may not be comparable to other REITs.

Pro Forma Same-Center NOI should not be viewed as an alternative measure of our financial performance since it does not reflect the operations of our entire portfolio, nor does it reflect the impact of general and administrative expenses, acquisition expenses, depreciation and amortization, interest expense, other income, or the level of capital expenditures and leasing costs necessary to maintain the operating performance of our properties that could materially impact our results from operations.

The table below compares Pro Forma Same-Center NOI for the years ended December 31, 2017 and 2016 (in thousands):

	2017	2016	$ Change	% Change
Revenues[1]:				
Rental income[2]	$ 220,081	$ 215,398	$ 4,683	
Tenant recovery income	69,965	69,066	899	
Other property income	1,565	1,048	517	
Total revenues	291,611	285,512	6,099	2.1 %
Operating expenses[1]:				
Property operating expenses	46,504	47,987	(1,483)	
Real estate taxes	40,275	39,569	706	
Total operating expenses	86,779	87,556	(777)	(0.9)%
Total Pro Forma Same-Center NOI	$ 204,832	$ 197,956	$ 6,876	3.5 %

(1) Adjusted for PELP same-center operating results prior to the transaction for these periods. For additional information and details about PELP operating results included herein, refer to the PELP Same-Center NOI table below.

(2) Excludes straight-line rental income, net amortization of above- and below-market leases, and lease buyout income.

Below is a reconciliation of Net (Loss) Income to Owned Real Estate NOI and Pro Forma Same-Center NOI for the years ended December 31, 2017 and 2016 (in thousands):

	2017	2016
Net (loss) income	$ (41,718)	$ 9,043
Adjusted to exclude:		
Fees and management income	(8,156)	—
Straight-line rental income	(3,766)	(3,512)
Net amortization of above- and below-market leases	(1,984)	(1,208)
Lease buyout income	(1,321)	(583)
General and administrative expenses	36,348	31,804
Transaction expenses	15,713	—
Vesting of Class B units	24,037	—
Termination of affiliate arrangements	5,454	—
Acquisition expenses	530	5,803
Depreciation and amortization	130,671	106,095
Interest expense, net	45,661	32,458
Other	(2,336)	(5,990)
Property management allocations to third-party assets under management[1]	5,386	—
Owned Real Estate NOI[2]	204,519	173,910
Less: NOI from centers excluded from same-center	(34,443)	(20,015)
NOI prior to October 4, 2017, from same-center properties acquired in the PELP transaction	34,756	44,061
Total Pro Forma Same-Center NOI	$ 204,832	$ 197,956

(1) This represents property management expenses allocated to third-party owned properties based on the property management fee that is provided for in the individual management agreements under which our investment management business provides services.

(2) Segment Profit, presented in Results of Operations, differs from NOI primarily because of revenue exclusions made, including straight-line rental income, net amortization of above- and below market leases, and lease buyout income, when calculating NOI.

Below is a breakdown of our property count:

	2017
Same-center properties[1]	200
Non-same-center properties	19
Redevelopment properties[2]	17
Total properties	236

(1) Property count includes 64 same-center properties acquired in the PELP transaction.

(2) Property count includes eight redevelopment properties acquired in the PELP transaction.

NOI from the PELP properties acquired prior to the PELP transaction was obtained from the accounting records of PELP without adjustment. The accounting records were subject to internal review by us. The table below provides Same-Center NOI detail for the non-ownership periods of PELP, which were the periods ended October 3, 2017, and the year ended December 31, 2016.

	2017	2016
Revenues:		
Rental income[1]	$ 37,860	$ 49,046
Tenant recovery income	10,537	13,781
Other property income	520	259
Total revenues	48,917	63,086
Operating expenses:		
Property operating expenses	8,214	11,529
Real estate taxes	5,947	7,496
Total operating expenses	14,161	19,025
Total Same-Center NOI	$ 34,756	$ 44,061

(1) Excludes straight-line rental income, net amortization of above- and below-market leases, and lease buyout income.

Funds from Operations and Modified Funds from Operations—FFO is a non-GAAP performance financial measure that is widely recognized as a measure of REIT operating performance. The National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as net income (loss) attributable to common shareholders computed in accordance with GAAP, excluding gains (or losses) from sales of property, plus depreciation and amortization, and after adjustments for impairment losses on depreciable real estate and impairments of in-substance real estate investments in investees that are driven by measurable decreases in the fair value of the depreciable real estate held by the unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect funds from operations on the same basis. We calculate FFO Attributable to Stockholders and Convertible Noncontrolling Interests in a manner consistent with the NAREIT definition, with an additional adjustment made for noncontrolling interests that are not convertible into common stock.

MFFO is an additional performance financial measure used by us as FFO includes certain non-comparable items that affect our performance over time. MFFO excludes the following items:

- acquisition and transaction expenses;
- straight-line rent amounts, both income and expense;
- amortization of above- or below-market intangible lease assets and liabilities;
- amortization of discounts and premiums on debt investments;
- gains or losses from the early extinguishment of debt;
- gains or losses on the extinguishment of derivatives, except where the trading of such instruments is a fundamental attribute of our operations;
- gains or losses related to fair value adjustments for derivatives not qualifying for hedge accounting;
- expenses related to the vesting of Class B units issued to our former advisors in connection with asset management services provided and the reclassification of distributions on those units to equity;
- termination of affiliate arrangements; and
- adjustments related to the above items for joint ventures and noncontrolling interests and unconsolidated entities in the application of equity accounting.

We believe that MFFO is helpful in assisting management and investors with the assessment of the sustainability of operating performance in future periods. We believe it is more reflective of our core operating performance and provides an additional measure to compare our performance across reporting periods on a consistent basis by excluding items that may cause short-term fluctuations in net income (loss) but have no impact on cash flows.

FFO, FFO Attributable to Stockholders and Convertible Noncontrolling Interests, and MFFO should not be considered alternatives to net income (loss) or income (loss) from continuing operations under GAAP, as an indication of our liquidity, nor as an indication of funds available to cover our cash needs, including our ability to fund distributions. MFFO may not be a useful measure of the impact of long-term operating performance on value if we do not continue to operate our business plan in the manner currently contemplated.

Accordingly, FFO, FFO Attributable to Stockholders and Convertible Noncontrolling Interests, and MFFO should be reviewed in connection with other GAAP measurements, and should not be viewed as more prominent measures of performance than net income (loss) or cash flows from operations prepared in accordance with GAAP. Our FFO, FFO Attributable to Stockholders and Convertible Noncontrolling Interests, and MFFO, as presented, may not be comparable to amounts calculated by other REITs.

The following table presents our calculation of FFO, FFO Attributable to Stockholders and Convertible Noncontrolling Interests, and MFFO and provides additional information related to our operations (in thousands):

	2017	2016(1)	2015(1)
Calculation of FFO Attributable to Stockholders and Convertible Noncontrolling Interests			
Net (loss) income	$ (41,718)	$ 9,043	$ 13,561
Adjustments:			
Depreciation and amortization of real estate assets	127,771	106,095	101,479
Gain on sale of property	(1,760)	(4,732)	—
FFO attributable to the Company	84,293	110,406	115,040
Adjustments attributable to noncontrolling interests not convertible into common stock	(143)	—	—
FFO attributable to stockholders and convertible noncontrolling interests	$ 84,150	$ 110,406	$ 115,040
Calculation of MFFO			
FFO attributable to stockholders and convertible noncontrolling interests	$ 84,150	$ 110,406	$ 115,040
Adjustments:			
Transaction and acquisition expenses	16,243	5,803	5,404
Net amortization of above- and below-market leases	(1,984)	(1,208)	(821)
Amortization of intangible corporate assets	2,900	—	—
(Gain) loss on extinguishment of debt, net	(572)	(63)	2,095
Straight-line rent	(3,729)	(3,512)	(4,571)
Amortization of market debt adjustment	(1,115)	(2,054)	(2,685)
Change in fair value of derivatives	(201)	(1,510)	(118)
Noncash vesting of Class B units	24,037	—	—
Termination of affiliate arrangements	5,454	—	—
MFFO	$ 125,183	$ 107,862	$ 114,344
FFO Attributable to Stockholders and Convertible Noncontrolling Interests/MFFO per share			
Weighted-average common shares outstanding - diluted(2)	196,506	186,665	186,394
FFO Attributable to Stockholders and Convertible Noncontrolling Interests per share - diluted	$ 0.43	$ 0.59	$ 0.62
MFFO per share - diluted	$ 0.64	$ 0.58	$ 0.61

(1) Certain prior period amounts have been restated to conform with current year presentation.

(2) OP units and restricted stock awards were dilutive to FFO Attributable to Stockholders and Convertible Noncontrolling Interests and MFFO for the years ended December 31, 2017, 2016, and 2015, and, accordingly, were included in the weighted-average common shares used to calculate diluted FFO Attributable to Stockholders and Convertible Noncontrolling Interests/MFFO per share.

Liquidity and Capital Resources

General—Our principal cash demands, aside from standard operating expenses, are for investments in real estate, capital expenditures, repurchases of common stock, distributions to stockholders, and principal and interest on our outstanding indebtedness. We intend to use our cash on hand, operating cash flows, and proceeds from debt financings, including borrowings under our unsecured credit facility, as our primary sources of immediate and long-term liquidity. On October 4, 2017, we completed the PELP transaction. Under the terms of the agreement, we issued 39.4 million OP units valued at approximately $401.6 million, assumed $504.7 million of debt, and paid approximately $30.4 million in cash (see Note 3).

As of December 31, 2017, we had cash and cash equivalents of $5.7 million, a net cash decrease of $2.5 million during the year ended December 31, 2017.

Operating Activities—Our net cash provided by operating activities consists primarily of cash inflows from rental income, tenant recovery payments, and fee and management income, offset by cash outflows for property operating expenses, real estate taxes, general and administrative expenses, and interest payments.

Our cash flows from operating activities were $108.9 million for the year ended December 31, 2017, compared to $103.1 million for the same period in 2016. The increase was primarily due to favorable changes that resulted from having a larger portfolio, earning fee and management income, and improvements in same-center operating results. The increase was offset by increased expenses related to the PELP transaction and the redemption of unvested Class B units that had been earned by our former advisor for historical asset management services at the estimated value per share on the date of redemption (see Note 11).

Investing Activities—Net cash flows from investing activities are affected by business combinations and the nature, timing, and extent of improvements to, as well as acquisitions and dispositions of, real estate and real estate-related assets, as we continue to evaluate the market for available properties and may acquire properties when we believe strategic opportunities exist.

Our net cash used in investing activities was $620.7 million for the year ended December 31, 2017, compared to $226.2 million for the same period in 2016. The increase in cash used primarily resulted from repaying PELP's corporate debt that was assumed in the PELP transaction, as well as net cash paid to PELP as part of the transaction.

During the year ended December 31, 2017, we acquired 84 shopping centers, including 76 shopping centers through the PELP transaction (see Note 3 for more detail). The net cash impact of the PELP transaction was a $456.7 million outlay. For the eight grocery-anchored shopping centers purchased outside of the PELP transaction, we had a total cash outlay of $159.7 million. During the same period in 2016, we acquired seven grocery-anchored shopping centers and additional real estate adjacent to previously acquired centers for a total cash outlay of $201.1 million.

Financing Activities—Net cash flows from financing activities are affected by payments of distributions, share repurchases, principal and other payments associated with our outstanding debt, and borrowings during the period. As our debt obligations mature, we intend to refinance the remaining balance, if possible, or pay off the balances at maturity using proceeds from operations and/or corporate-level debt. Our net cash provided by financing activities was $509.4 million for the year ended December 31, 2017, compared to net cash flow provided by financing activities of $90.7 million for the same period in 2016.

In conjunction with the PELP transaction, we entered into two new term loan agreements. The first term loan was for $375 million, $310 million of which was drawn in October 2017 with the remaining $65 million drawn in January 2018, and matures in April 2022. The second term loan was for $175 million and matures in October 2024. To increase the availability on our revolving credit facility, which had neared capacity due to acquisitions and other liquidity needs, we also executed two new secured loan facilities with principal balances of $175 million and $195 million that mature in November 2026 and November 2027, respectively. For more information regarding our term loans and secured loan facilities, see Note 7.

The $476.1 million increase in our net borrowings was partially offset by increased share repurchases in January 2017 (see Note 11), increased cash distributions as a result of all distributions being paid in cash in May due to the suspension of the DRIP as well as fewer investors participating in the DRIP, and the redemption of OP units that had been earned by our former advisor for historical asset management services.

As of December 31, 2017, our debt to total enterprise value was 41.8%. Debt to total enterprise value is calculated as net debt (total debt of $1.8 billion, excluding below-market debt adjustments of $5.3 million and adding back deferred financing costs of $16.0 million, less cash and cash equivalents of $5.7 million) as a percentage of enterprise value (equity value, calculated as 229.7 million shares of common stock and OP units outstanding multiplied by the estimated value per share of $11.00 as of December 31, 2017, plus net debt).

Our debt is subject to certain covenants. As of December 31, 2017, we were in compliance with the restrictive covenants of our outstanding debt obligations. We expect to continue to meet the requirements of our debt covenants over the short- and long-term. Our debt to total enterprise value and debt covenant compliance as of December 31, 2017, allow us access to future borrowings as needed.

Our revolving credit facility has a capacity of $500 million and a current interest rate of LIBOR plus 1.4%. As of December 31, 2017, $438.4 million was available for borrowing under the revolving credit facility. In October 2017, the maturity date of the revolving credit facility was extended to October 2021, with additional options to extend the maturity to October 2022.

Activity related to distributions to our common stockholders and OP unit holders for the years ended December 31, 2017 and 2016, is as follows (in thousands):

	2017		2016	
Gross distributions paid to common stockholders	$	123,324	$	123,141
Distributions reinvested through DRIP		(49,126)		(58,872)
Net cash distributions paid to common stockholders		74,198		64,269
Cash distributions paid to OP unit holders		7,025		1,866
Net cash distributions	$	81,223	$	66,135
Net (loss) income attributable to stockholders	$	(38,391)	$	8,932
Net cash provided by operating activities	$	108,861	$	103,076
FFO attributable to stockholders and convertible noncontrolling interests(1)	$	84,150	$	110,406

(1) See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP Measures - Funds from Operations and Modified Funds from Operations, for the definition of FFO, information regarding why we present FFO Attributable to Stockholders and Convertible Noncontrolling Interests, as well as for a reconciliation of this non-GAAP financial measure to net (loss) income on the consolidated statements of operations.

We paid distributions monthly and expect to continue paying distributions monthly unless our results of operations, our general financial condition, general economic conditions, or other factors, as determined by our Board, make it imprudent to do so. The timing and amount of distributions is determined by our Board and is influenced in part by our intention to comply with REIT requirements of the Internal Revenue Code.

To maintain our qualification as a REIT, we must make aggregate annual distributions to our stockholders of at least 90% of our REIT taxable income (which is computed without regard to the dividends paid deduction or net capital gain, and which does not necessarily equal net income (loss) as calculated in accordance with GAAP). We generally will not be subject to U.S.

federal income tax on the income that we distribute to our stockholders each year due to meeting the REIT qualification requirements. However, we may be subject to certain state and local taxes on our income, property, or net worth and to federal income and excise taxes on our undistributed income.

We have not established a minimum distribution level, and our charter does not require that we make distributions to our stockholders.

Contractual Commitments and Contingencies

Our contractual obligations as of December 31, 2017, were as follows (in thousands):

	Payments due by period						
	Total	2018	2019	2020	2021	2022	Thereafter
Long-term debt obligations - principal payments(1)	$ 1,817,786	$ 8,142	$ 109,192	$ 182,323	$ 254,570	$ 341,169	$ 922,390
Long-term debt obligations - interest payments(2)	344,396	61,441	58,656	53,959	47,650	36,614	86,076
Operating lease obligations	2,945	1,101	773	310	188	185	388
Total	$ 2,165,127	$ 70,684	$ 168,621	$ 236,592	$ 302,408	$ 377,968	$ 1,008,854

(1) The revolving credit facility, which matures in October 2021, has options to extend the maturity to October 2022. Portions of our term loan facilities with maturities in 2019 and 2020 have options to extend their maturities to 2021. We will consider options for refinancing the $100 million term loan maturing in February 2019 or exercising the option upon maturity. As of December 31, 2017, the availability on our revolving credit facility exceeded the balance on the loan maturing in 2019. The term loan maturing in 2020 also has options to extend its maturity to 2021.

(2) Future variable-rate interest payments are based on interest rates as of December 31, 2017, including the impact of our swap agreements.

Our portfolio debt instruments and the unsecured revolving credit facility contain certain covenants and restrictions. The following is a list of certain restrictive covenants specific to the unsecured revolving credit facility that were deemed significant:

- limits the ratio of debt to total asset value, as defined, to 60% or less with a surge to 65% following a material acquisition;
- requires the fixed-charge ratio, as defined, to be 1.5 to 1.0 or greater or 1.4 to 1.0 following a material acquisition;
- limits the ratio of cash dividend payments to FFO, as defined, to be less than 95%.

As of December 31, 2017, we were in compliance with the restrictive covenants of our outstanding debt obligations. We expect to continue to meet the requirements of our debt covenants over the short and long term.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We utilize interest rate swaps in order to hedge a portion of our exposure to interest rate fluctuations. We do not intend to enter into derivative or interest rate transactions for speculative purposes. Our hedging decisions are determined based upon the facts and circumstances existing at the time of the hedge and may differ from our currently anticipated hedging strategy. Because we use derivative financial instruments to hedge against interest rate fluctuations, we 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 us, which creates credit risk for us. If the fair value of a derivative contract is negative, we will owe the counterparty and, therefore, do not have credit risk. We seek 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 December 31, 2017, we had six interest rate swaps that fixed the LIBOR on $992 million of our unsecured term loan facilities, and we were party to an interest rate swap that fixed the variable interest rate on $10.7 million of one of our secured mortgage notes.

As of December 31, 2017, we had not fixed the interest rate on $209.6 million of our unsecured debt through derivative financial instruments, and as a result we are subject to the potential impact of rising interest rates, which could negatively impact our profitability and cash flows. The impact on our results of operations of a one-percentage point increase in interest rates on the outstanding balance of our variable-rate debt at December 31, 2017, would result in approximately $2.1 million of additional interest expense annually. The additional interest expense was determined based on the impact of hypothetical interest rates on our borrowing cost and assumes no changes in our capital structure.

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.

We do not have any foreign operations, and thus we are not exposed to foreign currency fluctuations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the Index to Financial Statements on page F-1 of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of December 31, 2017. Based on that evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were effective as of December 31, 2017.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our evaluation under the framework in Internal Control - Integrated Framework (2013) issued by the COSO, our management concluded that our internal control over financial reporting was effective as of December 31, 2017.

Changes in Internal Control over Financial Reporting

As a result of the acquisition of PELP on October 4, 2017, we have implemented internal controls over financial reporting to consider PELP, including its captive insurance company and third-party investment management business. The acquisition of PELP represents a material change in internal control over financial reporting subsequent to management's last assessment of our internal control over financial reporting, which was completed as of December 31, 2016.

There have been no other changes in our internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On March 26, 2018, the Company, in its capacity as the sole member of the sole general partner of the Operating Partnership, entered into a Fourth Amended and Restated Agreement of Limited Partnership (the "Amended and Restated Partnership Agreement") of the Operating Partnership. The Amended and Restated Partnership Agreement amends and restates the Operating Partnership's Third Amended and Restated Agreement of Limited Partnership in its entirety to provide for, among other things, the designation of Class C units as a new class of partnership units and setting forth the terms and conditions of the Class C units, as well as further clarification of the terms and conditions of the Class B units. Both Class B units and Class C units are limited partner interests designed to qualify as "profits interests" for federal income tax purposes. As a general matter, the profits interests characteristics of Class B units and Class C units mean that initially they will not have full parity with common OP Units with respect to liquidating distributions. If and when events specified by applicable tax regulations happen, the Class B units and Class C units can over time increase in value up to the point where they can achieve full parity with the common OP units with respect to liquidating distributions. After Class B units and Class C units are fully earned and vested, as applicable, and if the special tax rules applicable to profits interests have allowed them to become equivalent in value to common OP units, the Class B units and Class C units may be converted on a one-for-one basis into common OP units.

The foregoing summary of the Amended and Restated Partnership Agreement is not complete and is qualified in its entirety by reference to the full text of the Amended and Restated Partnership Agreement, which is filed as Exhibit 4.4 to this Annual Report on Form 10-K and is incorporated herein by reference.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Directors and Executive Officers

We have provided below certain information about our executive officers and directors.

Name	Position(s)	Age*	Year First Became a Director
Jeffrey S. Edison	Chairman of the Board of Directors ("Board") and Chief Executive Officer	57	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	57	N/A
Robert F. Myers	Chief Operating Officer	45	N/A
R. Mark Addy	Executive Vice President	55	N/A

* As of the date of this filing

Directors

Jeffrey S. Edison (Chairman of our Board and Chief Executive Officer). Mr. Edison has served as chairman or co-chairman of the Phillips Edison & Company, Inc ("PECO") Board and our chief executive officer since December 2009. Mr. Edison has served as chairman of the Board and chief executive officer of REIT II since August 2013 and as the chairman of the Board and the chief executive officer of REIT III since April 2016. Mr. Edison co-founded Phillips Edison Limited Partnership ("PELP") and has served as a 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 most important factors that led to our Boards' recommendation that Mr. Edison serve as our director are Mr. Edison's leadership skills, integrity, judgment, knowledge of our company, his experience as a director and chief executive officer of PECO, REIT II and III, and his commercial real estate expertise.

Leslie T. Chao (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 most important factors that led to the Boards' recommendation that Mr. Chao serve as our director 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 our sponsor and its affiliates.

Paul J. Massey, Jr. (Independent Director). Mr. Massey has been a director of PECO since July 2010. Mr. Massey has also served as a director of REIT II since July 2014. 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, until 2014, when Massey Knakal was sold to global commercial real estate firm Cushman & Wakefield, Inc., for which Mr. Massey has served as president - New York investment sales. In 2007, Mr. Massey was the recipient of the Real Estate Board of New York's ("REBNY") Louis B. Smadbeck Broker Recognition Award. Mr. Massey also serves as chairman for REBNY's Ethics and Business Practice Subcommittee, is a director on the Commercial Board 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 most important factors that led to the Boards' recommendation that Mr. Massey serve as our director are Mr. Massey's integrity, judgment, leadership skills, extensive commercial real estate expertise, familiarity with our company and independence from management and our sponsor and its affiliates.

Stephen R. Quazzo (Independent Director). Mr. Quazzo has been one of our directors 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 is a member of the Board of Dean's Advisors for the business school. He is a trustee of the Urban Land Institute, chairman of the ULI Foundation, a member of the Pension Real Estate Association, and is a licensed real estate broker in Illinois. In addition, Mr. Quazzo serves as a director of ILG, Inc. (NASDAQ: ILG), a trustee of Rush University Medical Center, and an investment committee member of the Chicago Symphony Orchestra endowment and pension plans. Mr. Quazzo serves as a trustee of Deerfield Academy, and since 1994 has been a Chicago Advisory Board member of City Year, a national service organization.

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

Gregory S. Wood (Independent Director). Mr. Wood has been a director of PECO since April 2016. Mr. Wood has been executive vice president & 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 most important factors that led to the Boards' recommendation that Mr. Wood serve as our director are Mr. Wood's integrity, judgment, leadership skills, accounting and financial management expertise, public company director experience, and independence from management and our sponsor and its affiliates.

Lead Independent Director—Mr. Chao is an independent director and has served as our lead independent director since November 2017.

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

- meeting at least once every quarter with the chairman of our Board (if the chairman of our Board is a management director) and the chief executive officer;
- presiding at all meetings of our Board at which the chairman of our 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 our Board, if different from the lead independent director, and the independent directors;
- reviewing all information sent to our Board;
- reviewing all meeting agendas for our Board; and
- overseeing meeting schedules to assure that there is sufficient time for discussion of all agenda items.

Our lead independent director also has the authority to call meetings of the independent directors. If the chairman of our 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 our Board scheduled on the day of each annual meeting of our stockholders (or, if no such meeting is held, on the first subsequent regularly scheduled meeting of our Board).

Executive Officers

Devin I. Murphy. Mr. Murphy has served as our chief financial officer, treasurer and secretary since August 2013. He also serves as the chief financial officer, treasurer and secretary of REIT III since April 2016, and of 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 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. 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. Mr. Addy has served as the executive vice president of PECO since 2017. In addition, he is the president and chief operating officer of REIT II and REIT III, positions he has held since 2013 and 2017, respectively. Mr. Addy previously served as chief operating officer for Phillips Edison from 2004 to October 2010. He served as senior vice president of Phillips Edison from 2002 until 2004. Prior to joining Phillips Edison, Mr. Addy practiced law with Santen & Hughes in the areas of commercial real estate, financing and leasing, mergers and acquisitions, and general corporate law from 1987 until 2002. Mr. Addy was the youngest law partner in the 50 year history of Santen & Hughes, and served as president of Santen & Hughes from 1996 through 2002. While at Santen & Hughes, he represented Phillips Edison from its inception in 1991 to 2002. Mr. Addy received 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. Mr. Addy received his law degree from the University of Toledo, where he was a member of the Order of the Barristers.

Section 16(a) Beneficial Ownership Reporting Compliance

Under U.S. securities laws, directors, executive officers and any persons beneficially owning more than 10% of our common stock are required to report their initial ownership of the common stock and most changes in that ownership to the SEC. The SEC has designated specific due dates for these reports, and we are required to identify in this proxy statement those persons who did not file these reports when due. Based solely on our review of copies of the reports filed with the SEC and written representations of our directors and executive officers, we believe all persons subject to these reporting requirements filed the reports on a timely basis in 2017, except one Form 3 was filed late for Mr. Myers and one Form 4 (one transaction) was filed late for each of Ms. Robison, our Chief Accounting Officer, and Messrs. Chao, Massey, Quazzo and Wood, one Form 4 (six transactions) for Messrs. Edison, Murphy and Myers, and one Form 4 (seven transactions) for Mr. Addy.

Code of Ethics

We have adopted a Code of Ethics that applies to all of our executive officers and directors, including but not limited to, our Principal Executive Officer and Principal Financial Officer. Our Code of Ethics may be found on our website at http://www.phillipsedison.com/investors/governance.

Audit Committee

The Audit Committee's primary function is to assist our Board in fulfilling its responsibilities by overseeing our independent auditors and reviewing the financial information to be provided to our stockholders and others, overseeing the system of internal control over financial reporting that our management has established, and overseeing our audit and financial reporting process. The Audit Committee also is responsible for overseeing our compliance with applicable laws and regulations and for establishing procedures for the ethical conduct of our business. The Audit Committee fulfills these responsibilities primarily by carrying out the activities enumerated in the Audit Committee Charter adopted by our Board in 2010. The Audit Committee Charter is available on our website at http://www.phillipsedison.com/investors/governance.

The members of the Audit Committee are Leslie T. Chao (Chair), Paul J. Massey, Jr., Gregory S. Wood, and Stephen R. Quazzo. The Board has determined that Mr. Chao, who is an independent director, qualifies as the Audit Committee "financial expert" within the meaning of SEC rules.

ITEM 11. EXECUTIVE COMPENSATION

Messrs. Edison, Addy, Murphy, and Myers are our named executive officers.

Compensation of Directors

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

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	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 our 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.

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

Director Compensation Policy—During 2017, we did not provide any compensation to Mr. Edison, our Chief Executive Officer, for his service as a member of our 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 our Board at the recommendation of our Compensation Committee. In 2017, our non-employee directors received the following compensation for their service on the Board and committees of the Board:

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

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

We retained FPL Associates L.P. ("FPL") to assist in assessing our 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 Compensation Committee, the Board approved the following compensation for the Board for 2018:

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

In addition, each non-employee member of the Board will receive an equity retainer in the form of restricted 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 us to attract and retain qualified and experienced individuals to serve as our directors and to align our directors' interests with those of our stockholders.

Equity Compensation Plan Information

The following table provides information as of December 31, 2017, regarding shares of common stock that may be issued under our equity compensation plans, consisting of our Amended and Restated 2010 Long-Term Incentive Plan (the "2010 Plan") and our Amended and Restated 2010 Independent Director Stock Plan (the "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(1)(2)
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 available for grants under the 2010 Plan and 200,000 shares available for grants under the Director Plan.

Compensation Discussion and Analysis

Overview—This Compensation Discussion and Analysis describes the Company's executive compensation program as it relates to the following "named executive officers."

- Jeffrey S. Edison, our Chairman of the Board and Chief Executive Officer;
- R. Mark Addy, our Executive Vice President;
- Devin I. Murphy, our Chief Financial Officer, Treasurer and Secretary; and
- Robert F. Myers, our 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, we acquired certain real estate assets, the third-party asset management business and certain other assets of PELP, our former sponsor and external advisor. As a result of the PELP Transaction, we are now an internally-managed, non-traded grocery-anchored shopping center REIT with a total enterprise value of approximately $4.3 billion. As of December 31, 2017, we owned a high-quality, nationally diversified portfolio of 236 grocery-anchored shopping centers comprising approximately 26.3 million square feet in 32 states. Following the PELP Transaction, we are well positioned to drive sustained growth and create enhanced value for our stockholders. In addition, in 2017, we:

- Exceeded our 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 our named executive officers for 2017 was primarily paid by and with respect to their services to PELP. Because of our change from an externally managed REIT to an internally managed REIT, the Compensation Discussion and Analysis will also discuss the compensation decisions relating to our named executives officers initiated in 2017 and 2018 intended to maintain management continuity and establish appropriate incentives to build value over time as we transition to an internally managed REIT.

Executive Compensation Objectives and Philosophy—As we move forward as an internally managed, non-traded REIT, the key objectives of our executive compensation program are (1) to attract, motivate, reward and retain superior executive officers with the skills necessary to successfully lead and manage our business; (2) to achieve accountability for performance by linking annual cash incentive compensation to the achievement of measurable performance objectives; and (3) to incentivize our executive officers to build value and achieve financial objectives designed to increase the value of our business through short-term and long-term incentive compensation programs. For our executive officers, these short-term and long-term incentives are designed to accomplish these objectives by providing a significant correlation between our financial results and their actual total compensation.

We expect to continue to provide our 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 our stockholders because the amount of compensation ultimately received will vary with our financial performance. Equity compensation derives its value from the appreciation of shares of our common stock.

Historically, our 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 our 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 the Operating Partnership ("LTIP Units"), which are described in more detail under the heading "*Equity Compensation*" below.

We seek to apply a consistent philosophy to compensation for all executive officers.

Setting Executive Compensation—Our Compensation Committee is responsible for approving the compensation of the Chief Executive Officer and other named executive officers.

When setting executive compensation, our Compensation Committee considers our overall company performance, including our achievement of financial goals, and individual performance. They also consider compensation paid by similarly situated REITs. In addition, our Compensation Committee continues to consider performance, the changing roles and responsibilities of our executive officers and the expected future contributions of our executive officers. Our 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 our business, typically it provides a solid foundation upon which to base executive compensation decisions.

Role of the Compensation Committee—Our Compensation Committee, which is comprised entirely of independent directors, reviews the compensation packages for our named executive officers, including an analysis of all elements of compensation separately and in the aggregate. Our Compensation Committee operates under a written charter adopted by our Board of Directors, which provides that the Compensation Committee has overall responsibility for:

- periodically reviewing and assessing our 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 our executive officers.

In reviewing and approving these matters, our Compensation Committee considers such matters as it deems appropriate, including our financial and operating performance, the alignment of the interests of our executive officers and our stockholders and our ability to attract and retain qualified and committed individuals. In determining appropriate compensation levels for our Chief Executive Officer, the Compensation Committee meets outside the presence of all our executive officers. With respect to the compensation levels of all other executive officers, the Compensation Committee meets outside the presence of all executive officers except our Chief Executive Officer. Our Chief Executive Officer annually reviews the performance of each of the other named executive officers with the Compensation Committee.

Role of Compensation Consultant—In 2017, our Compensation Committee engaged FPL to provide guidance regarding our executive compensation program for 2018.

Our 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 our Company other than the services to our Compensation Committee. Our 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 our 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 the Company for executive talent. FPL furnished the Compensation Committee with a report that compared the Company's compensation of certain of our named executive to the survey data. This report was considered by the Compensation Committee in setting total compensation for 2018.

Although comparisons of compensation paid to our senior management relative to compensation paid to similarly situated executives in the survey assists the Compensation Committee in determining compensation, the Committee principally evaluates compensation based on corporate objectives and individual performance.

Compensation Best Practices

WHAT WE DO	WHAT WE DON'T DO
▪ A significant portion of our executive officers' total compensation opportunity is based on performance (i.e., not guaranteed).	× We do not provide "single-trigger" change in control cash severance payments.
▪ We established a formulaic short-term incentive bonus program based on rigorous goals for management.	× We do not guarantee annual salary increases or minimum cash bonuses.
▪ We align the interests of our executive officers with our long-term investors by awarding a significant percentage of their equity compensation in the form of multi-year, performance-based equity awards.	× We do not provide tax gross-up payments to any of our executive officers on for tax amounts they might pay pursuant to Section 4999 or Section 409A of the Code.
▪ We enhance executive officer retention with time-based, multi-year vesting equity incentive awards.	× We do not allow for repricing or buyouts of stock options without prior stockholder approval.
▪ We engage an independent compensation consultant to advise the Compensation Committee, which is comprised solely of independent directors.	

Elements of Executive Compensation—The primary elements of our compensation program are:

- base salary;
- performance-based cash incentives;
- 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 our executive compensation program and, on an aggregate basis, they are intended to substantially satisfy our program's overall objectives. Typically the 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 Compensation Committee to also make compensation determinations that reflect the principles of our compensation philosophy. We strive to achieve an appropriate mix between the various elements of our compensation program to meet our compensation objectives and philosophy; however, our Compensation Committee does not apply any rigid allocation formula in setting our 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—We provide base salary to our 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 our executive talent. The base salaries of our named executive officers are primarily established based on the scope of their responsibilities, experience, performance, and contributions, and internal pay equity considerations, taking into account comparable company data provided by our compensation consultant and based upon our Compensation Committee's understanding of compensation paid to similarly situated executives, adjusted as necessary to recruit or retain specific individuals. Our Compensation Committee intends to review the base salaries of our 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.

We believe that providing a competitive base salary relative to the companies with which we compete for executive talent is a necessary element of a compensation program that is designed to attract and retain talented and experienced executives. We also believe that attractive base salaries can motivate and reward our executive officers for their overall performance. Accordingly, the compensation philosophy and approach of our Compensation Committee is to generally provide base salaries for each of our executive officers at or near the 50th percentile base salary amount of similarly situated executives at companies in the NAREIT survey. However, the 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 our named executive officers for the year ended December 31, 2017 were as follows.

Name	2017 Base Salary ($)(1)
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 our named executive officers for 2018 are set forth in the table below. As discussed above, 2018 base salaries were set based upon the 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 50th 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

Performance-Based Cash Incentives

2017 Annual Incentives—Our Compensation Committee seeks to establish an appropriate mix of cash payments and equity awards to meet our short-term and long-term goals and objectives. Cash bonuses for 2017 performance were approved by the Compensation Committee in the first quarter of 2018 and the amounts of the cash bonuses reflect the Compensation Committee's qualitative assessment of Company and individual performance for 2017. In addition, the 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 Compensation Committee considered the following:

- The successful completion of the PELP transaction in October and the significant efforts of the named executive officers in that transaction;
- We exceeded budget and peer companies on key financial metrics for 2017, including Same-Center NOI, MFFO/share and AFFO/share;
- We increased net asset value per share by 8% to $11.00 from $10.20; and
- We achieved dividend to MFFO/share per share coverage of 101% in the fourth quarter of 2017.

The cash bonuses paid 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 Compensation Committee, in consultation with FPL, approved the 2018 annual incentive program. 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 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 management to create stockholder value over the long term, because the value of the equity awards is directly attributable to changes in the price of our 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 PECO shares 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.

2018 Equity Awards—In February 2018, the 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 our stockholders with that of management by encouraging our named executive officers to remain employed by us 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 Period			Vesting
Time-Based Vesting			

Because 2018 represents a transition year for us as we evolve from our pre-PELP Transaction compensation structure to our post-PELP Transaction compensation structure, equity awards granted to our named executive officers in 2018 are comprised of awards subject to time-based vesting over four years, which represent the final grants made under our prior long-term incentive program and relate to performance in 2017, and the first tranche of performance-based awards under the LTIP Program. As previously discussed, for future years, we intend to grant our named executive officers equity incentive awards pursuant to the terms of the LTIP Program as described above. In March 2018, the named executive officers were granted equity awards with the grant date fair values set forth below.

Name	Grant Date Fair Value of Time-Based Equity Awards ($)	Grant Date Fair Value of Performance-Based Equity Awards ($)
Jeffrey S. Edison	3,029,690	1,950,690
R. Mark Addy	200,000	206,000
Devin I. Murphy	937,300	875,243
Robert F. Myers	849,750	875,243

For the performance-based equity awards, there are two separate, equally-weighted metrics: (1) three-year average Same-Center NOI growth measured against a peer group of nine public retail REITs and (2) three-year core funds from operations ("Core FFO") per share growth measured against the same peer group of public retail REITs. At the end of the three-year performance period, 50% of the award earned based on achievement of the performance metrics vests and the remaining 50% of the earned award vests on the one-year anniversary of such date. The threshold, target and maximum levels for the performance-based equity awards are as follows:

Metric	Threshold (0.25x Payout)	Target (0.5x Payout)	Maximum (1.0x Payout)
Three-Year Average Same-Center NOI Growth	25th Percentile of Peer Group	50th Percentile of Peer Group	75th Percentile of Peer Group
Three-Year Core FFO per Share Growth	25th Percentile of Peer Group	50th Percentile of Peer Group	75th Percentile of Peer Group

The number of performance-based RSUs and LTIP Units granted, and the corresponding grant date fair value set forth above, is based on the maximum number of performance-based RSUs and LTIP Units that may be earned and an assumed rate of dividends or distributions in respect of the RSUs and LTIP Units. In no event may the named executive officers earn more than 100% of the RSUs or LTIP Units granted. In addition, a net asset value ("NAV") modifier shall be applied to the LTIP Awards if the growth in the Company's NAV per share for the performance period is negative. Specifically, to the extent above target performance is achieved at the end of the performance period because our three-year average Same-Center NOI growth and/or three-year average Core FFO growth for the performance period exceeds the 50th percentile of our peer group, yet the Company's NAV per share growth for that same performance period is negative, the amount of earned awards shall be capped at the target amount. The remaining amount of awards (the difference between those that would have otherwise been earned based on actual performance and the capped amount at target level) may become earned and thereafter vested if the Company's NAV per share growth becomes positive at any point of time measured from the beginning of the performance period through up to five years following the completion of the performance period; otherwise, such shares shall be forfeited.

Employee Benefits—We believe that establishing competitive benefit packages for our employees is an important factor in attracting and retaining highly qualified personnel. Our executive officers are eligible to participate in all of our employee benefit plans, in each case on the same basis as other employees. We also provide contribution under our 401(k) savings plan to employees generally, including our named executive officers, up to the IRS limitations for contribution.

Perquisites and Other Personal Benefits—Our executive officers are eligible to participate in our excess liability insurance plan, an umbrella policy available to employees at the senior vice president level and above and in 2017 received a tax-gross up on the amount the Company paid for premiums for the excess benefit plan. In addition, certain of our named executive officers are eligible for tax and accounting services from our internal tax department.

Severance and Change in Control Arrangements—We have adopted an Executive Change in Control Severance Plan (the "Severance Plan") that provides for specified payments and benefits in connection with a termination of employment by us not for Cause or Disability or a resignation by the named executive officer for Good Reason (as each such term is defined in the Severance Plan). Our goal in providing these severance and change in control payments and benefits is to offer sufficient cash continuity protection such that our named executive officers will focus their full time and attention on the requirements of the business rather than the potential implications for their respective positions. We prefer to have certainty regarding the potential severance amounts payable to the named executive officers, rather than negotiating severance at the time that a named executive officer's employment terminates. We have also determined that accelerated vesting provisions with respect to outstanding equity awards in connection with a qualifying termination of employment are appropriate because they encourage our named executive officers to stay focused on the business in those circumstances rather than focusing on the potential implications for them personally. In order to receive the severance payments and benefits under the Severance Plan, the named executive officers must execute a general release of claims and comply with non-competition and non-solicitation provisions that apply for 24 months following termination of employment and confidentiality provisions that apply during and following termination of employment.

For a description of the Severance Plan see "*Employment Arrangements*" and "*Potential Payments upon Termination or Change in Control*" below.

Tax and Accounting Considerations—We have not provided or agreed to provide any of our executive officers or directors with a gross-up or other reimbursement for tax amounts they might pay pursuant to Section 4999 or Section 409A of the Code. Sections 280G and 4999 of the Code provide that executive officers, directors who hold significant stockholder interests and certain other service providers could be subject to significant additional taxes if they receive payments or benefits in connection with a change in control of our Company that exceed certain limits, and that we or our successor could lose a deduction on the amounts subject to the additional tax. Section 409A also imposes additional significant taxes on the individual in the event that an employee, director or service provider receives "deferred compensation" that does not meet the requirements of Section 409A.

The financial reporting and income tax consequences to the Company of the compensation components for executive officers are considered by the Compensation Committee in analyzing the level and mix of compensation. Section 162(m) of the Code prohibits publicly traded companies from taking a tax deduction for compensation in excess of $1 million paid to the chief executive officer or certain of its other most highly compensated executive officers who are "covered employees" under Section 162(m). In 2017, certain "performance-based compensation" was eligible for an exception to this $1 million cap. Beginning in 2018, recently-enacted tax legislation (1) expands the scope of Section 162(m) such that all named executive officers are "covered employees" and anyone who was a named executive officer in any year after 2016 will remain a covered employees for as long as he or she (or his or her beneficiaries) receive compensation from the Company and (2) eliminated the exception to the deduction limit for performance-based compensation. The Compensation Committee believes that stockholder interests are best served if the Compensation Committee retains maximum flexibility in designing executive compensation programs that meet stated business objectives. Accordingly, the Compensation Committee continues to evaluate the deductibility of executive compensation, while retaining the discretion it deems necessary to compensate the Company's executive officers as it determines appropriate. However, because of our status as a REIT, the tax law changes under Section 162(m) may be of limited impact to the Company.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K, and, based on such review and discussions, the Compensation Committee recommended to our Board of Directors that our Compensation Discussion and Analysis be included in this Proxy Statement.

Submitted by the Compensation Committee

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

2017 Summary Compensation Table

The following table provides information regarding the compensation paid, earned, and received with respect to services to PECO by each of our named executive officers in 201

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)(2)	All Other Compensation ($)	Total ($)
Jeffrey S. Edison *Chairman of the Board and Chief Executive Officer*	2017	412,000	309,000	37,254 (3)	758,254
R. Mark Addy *Executive Vice President*	2017	225,000	999,862	170,695 (4)	1,395,557
Devin I. Murphy *Chief Financial Officer*	2017	412,000	520,150	12,660 (5)	944,810
Robert F. Myers *Chief Operating Officer*	2017	463,500	556,200	11,501 (6)	1,031,201

(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.

(2) The amounts reported in this column represent discretionary bonuses for performance in 2017 and were paid throughout 2017 and in the first quarter of 2018.

(3) The amount reported represents a Company contribution to the 401(k) plan of $8,100, tax and accounting services provided by our internal tax and accounting departments in the amount of $24,730, and Company paid premiums for excess liability insurance of $3,343 under an umbrella policy available to employees at the senior vice president level and above and a related tax gross-up of $1,081.

(4) The amount reported represents a Company contribution to the 401(k) plan of $8,100, distributions on Class B Units of PECO's operating partnership in the amount of $160,916, and Company paid premiums for excess liability insurance of $1,283 under an umbrella policy available to employees at the senior vice president level and above and a related tax gross-up of $396.

(5) The amount reported represents a Company contribution to the 401(k) plan of $8,100, tax and accounting services provided by our internal tax and accounting departments in the amount of $1,000, and Company paid premiums for excess liability insurance of $2,599 under an umbrella policy available to employees at the senior vice president level and above and a related tax gross-up of $961.

(6) The amount reported represents a Company contribution to the 401(k) plan of $8,100 and Company paid premiums for excess liability insurance of $2,599 under an umbrella policy available to employees at the senior vice president level and above and a related tax gross-up of $802.

2017 Grants of Plan-Based Awards Table

We did not make any grants of plan-based awards to our named executive officers for their services to PECO in 2017.

Outstanding Equity Awards at 2017 Fiscal Year End Table

The following table sets forth certain information regarding outstanding equity awards granted to our named executive officers that remain outstanding as of December 31, 2017. Except as otherwise noted in the footnotes to the table, the awards reported in the table below were granted as RMUs in PELP and were exchanged to phantom units in PECO upon the closing of the PELP Transaction as described above under the heading "*Compensation Discussion & Analysis - Equity Compensation*."

		Stock Awards	
Name	Grant Date (1)	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($) (2)
Jeffrey S. Edison	1/1/2017	297,000	3,267,000
	1/1/2016	224,550	2,470,050
R. Mark Addy	1/1/2017	5,454	59,994
	1/1/2016	4,500	49,500
	2/27/2015	6,384 (3)	70,224
	4/14/2014	6,384 (4)	70,224
	1/1/2013	6,384 (5)	70,224
Devin I. Murphy	1/1/2017	109,200	1,201,200
	1/1/2016	85,500	940,500
	2/27/2015	121,278 (3)	1,334,058
	4/14/2014	121,278 (4)	1,334,058
Robert F. Myers	12/31/2016	81,675	898,425
	12/31/2015	62,430	686,730
	2/27/2015	101,682 (6)	1,118,502
	2/27/2015	16,947 (7)	186,417
	4/14/2014	101,682 (7)	1,118,502

(1) Represents the date on which the original grant of RMUs of PELP was approved. Except as otherwise noted, all phantom units vest over four years from the grant date, with 25% of the phantom units vesting on each of the first four anniversaries of the grant date. The phantom units are settled in cash upon vesting.

(2) Based on a price per share of our common stock of $11.00 as of December 31, 2017.

(3) This award vests in full on January 1, 2020.

(4) This award vests in full on January 1, 2019.

(5) This award vests in full on January 1, 2018.

(6) This award vests in full on December 31, 2019.

(7) This award vests in full on December 31, 2018.

2017 Option Exercises and Stock Vested Table

None of our named executive officers held or exercised any stock options during the year ended December 31, 2017. The following table shows the number of phantom units that vested and the value realized on vesting by each of our named executive officers during the year ended December 31, 2017.

	Stock Awards	
Name	Number of Units Acquired on Vesting (#)	Value Realized on Vesting ($)(1)
Jeffrey S. Edison	74,850	686,125
R. Mark Addy	8,022	73,535
Devin I. Murphy	28,500	261,250
Robert F. Myers	155,421	1,709,631

(1) The value realized upon the vesting of phantom units is determined by multiplying the number of units that vested by the closing price of our common stock on the date of vesting.

Pension Benefits

None of our named executive officers participates in or has account balances in qualified or non-qualified defined benefit plans sponsored by us.

Non-Qualified Deferred Compensation

None of our named executive officers participates in or has account balances in non-qualified defined contribution plans or other deferred compensation plans maintained by us.

Employment Arrangements with our Named Executive Officers

Executive Change in Control Severance Plan—In October 2017, we adopted the Severance Plan. Pursuant to the terms of the Severance Plan, in the event that a named executive officer's employment is terminated by the Company or its affiliates not for Cause or Disability (each as defined in the Severance Plan) or the named executive officer resigns for Good Reason (as defined in the Severance Plan), then the named executive officer will be entitled to (1) a lump sum payment equal to the product of (i) 1.5 (or two in the case of Mr. Edison) and (ii) the sum of (A) the named executive officer's base salary and (B) the named executive officer's average annual cash performance bonus for the most recent three fiscal years (or such shorter period that the named executive officer was eligible to receive an annual cash performance bonus), (2) if the named executive officer elects to receive group health insurance under COBRA following the termination date, the Company will provide such coverage for 18 months (or 24 months in the case of Mr. Edison) following termination, provided that the named executive officer continues to pay the same amount of the monthly premium as in effect for the Company's other executives and; provided, further, that if the named executive officer becomes employed by another employer during such period and is eligible to receive group health insurance under such other employer's plans, the Company's obligations will be reduced to the extent that comparable coverage is actually provided to the named executive officer and his covered dependents, and (3) (i) the named executive officer's unvested time-base equity awards that would have otherwise vested during the 18 months (or 24 months in the case of Mr. Edison) following termination will vest on the termination date and be paid in full within 70 days of the date of termination and (ii) the named executive officer will remain eligible to vest and be paid on a pro-rata portion of performance-based equity awards based on actual performance at the end of the performance period, with pro-ration based on the period of time elapsed between the beginning of the performance period and the termination date as a percentage of the full performance period.

In lieu of the benefits described in the preceding paragraph, in the event that a named executive officer's employment is terminated by the Company or its affiliates not for Cause or Disability or the named executive officer resigns for Good Reason, in either case within two years following a Change in Control (as defined in the Severance Plan), then the named executive officer will be entitled to (1) a lump sum payment equal to the product of (i) two (or 2.5 in the case of Mr. Edison) and (ii) the sum of (A) the named executive officer's base salary and (B) the named executive officer's average annual cash performance bonus for the most recent three fiscal years (or such shorter period that the named executive officer was eligible to receive an annual cash performance bonus) and (2) if the named executive officer elects to receive group health insurance under COBRA following the termination date, the Company will provide such coverage for 24 months following termination (or 30 months following termination in the case of Mr. Edison), provided that the named executive officer continues to pay the same amount of the monthly premium as in effect for the Company's other executives and; provided, further, that if the named executive officer becomes employed by another employer during such period and is eligible to receive group health insurance under such other employer's plans, the Company's obligations will be reduced to the extent that comparable coverage is actually provided to the named executive officer and his covered dependents. Upon the closing of the Change in Control, the Compensation Committee will determine the number of performance-based equity awards held by the named executive officer that will be considered earned under such awards based upon the Company's performance by pro-rating the performance targets for the shortened performance period and then measuring such pro-rated targets against actual Company performance through the closing of the Change in Control. Any such earned awards will then be converted into time-based awards that will vest and be paid based on continued service through the end of the performance period that was applicable to such award prior to the Change in Control. The named executive officer's unvested equity awards (including unvested time-based awards and earned but unvested performance-based awards) will vest as of the date of termination and be paid in full within 70 days of the date of termination.

If the named executive officer dies or if the Company and its affiliates terminate a named executive officer's employment due to Disability, the named executive officer or his legal heirs will be entitled to (1) a pro-rated portion of his annual cash performance bonus for the year of termination if the Committee determines that performance is achieved, (2) accelerated vesting of unvested time-based equity awards that would have otherwise vested during the 18 months (or 24 months in the case of Mr. Edison) following termination, and (3) the named executive officer will remain eligible to vest and be paid on a pro-rated portion of performance-based equity awards based on actual performance at the end of the performance period with pro-ration based on the period of time elapsed between the beginning of the performance period and the termination date as a percentage of the full performance period.

Receipt of the severance payments and benefits under the Severance Plan is subject to the execution and non-revocation of a release agreement by the named executive officer and compliance with non-competition and non-solicitation provisions that apply or 24 months following termination of employment and confidentiality provisions that apply during and following termination of employment.

Vesting Agreement with Devin Murphy—Also in October 2017, we entered into an agreement with Mr. Murphy regarding the vesting of his equity incentive awards (the “Vesting Agreement”). Pursuant to the Vesting Agreement, all time-based equity awards granted to Mr. Murphy will vest upon the earlier of the vesting date set forth in the applicable equity award agreement and the date Mr. Murphy reaches both (1) age 58 and (2) a combined age and continuous years of service with Phillips Edison & Company Ltd. (and any successor thereto) of 65 years (such date, the “Retirement Eligibility Date”). The Vesting Agreement further provides that, if Mr. Murphy’s employment terminates on or following the Retirement Eligibility Date, he will remain eligible to vest in any performance-based equity awards granted by the Company as follows: (1) if his retirement occurs before 50% of the performance period has elapsed, then he will vest in a pro-rated portion of any performance-based equity awards actually earned based on performance at the end of the performance period, with the pro-ration calculated based on the ratio of the number of days Mr. Murphy was employed during the performance period to the total number of days in the performance period and (2) if his retirement occurs after 50% or more performance period has elapsed, then Mr. Murphy will vest in any performance-based awards that are actually earned at the end of the performance period.

Estimated Payment and Benefits Upon Termination or Change of Control

The following table sets forth aggregate estimated payment obligations to each of the named executive officers assuming a termination of employment occurred on December 31, 2017:

Name	Benefit	Termination not for Cause or Disability or Resignation for Good Reason ($)	Termination not for Cause or Disability or Resignation for Good Reason within Two Years following a Change in Control ($)	Termination Due to Death or Disability ($)
Jeffrey S. Edison	Severance Pay	1,432,334	1,790,418	309,000
	Health Care Benefits	16,039	20,048	0
	Equity Award Acceleration	3,280,200 (1)	5,737,050 (1)	3,280,200 (1)
	Total	4,728,573	7,547,516	3,589,200
R. Mark Addy	Severance Pay	1,869,415	2,492,553	999,862
	Health Care Benefits	19,696	26,261	0
	Equity Award Acceleration	203,412 (1)	320,166 (1)	203,412 (1)
	Total	2,092,523	2,838,980	1,203,274
Devin I. Murphy	Severance Pay	1,074,251	1,432,334	520,150
	Health Care Benefits	19,696	26,261	0
	Equity Award Acceleration	2,561,658 (1)	4,809,816 (1)	2,561,658 (1)
	Total	3,655,605	6,268,411	3,081,808
Robert F. Myers	Severance Pay	1,276,500	1,702,000	556,200
	Health Care Benefits	19,696	26,261	0
	Equity Award Acceleration	1,947,726 (1)	4,008,543 (1)	1,947,726 (1)
	Total	3,243,922	5,736,804	2,503,926

(1) The amount represents the price of our common stock on the last business day of 2017 and the exercise price multiplied by the number of shares or units that would accelerate.

CEO Pay Ratio

Pursuant to a mandate of the Dodd-Frank Act, the SEC adopted a rule requiring annual disclosure of the ratio of the median employee’s total annual compensation to the total annual compensation of the principal executive officer (“PEO”). The PEO of our Company is Jeffrey S. Edison.

We believe that our compensation philosophy must be consistent and internally equitable to motivate our employees to create shareholder value. The purpose of the new required disclosure is to provide a measure of pay equity within the organization. We are committed to internal pay equity, and our Compensation Committee monitors the relationship between the pay our PEO receives and the pay our non-executive employees receive.

As illustrated in the table below, our 2017 PEO to median employee pay ratio was approximately 9.1:1.

Jeffrey S. Edison ("PEO") 2017 Compensation	$758,254
Median Employee 2017 Compensation	$83,122
Ratio of PEO to Median Employee Compensation	**9.1:1**

We identified the median employee of all individuals who were employed by us on December 31, 2017, the last day of our fiscal year (whether employed on a full-time, part-time or seasonal basis). Employees on leave of absence were excluded from the list and reportable wages were annualized for those employees who were not employed for the full calendar year.

The pay ratio reported above is a reasonable estimate calculated in a manner consistent with SEC rules, based on our internal records and the methodology described above. The SEC rules for identifying the median compensated employee allow companies to adopt a variety of methodologies, to apply certain exclusions and to make reasonable estimates and assumptions that reflect their employee populations and compensation practices. Accordingly, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies have different employee populations and compensation practices and may use different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios.

Compensation Committee Interlocks and Insider Participation

During 2017, Messrs. Chao, Quazzo and Wood served as members of our Compensation Committee and Mr. Massey served as the Chair of our Compensation Committee. None of our 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 our Board of Directors or Compensation Committee.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table shows, as of March 15, 2018, the amount of our common stock beneficially owned (unless otherwise indicated) by (1) any person who is known by us to be the beneficial owner of more than 5% of the outstanding shares of common stock, (2) our directors and director nominees, (3) our executive officers, and (4) all of our directors, director nominees, and executive officers as a group.

Name and Address of Beneficial Owner (1)	Amount of Common Stock Beneficial Ownership(2)		Amount of OP Unit Beneficial Ownership		Total Beneficial Ownership	Percentage
Jeffrey S. Edison	343,175	(3)	21,896,687	(4)	22,239,862	*
Leslie T. Chao	28,391		—		28,391	*
Paul J. Massey, Jr.	6,193		—		6,193	*
Stephen R. Quazzo	65,455		—		65,455	*
Gregory S. Wood	613		—		613	*
R. Mark Addy	15,822		264,665	(4)	280,487	*
Devin I. Murphy	31,331		1,173,831	(4)	1,205,162	*
Robert F. Myers	1,442		79,144	(4)	80,586	*
All officers, directors, and director nominees as a group	492,422		23,414,327		23,906,749	*

*Less than 1.0%

(1) Address of each named beneficial owner is c/o Phillips Edison and Company, 11501 Northlake Drive, Cincinnati, Ohio 45249.

(2) None of the shares are pledged as security.

(3) PELP owns 176,509 shares of our common stock that were previously owned by Phillips Edison NTR LLC ("PE-NTR"), as well as an additional 55,556 shares of our common stock. Mr. Edison is the manager of the general partner of PELP, and therefore has voting and dispositive control of the shares held by it.

(4) Amount of beneficial ownership in OP units represents direct and indirect ownership held by these individuals or their affiliates.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Director Independence

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

Transactions with Related Persons

Our Corporate Governance Guidelines require our Conflicts Committee to review and approve all transactions involving our affiliates and us. Prior to entering into a transaction with an affiliate that is not covered by the terms of the agreements described below, a majority of the Conflicts Committee must conclude that the transaction is fair and reasonable to us and on terms and conditions not less favorable to us than those available from unaffiliated third parties. In addition, our Code of Ethics lists examples of types of transactions with affiliates that would create prohibited conflicts of interest. Under the Code of Ethics, our officers and directors are required to bring potential conflicts of interest to the attention of the Chairman of our Audit Committee promptly. There are currently no proposed material transactions with related persons other than those covered by the terms of the agreements described below.

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

We earn 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 REIT II and REIT III is equal to 0.85% and 2.0%, respectively, of the cost of investments acquired or originated by us, including acquisition or origination expenses and any debt attributable to such investments. We earned acquisition fee income of $0.7 million for the year ended December 31, 2017.

In addition to acquisition fees, we are reimbursed by the Managed Funds for customary acquisition expenses, whether or not they ultimately acquire an asset. For the year ended December 31, 2017, we were reimbursed for acquisition expenses of $214,000.

Under the terms of our Advisory Agreements, we receive a monthly asset management and subordinated participation fee from the Managed Funds. The asset management and subordinated participation fee earned from REIT II is 0.85% and is paid 80% in cash and 20% in restricted operating partnership units designated as Class B Units of REIT II's Operating Partnership. The asset management fee paid by REIT III and other related parties is between 0.5% and 1.0% and is paid in cash. We 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 our Management Agreements, we earn revenues for managing day-to-day activities at the properties of the Managed Funds. As property manager, we are to provide services including accounting, finance, and operations for which we receive a distinct fee based on a set percentage of gross cash receipts each month. Under the Management Agreements, we also serve as a leasing agent to the Managed Funds. For each new lease, lease renewal, and expansion, we receive a leasing commission. Leasing commissions are recognized as lease deals occur and are dependent on the terms of the lease. We assist in overseeing the construction of various improvements for Managed Funds, for which we receive 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 our Management Agreements, we earned a monthly property management fee equal to 4% of the monthly cash receipts of the properties we managed for the Managed Funds. We may have hired, directed, or established policies for employees who had direct responsibility for the operations of each real property we managed, which may have included on-site managers and building and maintenance personnel. For the year ended December 31, 2017, we earned property management fees of $1.8 million.

We 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. We 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, we earned leasing commissions of $1.0 million and construction management fees of $0.4 million.

We were also reimbursed for costs and expenses incurred by us, 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, we received other fees and reimbursements of $0.6 million.

PE-NTR Fees and Expenditure Reimbursements—We entered into the PE-NTR Agreement in December 2014. Certain of our officers, Messrs. Edison, Addy, Murphy, and Myers served as officers of PE-NTR. Our former property manager, Phillips Edison & Company, Ltd., was wholly owned by Phillips Edison Limited Partnership, and Messrs. Edison, Murphy, and Myers held key positions at our property manager. On October 4, 2017, we completed a transaction to acquire certain real estate assets, the third-party investment management business, and the captive insurance company of PELP in a stock and cash transaction ("PELP transaction"). Upon closing of the transaction, the PE-NTR Agreement was terminated. As a result, we 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 our day-to-day activities and implementing our investment strategy. Reimbursable expenses under the Advisory Agreement were also reimbursed to PE-NTR.

We 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 us, including acquisition or origination expenses and any debt attributable to such investments. We 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, we reimbursed PE-NTR under the PE-NTR Agreement for customary acquisition expenses, whether or not we ultimately acquired an asset. For the year ended December 31, 2017, we incurred acquisition expenses reimbursable to PE-NTR of approximately $0.6 million.

Pursuant to the second amended and restated agreement of limited partnership agreement of our operating partnership, as amended (the “Amended Partnership Agreement”), our operating partnership issued performance-based restricted units designated as “Class B units” to PE-NTR as partial compensation for asset management services. Our operating partnership 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 transaction, all outstanding Class B units vested and were converted to OP units.

We 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 our real properties were managed and leased by a property manager. The property manager also managed real properties acquired by REIT II, REIT III, and other related parties. Upon closing of the PELP transaction on October 4, 2017, our relationship with the property manager was acquired. As a result, we will no longer pay the fees listed below and had no outstanding unpaid amounts related to those fees as of December 31, 2017.

We 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, we 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. We 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. We reimbursed the costs and expenses incurred by the property manager on our 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 we engaged the property manager to provide construction management services with respect to a particular property, we 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.

Our 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, we 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 our behalf for which the property manager was entitled to reimbursement during the year ended December 31, 2017. Of these costs and expenses, $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.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Independent Auditors

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

Preapproval Policies

The Audit Committee charter imposes a duty on the Audit Committee to preapprove all auditing services performed for us by our 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 Audit Committee. Additionally, any proposed services exceeding “general” preapproved cost levels will require specific preapproval by the Audit Committee.

All requests or applications for services to be provided by the independent auditor that do not require specific preapproval by the Audit Committee will be submitted to management and must include a detailed description of the services to be rendered. Management will determine whether such services are included within the list of services that have received the general preapproval of the Audit Committee. The 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 Audit Committee will be submitted to the Audit Committee by both the independent auditors and the 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 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 amount require specific preapproval by all members of the Audit Committee prior to engagement of our independent auditors. All amounts specifically preapproved by the Chair of the Audit Committee in accordance with this policy are to be disclosed to the full 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 us for professional accounting services, including the audit of our annual consolidated financial statements by our principal auditor for the year ended December 31, 2017 and 2016, are set forth in the table below.

	2017	2016
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	$ 1,260,122	$ 636,695

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 our 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 our consolidated financial statements. These fees also cover services that are normally provided by independent auditors in connection with statutory and regulatory filings or engagements, including reviews of our consolidated financial statements included in the registration statements, as amended, related to our 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 our independent auditor's tax division, except those services related to the audit of our 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 Internal Revenue Service 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.

w PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statement Schedules

See the Index to Financial Statements on page F-1 of this report.

(b) Exhibits

Ex.	Description
	Contribution Agreement
2.1	Contribution Agreement, dated as of May 18, 2017, between Phillips Edison Grocery Center REIT I, Inc., Phillips Edison Grocery Center Operating Partnership I, L.P., and the Contributors Listed Therein (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed May 23, 2017)
	Articles of Amendment
3.1	Fourth Articles of Amendment and Restatement (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed July 15, 2014)
3.2	Articles of Amendment (incorporated by reference to Exhibit 3.3 to the Company's Annual Report on Form 10-K filed March 9, 2015)
3.3	Second Articles of Amendment (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed December 15, 2017)
	Bylaws
3.4	Third Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed October 11, 2017)

3.5	Amendment to Third Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed December 15, 2017)
	Restrictions on Transferability of Common Stock
4.1	Statement regarding restrictions on transferability of shares of common stock (to appear on stock certificate or to be sent upon request and without charge to stockholders issued shares without certificates) (incorporated by reference to Exhibit 4.2 to Pre-Effective Amendment No. 1 to the Company's Registration Statement on Form S-11 (No. 333-164313) filed March 1, 2010)
	Dividend Reinvestment Plan
4.2	Amended and Restated Dividend Reinvestment Plan (incorporated by reference to Appendix A to the prospectus dated February 12, 2016 included in the Company's Registration Statement on Form S-3 (No. 333-209506) filed February 12, 2016)
	Share Repurchase Program
4.3	Second Amended and Restated Share Repurchase Program (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed April 15, 2016)
	Agreement of Limited Partnership of Operating Partnership
4.4	Fourth Amended and Restated Agreement of Limited Partnership of Phillips Edison Grocery Center Operating Partnership I, L.P.*
	Advisor Agreements
10.1	Letter Agreement with Phillips Edison NTR LLC dated September 20, 2017 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed November 9, 2017)
	Tax Protection Agreement
10.2	Tax Protection Agreement dated as of October 4, 2017 by and among Phillips Edison Grocery Center REIT I, Inc., Phillips Edison Grocery Center Operating Partnership I, L.P. and each Protected Partner identified as a signatory on Schedule I, as amended from time to time (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed October 11, 2017)
	Equityholder Agreement
10.3	Equityholder Agreement dated October 4, 2017 by and among Phillips Edison Grocery Center REIT I, Inc., Phillips Edison Grocery Center Operating Partnership I, L.P. and each of the individuals signatory thereto (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed October 11, 2017)
	Property Management, Leasing and Construction Management Agreement
10.4	Form of Property Management, Leasing and Construction Management Agreement*
	Debt Agreements
10.5	Credit Agreement among Phillips Edison Grocery Center Operating Partnership I, L.P., the Company, the Lenders party thereto, PNC Bank, National Association as Administrative Agent, and Capital One National Association, Fifth Third Bank, and Regions Bank as Co-Syndication Agents dated September 16, 2016 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed November 3, 2016)
10.6	Fifth Amendment to Credit Agreement among Phillips Edison Grocery Center Operating Partnership I, L.P., Phillips Edison Grocery Center REIT I, Inc., the Lenders party thereto and Bank of America, N.A., as Administrative Agent, dated October 4, 2017 (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed November 9, 2017)
10.6.1	Appendix A to Fifth Amendment to Credit Agreement among Phillips Edison Grocery Center Operating Partnership I, L.P., Phillips Edison Grocery Center REIT I, Inc., the Lenders party thereto and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.6.1 to the Company's Quarterly Report on Form 10-Q filed November 9, 2017)
10.7	Credit Agreement among Phillips Edison Grocery Center Operating Partnership I, L.P., Phillips Edison Grocery Center REIT I, Inc., the Guarantors, the Lenders and KeyBank National Association, as Administrative Agent, dated October 4, 2017 (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed November 9, 2017)
10.8	Credit Agreement among Phillips Edison Grocery Center Operating Partnership I, L.P., Phillips Edison Grocery Center REIT I, Inc., the Guarantors, the Lenders and Wells Fargo Bank, National Association, as Administrative Agent, dated October 4, 2017 (incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q filed November 9, 2017)
10.9	First Amendment to Credit Agreement among Phillips Edison Grocery Center Operating Partnership I, L.P., Phillips Edison Grocery Center REIT I Inc., the Lenders party thereto and PNC Bank, National Association, as Administrative Agent, dated October 4, 2017 (incorporated by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q filed November 9, 2017)
10.10	Loan Agreement by and among the Borrowers and Teachers Insurance and Annuity Association of America, dated October 4, 2017 (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q filed November 9, 2017)
10.11	Form of Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing (incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q filed November 9, 2017)
	Incentive Plans
10.12	Amended and Restated 2010 Independent Director Stock Plan (incorporated by reference to Exhibit 10.3 to Pre-Effective Amendment No. 5 to the Company's Registration Statement on Form S-11 (No. 333-164313) filed August 11, 2010)**
10.13	Form of Restricted Stock Grant Agreement for Independent Director Stock Plan (incorporated by reference to Exhibit 99.2 to the Company's Registration Statement on Form S-8 (No. 333-212876) filed August 3, 2016)**
10.14	Amended and Restated 2010 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q filed November 9, 2017)**

10.15	Agreement Regarding Phillips Edison Limited Partnership Restricted Management Units and Phillips Edison Grocery Center Operating Partnership I, L.P. Phantom Units dated October 4, 2017 (incorporated by reference to Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q filed November 9, 2017)**
10.16	Phillips Edison Grocery Center REIT I, Inc. Executive Severance and Change in Control Plan dated October 4, 2017 (incorporated by reference to Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q filed November 9, 2017)**
10.17	Equity Vesting Agreement with Devin I. Murphy dated October 2, 2017 (incorporated by reference to Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q filed November 9, 2017)**
10.18	PELP Participation Agreement for Jeffrey Edison dated October 4, 2017 (incorporated by reference to Exhibit 10.16 to the Company's Quarterly Report on Form 10-Q filed November 9, 2017)**
10.19	PELP Participation Agreement for Devin Murphy dated October 4, 2017 (incorporated by reference to Exhibit 10.17 to the Company's Quarterly Report on Form 10-Q filed November 9, 2017)**
10.20	PELP Participation Agreement for Robert Myers dated October 4, 2017 (incorporated by reference to Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q filed November 9, 2017)**
10.21	PELP Participation Agreement for R. Mark Addy dated October 4, 2017 (incorporated by reference to Exhibit 10.19 to the Company's Quarterly Report on Form 10-Q filed November 9, 2017)**

21.1	Subsidiaries of the Company*
23.1	Consent of Deloitte & Touche LLP*
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002*
99.1	Consent of Duff & Phelps, LLC*
101.1	The following information from the Company's annual report on Form 10-K for the year ended December 31, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations and Comprehensive Income (Loss); (iii) Consolidated Statements of Equity; and (iv) Consolidated Statements of Cash Flows*

*Filed herewith.
**Compensation Plan or Benefit.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

* All schedules other than the one listed in the index have been omitted as the required information is either not applicable or the information is already presented in the consolidated financial statements or the related notes.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Phillips Edison & Company, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Phillips Edison & Company, Inc., (formerly known as Phillips Edison Grocery Center REIT I, Inc.), and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of operations and comprehensive loss, equity, and cash flows for each of the three years in the period ended December 31, 2017, the related notes and the consolidated financial statement schedule listed in the Index at Item 15 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio
March 29, 2018

We have served as the Company's auditor since 2009.

PHILLIPS EDISON & COMPANY, INC.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2017 AND 2016
(In thousands, except per share amounts)

	2017	2016
ASSETS		
Investment in real estate:		
Land and improvements	$ 1,121,590	$ 796,192
Building and improvements	2,263,381	1,532,888
Acquired in-place lease assets	313,432	212,916
Acquired above-market lease assets	53,524	42,009
Total investment in real estate assets	3,751,927	2,584,005
Accumulated depreciation and amortization	(462,025)	(334,348)
Total investment in real estate assets, net	3,289,902	2,249,657
Cash and cash equivalents	5,716	8,224
Restricted cash	21,729	41,722
Accounts receivable – affiliates	6,102	—
Corporate intangible assets, net	55,100	—
Goodwill	29,085	—
Other assets, net	118,448	80,585
Total assets	$ 3,526,082	$ 2,380,188
LIABILITIES AND EQUITY		
Liabilities:		
Debt obligations, net	$ 1,806,998	$ 1,056,156
Acquired below-market lease intangibles, net	90,624	43,032
Accounts payable – affiliates	1,359	4,571
Accounts payable and other liabilities	148,419	51,642
Total liabilities	2,047,400	1,155,401
Commitments and contingencies (Note 10)	—	—
Equity:		
Preferred stock, $0.01 par value per share, 10,000 shares authorized, zero shares issued and outstanding at December 31, 2017 and 2016	—	—
Common stock, $0.01 par value per share, 1,000,000 shares authorized, 185,233 and 185,062 shares issued and outstanding at December 31, 2017 and 2016, respectively	1,852	1,851
Additional paid-in capital	1,629,130	1,627,098
Accumulated other comprehensive income	16,496	10,587
Accumulated deficit	(601,238)	(438,155)
Total stockholders’ equity	1,046,240	1,201,381
Noncontrolling interests	432,442	23,406
Total equity	1,478,682	1,224,787
Total liabilities and equity	$ 3,526,082	$ 2,380,188

See notes to consolidated financial statements.

PHILLIPS EDISON & COMPANY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016, AND 2015
(In thousands, except per share amounts)

	2017	2016	2015
Revenues:			
Rental income	$ 228,201	$ 193,561	$ 182,064
Tenant recovery income	73,700	63,131	58,675
Other property income	1,486	1,038	1,360
Fees and management income	8,156	—	—
Total revenues	311,543	257,730	242,099
Expenses:			
Property operating	53,824	41,890	38,399
Real estate taxes	43,456	36,627	35,285
General and administrative	36,348	31,804	15,829
Vesting of Class B units	24,037	—	—
Termination of affiliate arrangements	5,454	—	—
Acquisition expenses	530	5,803	5,404
Depreciation and amortization	130,671	106,095	101,479
Total expenses	294,320	222,219	196,396
Other:			
Interest expense, net	(45,661)	(32,458)	(32,390)
Transaction expenses	(15,713)	—	—
Other income, net	2,433	5,990	248
Net (loss) income	(41,718)	9,043	13,561
Net loss (income) attributable to noncontrolling interests	3,327	(111)	(201)
Net (loss) income attributable to stockholders	$ (38,391)	$ 8,932	$ 13,360
Earnings per common share:			
Net (loss) income per share attributable to stockholders - basic and diluted	$ (0.21)	$ 0.05	$ 0.07
Weighted-average common shares outstanding:			
Basic	183,784	183,876	183,678
Diluted	196,497	186,665	186,394
Comprehensive (loss) income:			
Net (loss) income	$ (41,718)	$ 9,043	$ 13,561
Other comprehensive (loss) income:			
Change in unrealized gain on interest rate swaps	4,580	10,565	22
Comprehensive (loss) income	(37,138)	19,608	13,583
Comprehensive loss (income) attributable to noncontrolling interests	3,327	(111)	(201)
Comprehensive (loss) income attributable to stockholders	$ (33,811)	$ 19,497	$ 13,382

See notes to consolidated financial statements.

PHILLIPS EDISON & COMPANY, INC.
CONSOLIDATED STATEMENTS OF EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016, AND 2015
(In thousands, except per share amounts)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity	Non-controlling Interest	Total Equity
	Shares	Amount						
Balance at January 1, 2015	182,131	$ 1,820	$ 1,567,653	$ —	$ (213,975)	$ 1,355,498	$ 22,764	$ 1,378,262
Share repurchases	(7,386)	(73)	(72,727)	—	—	(72,800)	—	(72,800)
Change in redeemable common stock	—	—	29,878	—	—	29,878	—	29,878
Dividend reinvestment plan ("DRIP")	6,563	66	63,737	—	—	63,803	—	63,803
Change in unrealized gain on interest rate swaps	—	—	—	22	—	22	—	22
Common distributions declared, $0.67 per share	—	—	—	—	(123,146)	(123,146)	—	(123,146)
Issuance of partnership units for asset management services	—	—	—	—	—	—	4,047	4,047
Distributions to noncontrolling interests	—	—	—	—	—	—	(1,835)	(1,835)
Net income	—	—	—	—	13,360	13,360	201	13,561
Balance at December 31, 2015	181,308	1,813	1,588,541	22	(323,761)	1,266,615	25,177	1,291,792
Share repurchases	(2,019)	(20)	(20,281)	—	—	(20,301)	—	(20,301)
DRIP	5,773	58	58,814	—	—	58,872	—	58,872
Change in unrealized gain on interest rate swaps	—	—	—	10,565	—	10,565	—	10,565
Common distributions declared, $0.67 per share	—	—	—	—	(123,326)	(123,326)	—	(123,326)
Distributions to noncontrolling interests	—	—	—	—	—	—	(1,882)	(1,882)
Share-based compensation	—	—	24	—	—	24	—	24
Net income	—	—	—	—	8,932	8,932	111	9,043
Balance at December 31, 2016	185,062	1,851	1,627,098	10,587	(438,155)	1,201,381	23,406	1,224,787
Adoption of new accounting pronouncement (see Note 8)	—	—	—	1,329	(1,329)	—	—	—
Balance at January 1, 2017, as adjusted	185,062	1,851	1,627,098	11,916	(439,484)	1,201,381	23,406	1,224,787
Share repurchases	(4,617)	(46)	(47,111)	—	—	(47,157)	—	(47,157)
DRIP	4,785	47	49,079	—	—	49,126	—	49,126
Change in unrealized gain on interest rate swaps	—	—	—	4,580	—	4,580	—	4,580
Common distributions declared, $0.67 per share	—	—	—	—	(123,363)	(123,363)	—	(123,363)
Distributions to noncontrolling interests	—	—	—	—	—	—	(9,125)	(9,125)
Reclassification of affiliate distributions	—	—	—	—	—	—	(3,610)	(3,610)
Share-based compensation	3	—	64	—	—	64	—	64
Redemption of noncontrolling interest	—	—	—	—	—	—	(4,179)	(4,179)
Issuance of partnership units for asset management services	—	—	—	—	—	—	27,647	27,647
Issuance of partnership units in the PELP transaction	—	—	—	—	—	—	401,630	401,630
Net loss	—	—	—	—	(38,391)	(38,391)	(3,327)	(41,718)
Balance at December 31, 2017	185,233	$ 1,852	$ 1,629,130	$ 16,496	$ (601,238)	$ 1,046,240	$ 432,442	$ 1,478,682

See notes to consolidated financial statements.

PHILLIPS EDISON & COMPANY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(In thousands)

	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	$ (41,718)	$ 9,043	$ 13,561
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	126,043	103,282	98,367
Net amortization of above- and below-market leases	(1,984)	(1,208)	(821)
Amortization of deferred financing expense	5,162	4,936	5,084
Vesting of Class B units	24,037	—	—
Amortization of corporate intangible assets	2,900	—	—
Gain on sale of properties and disposal of real estate assets	(2,502)	(4,356)	(190)
Net (gain) loss on write-off of unamortized capitalized leasing commissions, market debt adjustments, and deferred financing expense	(237)	317	2,260
Straight-line rent	(3,729)	(3,512)	(4,571)
Other	(137)	(1,485)	(118)
Changes in operating assets and liabilities:			
Accounts receivable – affiliates	3,592	—	—
Other assets	(7,992)	(9,916)	(13,473)
Accounts payable - affiliates	(4,350)	(865)	4,145
Accounts payable and other liabilities	9,776	6,840	1,829
Net cash provided by operating activities	108,861	103,076	106,073
CASH FLOWS FROM INVESTING ACTIVITIES:			
Real estate acquisitions	(159,698)	(201,111)	(91,142)
Acquisition of PELP, net of cash acquired	(456,704)	—	—
Capital expenditures	(42,146)	(26,117)	(21,870)
Proceeds from sale of real estate	36,912	—	2,268
Change in restricted cash	887	1,011	(30)
Net cash used in investing activities	(620,749)	(226,217)	(110,774)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net change in credit facility	(115,400)	35,969	(150,700)
Proceeds from mortgages and loans payable	855,000	255,000	400,000
Payments on mortgages and loans payable	(83,387)	(110,875)	(77,324)
Payments of deferred financing expenses	(14,892)	(3,115)	(6,711)
Distributions paid, net of DRIP	(74,198)	(64,269)	(59,387)
Distributions to noncontrolling interests	(7,025)	(1,724)	(1,677)
Repurchases of common stock	(46,539)	(20,301)	(74,469)
Redemption of noncontrolling interests	(4,179)	—	—
Net cash provided by financing activities	509,380	90,685	29,732
Net (decrease) increase in cash and cash equivalents	(2,508)	(32,456)	25,031
CASH AND CASH EQUIVALENTS:			
Beginning of period	8,224	40,680	15,649
End of period	$ 5,716	$ 8,224	$ 40,680
SUPPLEMENTAL CASH FLOW DISCLOSURE, INCLUDING NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Cash paid for interest	$ 39,487	$ 29,709	$ 27,583
Fair value of assumed debt from real estate acquisitions	30,831	33,326	34,341
Fair value of assumed debt from the PELP transaction	504,740	—	—
Accrued capital expenditures	2,496	3,256	2,340
Change in offering costs payable to sponsor(s)	—	—	(75)
Change in distributions payable	39	185	(44)
Change in distributions payable - noncontrolling interests	2,100	158	158
Change in accrued share repurchase obligation	618	—	(1,669)
Distributions reinvested	49,126	58,872	63,803
Like-kind exchange of real estate:			
Proceeds from restricted cash due to sale of real estate	$ (35,900)	$ 35,900	$ —
Utilization of proceeds from restricted cash due to sale of real estate	6,339	—	—
Net restricted cash activity	$ (29,561)	$ 35,900	$ —

See notes to consolidated financial statements.

1. ORGANIZATION

Phillips Edison & Company, Inc. (“we,” the “Company,” “our,” or “us”), formerly known as Phillips Edison Grocery Center REIT I, Inc., was formed as a Maryland corporation in October 2009. Substantially all of our business is conducted through Phillips Edison Grocery Center Operating Partnership I, L.P., (the “Operating Partnership”), a Delaware limited partnership formed in December 2009. We are a limited partner of the Operating Partnership, and our wholly owned subsidiary, Phillips Edison Grocery Center OP GP I LLC, is the sole general partner of the Operating Partnership.

We invest primarily in well-occupied, grocery-anchored, neighborhood and community shopping centers that have a mix of creditworthy national and regional retailers that sell necessity-based goods and services in strong demographic markets throughout the United States. In addition to managing our own shopping centers, our third-party investment management business provides comprehensive real estate and asset management services to certain non-traded, publicly registered REITS and private funds (“Managed Funds”).

Our advisor was Phillips Edison NTR LLC (“PE-NTR”), which was directly or indirectly owned by Phillips Edison Limited Partnership (“Phillips Edison sponsor” or “PELP”). Under the terms of the advisory agreement between PE-NTR and us, PE-NTR was responsible for the management of our day-to-day activities and the implementation of our investment strategy. On October 4, 2017, we completed a transaction to acquire certain real estate assets, the third-party investment management business, and the captive insurance company of PELP in a stock and cash transaction (“PELP transaction”). Upon completion of the PELP transaction, our relationship with PE-NTR was acquired. For a more detailed discussion, see Notes 3 and 15.

As of December 31, 2017, we owned fee simple interests in 236 real estate properties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation—The accompanying consolidated financial statements include our accounts and the accounts of the Operating Partnership and its wholly-owned subsidiaries (over which we exercise financial and operating control). The financial statements of the Operating Partnership are prepared using accounting policies consistent with our accounting policies. All intercompany balances and transactions are eliminated upon consolidation.

Use of Estimates—The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. For example, significant estimates and assumptions have been made with respect to the useful lives of assets; recoverable amounts of receivables; initial valuations of tangible and intangible assets and liabilities, including goodwill, and related amortization periods of deferred costs and intangibles, particularly with respect to property acquisitions; the valuation and nature of derivatives and their effectiveness as hedges; valuations of contingent consideration; and other fair value measurement assessments required for the preparation of the consolidated financial statements. Actual results could differ from those estimates.

Partially-Owned Entities—If we determine that we are an owner in a variable-interest entity (“VIE”), and we hold a controlling financial interest, then we will consolidate the entity as the primary beneficiary. For a partially-owned entity determined not to be a VIE, we analyze rights held by each partner to determine which would be the consolidating party. We will generally consolidate entities (in the absence of other factors when determining control) when we have over a 50% ownership interest in the entity. We will assess our interests in VIEs on an ongoing basis to determine whether or not we are the primary beneficiary. However, we will also evaluate who controls the entity even in circumstances in which we have greater than a 50% ownership interest. If we do not control the entity due to the lack of decision-making abilities, we will not consolidate the entity. We have determined that the Operating Partnership is considered a VIE. We are the primary beneficiary of the VIE and our partnership interest is considered a majority voting interest. As such, we have consolidated the Operating Partnership and its wholly-owned subsidiaries.

Additionally, a Section 1031 like-kind exchange (“1031 exchange”) entails selling one property and reinvesting the proceeds in one or more properties that are similar in nature, character, or class within 180 days. A reverse 1031 exchange occurs when one or more properties is purchased prior to selling one property to be matched in the like-kind exchange, during which time legal title to the purchased property is held by an intermediary. Because we retain essentially all of the legal and economic benefits and obligations related to the acquisition, we consider the purchased property to be a VIE and therefore we will consolidate the entity as the primary beneficiary. As of December 31, 2017, we had one active 1031 exchange (see Note 4). As of December 31, 2016, we had one active reverse 1031 exchange.

Noncontrolling Interests—Noncontrolling interests represent the portion of equity that we do not own in the entities we consolidate. We classify noncontrolling interests within permanent equity on our consolidated balance sheets. The amounts of consolidated net earnings attributable to us and to the noncontrolling interests are presented separately on our consolidated statements of operations. For additional information regarding noncontrolling interests, refer to Note 11.

Cash and Cash Equivalents—We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents may include cash and short-term investments. Short-term investments are stated at cost, which approximates fair value and may consist of investments in money market accounts and money market funds. The cash and cash equivalent balances at one or more of our financial institutions exceeds the Federal Depository Insurance Corporation (“FDIC”) coverage.

Restricted Cash—Restricted cash primarily consists of cash restricted for the purpose of facilitating a 1031 exchange, escrowed tenant improvement funds, real estate taxes, capital improvement funds, insurance premiums, and other amounts required to be escrowed pursuant to loan agreements.

Investment in Property and Lease Intangibles—In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. This update amended existing guidance in order to clarify when an integrated set of assets and activities is considered a business. We adopted ASU 2017-01 on January 1, 2017, and applied it prospectively. Under this new guidance, most of our real estate acquisition activity is no longer considered a business combination and is instead classified as an asset acquisition. As a result, most acquisition-related costs that would have been recorded on our consolidated statements of operations prior to adoption are now capitalized and will be amortized over the life of the related assets, and there is no recognition of goodwill. Costs incurred related to properties that were not ultimately acquired were recorded as Acquisition Expenses on our consolidated statements of operations. None of our real estate acquisitions in 2017 outside of the PELP transaction met the definition of a business; therefore, we accounted for all as asset acquisitions.

Real estate assets are stated at cost less accumulated depreciation. The majority of acquisition-related costs are capitalized and allocated to the various classes of assets acquired. These costs are then amortized over the estimated useful lives associated with the assets acquired. Depreciation is computed using the straight-line method. The estimated useful lives for computing depreciation are generally not to exceed 5-7 years for furniture, fixtures and equipment, 15 years for land improvements and 30 years for buildings and building improvements. Tenant improvements are amortized over the shorter of the respective lease term or the expected useful life of the asset. Major replacements that extend the useful lives of the assets are capitalized, and maintenance and repair costs are expensed as incurred.

Real estate assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the individual property may not be recoverable. In such an event, a comparison will be made of the projected operating cash flows of each property on an undiscounted basis to the carrying amount of such property. If deemed unrecoverable on an undiscounted basis, such carrying amount would be adjusted, if necessary, to estimated fair values to reflect impairment in the value of the asset. We recorded no impairments for the years ended December 31, 2017, 2016, and 2015.

We assess the acquisition-date fair values of all tangible assets, identifiable intangibles, and assumed liabilities using methods similar to those used by independent appraisers (e.g., discounted cash flow analysis and replacement cost) and that utilize appropriate discount and/or capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including historical operating results, known and anticipated trends, and market and economic conditions. The fair value of tangible assets of an acquired property considers the value of the property as if it were vacant.

The fair values of buildings and improvements are determined on an as-if-vacant basis. The estimated fair value of acquired in-place leases is the cost we would have incurred to lease the properties to the occupancy level of the properties at the date of acquisition. Such estimates include leasing commissions, legal costs and other direct costs that would be incurred to lease the properties to such occupancy levels. Additionally, we evaluate the time period over which such occupancy levels would be achieved. Such evaluation includes an estimate of the net market-based rental revenues and net operating costs (primarily consisting of real estate taxes, insurance, and utilities) that would be incurred during the lease-up period. Acquired in-place leases as of the date of acquisition are amortized over the weighted-average remaining lease terms.

Acquired above- and below-market lease values are recorded based on the present value (using discount rates that reflect the risks associated with the leases acquired) of the difference between the contractual amounts to be paid pursuant to the in-place leases and management's estimate of the market lease rates for the corresponding in-place leases. The capitalized above- and below-market lease values are amortized as adjustments to rental income over the remaining terms of the respective leases. We also consider fixed-rate renewal options in our calculation of the fair value of below-market leases and the periods over which such leases are amortized. If a tenant has a unilateral option to renew a below-market lease and we determine that the tenant has a financial incentive to exercise such option, we include such an option in the calculation of the fair value of such lease and the period over which the lease is amortized.

We estimate the value of tenant origination and absorption costs by considering the estimated carrying costs during hypothetical expected lease-up periods, considering current market conditions. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods.

We estimate the fair value of assumed mortgage notes payable based upon indications of then-current market pricing for similar types of debt with similar maturities. Assumed mortgage notes payable are initially recorded at their estimated fair value as of the assumption date, and the difference between such estimated fair value and the note's outstanding principal balance is amortized over the life of the mortgage note payable as an adjustment to interest expense.

Goodwill and Other Intangibles—In the case of a business combination, after identifying all tangible and intangible assets and liabilities, the excess consideration paid over the fair value of the assets and liabilities acquired represents goodwill. We allocate goodwill to the respective reporting units in which such goodwill arises. We evaluate goodwill for impairment when an event occurs or circumstances change that indicate the carrying value may not be recoverable, or at least annually. Our annual testing date is during the fourth quarter and, due to the timing of the PELP transaction, annual testing will begin in 2018. The goodwill impairment evaluation may be completed through a qualitative or quantitative approach. Under a qualitative approach, the impairment review for goodwill consists of an assessment of whether it is more-likely-than-not that the reporting unit's fair value is less than its carrying value. If a qualitative approach indicates it is more likely-than-not that the estimated carrying value of the reporting unit exceeds its fair value, or if we choose to bypass the qualitative approach, we will perform the quantitative approach described below.

We are electing to adopt ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment,* as of January 1, 2018, as discussed in the table below. Therefore, when we perform a quantitative test of goodwill for impairment we will compare the carrying value of net assets to the fair value of the reporting unit. If the fair value of the reporting unit exceeds its carrying amount, we would not consider goodwill to be impaired and no further analysis would be required. If the fair value is determined to be less than its carrying value, the amount of goodwill impairment would be the amount by which the reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill.

If impairment indicators arise with respect to non-real estate intangible assets with finite useful lives, we evaluate impairment by comparing the carrying amount of the asset to the estimated future undiscounted cash flows expected to be generated by the asset. If estimated future undiscounted cash flows are less than the carrying amount of the asset, then we estimate the fair value of the asset and compare the estimated fair value to the intangible asset's carrying value. We recognize any shortfall from carrying value as an impairment loss in the current period.

Estimates of fair value used in our evaluation of goodwill and intangible assets are based upon discounted future cash flow projections, relevant competitor multiples, or other acceptable valuation techniques. These techniques are based, in turn, upon all available evidence including level three inputs (see fair value measurement policy below), such as revenue and expense growth rates, estimates of future cash flows, capitalization rates, discount rates, general economic conditions and trends, or other available market data. Our ability to accurately predict future operating results and cash flows and to estimate and determine fair values impacts the timing and recognition of impairments. While we believe our assumptions are reasonable, changes in these assumptions may have a material impact on our financial results.

Held for Sale Entities—We consider assets to be held for sale when management believes that a sale is probable within a year. This generally occurs when a sales contract is executed with no substantive contingencies and the prospective buyer has significant funds at risk. Assets that are classified as held for sale are recorded at the lower of their carrying amount or fair value less cost to sell. There were no assets classified as held for sale as of December 31, 2017 and 2016.

Deferred Financing Expenses—Deferred financing expenses are capitalized and amortized on a straight-line basis over the term of the related financing arrangement, which approximates the effective interest method. Deferred financing costs related to our term loan facilities and mortgages are in Debt Obligations, Net, while deferred financing costs related to our revolving credit facility are in Other Assets, Net, on our consolidated balance sheets.

Fair Value Measurement—Accounting Standard Codification ("ASC") 820, *Fair Value Measurement,* defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. ASC 820 emphasizes that fair value is intended to be a market-based measurement, as opposed to a transaction-specific measurement. Fair value is defined by ASC 820 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, various techniques and assumptions can be used to estimate the fair value. Assets and liabilities are measured using inputs from three levels of the fair value hierarchy, as follows:

Level 1—Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access at the measurement date. An active market is defined as a market in which transactions for the assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2—Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active (markets with few transactions), inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data correlation or other means (market corroborated inputs).

Level 3—Unobservable inputs, only used to the extent that observable inputs are not available, reflect our assumptions about the pricing of an asset or liability.

Considerable judgment is necessary to develop estimated fair values of financial and non-financial assets and liabilities. Accordingly, the estimates presented herein are not necessarily indicative of the amounts we did or could actually realize upon disposition of the financial assets and liabilities previously sold or currently held.

Gain on Sale of Assets—We recognize sales of assets only upon the closing of the transaction with the purchaser. We recognize gains on assets sold upon closing if the collectibility of the sales price is reasonably assured, we are not obligated to perform any significant activities after the sale to earn the profit, we have received adequate initial investment from the purchaser, and other profit recognition criteria have been satisfied. We may defer recognition of gains in whole or in part until: (i) the profit is determinable, meaning that the collectibility of the sales price is reasonably assured or the amount that will not be collectible can be estimated; and (ii) the earnings process is virtually complete, meaning that we are not obliged to perform any significant activities after the sale to earn the profit. Further, we may defer a tax gain through an Internal Revenue Code ("IRC") Section 1031 like-kind exchange by purchasing another property within a specified time period.

Revenue Recognition—We commence revenue recognition on our leases based on a number of factors. In most cases, revenue recognition under a lease begins when the lessee takes possession of or controls the physical use of the leased asset. The determination of who is the owner, for accounting purposes, of the tenant improvements determines the nature of the leased asset and when revenue recognition under a lease begins. If we are the owner, for accounting purposes, of the tenant improvements, then the leased asset is the finished space, and revenue recognition begins when the lessee takes possession of the finished space, typically when the improvements are substantially complete.

If we conclude that we are not the owner, for accounting purposes, of the tenant improvements (the lessee is the owner), then the leased asset is the unimproved space and any tenant allowances funded under the lease are treated as lease incentives, which reduce revenue recognized over the term of the lease. In these circumstances, we begin revenue recognition when the lessee takes possession of the unimproved space to construct their own improvements. We consider a number of different factors in evaluating whether we or the lessee is the owner of the tenant improvements for accounting purposes. These factors include:

- whether the lease stipulates how and on what a tenant improvement allowance may be spent;
- whether the tenant or landlord retains legal title to the improvements;

- the uniqueness of the improvements;
- the expected economic life of the tenant improvements relative to the length of the lease; and
- who constructs or directs the construction of the improvements.

We recognize rental income on a straight-line basis over the term of each lease. The difference between rental income earned on a straight-line basis and the cash rent due under the provisions of the lease agreements is recorded as deferred rent receivable and is included as a component of Other Assets, Net. Due to the impact of the straight-line adjustments, rental income generally will be greater than the cash collected in the early years and will be less than the cash collected in the later years of a lease. Our policy for percentage rental income is to defer recognition of contingent rental income until the specified target (i.e. breakpoint) that triggers the contingent rental income is achieved.

Reimbursements from tenants for recoverable real estate tax and operating expenses are accrued as revenue in the period in which the applicable expenses are incurred. We make certain assumptions and judgments in estimating the reimbursements at the end of each reporting period. We do not expect the actual results to materially differ from the estimated reimbursements.

We periodically review the collectability of outstanding receivables. Allowances will be taken for those balances that we deem to be uncollectible, including any amounts relating to straight-line rent receivables and/or receivables for recoverable expenses. As of December 31, 2017 and 2016, the bad debt reserve for uncollectible amounts was $3.3 million and $1.7 million, respectively.

We record lease termination income if there is a signed termination agreement, all of the conditions of the agreement have been met, collectability is reasonably assured and the tenant is no longer occupying the property. Upon early lease termination, we provide for losses related to unrecovered tenant-specific intangibles and other assets.

Revenues from management, leasing, and other fees charged in accordance with the various management agreements executed, are recognized in the period in which the services have been provided, the earnings process is complete, and collectability is reasonably assured.

Repurchase of Common Stock—We offer a share repurchase program ("SRP") which may allow stockholders who participate to have their shares repurchased subject to approval and certain limitations and restrictions (see Note 11). Under our SRP, the maximum amount of common stock that we may redeem, at the shareholder's election, during any calendar year is limited, among other things, to 5% of the weighted-average number of shares outstanding during the prior calendar year. The maximum amount is reduced each reporting period by the current year share redemptions to date. In addition, the cash available for repurchases on any particular date is generally limited to the proceeds from the DRIP during the preceding four fiscal quarters, less amounts already used for repurchases since the start of the same time period. The board of directors ("Board") reserves the right at any time to reject any request for repurchase.

Shares repurchased pursuant to our SRP are immediately retired upon purchase. Repurchased common stock is reflected as a reduction of stockholders' equity. Our accounting policy related to share repurchases is to reduce common stock based on the par value of the shares and to reduce capital surplus for the excess of the repurchase price over the par value. Since the inception of the SRP in August 2010, we have had an accumulated deficit balance; therefore, the excess over the par value has been applied to additional paid-in capital. Once we have retained earnings, the excess will be charged entirely to retained earnings.

Income Taxes—We have elected to be taxed as a REIT under the IRC. To qualify as a REIT, we must meet a number of organization and operational requirements, including a requirement to annually distribute to our shareholders at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding net capital gains. We intend to continue to adhere to these requirements and to maintain our REIT status. As a REIT, we are entitled to a deduction for some or all of the distributions we pay to our shareholders. Accordingly, we are generally subject to U.S. federal income taxes on any taxable income that is not currently distributed to our shareholders. If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income taxes and may not be able to qualify as a REIT until the fifth subsequent taxable year.

Notwithstanding our qualification as a REIT, we may be subject to certain state and local taxes on our income or properties. In addition, our consolidated financial statements include the operations of one wholly owned subsidiary that has jointly elected to be treated as a Taxable REIT Subsidiary ("TRS") and is subject to U.S. federal, state and local income taxes at regular corporate tax rates. We did not record any tax expense in prior years as 2017 was the first year of existence for the TRS. As a REIT, we may also be subject to certain U.S. federal excise taxes if we engage in certain types of transactions. For more information regarding our income taxes, see Note 9.

Newly Adopted and Recently Issued Accounting Pronouncements—The following table provides a brief description of recently issued accounting pronouncements that could have a material effect on our financial statements:

Standard	Description	Date of Adoption	Effect on the Financial Statements or Other Significant Matters
ASU 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting	This update clarifies guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting.	January 1, 2018	We do not expect the adoption of this standard to have a material impact to our financial statements. We will apply the guidance to any future modifications of share-based compensation awards.
ASU 2017-05, Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20)	This update amends existing guidance in order to provide consistency in accounting for the derecognition of a business or nonprofit activity. It is effective for annual reporting periods beginning after December 15, 2017, but early adoption is permitted.	January 1, 2018	We adopted this standard concurrently with ASU 2014-09, listed below. There are currently no transactions subject to this ASU. Although expected to be infrequent, potential transactions affected by this ASU could include a partial sale of real estate or contribution of a nonfinancial asset to form a joint venture.
ASU 2017-04, Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment (Topic 350)	This update amends existing guidance in order to simplify impairment testing for goodwill. It is effective for annual reporting periods beginning after January 1, 2021, but early adoption is permitted.	January 1, 2018	We are electing to adopt this standard as of January 1, 2018. The adoption of this standard will not have a material impact on our consolidated financial statements.
ASU 2016-18, Statement of Cash Flows (Topic 230)	This update amends existing guidance in order to clarify the classification and presentation of restricted cash on the statement of cash flows. It is effective for annual reporting periods beginning after December 15, 2017, but early adoption is permitted.	January 1, 2018	Upon adoption, we will include amounts generally described as restricted cash within the beginning-of-period and end-of-period total amounts on the statement of cash flows. This change will not have a material impact on our consolidated financial statements.
ASU 2016-15, Statement of Cash Flows (Topic 230)	This update addresses the presentation of eight specific cash receipts and cash payments on the statement of cash flows. It is effective for annual reporting periods beginning after December 15, 2017, but early adoption is permitted.	January 1, 2018	We have evaluated the impact the adoption of this standard will have on our consolidated financial statements. Of the eight specific cash receipts and cash payments listed within this guidance, we believe four would be applicable to our business as it stands currently: debt prepayment or debt extinguishment costs, contingent consideration payments made after a business combination, proceeds from settlement of insurance claims, and distributions received from equity method investees. This update will not have a material impact on our consolidated financial statements. We will apply the guidance for all of the eight cash flow types to any future transactions when applicable.
ASU 2016-02, Leases (Topic 842)	This update amends existing guidance by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This update is effective for annual reporting periods beginning after December 15, 2018, but early adoption is permitted.	January 1, 2019	We are currently evaluating the impact the adoption of this standard will have on our consolidated financial statements. We have identified areas within our accounting policies we believe could be impacted by the new standard. This standard impacts the lessor's ability to capitalize certain costs related to leasing, which will result in a reduction in the amount of execution costs currently being capitalized in connection with leasing activities. In January 2018, the FASB issued a proposed ASU related to ASC 842. The update would allow lessors to use a practical expedient to account for non-lease components and related lease components as a single lease component instead of accounting for them separately, if certain conditions are met. This proposal is currently under consideration by regulators. We also expect to recognize right of use assets on our consolidated balance sheets related to certain ground leases, office space, and office equipment leases where we are the lessee. We will continue to evaluate the effect the adoption of ASU 2016-02 will have on our consolidated financial statements. However, we currently believe that the adoption of ASU 2016-02 will not have a material impact on our consolidated financial statements.

ASU 2014-09, Revenue from Contracts with Customers (Topic 606)	This update outlines a comprehensive model for entities to use in accounting for revenue arising from contracts with customers. ASU 2014-09 states that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." While ASU 2014-09 specifically references contracts with customers, it also applies to certain other transactions such as the sale of real estate or equipment. Expanded quantitative and qualitative disclosures are also required for contracts subject to ASU 2014-09. In 2015, the FASB provided for a one-year deferral of the effective date for ASU 2014-09, making it effective for annual reporting periods beginning after December 15, 2017.	January 1, 2018	Our revenue-producing contracts are primarily leases that are not within the scope of this standard. As a result, we do not expect the adoption of this standard to have a material impact on our rental or reimbursement revenue. However, the standard will apply to a majority of our fees and management income. We have evaluated the impact of this standard to fees and management income and do not expect a material impact on our revenue recognition, but we do expect to provide additional disclosures around fees and management revenue. We are adopting this guidance on a modified retrospective basis.

The following table provides a brief description of newly adopted accounting pronouncements and their effect on our financial statements:

Standard	Description	Date of Adoption	Effect on the Financial Statements or Other Significant Matters
ASU 2017-12, Derivatives and Hedging (Topic 815)	This update amended existing guidance in order to better align a company's financial reporting for hedging activities with the economic objectives of those activities.	September 2017	Upon adoption, we included a disclosure related to the effect of our hedging activities on our consolidated statements of operations. This disclosure also eliminated the periodic measurement and recognition of hedging ineffectiveness. We adopted this guidance on a modified retrospective basis and applied an adjustment to Accumulated Other Comprehensive Income with a corresponding adjustment to the opening balance of Accumulated Deficit as of the beginning of 2017. For a more detailed discussion of this adoption, see Note 8.
ASU 2017-01, Business Combinations (Topic 805)	This update amended existing guidance in order to clarify when an integrated set of assets and activities is considered a business.	January 1, 2017	For a more detailed discussion of the effect of this adoption on our consolidated financial statements, refer to the Investment in Property and Lease Intangibles section above.

3. PELP ACQUISITION

On October 4, 2017, we completed the PELP transaction. The PELP transaction was approved by the independent special committee of our Board, which had retained independent financial and legal advisors. It was also approved by our shareholders, as well as PELP's partners. Under the terms of this transaction, the following consideration was given in exchange for the contribution of PELP's ownership interests in 76 shopping centers, its third-party investment management business, and its captive insurance company (in thousands):

		Amount
Fair value of Operating Partnership units ("OP units") issued	$	401,630
Debt assumed:		
Corporate debt		432,091
Mortgages and notes payable		72,649
Cash payments		30,420
Fair value of earn-out		38,000
Total consideration		974,790
PELP debt repaid by the Company on the transaction date		(432,091)
Net consideration	$	542,699

We issued 39.4 million OP units with an estimated fair value per unit of $10.20 at the time of the transaction. Certain of our executive officers who received OP units as part of the PELP transaction entered into an agreement which provides that they will not transfer their OP Units for either two or three years following the closing. The remaining holders of the OP units are subject to the terms of exchange for shares of common stock outlined in the Third Amended and Restated Agreement of Limited Partnership, which is further described in Note 11.

The terms of the transaction also include an earn-out structure with an opportunity for up to an additional 12.5 million OP units to be issued if certain milestones are achieved. The milestones are related to a liquidity event for our shareholders and fundraising targets in REIT III, of which PELP was a co-sponsor. The estimated fair value of this earn-out has been recorded as $38 million as of the transaction date and is presented in Accounts Payable and Other Liabilities on the consolidated balance sheets. We will estimate the fair value of this earn-out liability at each reporting date during the contingency period and record any changes to our consolidated statement of operations.

As part of the transaction, we entered into a tax protection agreement with certain recipients of OP Units. Under the agreement, we will provide certain protections with respect to tax matters for a period of ten years commencing at the closing date. These protections include indemnification for certain tax liabilities incurred in connection with certain taxable transfers of contributed properties, failure to comply with certain obligations related to nonrecourse liability allocations and debt guarantee opportunities, and certain fundamental transactions. These fundamental transactions mean with respect to any contributed entity, a merger, combination, consolidation, or similar transaction (including a transfer of all or substantially all of the assets of such entity).

Immediately following the closing of the PELP transaction, our shareholders owned approximately 80.6% and former PELP shareholders owned approximately 19.4% of the combined company.

Assets Acquired and Liabilities Assumed—The PELP transaction has been accounted for using the acquisition method of accounting under ASC 805, *Business Combinations*, which requires, among other things, the assets acquired and liabilities assumed to be recognized at their fair values as of the acquisition date. The preliminary fair market value of the assets acquired and liabilities assumed is based on a valuation report prepared by a third-party valuation specialist. The following table summarizes the purchase price allocation based on that report (in thousands):

	Amount
Assets:	
Land and improvements	$ 269,140
Building and improvements	574,154
Intangible lease assets	93,506
Cash	5,930
Accounts receivable and other assets	42,426
Management contracts	58,000
Goodwill	29,085
Total assets acquired	1,072,241
Liabilities:	
Accounts payable and other liabilities	48,342
Acquired below-market leases	49,109
Total liabilities acquired	97,451
Net assets acquired	$ 974,790

The allocation of the purchase price is based on management's assessment, which may change in the future as more information becomes available and could have an impact on the unaudited pro forma financial information presented below. Subsequent adjustments made to the purchase price allocation upon the completion of our fair value assessment process will not exceed one year from the acquisition date. The allocation of the purchase price above requires a significant amount of judgment and represents management's best estimate of the fair value as of the acquisition date.

Intangible Assets and Liabilities—The fair value and weighted-average amortization periods for the intangible assets and liabilities acquired in the PELP transaction are as follows (dollars in thousands, useful life in years):

	Fair Value	Weighted-Average Useful Life
Management contracts	$ 58,000	5
Acquired in-place leases	83,305	9
Acquired above-market leases	10,201	7
Acquired below-market leases	(49,109)	13

Goodwill—In connection with the PELP transaction, we recorded goodwill of $29.1 million as a result of the consideration exceeding the fair value of the net assets acquired. Goodwill represents the estimated future benefits arising from other assets acquired that could not be individually identified and separately recognized. We do not expect that the goodwill will be deductible for tax purposes. The goodwill recorded represents our management structure and its ability to generate additional opportunities for revenue and raise additional funds, and therefore the full amount of goodwill was allocated to the Investment Management segment, which comprises one reporting unit.

Results of Operations—The consolidated net assets and results of operations of PELP's contributions are included in the consolidated financial statements from October 4, 2017, going forward and resulted in the following impact to Total Revenues and Net Loss (in thousands):

	2017
Revenues	$ 21,202
Net income	1,297

Acquisition Costs—We incurred $15.7 million of costs related to the PELP transaction during 2017, which are recorded in Transaction Expenses on the consolidated statements of operations. We also incurred $1.3 million of costs related to the PELP transaction during 2016, which are recorded in Acquisition Expenses on the consolidated statements of operations.

Pro Forma Results (Unaudited)—The following unaudited pro forma information summarizes selected financial information from our combined results of operations, as if the PELP transaction had occurred on January 1, 2016. These results contain certain, nonrecurring adjustments, such as the elimination of transaction expenses incurred related to the PELP transaction and the elimination of intercompany activity related to creating an internalized management structure. This pro forma information is presented for informational purposes only, and may not be indicative of what actual results of operations would have been had the PELP transaction occurred at the beginning of the period, nor does it purport to represent the results of future operations.

	For the Year Ended December 31,	
(in thousands)	2017	2016
Pro forma revenues	$ 402,898	$ 400,089
Pro forma net income (loss) attributable to stockholders	1,982	(3,956)

4. REAL ESTATE ACQUISITIONS AND DISPOSITIONS

During the year ended December 31, 2017, we acquired 84 shopping centers, including 76 shopping centers through the PELP transaction (see Note 3 for more detail) and eight grocery-anchored shopping centers outside of the PELP transaction. Our first quarter acquisition closed out the IRC reverse Section 1031 like-kind exchange outstanding as of December 31, 2016. For the year ended December 31, 2016, we acquired seven grocery-anchored shopping centers and additional real estate adjacent to previously acquired centers.

For the years ended December 31, 2017 and 2016, we allocated the purchase price of acquisitions unrelated to the PELP transaction, including acquisition costs for 2017, to the fair value of the assets acquired and liabilities assumed as follows (in thousands):

	2017	2016
Land and improvements	$ 47,556	$ 78,908
Building and improvements	130,482	140,145
Acquired in-place leases	17,740	21,506
Acquired above-market leases	1,314	3,559
Acquired below-market leases	(5,736)	(10,198)
Total assets and lease liabilities acquired	191,356	233,920
Less: Fair value of assumed debt at acquisition	30,831	33,326
Net assets acquired	$ 160,525	$ 200,594

The weighted-average amortization periods for in-place, above-market, and below-market lease intangibles acquired during the years ended December 31, 2017 and 2016, are as follows (in years):

	2017	2016
Acquired in-place leases	13	11
Acquired above-market leases	6	6
Acquired below-market leases	18	19

Dispositions—In October 2017, we sold a property for $6.5 million and recognized a gain of $1.8 million. For tax-purposes, we deferred the gain through an IRC Section 1031 like-kind exchange, which was completed with our subsequent acquisition of Shoppes of Lake Village in February 2018 (see Note 20). We also sold a property in December 2016 and recognized a gain of $4.7 million. Gains on property dispositions are recorded in Other Income, Net on the consolidated statements of operations.

5. INTANGIBLE ASSETS AND LIABILITIES AND GOODWILL

Acquired Intangible Assets and Liabilities—Acquired intangible assets and liabilities consisted of the following as of December 31, 2017 and 2016 (in thousands):

	2017		2016	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Management contracts	$ 58,000	$ (2,900)	$ —	$ —
Acquired in-place leases	313,432	(123,314)	212,916	(92,347)
Acquired above-market leases	53,524	(24,631)	42,009	(19,443)
Below-market lease liabilities	(118,012)	27,388	(63,287)	20,255

Summarized below is the amortization recorded on the intangible assets and liabilities for the years ended December 31, 2017, 2016, and 2015 (in thousands):

	2017	2016	2015
Management contracts	$ 2,900	$ —	$ —
Acquired in-place leases	30,966	28,812	29,970
Acquired above-market leases	5,188	5,228	5,819
Acquired below-market leases	(7,133)	(6,436)	(6,640)
Total	$ 31,921	$ 27,604	$ 29,149

Estimated future amortization of the respective acquired intangible assets and liabilities as of December 31, 2017, for each of the next five years is as follow (in thousands):

	Management Contracts	In-Place Leases	Above-Market Leases	Below-Market Leases
2018	$ 11,600	$ 35,572	$ 5,883	$ (9,801)
2019	11,600	30,270	5,145	(8,959)
2020	11,600	24,794	4,583	(8,389)
2021	11,600	20,086	3,715	(7,644)
2022	8,700	16,778	2,761	(6,925)

Goodwill—In connection with the PELP transaction, we recorded goodwill of approximately $29.1 million, which was allocated to our Investment Management segment. During the year ended December 31, 2017, we did not record any impairments to goodwill. For more information regarding goodwill from the PELP transaction, see Note 3.

6. OTHER ASSETS, NET

The following is a summary of Other Assets, Net outstanding as of December 31, 2017 and 2016 (in thousands):

	2017	2016
Deferred leasing commissions and costs	$ 29,055	$ 21,092
Deferred financing costs	13,971	8,940
Office equipment and other	10,308	331
Total depreciable and amortizable assets	53,334	30,363
Accumulated depreciation and amortization	(17,121)	(11,286)
Net depreciable and amortizable assets	36,213	19,077
Accounts receivable, net	41,211	31,029
Deferred rent receivable, net	18,201	14,483
Derivative asset	16,496	11,916
Prepaid expenses	4,232	2,986
Investment in affiliates	902	—
Other	1,193	1,094
Other assets, net	$ 118,448	$ 80,585

7. DEBT OBLIGATIONS

The following is a summary of the outstanding principal balances and interest rates, which include the effect of derivative financial instruments, on our debt obligations as of December 31, 2017 and 2016 (in thousands):

	Interest Rate	2017	2016
Revolving credit facility(1)	2.89%	$ 61,569	$ 176,969
Term loans(2)(3)	2.46%-3.93%	1,140,000	655,000
Secured loan facility due 2026	3.55%	175,000	—
Secured loan facility due 2027	3.52%	195,000	—
Mortgages and notes payable	3.75%-7.91%	246,217	228,721
Assumed market debt adjustments, net(4)		5,254	4,490
Deferred financing costs(5)		(16,042)	(9,024)
Total		$ 1,806,998	$ 1,056,156

(1) The gross borrowings under our revolving credit facility were $437.0 million, $590.8 million, and $297.8 million during the years ended December 31, 2017, 2016, and 2015, respectively. The gross payments on our revolving credit facility were $552.4 million, $554.8 million, and $448.5 million during the years ended December 31, 2017, 2016, and 2015, respectively. The revolving credit facility had a capacity of $500 million as of December 31, 2017 and 2016. In October 2017, the maturity date of the revolving credit facility was extended to October 2021, with additional options to extend the maturity to October 2022.

(2) We have six term loans with maturities ranging from 2019 to 2024. The $100 million term loan maturing in February 2019 has options to extend the maturity to 2021. We will consider options for refinancing the loan or exercising the option upon maturity. As of December 31, 2017, the availability on our revolving credit facility exceeded the balance on the loan maturing in 2019. The term loan maturing in 2020 also has options to extend its maturity to 2021.

(3) One of our term loans that matures in 2022 had an outstanding balance of $310.0 million at December 31, 2017, with a capacity of $375.0 million. In January 2018 an additional $65.0 million was drawn on this term loan.

(4) Net of accumulated amortization of $3.7 million and $6.1 million as of December 31, 2017 and 2016, respectively. The decrease in accumulated amortization is a result of a reduction in market debt adjustments due to the extinguishment of higher-rate mortgage debt during the year ended December 31, 2017.

(5) Net of accumulated amortization of $5.4 million and $3.9 million as of December 31, 2017 and 2016, respectively.

As of December 31, 2017 and 2016, the weighted-average interest rate for all of our mortgages and loans payable was 3.4% and 3.0%, respectively.

The allocation of total debt between fixed- and variable-rate as well as between secured and unsecured, excluding market debt adjustments and deferred financing costs, as of December 31, 2017 and 2016, is summarized below (in thousands):

	2017	2016
As to interest rate:(1)		
Fixed-rate debt	$ 1,608,217	$ 615,721
Variable-rate debt	209,569	444,969
Total	$ 1,817,786	$ 1,060,690
As to collateralization:		
Unsecured debt	$ 1,202,476	$ 831,969
Secured debt	615,310	228,721
Total	$ 1,817,786	$ 1,060,690

(1) Includes the effects of derivative financial instruments (see Notes 8 and 17).

Below is our maturity schedule with the respective principal payment obligations, excluding market debt adjustments and deferred financing costs (in thousands):

	2018	2019	2020	2021	2022	Thereafter	Total
Revolving credit facility	$ —	$ —	$ —	$ 61,569	$ —	$ —	$ 61,569
Term loans	—	100,000	175,000	125,000	310,000	430,000	1,140,000
Loan facility due 2026	—	—	—	—	—	175,000	175,000
Loan facility due 2027	—	—	—	—	—	195,000	195,000
Mortgages and notes payable	8,142	9,192	7,323	68,001	31,169	122,390	246,217
Total maturing debt	$ 8,142	$ 109,192	$ 182,323	$ 254,570	$ 341,169	$ 922,390	$ 1,817,786

8. DERIVATIVES AND HEDGING ACTIVITIES

In September 2017, we adopted ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. This update amended existing guidance in order to better align a company's financial reporting for hedging activities with the economic objectives of those activities. It requires us to disclose the effect of our hedging activities on our consolidated statements of operations and eliminates the periodic measurement and recognition of hedging ineffectiveness.

In accordance with the modified retrospective transition method required by ASU 2017-12, we recognized the cumulative effect of the change, representing the reversal of the $1.3 million cumulative ineffectiveness gain as of December 31, 2016, in the opening balance of Accumulated Other Comprehensive Income ("AOCI") with a corresponding adjustment to the opening balance of Accumulated Deficit as of the beginning of 2017.

Risk Management Objective of Using Derivatives—We are exposed to certain risks arising from both our business operations and economic conditions. We principally manage our exposure to a wide variety of business and operational risks through management of our core business activities. We manage economic risks, including interest rate, liquidity, and credit risk, primarily by managing the amount, sources, and duration of our debt funding and the use of derivative financial instruments. Specifically, we enter into interest rate swaps to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. Our derivative financial instruments are used to manage differences in the amount, timing, and duration of our known or expected cash receipts and our known or expected cash payments principally related to our investments and borrowings.

Cash Flow Hedges of Interest Rate Risk—Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for our making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The changes in the fair value of derivatives designated, and that qualify, as cash flow hedges are recorded in AOCI and are subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the years ended December 31, 2017 and 2016, such derivatives were used to hedge the variable cash flows associated with certain variable-rate debt. The ineffectiveness previously reported in earnings for the quarters ended March 31, 2017 and June 30, 2017, was adjusted to reflect application of the provisions of this ASU as of the beginning of 2017 (as discussed above). This adjustment was not material.

Amounts reported in AOCI related to these derivatives will be reclassified to Interest Expense, Net as interest payments are made on the variable-rate debt. During the next twelve months, we estimate that an additional $1.5 million will be reclassified from Other Comprehensive (Loss) Income as a decrease to Interest Expense, Net.

The following is a summary of our interest rate swaps that were designated as cash flow hedges of interest rate risk as of December 31, 2017 and 2016 (notional amounts in thousands):

	2017	2016[1]
Count	6	4
Notional amount	$ 992,000	$ 642,000
Fixed LIBOR	1.2% - 2.2%	1.2% - 1.5%
Maturity date	2019-2024	2019 - 2023

[1] One interest rate swap that we entered into in October 2016 with a notional amount of $255 million was not effective until July 2017.

The table below details the location of the gain or loss recognized on interest rate derivatives designated as cash flow hedges in the consolidated statements of operations and comprehensive (loss) income for the years ended December 31, 2017, 2016, and 2015 (in thousands):

	2017	2016	2015
Amount of gain (loss) recognized in OCI on derivatives	$ 2,770	$ 6,979	$ (3,128)
Amount of loss reclassified from AOCI into interest expense	1,810	3,586	3,150

Credit-risk-related Contingent Features—We have agreements with our derivative counterparties that contain provisions where, if we either default or are capable of being declared in default on any of our indebtedness, we could also be declared to be in default on our derivative obligations. As of December 31, 2017, the fair value of our derivatives in a net liability position, which included accrued interest but excluded any adjustment for nonperformance risk related to these agreements, was approximately $0.1 million. As of December 31, 2017, we had not posted any collateral related to these agreements and were not in breach of any agreement provisions. If we had breached any of these provisions, we could have been required to settle our obligations under the agreements at their termination value of $0.1 million.

9. INCOME TAXES

We have elected to be taxed as a REIT under the IRC. To qualify as a REIT, we must meet a number of organization and operational requirements, including a requirement to annually distribute to our shareholders at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding net capital gains. We intend to continue to adhere to these requirements and to maintain our REIT status. As a REIT, we are entitled to a deduction for some or all of the distributions we pay to our shareholders. Accordingly, we are generally subject to U.S. federal income taxes on any taxable income that is not currently distributed to our shareholders. If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income taxes and may not be able to qualify as a REIT until the fifth subsequent taxable year.

Notwithstanding our qualification as a REIT, we may be subject to certain state and local taxes on our income or properties. In addition, our consolidated financial statements include the operations of one wholly owned subsidiary that has jointly elected to be treated as a TRS and is subject to U.S. federal, state and local incomes taxes at regular corporate tax rates. We did not record any tax expense in prior years as 2017 was the first year of existence for the TRS. As a REIT, we may also be subject to certain U.S. federal excise taxes if we engage in certain types of transactions.

Deferred income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which these temporary differences are expected to reverse. Deferred tax assets are recognized only to the extent that it is more likely than not that they will be realized based on consideration of available evidence, including future reversal of existing taxable temporary differences, the magnitude and timing of future projected taxable income and tax planning strategies. We believe that it is not more likely than not that our net deferred tax asset will be realized in future periods and therefore, have recorded a valuation allowance for the entire balance.

We have not identified items for which the income tax effects of the 2017 Tax Cuts and Jobs Act (“2017 Tax Act”) have not been completed and a reasonable estimate could not be determined as of December 31, 2017. Our analysis of the 2017 Tax Act may be impacted by new legislation, the Congressional Joint Committee Staff, Treasury, or other guidance. We are continuing to evaluate the impact of the 2017 Tax Act on the organization as a whole, but we do not expect there to be a material impact on our consolidated financial statements.

The following is a summary of our deferred tax assets and liabilities, which result from the activities of the TRS, as of December 31, 2017 (in thousands):

	2017
Deferred tax assets:	
Accrued expenses	$ 4,276
Net operating loss ("NOL") carryforward[1]	667
Other	106
Gross deferred tax assets	5,049
Valuation allowance	(3,277)
Total deferred tax asset	1,772
Deferred tax liabilities:	
Depreciation and amortization	(1,638)
Prepaid expenses	(134)
Total deferred tax liabilities	(1,772)
Net deferred tax asset	$ —

(1) If not utilized, the NOL carryforward will begin to expire in 2037. Losses incurred after 2017 are carried forward indefinitely.

Differences between net income from the consolidated statements of operations and other comprehensive income and our taxable income primarily related to the recognition of sales of investment properties and the timing of both revenue and expense recognition.

The following table reconciles Net (Loss) Income Attributable to Stockholders to REIT taxable income before the dividends paid deduction for the years ended December 31, 2017, 2016, and 2015 (in thousands):

	2017	2016	2015
Net (loss) income attributable to stockholders	$ (38,391)	$ 8,932	$ 13,360
Net loss (income) from subsidiaries	31,395	(17,785)	(23,725)
Net loss attributable to REIT operations	(6,996)	(8,853)	(10,365)
Book/tax differences	45,677	42,556	45,280
REIT taxable income subject to 90% dividend requirement	$ 38,681	$ 33,703	$ 34,915

The following is a summary of our dividends paid deduction for the years ended December 31, 2017, 2016, and 2015 (in thousands):

	2017	2016	2015
Distributions paid to common stockholders	$ 123,100	$ 123,004	$ 123,119
Non-dividend distributions	(84,419)	(89,301)	(88,204)
Total dividends paid deduction attributable to earnings and profits	$ 38,681	$ 33,703	$ 34,915

The tax composition of our distributions declared for the years ended December 31, 2017 and 2016, was as follows:

	2017	2016
Ordinary income	28.6%	28.2%
Return of capital	70.9%	71.8%
Capital gain distributions	0.5%	—%
Total	100.0%	100.0%

We record a benefit for uncertain income tax positions if the result of a tax position meets a "more likely than not" recognition threshold. No liabilities have been recorded as of December 31, 2017 or 2016 as a result of this provision. We expect no significant increases or decreases in unrecognized tax benefits due to changes in tax positions within one year of December 31, 2017. Returns for the calendar years 2014 through 2016 remain subject to examination by federal and various state tax jurisdictions.

10. COMMITMENTS AND CONTINGENCIES

Leases—Upon completion of the PELP transaction (see Note 3), we assumed certain lease obligations originally entered into by PELP before the transaction. The leases are primarily related to short- and long-term operating leases for office space and equipment. We have no capital leases. Total rental expense for long-term operating leases was approximately $370,000 for the year ended December 31, 2017. Minimum rental commitments under noncancelable operating leases as of December 31, 2017, were as follows:

Year	Amount
2018	$ 1,101
2019	773
2020	310
2021	188
2022	185
Thereafter	388
Total	$ 2,945

Litigation—We are involved in various claims and litigation matters arising in the ordinary course of business, some of which involve claims for damages. Many of these matters are covered by insurance, although they may nevertheless be subject to deductibles or retentions. Although the ultimate liability for these matters cannot be determined, based upon information currently available, we believe the resolution of such claims and litigation will not have a material adverse effect on our consolidated financial statements.

Environmental Matters—In connection with the ownership and operation of real estate, we may potentially be liable for costs and damages related to environmental matters. In addition, we may own or acquire certain properties that are subject to environmental remediation. Generally, the seller of the property, the tenant of the property, and/or another third party is responsible for environmental remediation costs related to a property. Additionally, in connection with the purchase of certain properties, the respective sellers and/or tenants may agree to indemnify us against future remediation costs. We also carry environmental liability insurance on our properties that provides limited coverage for any remediation liability and/or pollution liability for third-party bodily injury and/or property damage claims for which we may be liable. We are not aware of any environmental matters which we believe are reasonably likely to have a material effect on our consolidated financial statements.

Captive Insurance—As part of the PELP transaction, we acquired a captive insurance company, Silver Rock Insurance, Inc. (“Silver Rock”), from PELP, which provides general liability insurance, reinsurance, and other coverage to us, REIT II, REIT III, PELP, and Necessity Retail Partners (“NRP”). We capitalize Silver Rock in accordance with applicable regulatory requirements.

Silver Rock established annual premiums based on the past loss experience of the insured properties. An independent third party was engaged to perform an actuarial estimate of projected future claims, related deductibles, and projected future expenses necessary to fund associated risk management programs. Premiums paid to Silver Rock may be adjusted based on this estimate. Premiums paid to Silver Rock may be reimbursed by tenants pursuant to specific lease terms.

As of December 31, 2017, we had two cash collateralized letters of credit outstanding totaling approximately $5.7 million to provide security for our obligations under our insurance and reinsurance contracts. These letters of credit expire in 2018 with additional options to extend their maturities.

The following is a summary of the activity in the liability for unpaid losses, which is recorded in Accounts Payable and Other Liabilities on our consolidated balance sheet, for the year ended December 31, 2017 (in thousands):

	2017
Balance upon acquisition on October 4, 2017	$ 4,339
Incurred related to:	
Current year	452
Prior years	898
Total incurred	1,350
Paid related to:	
Current year	81
Prior years	725
Total paid	806
Unpaid loss liability as of December 31, 2017	$ 4,883

11. EQUITY

General— The holders of common stock are entitled to one vote per share on all matters voted on by stockholders, including election of the Board. Our charter does not provide for cumulative voting in the election of directors.

On November 8, 2017, our Board increased the estimated value per share of our common stock to $11.00 based substantially on the estimated market value of our portfolio of real estate properties and our recently acquired third-party asset management business as of October 5, 2017, the first full business day after the closing of the PELP transaction. We engaged a third-party valuation firm to provide a calculation of the range in estimated value per share of our common stock as of October 5, 2017, which reflected certain pro forma balance sheet assets and liabilities as of that date. Prior to November 8, 2017, the estimated value per share was $10.20.

Dividend Reinvestment Plan—We have adopted a DRIP that allows stockholders to invest distributions in additional shares of our common stock, subject to certain limits. Stockholders who elect to participate in the DRIP may choose to invest all or a portion of their cash distributions in shares of our common stock at a price equal to our most recent estimated value per share. In connection with the announcement of the PELP transaction (see Note 3), the DRIP was suspended during May 2017; therefore, all DRIP participants received their May distribution, which was payable in June, in cash rather than in stock. The DRIP plan resumed in June 2017, with distributions payable in July 2017.

Stockholders who elect to participate in the DRIP, and who are subject to U.S. federal income taxation laws, will incur a tax liability on an amount equal to the fair value on the relevant distribution date of the shares of our common stock purchased with reinvested distributions, even though such stockholders have elected not to receive the distributions in cash.

Share Repurchase Program—Our SRP provides an opportunity for stockholders to have shares of common stock repurchased, subject to certain restrictions and limitations, at a price equal to our most recent estimated value per share. In connection with the announcement of the PELP transaction, the SRP was suspended during May 2017 and resumed in June 2017.

In 2017 and 2016, repurchase requests surpassed the funding limits under the SRP. Due to the program's funding limits, no funds were available for repurchases during the fourth quarter of 2017 and no funds will be available for the the first quarter of 2018. Additionally, repurchases during the remainder of 2018 are expected to be limited. When we are unable to fulfill all repurchase requests in any month, we will honor requests on a pro rata basis to the extent possible. As of December 31, 2017, we had 10.8 million shares of unfulfilled repurchase requests. We will continue to fulfill repurchases sought upon a stockholder's death, "qualifying disability," or "determination of incompetence" in accordance with the terms of the SRP.

Convertible Noncontrolling Interests—As part of the PELP transaction, we issued 39.4 million OP units that are classified as noncontrolling interests. Prior to the PELP transaction, the Operating Partnership also issued limited partnership units that were designated as Class B units for asset management services provided by PE-NTR. 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 transaction, upon termination of the advisory agreement, we determined the economic hurdle required for vesting had been met, and all outstanding Class B units vested and were converted to OP units. As such, we recorded a $24.0 million expense on our consolidated statements of operations as Vesting of Class B Units, which included the $27.6 million vesting of Class B units previously issued for asset management services, and the reclassification of historical distributions on those units to Noncontrolling Interests.

Under the terms of the Third Amended and Restated Agreement of Limited Partnership, OP unit holders may elect to exchange OP units. The Operating Partnership controls the form of the redemption, and may elect to exchange OP units for shares of our common stock, provided that the OP units have been outstanding for at least one year. As the form of redemption for OP units is within our control, the OP units outstanding as of December 31, 2017 and 2016, are classified as Noncontrolling Interests within permanent equity on our consolidated balance sheets. The $9.1 million of cumulative distributions that have been paid on OP units are included in Distributions to Noncontrolling Interests on the consolidated statements of equity.

In September 2017, we entered into an agreement with American Realty Capital II Advisors, LLC ("ARC") to terminate all remaining contractual and economic relationships between us and ARC. In exchange for a payment of $9.6 million, ARC sold their OP units, unvested Class B Units, and their special limited partnership interests back to us, terminating all fee-sharing arrangements between ARC and PE-NTR. The 417,801 OP unit repurchase was recorded at a value of $4.2 million on the consolidated statements of equity. The $5.4 million value of the unvested Class B units, special limited partnership interests, and value of fee-sharing arrangements is recorded on the consolidated statement of operations.

Below is a summary of our number of outstanding OP units and unvested Class B units as of December 31, 2017 and 2016 (in thousands):

	2017	2016
OP units	44,454	2,785
Class B units(1)	—	2,610

(1) Upon closing of the PELP transaction, all outstanding Class B units were converted to OP units.

Nonconvertible Noncontrolling Interests—In addition to partnership units of the Operating Partnership, Noncontrolling Interests also includes a 25% ownership share of one of our subsidiaries who provides advisory services, which was not significant to our results.

12. COMPENSATION

Stock-Based Compensation—We account for our stock-based compensation plan by recognizing compensation expense less estimated forfeitures. Our restricted stock and phantom stock awards vest based upon the completion of a service period ("service-based grants").

In August 2016, the Board approved restricted stock awards pursuant to our Amended and Restated 2010 Independent Director Stock Plan. The awards are granted to our independent directors and vest based upon the completion of a service period. Holders of restricted stock are entitled to dividend and distribution rights. All regular cash dividends on the awarded shares will be paid directly to the director on the dividend payment date. These awards follow a graded vesting schedule over approximately four years. Expense for awards with graded vesting is recognized under the accelerated recognition method, whereby each vesting is treated as a separate award with expense for each vesting recognized ratably over the requisite service period, and is recorded in Additional Paid-in Capital on our consolidated balance sheets. The awards are valued according to the determined value per share for our common stock at the date of grant.

As part of their compensation plan, employees received phantom stock units under our Amended and Restated 2010 Long Term Incentive Plan. The value of the awards change in direct relation to the change in estimated value per share of our common stock, but the value is only paid in cash rather than in common stock. The phantom stock holders are entitled to receive distributions, which are recorded as expense when declared, but are not entitled to voting rights.

All phantom stock awards were granted to our employees, who were former PELP employees, prior to the PELP transaction and a liability was assumed for these awards on the date of the transaction in the amount of $14.3 million in Accounts Payable and Other Liabilities on the combined balance sheets. Substantially all awards granted by PELP prior to 2016 contained a five-year cliff vesting provision. Beginning in 2016, substantially all phantom stock awards contain a four-year graded vesting provision, with expense being recognized using the straight-line method over the requisite service period. Expense for these awards is recorded in General and Administrative on our consolidated statements of operations.

The following table summarizes our stock-based award activity during the year ended December 31, 2017 (number of units in thousands):

	Number of Restricted Stock Awards	Number of Phantom Stock Units	Weighted-Average Grant-Date Fair Value
Nonvested at December 31, 2016	10	—	$ 10.20
Granted	10	—	10.20
Vested	(2)	—	10.20
Assumed	—	2,450	10.20
Forfeited	—	(4)	10.20
Nonvested at December 31, 2017	18	2,446	$ 10.20

The liability for the phantom stock units as of December 31, 2017, was $19.5 million. The expense for stock-based awards during the year ended December 31, 2017, was $3.4 million, which included $1.3 million of expense recorded as a result of the change in our estimated value per share from $10.20 to $11.00. The expense during the year ended December 31, 2016, was immaterial. We had $8.9 million of unrecognized compensation costs related to these awards that we expect to recognize over a weighted average period of approximately two years.

Subsequent to December 31, 2017, approximately 0.8 million restricted shares were granted. In addition, there were approximately 0.4 million performance-based restricted shares granted. The total number of performance-based restricted shares that will vest in March 2021 depends on whether certain financial metrics are met during the vesting period.

401(k) Plan—We sponsor a 401(k) plan, which provides benefits for qualified employees. Our match of the employee contributions is discretionary and has a five-year vesting schedule. The cash contribution to the plan for the year ended December 31, 2017, was approximately $154,000. All employees who have attained the age of 21 are eligible the first day of the month following their date of hire. Employees are vested immediately with respect to employee contributions.

13. EARNINGS PER SHARE

We use the two-class method of computing earnings per share ("EPS"), which is an earnings allocation formula that determines EPS for common stock and any participating securities according to dividends declared (whether paid or unpaid). Under the two-class method, basic EPS is computed by dividing the income available to common stockholders by the weighted-average number of common stock shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from share equivalent activity.

OP units held by limited partners other than us, as well as previously held Class B units prior to the completion of the PELP transaction, are considered to be participating securities because they contain non-forfeitable rights to dividends or dividend equivalents, and have the potential to be exchanged for an equal number of shares of our common stock in accordance with the terms of the Partnership Agreement. Phantom stock units are not considered participating securities, as they are not convertible into common stock. The impact of these Class B and OP units on basic and diluted EPS has been calculated using the two-class method whereby earnings are allocated to the Class B and OP units based on dividends declared and the units' participation rights in undistributed earnings. The effects of the two-class method on basic and diluted EPS were immaterial to the consolidated financial statements as of December 31, 2017, 2016, and 2015.

Since the OP units are convertible, they were treated as potentially dilutive in the diluted earnings per share computations for the years ended December 31, 2017, 2016, and 2015. There were 2.6 million and 2.1 million unvested Class B units outstanding as of December 31, 2016 and 2015, respectively. As these units were unvested, they were not included in the diluted earnings per share calculation.

The following table provides a reconciliation of the numerator and denominator of the earnings per share calculations for the years ended December 31, 2017, 2016, and 2015 (in thousands, except per share amounts):

	2017	2016	2015
Numerator:			
Net (loss) income attributable to stockholders - basic	$ (38,391)	$ 8,932	$ 13,360
Net (loss) income attributable to convertible OP units(1)	(3,470)	111	201
Net (loss) income - diluted	$ (41,861)	$ 9,043	$ 13,561
Denominator:			
Weighted-average shares - basic	183,784	183,876	183,678
Conversion of OP units(1)	12,713	2,785	2,716
Effect of dilutive restricted stock awards	—	4	—
Adjusted weighted-average shares - diluted	196,497	186,665	186,394
Earnings per common share:			
Basic and diluted	$ (0.21)	$ 0.05	$ 0.07

(1) OP units include units previously issued for asset management services provided under our former advisory agreement (see Note 15), as well as units issued as part of the PELP transaction (see Note 3), all of which are convertible into common shares. The Operating Partnership loss attributable to these OP units, which is included as a component of Net Loss (Income) Attributable to Noncontrolling Interests on the consolidated statements of operations, has been added back in the numerator because these OP units were included in the denominator for all years presented.

As of December 31, 2017, 17,200 restricted stock awards were outstanding. These securities were anti-dilutive and, as a result, were excluded from the weighted-average common shares used to calculate diluted EPS.

14. RELATED PARTY REVENUE

Fee revenues from our Investment Management segment are earned from the Managed Funds. We provide services to the Managed Funds, including asset acquisition and disposition decisions, asset management, operating and leasing of properties, construction management, and other general and administrative responsibilities. Services are currently provided under either advisory agreements or master property management and master services agreements ("Management Agreements"). Advisory agreements have a duration of one year and are renewed annually at the discretion of the respective boards of directors. Management Agreements have no defined term, but can be canceled by either party upon 30 days' notice.

Summarized below are the fees earned by and the expenses reimbursable to us from the related party Managed Funds during the year ended December 31, 2017, all of which were earned following the PELP transaction (in thousands):

	REIT II	REIT III	NRP	Other Parties	Total
Advisory Agreements Revenue:					
Acquisition fees	$ 218	$ 519	$ —	$ —	$ 737
Asset management fees	2,878	59	105	49	3,091
Due diligence reimbursements	142	72	—	—	214
Total advisory revenue	$ 3,238	$ 650	$ 105	$ 49	$ 4,042
Management Agreements Revenue:					
Property management fees	$ 1,518	$ 15	$ 230	$ 27	$ 1,790
Leasing commissions	782	15	196	16	1,009
Construction management fees	365	4	36	7	412
Other property management fees and reimbursements	339	69	65	77	550
Total property management revenue	$ 3,004	$ 103	$ 527	$ 127	$ 3,761
Other Revenue:					
Insurance premiums	$ 206	$ —	$ —	$ —	$ 206

Advisory Agreements—Under our advisory agreements, we earn revenue for managing day-to-day activities and implementing the investment strategy for the Managed Funds. The following tables summarize our fee structure for each of the related party Managed Funds.

Acquisition Fee

Fund	Rate	Payable	Description
REIT II	0.85%	In cash upon completion	Rate is based on contract purchase price, including acquisition expenses and any debt.
REIT III	2.0%	In cash upon completion	Rate is based on contract purchase price, including acquisition expenses and any debt.

During the public offering period for REIT III, we will receive an additional contingent advisor payment of 2.15% of the contract purchase price of each property or other real estate investment they acquire.

Disposition fee

Fund	Rate	Payable	Description
REIT II	1.7%, or up to 3.0%	In cash upon completion	Rate is lesser of 1.7% of contract sales price or one-half of the total commissions paid if a non-affiliated broker is also involved in the sale, not to exceed a competitive rate or 6%.
REIT III	2.0% or up to 3.0%	In cash upon completion	Rate is lesser of 2% of contract sales price or one-half of the total commissions paid if a non-affiliated broker is also involved in the sale, not to exceed a competitive rate or 6%.

Asset Management Fee and Subordinated Participation

Fund	Rate	Payable	Description
REIT II	0.85%	80% in cash and 20% in Class B units, paid monthly	One-twelfth of the rate is paid out monthly in cash based on asset cost as of the last day of the preceding month. One-quarter of the rate is paid out quarterly in Class B units based on the lower of the cost of assets or the applicable quarterly NAV, divided by the per share NAV.
REIT III	1.0%	Monthly in cash, partnership units, or common stock at our election	One-twelfth of the rate is paid out monthly based on asset cost as of the last day of the preceding month.
NRP	0.5%, or up to 1.0%	Monthly	An amount of one-twelfth of 0.5% of the aggregate capital contributions as of the first day of the quarterly period. Once an aggregate amount of the asset management fees received reaches $918K, the monthly amount is equal to one-twelfth of 1.0% of the invested equity.

Management Agreements—Under our Management Agreements, we earn revenues for managing day-to-day activities at the properties of the Managed Funds. As property manager, we are to provide services including accounting, finance, and operations for which we receive a distinct fee based on a set percentage of gross cash receipts each month. Under the Management Agreements, we also serve as a leasing agent to the Managed Funds. For each new lease, lease renewal, and expansion, we receive a leasing commission. Leasing commissions are recognized as lease deals occur and are dependent on the terms of the lease. We assist in overseeing the construction of various improvements for Managed Funds, for which we receive 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.

The Management Agreements have terms as follows:

Fee	Rate	Payable	Description
Property Management	4.0%	In cash, monthly	Rate is applied to monthly cash receipts at a given property.
Leasing Commissions	various	In cash upon completion	An amount equal to the leasing fees charged by unaffiliated persons rendering comparable services in the same geographic location.
Construction Management	various	In cash upon completion	An amount equal to the fees charged by unaffiliated persons rendering comparable services in the same geographic location.

Investment in Affiliates—As part of the PELP transaction we acquired interests in REIT II and REIT III. We account for our investment in REIT II as an available-for-sale security, and we account for our investment in REIT III under the equity method. As of December 31, 2017, our investment in affiliates totaled approximately $202,000 and $700,000 in REIT II and REIT III, respectively.

Related Party Receivables—Summarized below is the detail of our outstanding receivable balance from related parties as of December 31, 2017 (in thousands):

	2017
REIT II and other related parties	$ 1,551
REIT III	4,551
Total	$ 6,102

Organizational and Offering Costs—Under the terms of the advisory agreement, we have incurred organizational and offering costs related to REIT III, all of which is recorded in Accounts Receivable - Affiliates on the consolidated balance sheets. Since REIT III's initial public offering has not commenced, we have only charged REIT III organizational and offering costs related to its private placement, which was approximately $2.0 million as of December 31, 2017. The receivable amount of $4.6 million includes $3.9 million incurred by PELP, which was included as an assumed receivable in the net assets acquired as part of the PELP transaction.

15. RELATED PARTY EXPENSE

Economic Dependency—Prior to the completion of the PELP transaction, we were dependent on PE-NTR, Phillips Edison & Company Ltd. (the "Property Manager"), and their respective affiliates for certain services that were essential to us, including asset acquisition and disposition decisions, asset management, operating and leasing of our properties, and other general and administrative responsibilities. Upon closing of the transaction on October 4, 2017, we now have an internalized management structure and our relationship with PE-NTR and the Property Manager was acquired.

Advisory Agreement—PE-NTR and ARC were entitled to specified fees and expenditure reimbursements for certain services, including managing our day-to-day activities and implementing our investment strategy under advisory agreements. On September 1, 2017, in connection with the termination of ARC's and PE-NTR's fee-sharing arrangements (see Note 11), we entered into an amended advisory agreement (the "PE-NTR Agreement"). Under the PE-NTR Agreement, all fees payable to PE-NTR were decreased by 15%. Other than the foregoing, there were no material changes in the PE-NTR Agreement. Upon closing of the PELP transaction on October 4, 2017, the PE-NTR Agreement was terminated. As a result, we will no longer pay the fees listed below and had no outstanding unpaid amounts related to those fees as of December 31, 2017.

Asset Management Fee and Subordinated Participation

Date	Rate	Payable	Description
January 1, 2015 through September 30, 2015	1.00%	80% in Class B units; 20% in cash	One-twelfth of the rate was paid out monthly in cash based on asset cost as of the last day of the preceding month. One-quarter of the rate was paid out quarterly in Class B units based on the lower of the cost of assets or the applicable quarterly NAV, divided by the per share NAV.
October 1, 2015 through August 31, 2017	1.00%	80% in cash; 20% in Class B units	One-twelfth of the rate was paid out monthly in cash based on asset cost as of the last day of the preceding month. One-quarter of the rate was paid out quarterly in Class B units based on the lower of the cost of assets or the applicable quarterly NAV, divided by the per share NAV.
September 1, 2017 through September 19, 2017	0.85%	80% in cash; 20% in Class B units	One-twelfth of the rate was paid out monthly in cash based on asset cost as of the last day of the preceding month. One-quarter of the rate was paid out quarterly in Class B units based on the lower of the cost of assets or the applicable quarterly NAV, divided by the per share NAV.
September 20, 2017 through October 4, 2017	0.85%	100% in cash	One-twelfth of the rate was paid out monthly in cash based on asset cost as of the last day of the preceding month.

The Class B units we issued for asset management services (and OP units converted from previously issued and vested Class B units) are entitled to receive distributions at the same rate as is paid to common stockholders. On September 1, 2017, pursuant to the PE-NTR Agreement, we redeemed all outstanding Class B units and OP units owned by ARC.

Upon closing of the PELP transaction on October 4, 2017, the 2.7 million outstanding Class B units vested as a result of meeting the required economic hurdle, and were converted to OP units. As such, as of December 31, 2017, we had no Class B units outstanding. As of December 31, 2016, we had 2.6 million Class B units outstanding that had been issued for asset management services.

Other Advisory Fees and Reimbursements Paid in Cash

Fee Type	Date	Rate	Description
Acquisition fee	January 1, 2015 through August 31, 2017	1.00%	Equal to the product of (x) the rate by (y) the cost of investments we acquired or originated, including any debt attributable to such investments.
	September 1, 2017 through October 4, 2017	0.85%	
Acquisition expenses	January 1, 2015 through October 4, 2017	N/A	Reimbursements for direct expenses incurred related to selecting, evaluating, and acquiring assets on our behalf, including certain personnel costs.
Disposition Fee	January 1, 2015 through August 31, 2017	2.00%	Fee paid for substantial assistance, as determined by the conflicts committee of our Board, in connection with the sale of properties or other investments.
	September 1, 2017 through October 4, 2017	1.70%	
Financing Fee	January 1, 2015 through August 31, 2015	0.75%	Fee paid on all amounts made available under any loan or line of credit.

General and Administrative Expenses—As of December 31, 2016, we owed PE-NTR approximately $43,000 for general and administrative expenses paid on our behalf.

Summarized below are the fees earned by and the expenses reimbursable to PE-NTR and ARC for the years ended December 31, 2017, 2016, and 2015. This table includes any related amounts unpaid as of December 31, 2016, except for unpaid general and administrative expenses, which we disclose above (in thousands):

	For the Year Ended December 31,			Unpaid as of December 31,
	2017	2016	2015	2016
Acquisition fees(1)	$ 1,344	$ 2,342	$ 1,247	$ —
Acquisition expenses(1)	583	464	208	29
Asset management fees(2)	15,573	19,239	4,601	1,687
OP units distribution(3)	1,373	1,866	1,820	158
Class B unit distribution(4)	1,409	1,576	625	148
Financing fees	—	—	3,228	—
Disposition fees(5)	19	745	47	—
Total	$ 20,301	$ 26,232	$ 11,776	$ 2,022

(1) Prior to January 1, 2017, acquisition and due diligence fees were recorded on our consolidated statements of operations. The majority of these costs are now capitalized and allocated to the related investment in real estate assets on the consolidated balance sheets based on the acquisition-date fair values of the respective assets and liabilities acquired.

(2) Asset management fees are presented in General and Administrative on the consolidated statements of operations.

(3) The distributions paid to OP unit holders represent amounts paid prior to the PELP transaction. Subsequent to that date, our relationship with PE-NTR was acquired. Distributions are presented as Distributions to Noncontrolling Interests on the consolidated statements of equity.

(4) The distributions paid to holders of unvested Class B units are presented in General and Administrative on the consolidated statements of operations and exclude the reclassification of prior distributions to Noncontrolling Interests on our consolidated statements of operations.

(5) Disposition fees are presented as Other Income, Net on the consolidated statements of operations.

Property Management Agreement—Prior to the completion of the PELP transaction, all of our real properties were managed and leased by the Property Manager, which was wholly-owned by PELP. The Property Manager also managed real properties owned by Phillips Edison affiliates and other third parties. Upon closing of the transaction on October 4, 2017, our agreement with the Property Manager was terminated. As a result, we will no longer pay the fees listed below and had no outstanding unpaid amounts related to those fees as of December 31, 2017.

Property Manager Fees and Reimbursements Paid in Cash

Fee Type	Rate	Description
Property Management	4.00%	Equal to the product of (x) the monthly gross cash receipts from the properties managed by (y) the rate.
Leasing Commissions	Market Rate	Paid for leasing services rendered with respect to a particular property, primarily if a tenant exercised an option to extend an existing lease.
Construction Management	Market Rate	Paid for construction management services rendered with respect to a particular property.
Other Expenses and Reimbursements	N/A	Costs and expenses incurred by the Property Manager on our behalf, including employee compensation, legal, travel, and other out-of-pocket expenses that were directly related to the management of specific properties and corporate matters, as well as fees and expenses of third-party accountants.

Summarized below are the fees earned by and the expenses reimbursable to the Property Manager for the years ended December 31, 2017, 2016, and 2015, and any related amounts unpaid as of December 31, 2017 and 2016 (in thousands):

	For the Year Ended December 31,			Unpaid as of December 31,
	2017	2016	2015	2016
Property management fees(1)	$ 8,360	$ 9,929	$ 9,108	$ 840
Leasing commissions(2)	6,670	7,701	7,316	705
Construction management fees(2)	1,367	1,127	1,117	165
Other fees and reimbursements(3)	6,234	5,627	5,533	796
Total	$ 22,631	$ 24,384	$ 23,074	$ 2,506

(1) The property management fees are included in Property Operating on the consolidated statements of operations.

(2) Leasing commissions paid for leases with terms less than one year are expensed immediately and included in Depreciation and Amortization on the consolidated statements of operations. Leasing commissions paid for leases with terms greater than one year, and construction management fees, are capitalized and amortized over the life of the related leases or assets.

(3) Other fees and reimbursements are included in Property Operating, General and Administrative, and Transaction Expenses on the consolidated statements of operations based on the nature of the expense.

Other Related Party Matters—Under the terms of the advisory agreement, we have incurred organizational and offering costs related to REIT III. A portion of those costs were incurred by Griffin Capital Corporation ("Griffin sponsor"), a co-sponsor of REIT III. The Griffin sponsor owns a 25% interest and we own a 75% interest in the REIT III Advisor. As such, $1.4 million of the receivable we have from REIT III is reimbursable to the Griffin sponsor and is recorded in Accounts Payable - Affiliates on the consolidated balance sheets.

Upon completion of the PELP transaction, we assumed PELP's obligation as the limited guarantor for up to $200 million, capped at $50 million in most instances, of NRP's debt. Our guarantee is limited to being the non-recourse carveout guarantor and the environmental indemnitor.

16. OPERATING LEASES

The terms and expirations of our operating leases with our tenants vary. The lease agreements frequently contain options to extend the terms of leases and other terms and conditions as negotiated. We retain substantially all of the risks and benefits of ownership of the real estate assets leased to tenants.

Approximate future rental income to be received under noncancelable operating leases in effect as of December 31, 2017, assuming no new or renegotiated leases or option extensions on lease agreements, is as follows (in thousands):

Year	Amount
2018	$ 270,880
2019	242,613
2020	212,708
2021	178,096
2022	145,745
2023 and thereafter	429,545
Total	$ 1,479,587

No single tenant comprised 10% or more of our aggregate annualized base rent as of December 31, 2017. As of December 31, 2017, our real estate investments in Florida represented 12.8% of our ABR. As a result, the geographic concentration of our portfolio makes it particularly susceptible to adverse economic or weather developments in the Florida real estate market.

17. FAIR VALUE MEASUREMENTS

The following describes the methods we use to estimate the fair value of our financial and nonfinancial assets and liabilities:

Cash and Cash Equivalents, Restricted Cash, Accounts Receivable, and Accounts Payable—We consider the carrying values of these financial instruments to approximate fair value because of the short period of time between origination of the instruments and their expected realization.

Real Estate Investments—The purchase prices of the investment properties, including related lease intangible assets and liabilities, were allocated at estimated fair value based on Level 3 inputs, such as discount rates, capitalization rates, comparable sales, replacement costs, income and expense growth rates, and current market rents and allowances as determined by management.

Mortgages and Loans Payable—We estimate the fair value of our debt by discounting the future cash flows of each instrument at rates currently offered for similar debt instruments of comparable maturities by our lenders using Level 3 inputs. The discount rates used approximate current lending rates for loans or groups of loans with similar maturities and credit quality, assuming the debt is outstanding through maturity and considering the debt's collateral (if applicable). We have utilized market information, as available, or present value techniques to estimate the amounts required to be disclosed.

The following is a summary of borrowings as of December 31, 2017 and 2016 (in thousands):

	2017	2016
Fair value	$ 1,765,151	$ 1,056,990
Recorded value[(1)]	1,823,040	1,065,180

(1) Recorded value does not include net deferred financing costs of $16.0 million and $9.0 million as of December 31, 2017 and 2016, respectively.

Recurring Fair Value Measurements

Our earn-out liability and interest rate swaps are measured and recognized at fair value on a recurring basis. The fair value measurements of those assets and liabilities as of December 31, 2017 and 2016, were as follows (in thousands):

	2017			2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Interest rate swaps-term loans(1)	$ —	$ 16,496	$ —	$ —	$ 11,916	$ —
Interest rate swap-mortgage note(1)	—	(61)	—	—	(262)	—
Earn-out liability	—	—	(38,000)	—	—	—

(1) We record derivative assets in Other Assets, Net and derivative liabilities in Accounts Payable and Other Liabilities on our consolidated balance sheets.

Earn-out—The terms of the PELP transaction include an earn-out structure with an opportunity for up to an additional 12.5 million OP units to be issued to PELP as additional consideration if certain milestones are achieved. The milestones are related to a liquidity event for our shareholders and fundraising targets in REIT III, of which PELP was a co-sponsor.

We estimate the fair value of this liability using weighted-average probabilities of likely outcomes. These estimates require us to make various assumptions about future share prices, timing of liquidity events, equity raise projections, and other items that are unobservable and are considered Level 3 inputs in the fair value hierarchy. In calculating the fair value of this liability, we have determined that the range of potential outcomes still includes a possibility of no additional OP units issued as well as the maximum 12.5 million units being issued. As of December 31, 2017, the fair value of this liability was estimated to be $38 million.

Derivative Instruments—As of December 31, 2017 and 2016, we had interest rate swaps that fixed LIBOR on portions of our unsecured term loan facilities. For a more detailed discussion of these cash flow hedges, see Note 8. As of December 31, 2017 and 2016, we were also party to an interest rate swap that fixed the variable interest rate on $10.7 million and $11.0 million, respectively, of one of our mortgage notes. The change in fair value of this instrument is recorded in Other Income, Net on the consolidated statements of operations and was not material for the years ended December 31, 2017 and 2016.

All interest rate swap agreements are measured at fair value on a recurring basis. The valuation of these instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

To comply with the provisions of ASC 820, *Fair Value Measurement*, we incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although we determined that the significant inputs used to value our derivatives fell within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our counterparties and our own credit risk utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by us and our counterparties. However, as of December 31, 2017 and 2016, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and have determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

18. SEGMENT INFORMATION

As of December 31, 2017, we operated through two business segments: Owned Real Estate and Investment Management. Prior to the completion of the PELP transaction on October 4, 2017, we only operated through the Owned Real Estate segment. As a result, we did not report any segment disclosures for the years ended December 31, 2016 and 2015. We generate revenues and segment profit from our segments as follows:

- Owned Real Estate: Our business objective is to own and operate well-occupied grocery-anchored shopping centers that generate cash flows to support distributions to our shareholders with the potential for capital appreciation. We typically invest in neighborhood shopping centers (generally containing less than 125,000 leasable square feet) located in attractive demographic markets throughout the United States where our management believes our fully integrated operating platform can add value. Through this segment, we own a diversified portfolio of shopping centers subject to long-term net leases with creditworthy tenants in the grocery, retail, restaurant, and service industries. As of December 31, 2017, we owned 236 properties.
- Investment Management: Through this segment, we are responsible for managing the day-to-day affairs of the Managed Funds, identifying and making acquisitions and investments on their behalf, maintaining and operating their real properties, and recommending to the respective boards of directors an approach for providing investors of the Managed Funds with liquidity. We generate revenues by providing asset management and property management services, in addition to revenues from leasing, acquisition, construction, and disposition services (see Note 14).

Our chief operating decision makers rely primarily on segment profit and similar measures to make decisions regarding allocating resources and assessing segment performance. We allocate certain operating expenses, such as employee related costs and benefits, to our segments. Items not directly attributable to our Owned Real Estate or Investment Management segments are allocated to corporate general and administrative expenses, which is a reconciling item. The table below compares segment profit for each of our operating segments and reconciles total segment profit to Net Loss for the year ended December 31, 2017 (in thousands):

	2017		
	Owned Real Estate	Investment Management	Total
Total revenues	$ 303,410	$ 8,133	$ 311,543
Property operating expenses	(50,328)	(3,496)	(53,824)
Real estate tax expenses	(43,247)	(209)	(43,456)
General and administrative expenses	(3,403)	(2,875)	(6,278)
Segment profit	$ 206,432	$ 1,553	207,985
Corporate general and administrative expenses			(30,070)
Vesting of Class B units for asset management services			(24,037)
Termination of affiliate arrangements			(5,454)
Depreciation and amortization			(130,671)
Interest expense, net			(45,661)
Acquisition expenses			(530)
Transaction expenses			(15,713)
Other income, net			2,433
Net loss			$ (41,718)

The table below summarizes the total assets and capital expenditures for each of our operating segments as of December 31, 2017 (in thousands):

	2017
Assets:	
Owned Real Estate	$ 3,388,080
Investment Management	90,236
Total segment assets	3,478,316
Reconciling items:	
Cash and cash equivalents	5,716
Restricted cash	21,729
Corporate headquarters and other assets	20,321
Total assets	$ 3,526,082
Capital Expenditures:	
Owned Real Estate	$ 41,009
Investment Management	1,137
Total capital expenditures	$ 42,146

19. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of the unaudited quarterly financial information for the years ended December 31, 2017 and 2016. We believe that all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts stated below to present fairly, and in accordance with GAAP, the selected quarterly information.

	2017			
(in thousands, except per share amounts)	First Quarter	Second Quarter	Third Quarter(1)	Fourth Quarter(2)
Total revenue	$ 68,303	$ 69,851	$ 70,624	$ 102,765
Net income (loss) attributable to stockholders	1,106	(1,193)	(8,232)	(30,072)
Net income (loss) per share - basic and diluted	0.01	(0.01)	(0.04)	(0.17)

(1) The net loss in the third quarter was primarily due to expenses related to the PELP transaction and the termination of our relationship with ARC.

(2) The increases in revenue and net loss in the fourth quarter were primarily associated with the PELP transaction.

	2016			
(in thousands, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenue	$ 63,082	$ 63,053	$ 65,270	$ 66,325
Net income attributable to stockholders	2,219	560	2,464	3,689
Net income per share - basic and diluted	0.01	0.00	0.01	0.02

20. SUBSEQUENT EVENTS

Distributions—Distributions paid to stockholders and OP unit holders of record subsequent to December 31, 2017, were as follows (in thousands):

Month	Date of Record	Distribution Rate	Date Distribution Paid	Gross Amount of Distribution Paid	Distribution Reinvested through the DRIP	Net Cash Distribution
December	12/1/2017 - 12/31/2017	$0.00183562	1/2/2018	$ 13,017	$ 4,354	$ 8,663
January	1/16/2018	$0.05583344	2/1/2018	12,789	4,228	8,561
February	2/15/2018	$0.05583344	3/1/2018	12,807	4,186	8,621

In February 2018 our Board authorized distributions for March, April, and May 2018 to the stockholders of record at the close of business on March 15, 2018, April 16, 2018, and May 15, 2018, respectively, equal to a monthly amount of $0.05583344 per share of common stock. OP unit holders will receive distributions at the same rate as common stockholders.

Beginning January 1, 2018, we pay distributions to stockholders and OP unit holders based on monthly record dates. We expect to pay these distributions on the first business day after the end of each month. The 2018 monthly distribution rate is currently at the same annual distribution rate as 2017.

Acquisitions—Subsequent to December 31, 2017, we executed the following asset acquisition (dollars in thousands):

Property Name	Location	Anchor Tenant	Acquisition Date	Purchase Price	Square Footage	Leased % of Rentable Square Feet at Acquisition
Shoppes of Lake Village	Leesburg, FL	Publix	2/26/2018	$8,400	135,437	71.3%

Grocer Bankruptcy—On March 21, 2018, Southeastern Grocers, the parent company of Winn Dixie and Bi-Lo, filed for bankruptcy. We have eight grocery stores operated by subsidiaries of Southeastern Grocers in our portfolio. We do not expect this bankruptcy to have a material impact on our consolidated financial statements.

SCHEDULE III—REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION
As of December 31, 2017
(in thousands)

			Initial Cost(1)			Gross Amount Carried at End of Period(2)(3)					
Property Name	City, State	Encumbrances	Land and Improvements	Buildings and Improvements	Cost Capitalized Subsequent to Acquisition	Land and Improvements	Buildings and Improvements	Total	Accumulated Depreciation	Date Constructed/ Renovated	Date Acquired
Lakeside Plaza	Salem, VA	$ —	$ 3,344	$ 5,247	$ 254	$ 3,398	$ 5,447	$ 8,845	$ 2,079	1988	12/10/2010
Snow View Plaza	Parma, OH	—	4,104	6,432	467	4,293	6,710	11,003	2,923	1981/2008	12/15/2010
St. Charles Plaza	Haines City, FL	—	4,090	4,399	212	4,105	4,596	8,701	2,093	2007	6/10/2011
Centerpoint	Easley, SC	—	2,404	4,361	960	2,749	4,976	7,725	1,680	2002	10/14/2011
Southampton Village	Tyrone, GA	—	2,670	5,176	901	2,826	5,921	8,747	1,917	2003	10/14/2011
Burwood Village Center	Glen Burnie, MD	—	5,447	10,167	356	5,584	10,386	15,970	3,623	1971	11/9/2011
Cureton Town Center	Waxhaw, NC	—	5,896	6,197	974	5,655	7,412	13,067	2,729	2006	12/29/2011
Tramway Crossing	Sanford, NC	—	2,016	3,070	639	2,314	3,411	5,725	1,373	1996/2000	2/23/2012
Westin Centre	Fayetteville, NC	—	2,190	3,499	555	2,438	3,806	6,244	1,463	1996/1999	2/23/2012
The Village at Glynn Place	Brunswick, GA	—	5,202	6,095	388	5,268	6,417	11,685	2,994	1996	4/27/2012
Meadowthorpe Shopping Center	Lexington, KY	—	4,093	4,185	492	4,380	4,390	8,770	1,692	1989/2008	5/9/2012
New Windsor Marketplace	Windsor, CO	—	3,867	1,329	443	4,038	1,601	5,639	837	2003	5/9/2012
Vine Street Square	Kissimmee, FL	—	7,049	5,618	368	7,076	5,959	13,035	2,355	1996/2011	6/4/2012
Northtowne Square	Gibsonia, PA	—	2,844	7,210	598	3,330	7,322	10,652	3,047	1993	6/19/2012
Brentwood Commons	Bensenville, IL	—	6,106	8,025	886	6,145	8,872	15,017	2,693	1981/2001	7/5/2012
Sidney Towne Center	Sidney, OH	—	1,430	3,802	1,193	1,953	4,472	6,425	1,752	1981/2007	8/2/2012
Broadway Plaza	Tucson, AZ	6,198	4,979	7,169	1,008	5,433	7,723	13,156	2,660	1982-1995	8/13/2012
Richmond Plaza	Augusta, GA	—	7,157	11,244	1,357	7,433	12,325	19,758	4,010	1980/2009	8/30/2012
Publix at Northridge	Sarasota, FL	—	5,671	5,632	350	5,753	5,900	11,653	1,845	2003	8/30/2012
Baker Hill Center	Glen Ellyn, IL	—	7,068	13,737	1,240	7,229	14,816	22,045	3,957	1998	9/6/2012
New Prague Commons	New Prague, MN	—	3,248	6,605	146	3,360	6,639	9,999	1,858	2008	10/12/2012
Brook Park Plaza	Brook Park, OH	947	2,545	7,594	548	2,737	7,950	10,687	2,389	2001	10/23/2012
Heron Creek Towne Center	North Port, FL	—	4,062	4,082	168	4,102	4,210	8,312	1,388	2001	12/17/2012
Quartz Hill Towne Centre	Lancaster, CA	—	6,352	13,529	301	6,482	13,700	20,182	3,385	1991/2012	12/26/2012
Hilfiker Square	Salem, OR	—	2,455	4,750	50	2,498	4,757	7,255	1,089	1984/2011	12/28/2012
Village One Plaza	Modesto, CA	—	5,166	18,752	486	5,223	19,181	24,404	3,896	2007	12/28/2012
Butler Creek	Acworth, GA	—	3,925	6,129	929	4,251	6,732	10,983	1,889	1989	1/15/2013
Fairview Oaks	Ellenwood, GA	—	3,563	5,266	274	3,714	5,389	9,103	1,503	1996	1/15/2013
Grassland Crossing	Alpharetta, GA	—	3,680	5,791	687	3,790	6,368	10,158	1,794	1996	1/15/2013
Hamilton Ridge	Buford, GA	—	4,054	7,168	534	4,163	7,593	11,756	2,047	2002	1/15/2013
Mableton Crossing	Mableton, GA	—	4,426	6,413	932	4,591	7,180	11,771	1,927	1997	1/15/2013
The Shops at Westridge	McDonough, GA	—	2,788	3,901	461	2,807	4,343	7,150	1,239	2006	1/15/2013
Fairlawn Town Centre	Fairlawn, OH	—	10,397	29,005	2,042	10,928	30,516	41,444	8,232	1962/1996	1/30/2013
Macland Pointe	Marietta, GA	—	3,450	5,364	825	3,720	5,919	9,639	1,712	1992	2/13/2013
Murray Landing	Irmo, SC	—	2,927	6,856	1,339	3,160	7,962	11,122	1,730	2003	3/21/2013

SCHEDULE III—REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION
As of December 31, 2017
(in thousands)

			Initial Cost(1)			Gross Amount Carried at End of Period(2)(3)					
Property Name	City, State	Encumbrances	Land and Improvements	Buildings and Improvements	Cost Capitalized Subsequent to Acquisition	Land and Improvements	Buildings and Improvements	Total	Accumulated Depreciation	Date Constructed/ Renovated	Date Acquired
Vineyard Center	Tallahassee, FL	—	2,761	4,221	276	2,817	4,441	7,258	1,126	2002	3/21/2013
Kleinwood Center	Spring, TX	—	11,477	18,954	848	11,593	19,686	31,279	4,763	2003	3/21/2013
Lutz Lake Crossing	Lutz, FL	—	2,636	6,601	314	2,719	6,832	9,551	1,483	2002	4/4/2013
Publix at Seven Hills	Spring Hill, FL	—	2,171	5,642	560	2,407	5,966	8,373	1,360	1991/2006	4/4/2013
Hartville Centre	Hartville, OH	—	2,069	3,692	1,335	2,383	4,713	7,096	1,167	1988/2008	4/23/2013
Sunset Center	Corvallis, OR	—	7,933	14,939	647	7,998	15,521	23,519	3,357	1998/2000	5/31/2013
Savage Town Square	Savage, MN	—	4,106	9,409	227	4,230	9,512	13,742	2,144	2003	6/19/2013
Northcross	Austin, TX	—	30,725	25,627	900	30,913	26,339	57,252	5,691	1975/2006/2010	6/24/2013
Glenwood Crossing	Kenosha, WI	—	1,872	9,914	419	1,938	10,267	12,205	1,906	1992	6/27/2013
Pavilions at San Mateo	Albuquerque, NM	—	6,471	18,725	754	6,649	19,301	25,950	3,886	1997	6/27/2013
Shiloh Square	Kennesaw, GA	—	4,685	8,728	1,094	4,804	9,703	14,507	2,025	1996/2003	6/27/2013
Boronda Plaza	Salinas, CA	—	9,027	11,870	424	9,128	12,193	21,321	2,430	2003/2006	7/3/2013
Westwoods Shopping Center	Arvada, CO	—	3,706	11,115	379	3,946	11,254	15,200	2,287	2003	8/8/2013
Paradise Crossing	Lithia Springs, GA	—	2,204	6,064	574	2,360	6,482	8,842	1,341	2000	8/13/2013
Contra Loma Plaza	Antioch, CA	—	2,846	3,926	1,483	3,430	4,825	8,255	881	1989	8/19/2013
South Oaks Plaza	St. Louis, MO	—	1,938	6,634	363	2,020	6,915	8,935	1,338	1969/1987	8/21/2013
Yorktown Centre	Erie, PA	—	3,736	15,395	1,136	3,988	16,279	20,267	3,788	1989/2013	8/30/2013
Stockbridge Commons	Fort Mill, SC	—	4,818	9,281	427	4,910	9,616	14,526	2,015	2003/2012	9/3/2013
Dyer Crossing	Dyer, IN	9,810	6,017	10,214	359	6,148	10,442	16,590	2,178	2004/2005	9/4/2013
East Burnside Plaza	Portland, OR	—	2,484	5,422	83	2,554	5,435	7,989	884	1955/1999	9/12/2013
Red Maple Village	Tracy, CA	—	9,250	19,466	288	9,384	19,620	29,004	3,256	2009	9/18/2013
Crystal Beach Plaza	Palm Harbor, FL	—	2,335	7,918	423	2,400	8,276	10,676	1,553	2010	9/25/2013
CitiCentre Plaza	Carroll, IA	—	770	2,530	251	982	2,569	3,551	605	1991/1995	10/2/2013
Duck Creek Plaza	Bettendorf, IA	—	4,611	13,007	991	5,102	13,507	18,609	2,613	2005/2006	10/8/2013
Cahill Plaza	Inver Grove Heights, MN	—	2,587	5,113	560	2,876	5,384	8,260	1,110	1995	10/9/2013
Pioneer Plaza	Springfield, OR	—	4,948	5,680	456	5,117	5,967	11,084	1,275	1989/2008	10/18/2013
Fresh Market	Normal, IL	—	4,459	17,773	443	4,746	17,929	22,675	2,106	2002	10/22/2013
Courthouse Marketplace	Virginia Beach, VA	—	6,131	8,061	846	6,388	8,650	15,038	1,671	2005	10/25/2013
Hastings Marketplace	Hastings, MN	—	3,980	10,044	273	4,118	10,179	14,297	2,012	2002	11/6/2013
Shoppes of Paradise Lakes	Miami, FL	5,484	5,811	6,019	411	6,037	6,204	12,241	1,409	1999	11/7/2013
Coquina Plaza	Davie, FL	6,715	9,458	11,770	406	9,512	12,122	21,634	2,262	1998	11/7/2013
Butler's Crossing	Watkinsville, GA	—	1,338	6,682	783	1,395	7,408	8,803	1,422	1997	11/7/2013
Lakewood Plaza	Spring Hill, FL	—	4,495	10,028	655	4,534	10,644	15,178	2,306	1993/1997	11/7/2013

SCHEDULE III—REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION

As of December 31, 2017

(in thousands)

			Initial Cost(1)			Gross Amount Carried at End of Period(2)(3)					
Property Name	City, State	Encumbrances	Land and Improvements	Buildings and Improvements	Cost Capitalized Subsequent to Acquisition	Land and Improvements	Buildings and Improvements	Total	Accumulated Depreciation	Date Constructed/ Renovated	Date Acquired
Collington Plaza	Bowie, MD	—	12,207	15,142	540	12,379	15,510	27,889	2,744	1996	11/21/2013
Golden Town Center	Golden, CO	—	7,066	10,166	1,265	7,305	11,192	18,497	2,239	1993/2003	11/22/2013
Northstar Marketplace	Ramsey, MN	—	2,810	9,204	482	2,848	9,648	12,496	1,921	2004	11/27/2013
Bear Creek Plaza	Petoskey, MI	—	5,677	17,611	115	5,737	17,666	23,403	3,398	1998/2009	12/19/2013
Flag City Station	Findlay, OH	—	4,685	9,630	411	4,775	9,951	14,726	2,119	1992	12/19/2013
Southern Hills Crossing	Moraine, OH	—	778	1,481	53	801	1,511	2,312	357	2002	12/19/2013
Sulphur Grove	Huber Heights, OH	—	553	2,142	129	605	2,219	2,824	399	2004	12/19/2013
East Side Square	Springfield, OH	—	394	963	64	407	1,014	1,421	236	2007	12/19/2013
Hoke Crossing	Clayton, OH	—	481	1,059	220	509	1,251	1,760	239	2006	12/19/2013
Town & Country Shopping Center	Noblesville, IN	—	7,360	16,269	266	7,371	16,524	23,895	3,474	1998	12/19/2013
Sterling Pointe Center	Lincoln, CA	—	7,038	20,822	1,101	7,255	21,706	28,961	3,373	2004	12/20/2013
Southgate Shopping Center	Des Moines, IA	—	2,434	8,357	623	2,760	8,654	11,414	1,729	1972/2013	12/20/2013
Arcadia Plaza	Phoenix, AZ	—	5,774	6,904	494	5,901	7,271	13,172	1,400	1980	12/30/2013
Stop & Shop Plaza	Enfield, CT	12,385	8,892	15,028	793	9,202	15,511	24,713	2,939	1988	12/30/2013
Fairacres Shopping Center	Oshkosh, WI	—	3,542	5,190	395	3,776	5,351	9,127	1,303	1992/2013	1/21/2014
Savoy Plaza	Savoy, IL	—	4,304	10,895	448	4,373	11,274	15,647	2,264	1999/2007	1/31/2014
The Shops of Uptown	Park Ridge, IL	—	7,744	16,884	537	7,857	17,308	25,165	2,700	2006	2/25/2014
Chapel Hill North	Chapel Hill, NC	7,196	4,776	10,190	783	5,009	10,740	15,749	2,034	1998	2/28/2014
Winchester Gateway	Winchester, VA	—	9,342	23,468	1,659	9,548	24,921	34,469	4,037	2006	3/5/2014
Stonewall Plaza	Winchester, VA	—	7,929	16,642	605	7,954	17,222	25,176	2,911	2007	3/5/2014
Coppell Market Center	Coppell, TX	12,359	4,869	12,237	89	4,917	12,278	17,195	2,038	2008	3/5/2014
Harrison Pointe	Cary, NC	—	10,006	11,208	422	10,155	11,481	21,636	2,718	2002	3/11/2014
Town Fair Center	Louisville, KY	—	8,108	14,411	2,712	8,339	16,892	25,231	3,162	1988/1994	3/12/2014
Villages at Eagles Landing	Stockbridge, GA	2,096	2,824	5,515	538	2,940	5,937	8,877	1,311	1995	3/13/2014
Towne Centre at Wesley Chapel	Wesley Chapel, FL	—	2,465	5,554	201	2,574	5,646	8,220	1,063	2000	3/14/2014
Dean Taylor Crossing	Suwanee, GA	—	3,903	8,192	181	3,995	8,281	12,276	1,707	2000	3/14/2014
Champions Gate Village	Davenport, FL	—	1,813	6,060	211	1,880	6,204	8,084	1,225	2001	3/14/2014
Goolsby Pointe	Riverview, FL	—	4,131	5,341	284	4,169	5,587	9,756	1,183	2000	3/14/2014
Statler Square	Staunton, VA	7,636	4,108	9,072	743	4,523	9,400	13,923	1,827	1989	3/21/2014
Burbank Plaza	Burbank, IL	—	2,971	4,546	3,110	3,477	7,150	10,627	1,153	1972/1995	3/25/2014
Hamilton Village	Chattanooga, TN	—	11,691	18,968	1,508	12,234	19,933	32,167	3,956	1989	4/3/2014
Waynesboro Plaza	Waynesboro, VA	—	5,597	8,334	102	5,642	8,391	14,033	1,593	2005	4/30/2014
Southwest Marketplace	Las Vegas, NV	—	16,019	11,270	2,064	16,080	13,273	29,353	2,336	2008	5/5/2014

SCHEDULE III—REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION

As of December 31, 2017

(in thousands)

			Initial Cost(1)		Cost Capitalized Subsequent to Acquisition	Gross Amount Carried at End of Period(2)(3)					
Property Name	City, State	Encumbrances	Land and Improvements	Buildings and Improvements		Land and Improvements	Buildings and Improvements	Total	Accumulated Depreciation	Date Constructed/ Renovated	Date Acquired
Hampton Village	Taylors, SC	—	5,456	7,254	2,580	5,741	9,549	15,290	1,776	1959/1998	5/21/2014
Central Station	Louisville, KY	—	6,144	6,931	1,451	6,380	8,146	14,526	1,446	2005/2007	5/23/2014
Kirkwood Market Place	Houston, TX	—	5,786	9,697	392	5,897	9,978	15,875	1,607	1979/2008	5/23/2014
Fairview Plaza	New Cumberland, PA	—	2,787	8,500	186	2,879	8,594	11,473	1,343	1992/1999	5/27/2014
Broadway Promenade	Sarasota, FL	—	3,832	6,795	176	3,863	6,940	10,803	1,067	2007	5/28/2014
Townfair Shopping Center	Indiana, PA	14,142	7,007	13,233	1,049	7,190	14,099	21,289	2,421	1995/2010	5/29/2014
Deerwood Lake Commons	Jacksonville, FL	—	2,198	8,878	431	2,290	9,217	11,507	1,400	2003	5/30/2014
Heath Brook Commons	Ocala, FL	—	3,470	8,353	340	3,528	8,635	12,163	1,399	2002	5/30/2014
Park View Square	Miramar, FL	—	5,701	9,303	415	5,737	9,682	15,419	1,547	2003	5/30/2014
St. Johns Commons	Jacksonville, FL	—	1,599	10,387	553	1,731	10,808	12,539	1,620	2003	5/30/2014
West Creek Commons	Coconut Creek, FL	6,079	7,404	12,710	590	7,526	13,178	20,704	1,821	2003	5/30/2014
Lovejoy Village	Jonesboro, GA	—	1,296	7,029	550	1,352	7,523	8,875	1,118	2001	6/3/2014
The Orchards	Yakima, WA	—	5,425	8,743	269	5,596	8,841	14,437	1,480	2002	6/3/2014
Hannaford Plaza	Waltham, MA	—	4,614	7,903	228	4,715	8,030	12,745	1,139	1950/1993	6/23/2014
Shaw's Plaza Easton	Easton, MA	—	5,520	7,173	412	5,727	7,378	13,105	1,323	1984/2004	6/23/2014
Shaw's Plaza Hanover	Hanover, MA	—	2,826	5,314	10	2,826	5,324	8,150	855	1994	6/23/2014
Cushing Plaza	Cohasset, MA	—	5,752	14,796	345	6,029	14,864	20,893	2,071	1997	6/23/2014
Lynnwood Place	Jackson, TN	—	3,341	4,826	1,190	3,523	5,834	9,357	1,154	1986/2013	7/28/2014
Battle Ridge Pavilion	Marietta, GA	—	3,124	9,866	296	3,220	10,066	13,286	1,584	1999	8/1/2014
Thompson Valley Towne Center	Loveland, CO	5,912	5,759	17,387	913	5,961	18,098	24,059	2,718	1999	8/1/2014
Lumina Commons	Wilmington, NC	8,296	2,006	11,250	469	2,046	11,679	13,725	1,552	1974/2007	8/4/2014
Driftwood Village	Ontario, CA	—	6,811	12,993	924	7,176	13,552	20,728	2,059	1985	8/7/2014
French Golden Gate	Bartow, FL	—	2,599	12,877	1,278	2,671	14,083	16,754	1,901	1960/2011	8/28/2014
Orchard Square	Washington Township, MI	6,539	1,361	11,550	198	1,427	11,682	13,109	1,727	1999	9/8/2014
Trader Joe's Center	Dublin, OH	—	2,338	7,922	664	2,520	8,404	10,924	1,314	1986	9/11/2014
Palmetto Pavilion	North Charleston, SC	—	2,509	8,526	494	2,946	8,583	11,529	1,236	2003	9/11/2014
Five Town Plaza	Springfield, MA	—	8,912	19,635	4,719	9,901	23,365	33,266	3,960	1970/2013	9/24/2014
Beavercreek Towne Center	Beavercreek, OH	—	14,055	30,799	413	14,367	30,900	45,267	5,017	1994	10/24/2014
Fairfield Crossing	Beavercreek, OH	—	3,571	10,026	69	3,605	10,061	13,666	1,484	1994	10/24/2014
Grayson Village	Loganville, GA	—	3,952	5,620	404	4,006	5,970	9,976	1,351	2002	10/24/2014
The Fresh Market Commons	Pawleys Island, SC	—	2,442	4,941	76	2,442	5,017	7,459	774	2011	10/28/2014
Claremont Village	Everett, WA	—	5,511	10,544	880	5,741	11,194	16,935	1,633	1994/2012	11/6/2014

SCHEDULE III—REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION
As of December 31, 2017
(in thousands)

Property Name	City, State	Encumbrances	Initial Cost(1) Land and Improvements	Initial Cost(1) Buildings and Improvements	Cost Capitalized Subsequent to Acquisition	Gross Amount Carried at End of Period(2)(3) Land and Improvements	Gross Amount Carried at End of Period(2)(3) Buildings and Improvements	Total	Accumulated Depreciation	Date Constructed/ Renovated	Date Acquired
Juan Tabo Plaza	Albuquerque, NM	—	2,466	4,568	573	2,592	5,015	7,607	989	1975/1989	11/12/2014
Cherry Hill Marketplace	Westland, MI	—	4,641	10,137	1,934	4,858	11,854	16,712	1,710	1992/2000	12/17/2014
Shoppes at Ardrey Kell	Charlotte, NC	—	6,724	8,150	648	6,850	8,672	15,522	1,459	2008	12/17/2014
Nor'Wood Shopping Center	Colorado Springs, CO	—	5,358	6,684	453	5,429	7,066	12,495	1,216	2003	1/8/2015
Sunburst Plaza	Glendale, AZ	—	3,435	6,041	519	3,527	6,468	9,995	1,204	1970	2/11/2015
Rivermont Station	Alpharetta, GA	2,191	6,876	8,917	714	7,098	9,409	16,507	1,923	1996/2003	2/27/2015
Breakfast Point Marketplace	Panama City Beach, FL	—	5,579	12,051	467	5,769	12,328	18,097	1,661	2009/2010	3/13/2015
Falcon Valley	Lenexa, KS	—	3,131	6,874	215	3,312	6,908	10,220	1,024	2008/2009	3/13/2015
Lake Wales	Lake Wales, FL	—	1,273	2,164	—	1,273	2,164	3,437	323	1998	3/13/2015
Lakeshore Crossing	Gainesville, GA	—	3,857	5,937	32	3,857	5,969	9,826	1,140	1993/1994	3/13/2015
Onalaska	Onalaska, WI	—	2,669	5,648	1	2,670	5,648	8,318	938	1992/1993	3/13/2015
Coronado Center	Santa Fe, NM	—	4,395	16,461	1,573	4,464	17,965	22,429	1,870	1964	5/1/2015
Northwoods Crossing	Taunton, MA	—	10,092	14,437	195	10,230	14,494	24,724	1,826	2003/2010	5/24/2016
Murphy Marketplace	Murphy, TX	—	28,652	33,122	452	28,828	33,398	62,226	2,393	2008/2015	6/24/2016
Harbour Village	Jacksonville, FL	—	5,630	16,727	473	5,910	16,920	22,830	1,005	2006	9/22/2016
Oak Mill Plaza	Niles, IL	1,242	6,843	13,692	689	7,288	13,936	21,224	1,179	1977	10/3/2016
Southern Palms	Tempe, AZ	24,350	10,026	24,346	416	10,279	24,509	34,788	1,659	1982	10/26/2016
Golden Eagle Village	Clermont, FL	7,455	3,068	7,735	230	3,098	7,935	11,033	471	2011	10/27/2016
Georgesville Square	Columbus, OH	—	11,137	19,663	593	11,415	19,978	31,393	1,313	1996	12/15/2016
Atwater Marketplace	Atwater, CA	—	6,116	7,597	357	6,280	7,790	14,070	437	2008	2/10/2017
Rocky Ridge Station	Roseville, CA	22,049	5,449	29,207	215	5,571	29,300	34,871	762	1996	4/18/2017
Greentree Station	Racine, WI	—	2,955	8,718	461	3,244	8,890	12,134	289	1989/1994	5/5/2017
Titusville Station	Titusville, FL	—	3,632	9,133	487	3,828	9,424	13,252	305	1985/2011	6/15/2017
Sierra Station	Corona, CA	7,603	9,011	17,989	701	9,174	18,527	27,701	429	1991	6/20/2017
Hoffman Station	Hoffman Estates, IL	—	8,941	22,871	310	9,160	22,962	32,122	357	1987	9/5/2017
Winter Springs Town Center	Winter Springs, FL	—	4,871	18,892	86	4,943	18,906	23,849	140	2002	10/20/2017
Flynn Crossing Center	Alpharetta, GA	—	6,581	16,075	1	6,582	16,075	22,657	126	2004	10/26/2017
Vaughn's at East North	Greenville, SC	—	1,704	3,077	101	1,704	3,178	4,882	78	1979	10/4/2017
Ashland Junction	Ashland, VA	—	4,987	6,043	107	5,058	6,079	11,137	144	1989	10/4/2017
Barclay Place Shopping Center	Lakeland, FL	—	1,984	7,061	237	2,012	7,270	9,282	122	1989	10/4/2017
Barnwell Plaza	Barnwell, SC	—	1,190	1,883	—	1,190	1,883	3,073	69	1985	10/4/2017
Birdneck Shopping Center	Virginia Beach, VA	—	1,900	3,249	147	1,925	3,371	5,296	63	1987	10/4/2017
Cactus Village	Phoenix, AZ	—	4,313	5,854	199	4,313	6,053	10,366	86	1986	10/4/2017

SCHEDULE III—REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION
As of December 31, 2017
(in thousands)

			Initial Cost(1)			Gross Amount Carried at End of Period(2)(3)					
Property Name	City, State	Encumbrances	Land and Improvements	Buildings and Improvements	Cost Capitalized Subsequent to Acquisition	Land and Improvements	Buildings and Improvements	Total	Accumulated Depreciation	Date Constructed/ Renovated	Date Acquired
Centre Stage Shopping Center	Springfield, TN	—	4,746	9,519	55	4,792	9,528	14,320	160	1989	10/4/2017
Civic Center	Cincinnati, OH	—	2,448	1,961	(19)	2,448	1,942	4,390	109	1986	10/4/2017
Countryside Shopping Center	Port Orange, FL	—	2,923	12,288	186	2,949	12,448	15,397	169	1983	10/4/2017
Crossroads Plaza	Asheboro, NC	—	1,722	2,718	69	1,760	2,749	4,509	63	1984	10/4/2017
Dunlop Village	Colonial Heights, VA	—	2,420	4,892	235	2,420	5,127	7,547	78	1987	10/4/2017
Edgecombe Square	Tarboro, NC	—	1,412	2,258	221	1,412	2,479	3,891	82	1990	10/4/2017
Emporia West Plaza	Emporia, KS	—	872	3,380	108	872	3,488	4,360	65	1980/2000	10/4/2017
Fairview Park Plaza	Centralia, IL	—	3,913	12,225	127	3,913	12,352	16,265	353	1969/1998	10/4/2017
Forest Park Square	Cincinnati, OH	—	4,007	5,789	105	4,007	5,894	9,901	121	1988	10/4/2017
Gateway Plaza	Sumter, SC	—	2,330	8,092	13	2,330	8,105	10,435	98	1989	10/4/2017
Geist Centre	Indianapolis, IN	—	3,873	6,760	27	3,873	6,787	10,660	99	1989	10/4/2017
Goshen Station	Goshen, OH	—	1,555	4,616	11	1,561	4,621	6,182	98	1973/2003	10/4/2017
Governors Square	Montgomery, AL	—	6,460	9,772	249	6,460	10,021	16,481	185	1960/2000	10/4/2017
Greenwood West Shopping Center	Greenwood, MS	—	1,224	5,674	105	1,223	5,780	7,003	125	1989	10/4/2017
Guadalupe Plaza	Albuquerque, NM	—	2,920	7,885	47	2,920	7,932	10,852	98	1985	10/4/2017
The Village Shopping Center	Mooresville, IN	—	2,363	8,145	678	2,363	8,823	11,186	133	1965/1997	10/4/2017
Heritage Oaks	Gridley, CA	5,190	2,390	7,404	13	2,390	7,417	9,807	144	1979	10/4/2017
Hickory Plaza	Nashville, TN	5,136	2,927	5,099	4	2,927	5,103	8,030	82	1974/1986	10/4/2017
Highland Fair	Gresham, OR	7,332	3,263	7,912	172	3,264	8,083	11,347	98	1984/1999	10/4/2017
High Point Village	Bellefontaine, OH	—	3,386	7,433	95	3,386	7,528	10,914	172	1988	10/4/2017
Jackson Village	Jackson, KY	—	1,606	6,952	243	1,612	7,189	8,801	149	1985/1996	10/4/2017
Mayfair Village	Hurst, TX	—	15,343	16,439	151	15,343	16,590	31,933	246	1981/2004	10/4/2017
LaPlata Plaza	La Plata, MD	—	8,434	22,838	50	8,456	22,866	31,322	261	2003	10/4/2017
Lafayette Square	Lafayette, IN	7,703	5,387	5,636	40	5,387	5,676	11,063	239	1963/2001	10/4/2017
Landen Square	Maineville, OH	—	2,081	3,462	80	2,081	3,542	5,623	78	1981/2003	10/4/2017
Marion City Square	Marion, NC	—	2,811	6,103	267	2,846	6,335	9,181	164	1987	10/4/2017
Melbourne Village Plaza	Melbourne, FL	—	5,418	7,218	551	5,508	7,679	13,187	191	1987	10/4/2017
Commerce Square	Brownwood, TX	—	6,027	8,267	218	6,027	8,485	14,512	161	1969/2007	10/4/2017
Upper Deerfield Plaza	Bridgeton, NJ	—	5,073	5,770	437	5,073	6,207	11,280	197	1977/1994	10/4/2017
Monfort Heights	Cincinnati, OH	—	2,357	3,545	9	2,357	3,554	5,911	59	1987	10/4/2017
Mountain Park Plaza	Roswell, GA	6,814	6,118	6,637	31	6,118	6,668	12,786	92	1988/2003	10/4/2017
Nordan Shopping Center	Danville, VA	—	1,911	6,691	125	1,911	6,816	8,727	111	1961/2002	10/4/2017
Northside Plaza	Clinton, NC	—	1,406	5,122	467	1,416	5,579	6,995	98	1982	10/4/2017

SCHEDULE III—REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION
As of December 31, 2017
(in thousands)

			Initial Cost(1)			Gross Amount Carried at End of Period(2)(3)					
Property Name	City, State	Encumbrances	Land and Improvements	Buildings and Improvements	Cost Capitalized Subsequent to Acquisition	Land and Improvements	Buildings and Improvements	Total	Accumulated Depreciation	Date Constructed/ Renovated	Date Acquired
Page Plaza	Page, AZ	—	2,553	4,277	139	2,559	4,410	6,969	100	1982/1990	10/4/2017
Palmetto Plaza	Sumter, SC	—	2,732	7,193	202	2,739	7,388	10,127	105	1964/2002	10/4/2017
Park Place Plaza	Port Orange, FL	—	2,347	8,303	183	2,370	8,463	10,833	125	1984	10/4/2017
Parkway Station	Warner Robins, GA	—	3,416	5,170	318	3,416	5,488	8,904	110	1982	10/4/2017
Parsons Village	Seffner, FL	5,048	3,465	10,747	128	3,471	10,869	14,340	158	1983/1994	10/4/2017
Portland Village	Portland, TN	—	1,408	5,214	44	1,408	5,258	6,666	83	1984	10/4/2017
Promenade Shopping Center	Jacksonville, FL	—	6,513	6,037	288	6,513	6,325	12,838	209	1990	10/4/2017
Quail Valley Shopping Center	Missouri City, TX	—	2,452	11,396	351	2,452	11,747	14,199	163	1983	10/4/2017
Hillside Salt Lake WAG	Hillside, UT	2,044	691	1,739	—	691	1,739	2,430	18	2006	10/4/2017
Rolling Hills Shopping Center	Tucson, AZ	8,941	5,398	11,762	66	5,398	11,828	17,226	166	1980/1997	10/4/2017
South Oaks Shopping Center	Live Oak, FL	3,418	1,742	5,093	22	1,742	5,115	6,857	140	1976/2000	10/4/2017
East Pointe Plaza	Columbia, SC	—	7,496	11,293	565	7,505	11,849	19,354	272	1990	10/4/2017
Southgate Center	Heath, OH	—	4,246	22,672	102	4,251	22,769	27,020	308	1960/1997	10/4/2017
Country Club Center	Rio Rancho, NM	—	3,000	5,430	139	3,000	5,569	8,569	93	1977	10/4/2017
Summerville Galleria	Summerville, SC	—	4,104	8,552	246	4,235	8,667	12,902	131	1989/2003	10/4/2017
The Oaks	Hudson, FL	—	3,876	6,668	71	3,931	6,684	10,615	154	1981	10/4/2017
Riverplace Centre	Noblesville, IN	—	3,890	3,661	490	3,890	4,151	8,041	103	1992	10/4/2017
Timberlake Station	Lynchburg, VA	—	2,427	1,979	20	2,426	2,000	4,426	62	1950/1996	10/4/2017
Town & Country Center	Hamilton, OH	2,200	2,268	4,372	16	2,279	4,377	6,656	79	1950	10/4/2017
Powell Villa	Portland, OR	—	3,364	7,016	398	3,364	7,414	10,778	75	1959/1991	10/4/2017
Towne Crossing Shopping Center	Mesquite, TX	—	5,358	15,389	341	5,358	15,730	21,088	212	1984	10/4/2017
Village at Waterford	Midlothian, VA	4,474	2,702	5,021	178	2,702	5,199	7,901	77	1991	10/4/2017
Buckingham Square	Richardson, TX	—	2,087	6,392	384	2,087	6,776	8,863	89	1978	10/4/2017
Western Square Shopping Center	Laurens, SC	—	1,013	3,302	102	1,013	3,404	4,417	103	1978/1991	10/4/2017
White Oaks Plaza	Spindale, NC	—	3,140	4,476	454	3,149	4,921	8,070	207	1988	10/4/2017
Windsor Center	Dallas, NC	—	2,488	5,186	—	2,488	5,186	7,674	106	1974/1996	10/4/2017
Winery Square	Fairfield, CA	—	4,288	13,975	408	4,347	14,324	18,671	182	1987	10/4/2017
12 West Marketplace	Litchfield, MN	—	835	3,538	—	835	3,538	4,373	95	1989	10/4/2017
Orchard Plaza	Altoona, PA	1,658	2,537	5,260	106	2,537	5,366	7,903	105	1987	10/4/2017
Willowbrook Commons	Nashville, TN	—	5,384	5,983	41	5,384	6,024	11,408	98	2005	10/4/2017
Edgewood Towne Center	Edgewood, PA	—	10,029	22,357	278	10,029	22,635	32,664	356	1990	10/4/2017
Everson Pointe	Snellville, GA	—	4,222	8,421	17	4,222	8,438	12,660	133	1999	10/4/2017

SCHEDULE III—REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION
As of December 31, 2017
(in thousands)

			Initial Cost(1)			Gross Amount Carried at End of Period(2)(3)					
Property Name	City, State	Encumbrances	Land and Improvements	Buildings and Improvements	Cost Capitalized Subsequent to Acquisition	Land and Improvements	Buildings and Improvements	Total	Accumulated Depreciation	Date Constructed/ Renovated	Date Acquired
Gleneagles Court	Memphis, TN	—	3,892	8,149	8	3,892	8,157	12,049	113	1988	10/4/2017
Village Square of Delafield	Delafield, WI	—	6,206	6,582	300	6,219	6,869	13,088	116	2007	10/4/2017
Jasper Manor	Jasper, IN	—	2,684	6,535	27	2,684	6,562	9,246	220	1990	10/4/2017
Eastland Shoppes	Evansville, IN	—	3,463	10,746	—	3,463	10,746	14,209	172	1990	10/4/2017
Pipestone Plaza	Benton Harbor, MI	—	1,894	10,765	—	1,894	10,765	12,659	187	1978	10/4/2017
Northlake(4)	Cincinnati, OH	8,668	2,327	11,776	130	2,367	11,866	14,233	132	1985	10/4/2017
Corporate adjustments(5)	Various	—	—	—	(389)	(164)	(225)	(389)	—		
Totals		$ 245,310	$ 1,094,468	$ 2,176,711	$ 113,792	$ 1,121,590	$ 2,263,381	$ 3,384,971	$ 314,080		

(1) The initial cost to us represents the original purchase price of the property, including amounts incurred subsequent to acquisition which were contemplated at the time the property was acquired.

(2) The aggregate cost of real estate owned at December 31, 2017.

(3) The aggregate cost of properties for Federal income tax purposes is approximately $3.4 billion at December 31, 2017.

(4) Amounts consist of corporate building and land.

(5) Amounts consist of elimination of intercompany construction management fees charged by the Investment Management segment to the Owned Real Estate segment properties.

Reconciliation of real estate owned:

	2017	2016
Balance at January 1	$ 2,329,080	$ 2,116,480
Additions during the year:		
Real estate acquisitions	1,021,204	219,053
Net additions to/improvements of real estate	40,192	26,369
Deductions during the year:		
Real estate dispositions	(5,505)	(32,822)
Balance at December 31	$ 3,384,971	$ 2,329,080

Reconciliation of accumulated depreciation:

	2017	2016
Balance at January 1	$ 222,557	$ 152,433
Additions during the year:		
Depreciation expense	92,156	73,703
Deductions during the year:		
Accumulated depreciation of real estate dispositions	(633)	(3,579)
Balance at December 31	$ 314,080	$ 222,557

* * * * *

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized this 29th day of March 2018.

PHILLIPS EDISON & COMPANY, INC.

By: /s/ JEFFREY S. EDISON

Jeffrey S. Edison

Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JEFFREY S. EDISON **Jeffrey S. Edison**	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 29, 2018
/s/ DEVIN I. MURPHY **Devin I. Murphy**	Chief Financial Officer (Principal Financial Officer)	March 29, 2018
/s/ JENNIFER L. ROBISON **Jennifer L. Robison**	Chief Accounting Officer (Principal Accounting Officer)	March 29, 2018
/s/ LESLIE T. CHAO **Leslie T. Chao**	Director	March 29, 2018
/s/ PAUL J. MASSEY, JR. **Paul J. Massey, Jr.**	Director	March 29, 2018
/s/ STEPHEN R. QUAZZO **Stephen R. Quazzo**	Director	March 29, 2018
/s/ GREGORY S. WOOD **Gregory S. Wood**	Director	March 29, 2018

Exhibit 4.4

FOURTH AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP

OF

PHILLIPS EDISON GROCERY CENTER OPERATING PARTNERSHIP I, L.P.

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS IN THE OPINION OF COUNSEL SATISFACTORY TO THE PARTNERSHIP THE PROPOSED SALE, TRANSFER OR OTHER DISPOSITION MAY BE EFFECTED WITHOUT REGISTRATION UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS.

Dated as of March [ ], 2018

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FOURTH AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP

OF

PHILLIPS EDISON GROCERY CENTER OPERATING PARTNERSHIP I, L.P.

THIS FOURTH AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF PHILLIPS EDISON GROCERY CENTER OPERATING PARTNERSHIP, L.P. (this "Agreement") dated as of March [ ], 2018, is entered into among PHILLIPS EDISON GROCERY CENTER OP GP I, LLC, a Delaware limited liability company, as general partner (the "General Partner"), PHILLIPS EDISON & COMPANY, INC. (f/k/a PHILLIPS EDISON GROCERY CENTER REIT I, INC.), a Maryland corporation, as Limited Partner (the "Initial Limited Partner) and the Limited Partners party hereto from time to time.

RECITALS

WHEREAS, the General Partner and the Initial Limited Partner formed the Partnership as a limited partnership on December 3, 2009 pursuant to the Revised Uniform Limited Partnership Act of the State of Delaware and filed a certificate of limited partnership with the Secretary of State of the State of Delaware (the "Certificate").

WHEREAS, the General Partner and the Initial Limited Partner entered into the Agreement of Limited Partnership of the Partnership, dated as of December 3, 2009, including any amendments thereto through the date hereof (the "Original Agreement").

WHEREAS, the General Partner, the Initial Limited Partner and certain other Limited Partners entered into the Amended and Restated Agreement of Limited Partnership of the Partnership, dated as of February 4, 2013 (the "First Amended Agreement").

WHEREAS, the First Amended Agreement was amended and restated in its entirety when the General Partner, the Initial Limited Partner and certain other Limited Partners entered into the Second Amended and Restated Agreement of Limited Partnership of the Partnership, dated as of December 1, 2014, which was amended by that certain First Amendment to Second Amended and Restated Agreement of Limited Partnership (as so amended, the "Second Amended Agreement").

WHEREAS, the Second Amended Agreement was amended and restated in its entirety when the General Partner, the Initial Limited Partner and certain other Limited Partners entered into the Third Amended and Restated Agreement of Limited Partnership of the Partnership, dated as of October 4, 2017 (as so amended, the "Third Amended Agreement").

WHEREAS, pursuant to Sections 7.1(a)(iii)(V) and 14.1(a) of the Third Amended Agreement, such agreement may be amended by the General Partner without the consent of the Limited Partners to reflect the issuance of additional Partnership Interests pursuant to Sections 4.3, 5.4 and 6.2 thereof and to set forth the designations, rights, powers, duties and preferences of the holders of any additional Partnership Interests issued pursuant to Section 4.3 therein.

WHEREAS, the General Partner, the Initial Limited Partner and certain other Limited Partners signatory hereto wish to amend and restate the Third Amended Agreement as set forth herein.

NOW THEREFORE, in consideration of the mutual covenants herein contained, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties do hereby agree that the Third Amended Agreement hereby is amended and restated in its entirety to read as follows:

Article 1

DEFINED TERMS

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

"*Act*" means the Delaware Revised Uniform Limited Partnership Act, as amended from time to time, and any successor to such statute.

"*Action*" has the meaning set forth in Section 7.6(a)(i).

"*Additional Limited Partner*" means a Person that has executed and delivered an additional limited partner signature page in the form attached hereto, has been admitted to the Partnership as a Limited Partner pursuant to Section 4.3 hereof and that is shown as such on the books and records of the Partnership.

"*Adjusted Capital Account Deficit*" means with respect to any Partner, the negative balance, if any, in such Partner's Capital Account as of the end of any relevant Partnership Year or other applicable period, determined after giving effect to the following adjustments:

(a) credit to such Capital Account any portion of such negative balance which such Partner (i) is treated as obligated to restore to the Partnership pursuant to the provisions of Section 1.704-1(b)(2)(ii)(c) of the Regulations, or (ii) is deemed to be obligated to restore to the Partnership pursuant to the penultimate sentences of Sections 1.704-2(g)(1) and 1.704-2(i)(5) of the Regulations; and

(b) debit to such Capital Account the items described in Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6) of the Regulations.

"*Adjustment Event*" has the meaning set forth in Section 16.1.

"*Affected Gain*" has the meaning set forth in subparagraph 4(b) of Exhibit A.

"*Affiliate*" means,

(a) with respect to any individual Person, any member of the Immediate Family of such Person or a trust established for the benefit of such member, or

(b) with respect to any Entity, any Person which, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, any such Entity. For purposes of this definition, "control", when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreement*" means this Third Amended and Restated Agreement of Limited Partnership, as originally executed and as amended, supplemented or restated from time to time, as the context requires.

"*Applicable Percentage*" has the meaning set forth in Section 15.1(b).

"*Articles of Incorporation*" means the Initial Limited Partner's Fourth Articles of Amendment and Restatement, filed with the Maryland State Department of Assessments and Taxation, or other organizational document governing the Initial Limited Partner, as amended, supplemented or restated from time to time.

"*Assignee*" means a Person to whom one or more Partnership Units have been transferred in a manner permitted under this Agreement, but who has not become a Substituted Limited Partner, and who has the rights set forth in Section 11.5.

"*Available Cash*" means, with respect to the applicable period of measurement (i.e., any period (other than the first period in which this calculation of Available Cash is being made) beginning on the first day of the fiscal year, quarter or other period commencing immediately after the last day of the fiscal year, quarter or other applicable period for purposes of the prior calculation of Available Cash for or with respect to which a distribution has been made, and ending on the last day of the fiscal year, quarter or other applicable period immediately preceding the date of the calculation), the excess, if any, as of such date, of

(a) the gross cash receipts of the Partnership for such period from all sources whatsoever, including the following:

(i) all rents, revenues, income and proceeds derived by the Partnership from its operations, including distributions received by the Partnership from any Entity in which the Partnership has an interest;

(ii) all proceeds and revenues received by the Partnership on account of any sales of any Partnership property or as a refinancing of or payment of principal, interest, costs, fees, penalties or otherwise on account of any borrowings or loans made by the Partnership or financings or refinancings of any property of the Partnership;

(iii) the amount of any insurance proceeds and condemnation awards received by the Partnership;

(iv) all capital contributions and loans received by the Partnership from its Partners;

(v) all cash amounts previously reserved by the Partnership, to the extent such amounts are no longer needed for the specific purposes for which such amounts were reserved; and

(vi) the proceeds of liquidation of the Partnership's property in accordance with this Agreement;

over

(b) the sum of the following:

(i) all operating costs and expenses, including taxes and other expenses of the properties directly and indirectly held by the Partnership and capital expenditures made during such period (without deduction, however, for any capital expenditures, charges for Depreciation or other expenses not paid in cash or expenditures from reserves described in clause (viii) below);

(ii) all costs and expenses expended or paid during such period in connection with the sale or other disposition, or financing or refinancing, of the property directly or indirectly held by the Partnership or the recovery of insurance or condemnation proceeds;

(iii) all fees provided for under this Agreement;

(iv) all debt service, including principal and interest, paid during such period on all indebtedness (including under any line of credit) of the Partnership;

(v) all capital contributions, advances, reimbursements, loans or similar payments made to any Person in which the Partnership has an interest;

(vi) all loans made by the Partnership in accordance with the terms of this Agreement;

(vii) all reimbursements to the General Partner or its Affiliates during such period; and

(viii) the amount of any new reserve or reserves or increase in reserves established during such period which the General Partner determines is necessary or appropriate in its sole and absolute discretion.

Notwithstanding the foregoing, Available Cash shall not include any cash received or reductions in reserves, or take into account any disbursements made or reserves established, after commencement of the dissolution and liquidation of the Partnership.

"*BBA Rules*" means Subchapter C of Chapter 63 of the Code (Sections 6221 *et seq*.), as enacted by the Bipartisan Budget Act of 2015, and any Regulations or other guidance issued thereunder, and any similar state or local legislation, regulations or guidance.

"*Board of Directors*" means, with respect to any Person, (i) in the case of any corporation, the board of directors (or a duly authorized committee thereof) of such Person, (ii) in the case of any limited liability company, the managing member or members or any controlling committee of managing members thereof or board of directors (or a duly authorized committee thereof) of such Person, as the case may be, (iii) in the case of any partnership, the board of directors (or a duly authorized committee thereof) of the general partner of such Person and (iv) in any other case, the functional equivalent of the foregoing.

"*Business Combination*" has the meaning set forth in Section 7.1(a)(iii)(D).

"*Business Day*" means any day except a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close.

"*Capital Account*" means with respect to any Partner, the capital account maintained for such Partner in accordance with the following provisions:

(a) to each Partner's Capital Account there shall be credited;

(i) such Partner's Capital Contributions;

(ii) such Partner's distributive share of Net Income, Net Property Gain, Liquidating Gain and any items in the nature of income or gain which are specially allocated to such Partner pursuant to paragraphs 1 and 2 of Exhibit A; and

(iii) the amount of any Partnership liabilities assumed by such Partner or which are secured by any asset distributed to such Partner;

(b) to each Partner's Capital Account there shall be debited;

(i) the amount of cash and the Gross Asset Value of any property distributed to such Partner pursuant to any provision of this Agreement;

(ii) such Partner's distributive share of Net Losses, Net Property Loss and any items in the nature of expenses or losses which are specially allocated to such Partner pursuant to paragraphs 1 and 2 of Exhibit A; and

(iii) the amount of any liabilities of such Partner assumed by the Partnership or which are secured by any asset contributed by such Partner to the Partnership (except to the extent such liabilities were excluded in determining such Partner's Capital Contributions);

(c) if all or a portion of a Partnership Interest is transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred Partnership Interest; and

(d) in determining the amount of any liability for purposes of paragraphs (a) and (b) hereof, there shall be taken into account Code Section 752(c) and any other applicable provisions of the Code and the Regulations.

The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Sections 1.704-1(b) and 1.704-2 of the Regulations, and shall be interpreted and applied in a manner consistent with such Regulations. If the General Partner shall reasonably determine that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto (including debits or credits relating to liabilities which are secured by contributed or distributed assets or which are assumed by the Partnership, the General Partner or any Limited Partner) are computed in order to comply with such Regulations, the General Partner may make such modification; *provided*, that, all allocations of Partnership income, gain, loss and deduction continue to have

"substantial economic effect" within the meaning of Section 704(b) of the Code and that no Limited Partner is materially adversely affected by any such modification.

"*Capital Contribution*" means, with respect to any Partner, any cash, cash equivalents or the Gross Asset Value of property (net of any liabilities secured by contributed property that the Partnership is considered to assume or take subject to under Section 752 of the Code) which such Partner contributes or is deemed to contribute to the Partnership pursuant to Article 4 hereof.

"*Capital Transaction*" means any sale, or other disposition of all or substantially all of the assets and properties of the Partnership or a related series of transactions that, taken together, result in the sale or other disposition of all or substantially all of the assets and properties of the Partnership.

"*Cash Amount*" means an amount of cash equal to the product of (i) the Value of a share of Common Stock and (ii) the Common Stock Amount determined as of the applicable Valuation Date.

"*Certificate*" has the meaning set forth in the Recitals.

"*Change of Control*" means:

(a) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) (x) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that for purposes of this clause (a) such person or group shall be deemed to have "beneficial ownership" of all shares that any such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, in a single transaction or series of related transactions, by way of purchase, exchange, merger, consolidation, recapitalization, reorganization, reclassification, business combination or other similar transaction of more than 50% of the total voting power of the Voting Stock of (1) the Initial Limited Partner or (2) any of the Initial Limited Partner's direct or indirect parent entities (or its or their successors by merger, consolidation or purchase of all or substantially all of its or their assets); or (y) becomes entitled, either alone or together with its Affiliates or group members, to nominate, designate or elect a majority of the Board of Directors; or

(b) the stockholders of the Initial Limited Partner (or its successors by merger, consolidation, reorganization, business combination or other similar transaction) adopt a plan or proposal for liquidation or dissolution of the Initial Limited Partner or the Partnership.

"*Charity*" means an entity described in Section 501(c)(3) of the Code or any trust all the beneficiaries of which are such entities.

"*Class B Unit*" means a Partnership Unit which is designated as a Class B Unit of the Partnership.

"*Class B Unit Agreement*" means any written agreement(s) between the Partnership and any recipient of Class B Units evidencing the terms and conditions of any Class B Units, including any vesting, forfeiture and other terms and conditions as may apply to such Class B Units, consistent with the terms hereof and of any applicable equity incentive plan of the Partnership governing such Class B Units.

"*Class B Unit Conversion Date*" has the meaning set forth in Section 16.4(a) hereof.

"*Class C Unit*" means a Partnership Unit which is designated as a Class C Unit of the Partnership.

"*Class C Unit Agreement*" means any written agreement(s) between the Partnership and any recipient of Class C Units evidencing the terms and conditions of any Class C Units, including any vesting, forfeiture and other terms and conditions as may apply to such Class C Units, consistent with the terms hereof and of any applicable equity incentive plan of the Partnership governing such Class C Units.

"*Class C Unit Conversion Date*" has the meaning set forth in Section 17.4(a) hereof.

"*Class C Unit Sharing Percentage*" means ten percent (10%).

"*Code*" means the Internal Revenue Code of 1986, as amended and in effect from time to time, as interpreted by the applicable regulations thereunder. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of future law.

"*Common Stock*" means the common stock of the Initial Limited Partner, $0.01 par value per share. Common Stock may be issued in one or more classes or series in accordance with the terms of the Articles of Incorporation. If, at any time, there is more than one class or series of Common Stock, the term "Common Stock" shall, as the context requires, be deemed to refer to the class or series of Common Stock that correspond to the class or series of Partnership Interests for which the reference to Common Stock is made.

"*Common Stock Amount*" means a number of shares of Common Stock equal to the product of (a) the number of Tendered Units and (b) the Exchange Factor; *provided*, *however*, that, in the event that the Initial Limited Partner issues to all holders of Common Stock as of a certain record date rights, options, warrants or convertible or exchangeable securities entitling the Initial Limited Partner's stockholders to subscribe for or purchase Common Stock, or any other securities or property (collectively, the "Rights"), with the record date for such Rights issuance falling within the period starting on the date of the Notice of Redemption and ending on the day immediately preceding the Specified Redemption Date, which Rights will not be distributed before the relevant Specified Redemption Date, then the Common Stock Amount shall also include such Rights that a holder of that number of shares of Common Stock would be entitled to receive, expressed, where relevant hereunder, in a number of shares of Common Stock determined by the General Partner.

"*Consent*" means the consent or approval of a proposed action by a Partner given in accordance with Section 14.2 hereof.

"*Consent of the Limited Partners*" means the Consent of Limited Partners (excluding for this purpose any Partnership Interests held by the General Partner, any other Person of which the General Partner owns or controls more than fifty percent (50%) of the voting interests and any Person directly or indirectly owning or controlling more than fifty percent (50%) of the outstanding voting interests of the General Partner) holding Percentage Interests that are greater than sixty six and two-thirds percent (66 2/3%) of the aggregate Percentage Interests of all Limited Partners who are not excluded for the purposes hereof.

"*Constituent Person*" has the meaning set forth in Section 16.4(d) hereof.

"*Contributed Property*" means each property, partnership interest, contract right or other asset, in such form as may be permitted by the Act, contributed or deemed contributed to the Partnership by any Partner.

"*Controlled Entity*" means as to any Partner, (a) any corporation one hundred percent (100%) of the outstanding Voting Stock of which is owned by such Partner or such Partner's members of its Immediate Family or Affiliates, (b) any trust, whether or not revocable, of which such Partner or such Partner's members of its Immediate Family or Affiliates are the sole beneficiaries, (c) any partnership of which such Partner or its Affiliates are the sole managing partners and in which such Partner, such Partner's members of its Immediate Family or Affiliates hold partnership interests representing at least seventy-five percent (75%) of such partnership's capital and profits and (d) any limited liability company of which such Partner or its Affiliates are the managers and in which such Partner, such Partner's members of its Immediate Family or Affiliates hold membership interests representing at least seventy-five percent (75%) of such limited liability company's capital and profits.

"*Cut-Off Date*" means the third (3rd) Business Day after the General Partner's receipt of a Notice of Redemption.

"*Debt*" means, as to any Person, as of any date of determination and without duplication, (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services; (b) all amounts owed by such Person to banks or other Persons in respect of reimbursement obligations under letters of credit, surety bonds and other similar instruments guaranteeing payment or other performance of obligations by such Person; (c) all indebtedness for borrowed money or for the deferred purchase price of property or services secured by any lien on any property owned by such Person, to the extent attributable to such Person's interest in such property, even though such Person has not assumed or become liable for the payment thereof; and (d) obligations of such Person incurred in connection with entering into a lease which, in accordance with generally accepted accounting principles, should be capitalized.

"*Depreciation*" means, with respect to any asset of the Partnership for any Partnership Year or other applicable period, the depreciation, depletion, amortization or other cost recovery deduction, as the case may be, allowed or allowable for federal income tax purposes in respect of such asset for such year or other period; *provided*, *however*, that except as otherwise provided in Section 1.704-2 of the Regulations, if there is a difference between the Gross Asset Value (including the Gross Asset Value, as increased pursuant to paragraph (d) of the definition of Gross Asset Value) and the adjusted tax basis of such asset at the beginning of such year or other period, Depreciation for such asset shall be an amount that bears the same ratio to the beginning Gross Asset Value of such asset as the federal income tax depreciation, depletion, amortization or other cost recovery deduction for such year or other period bears to the beginning adjusted tax basis of such asset; *provided further, however*, that if the federal income tax depreciation, depletion, amortization or other cost recovery deduction for such asset for such year or other period is zero, Depreciation of such asset shall be determined with reference to the beginning Gross Asset Value of such asset using any reasonable method selected by the General Partner.

"*Disregarded Entity*" means, with respect to any Person, (i) any Qualified REIT Subsidiary of such Person, (ii) any entity treated as a disregarded entity for federal income tax purposes with respect to such Person, or (iii) any grantor trust if the sole owner of the assets of such trust for federal income tax purposes is such Person.

"*Distributed Right*" shall have the meaning set forth in the definition of "Exchange Factor".

"*Distribution Date*" has the meaning set forth in Section 5.1(a).

"*Earned Class C Units*" has the meaning set forth in Section 17.2(e).

"Economic Capital Account Balance" has the meaning set forth in subparagraph 1(c)(ii) of Exhibit A.

"*Entity*" means any general partnership, limited partnership, corporation, joint venture, trust, business trust, real estate investment trust, limited liability company, limited liability partnership, cooperative or association.

"*Equity Interests*" of any Person means (1) any and all shares or other equity interests (including common stock, preferred stock, limited liability company interests and partnership interests) in such Person and (2) all rights to purchase, warrants or options (whether or not currently exercisable), participations or other equivalents of or interests in (however designated) such shares or other interests in such Person but excluding any debt securities convertible or exchangeable into such equity.

"*ERISA*" means the Employee Retirement Income Security Act of 1974, as amended from time to time (or any corresponding provisions of succeeding laws).

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Exchange Factor*" means 1.0; *provided, however*, that if the Initial Limited Partner:

(i) (a) declares or pays a dividend on its outstanding Common Stock in Common Stock or makes a distribution to all holders of its outstanding Common Stock in Common Stock; (b) subdivides its outstanding Common Stock; or (c) combines its outstanding Common Stock into a smaller number of shares of Common Stock, the Exchange Factor shall be adjusted by multiplying the Exchange Factor previously in effect by a fraction, the numerator of which shall be the number of shares of Common Stock issued and outstanding on the record date for such dividend, contribution, subdivision or combination (assuming for such purpose that such dividend, distribution, subdivision or combination has occurred as of such time), and the denominator of which shall be the actual number of shares of Common Stock (determined without the above assumption) issued and outstanding on the record date for such dividend, distribution, subdivision or combination;

(ii) distributes any rights, options or warrants to all holders of its Common Stock to subscribe for or to purchase or to otherwise acquire shares of Common Stock, or other securities or rights convertible into, exchangeable for or exercisable for shares of Common Stock (other than shares of Common Stock issuable pursuant to a Qualified DRIP / COPP), at a price per share less than the Value of a share of Common Stock on the record date for such distribution (each a "Distributed Right"), then, as of the distribution date of such Distributed Rights or, if later, the time such Distributed Rights become exercisable, the Exchange Factor shall be adjusted by multiplying the Exchange Factor previously in effect by a fraction (a) the numerator of which shall be the number of shares of Common Stock issued and outstanding on the record date (or, if later, the date such Distributed Rights become exercisable) plus the maximum number of shares of Common Stock purchasable under such Distributed Rights and (b) the denominator of which shall be the number of shares of Common Stock issued and outstanding on the record date (or, if later, the date such Distributed Rights become exercisable) plus a fraction (1) the numerator of which is the maximum number of shares of Common Stock purchasable under such Distributed Rights times the minimum purchase price per share of Common Stock under such Distributed Rights and (2) the denominator of which is the Value of a share of Common Stock as of the record date (or, if later, the date such Distributed Rights become exercisable); *provided*, *however*, that, if any such Distributed Rights expire or become no longer exercisable, then the Exchange Factor shall be adjusted, effective retroactive to the date of distribution of the Distributed Rights, to reflect a reduced maximum number of shares of Common Stock or any change in the minimum purchase price for the purposes of the above fraction; and

(iii) distributes, by dividend or otherwise, to all holders of its Common Stock evidences of its indebtedness or assets (including securities, but excluding any dividend or distribution referred to in subsection (i) or (ii) above), which evidences of indebtedness or assets relate to assets not received by the Initial Limited Partner pursuant to a pro rata distribution by the Partnership, then the Exchange Factor shall be adjusted to equal the amount determined by multiplying the Exchange Factor in effect immediately prior to the close of business as of the applicable record date by a fraction (a) the numerator of which shall be such Value of a share of Common Stock as of the record date and (b) the denominator of which shall be the Value of a share of Common Stock as of the record date less the then fair market value (as determined by the General Partner, whose determination shall be conclusive except in case of manifest error) of the portion of the evidences of indebtedness or assets so distributed applicable to one share of Common Stock.

Notwithstanding the foregoing, no adjustments to the Exchange Factor will be made for any class or series of Partnership Interests to the extent that the Partnership makes or effects any correlative distribution or payment to all of the Partners holding Partnership Interests of such class or series, or effects any correlative split or reverse split in respect of the Partnership Interests of such class or series. Any adjustments to the Exchange Factor shall become effective immediately after such event, retroactive to the record date, if any, for such event. For illustrative purposes, examples of adjustments to the Exchange Factor are set forth on Exhibit C attached hereto

"*First Amended Agreement*" has the meaning set forth in the Recitals.

"*Funding Debt*" means any Debt incurred by or on behalf of the Initial Limited Partner for the purpose of providing funds to the Partnership.

"*General Partner*" means Phillips Edison Grocery Center OP GP I, LLC, a Delaware limited liability company, and any successor as general partner of the Partnership.

"*General Partner Interest*" means a Partnership Interest held by the General Partner, in its capacity as general partner. A General Partner Interest may be expressed as a number of GP Units.

"*GP Unit*" means a Partnership Unit which is designated as a GP Unit of the Partnership.

"*Gross Asset Value*" means, with respect to any asset of the Partnership, such asset's adjusted basis for federal income tax purposes, except as follows:

(a) the initial Gross Asset Value of any asset contributed by a Partner to the Partnership shall be the gross fair market value of such asset, without reduction for liabilities, as determined by the contributing Partner and the Partnership on the date of contribution thereof;

(b) if the General Partner determines that an adjustment is necessary or appropriate to reflect the relative economic interests of the Partners, the Gross Asset Values of all Partnership assets shall be adjusted in accordance with Sections 1.704-1(b)(2)(iv)(f) and (g) of the Regulations to equal their respective gross fair market values, without reduction for liabilities, as reasonably determined by the General Partner, as of the following times:

(i) a Capital Contribution (other than a *de minimis* Capital Contribution) to the Partnership by a new or existing Partner as consideration for a Partnership Interest;

(ii) the distribution by the Partnership to a Partner of more than a *de minimis* amount of Partnership assets as consideration for the repurchase or redemption of a Partnership Interest;

(iii) the liquidation of the Partnership within the meaning of Section 1.704-1(b)(2)(ii)(g) of the Regulations;

(iv) the grant of an interest in the Partnership (other than a *de minimis* interest) as consideration for the provision of services to or for the benefit of the Partnership by an existing Partner acting in a partner capacity, or by a new Partner acting in a partner capacity or in anticipation of becoming a Partner (including the grant of a Class B Unit or Class C Unit); and

(v) at such other times as the General Partner shall reasonably determine necessary or advisable in order to comply with Sections 1.704-1(b) and 1.704-2 of the Regulations;

(c) the Gross Asset Values of Partnership assets distributed to any Partner shall be the gross fair market values of such assets (taking Section 7701(g) of the Code into account) without reduction for liabilities, as determined by the General Partner as of the date of distribution;

(d) the Gross Asset Values of Partnership assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Sections 734(b) or 743(b) of the Code, but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Section 1.704-1(b)(2)(iv)(m) of the Regulations (as set forth in Exhibit A); *provided*, *however*, that Gross Asset Values shall not be adjusted pursuant to this paragraph (d) to the extent that the General Partner determines that an adjustment pursuant to paragraph (b) above is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this paragraph (d);

(e) at all times, Gross Asset Values shall be adjusted by any Depreciation taken into account with respect to the Partnership's assets for purposes of computing Net Income and Net Loss; and

(f) if any Unvested Class B Units are forfeited, as described in Section 16.2(f), or any Unvested Class C Units are forfeited, as described in Section 17.2(f), then in each case, upon such forfeiture, the Gross Asset Value of the Partnership's assets shall be reduced by the amount of any reduction of such Partner's Capital Account attributable to the forfeiture of such Class B Units or Class C Units, as applicable, if the General Partner determines that such adjustment is necessary or appropriate.

"*Immediate Family*" means as to a Person that is an individual, any of such Person's family relationship by blood, marriage or adoption, not more remote than first cousin and inter vivos or testamentary trusts of which only such Person and his Immediate Family are beneficiaries.

"*Incapacity*" or "*Incapacitated*" means,

(a) as to any individual who is a Partner, death, total physical disability or entry by a court of competent jurisdiction adjudicating him incompetent to manage his person or his estate;

(b) as to any corporation which is a Partner, the filing of a certificate of dissolution, or its equivalent, for the corporation or the revocation of its charter;

(c) as to any partnership which is a Partner, the dissolution and commencement of winding up of the partnership;

(d) as to any limited liability company which is a Partner, the dissolution and commencement of winding up of the limited liability company;

(e) as to any estate which is a Partner, the distribution by the fiduciary of the estate's entire interest in the Partnership;

(f) as to any trustee of a trust which is a Partner, the termination of the trust (but not the substitution of a new trustee); or

(g) as to any Partner, the bankruptcy of such Partner, which shall be deemed to have occurred when:

(i) the Partner commences a voluntary proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect;

(ii) the Partner is adjudged as bankrupt or insolvent, or a final and nonappealable order for relief under any bankruptcy, insolvency or similar law now or hereafter in effect has been entered against the Partner;

(iii) the Partner executes and delivers a general assignment for the benefit of the Partner's creditors;

(iv) the Partner files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Partner in any proceeding of the nature described in clause (ii) above;

(v) the Partner seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator for the Partner or for all or any substantial part of the Partner's properties;

(vi) any proceeding seeking liquidation, reorganization or other relief of or against such Partner under any bankruptcy, insolvency or other similar law now or hereafter in effect has not been dismissed within one hundred twenty (120) days after the commencement thereof;

(vii) the appointment without the Partner's consent or acquiescence of a trustee, receiver or liquidator has not been vacated or stayed within ninety (90) days of such appointment; or

(viii) an appointment referred to in clause (vii) which has been stayed is not vacated within ninety (90) days after the expiration of any such stay.

"*Include*", "*includes*" and "*including*" shall be construed as if followed by the phrase "without limitation".

"*Indemnitee*" means

(a) any Person made a party to a proceeding by reason of:

(i) its status as the General Partner,

(ii) its status as a Limited Partner,

(iii) its status as an investment advisor to the General Partner or the Initial Limited Partner,

(iv) its status as a trustee, director or officer of the Partnership, the General Partner, the Initial Limited Partner, or the investment advisor to the Initial Limited Partner,

(v) its status as a director, trustee, member, officer , investment advisor or agent of any other Entity, each Person serving in such capacity at the request of the Partnership, the General Partner, the Initial Limited Partner or any of its Subsidiaries,

(vi) its status as the Tax Matters Partner or the Partnership Representative, or

(vii) his or its liabilities, pursuant to a loan guarantee or otherwise, for any indebtedness of the Partnership or any Subsidiary of the Partnership (including any indebtedness which the Partnership or any Subsidiary of the Partnership has assumed or taken assets subject to); and

(b) such other Persons (including Affiliates of the General Partner, a Limited Partner or the Partnership) as the General Partner may designate from time to time (whether before or after the event giving rise to potential liability), in its sole and absolute discretion.

"*Initial Holding Period*" means, as to any Qualifying Party or any of their successors in interest, a period ending on the day before the first twelve-month anniversary of such Qualifying Party's first becoming a holder of Limited Partnership Interests; *provided, however*, that the General Partner may, in its sole and absolute discretion, by written agreement with a Qualifying Party, shorten or lengthen the Initial Holding Period applicable to such Qualifying Party and its successors-in-interest to a period of shorter or longer than twelve months. For sake of clarity, as applied to an OP Unit that is issued upon conversion of a Class B Unit or a Class C Unit pursuant to Section 16.4 or Section 17.4, respectively (and subject to the proviso in the immediately preceding sentence, if applicable), the Initial Holding Period of such OP Unit shall end on the day before the first twelve-month anniversary of the date that the underlying Class B Unit or Class C Unit was first issued.

"*Initial Limited Partner*" means Phillips Edison & Company, Inc. (f/k/a Phillips Edison Grocery Center REIT I, Inc).

"*Investment*" or "*Investments*" means any investment or investments by the Partnership, directly or indirectly, in Properties, Loans or other Permitted Investments.

"*IRS*" means the Internal Revenue Service of the United States (or any successor organization).

"*Liability Shortfall*" has the meaning set forth in subparagraph 4(d) of Exhibit A.

"*Lien*" means any lien, security interest, mortgage, deed of trust, charge, claim, encumbrance, pledge, option, right of first offer or first refusal and any other right or interest of others of any kind or nature, actual or contingent, or other similar encumbrance of any nature whatsoever.

"*Limited Partner*" means any Person named as a Limited Partner in the Register, as may be updated from time to time, upon the execution and delivery by such Person of an additional limited partner signature page, or any Substituted Limited Partner or Additional Limited Partner, in such Person's capacity as a Limited Partner of the Partnership.

"*Limited Partner Interest*" means a Partnership Interest of a Limited Partner in the Partnership representing a fractional part of the Partnership Interests of all Partners and includes any and all benefits to which the holder of such a Partnership Interest may be entitled, as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. A Limited Partner Interest may be expressed as a number of Partnership Units (other than GP Units).

"*Liquidating Event*" has the meaning set forth in Section 13.1(b) hereof.

"*Liquidating Gain*" means net capital gain realized in connection with an actual or hypothetical Capital Transaction, including the amount of any adjustment of the Gross Asset Value of any Real Estate Asset which requires that the Capital Accounts of the Partners be adjusted pursuant to Sections 1.704-1(b)(2)(iv)(e), (f) and (g) of the Regulations.

"*Liquidator*" has the meaning set forth in Section 13.2(a)(iii) hereof.

"*Listing*" means the listing of the shares of Common Stock on a national securities exchange.

"*Listing Date*" means the first date on which a Listing occurs.

"*Loans*" means mortgage loans and other types of debt financing investments made by the Partnership, either directly or indirectly, including through ownership interests in a joint venture or other entity and including mezzanine loans, B-notes, bridge loans, convertible mortgages, wraparound mortgage loans, construction mortgage loans, loans on leasehold interests, and participations in such loans.

"*Net Income*" or "*Net Loss*" means, for each Partnership Year or other applicable period, an amount equal to the Partnership's taxable income or loss for such year or period as determined for federal income tax purposes by the General Partner, determined in accordance with Section 703(a) of the Code (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Section 703(a) of the Code shall be included in taxable income or loss), adjusted as follows:

(a) by including as an item of gross income any tax-exempt income received by the Partnership and not otherwise taken into account in computing Net Income or Net Loss;

(b) by treating as a deductible expense any expenditure of the Partnership described in Section 705(a)(2)(B) of the Code (or which is treated as a Section 705(a)(2)(B) expenditure pursuant to Section 1.704-1(b)(2)(iv)(i) of the Regulations) and not otherwise taken into account in computing Net Income or Net Loss, including amounts paid or incurred to organize the Partnership (unless an election is made pursuant to Section 709(b) of the Code) or to promote the sale of interests in the Partnership and by treating deductions for any losses incurred in connection with the sale or exchange of Partnership property disallowed pursuant to Section 267(a)(1) or 707(b) of the Code as expenditures described in Section 705(a)(2)(B) of the Code;

(c) by taking into account Depreciation in lieu of depreciation, depletion, amortization and other cost recovery deductions taken into account in computing taxable income or loss;

(d) by computing gain or loss resulting from any disposition of Partnership property with respect to which gain or loss is recognized for federal income tax purposes by reference to the Gross Asset Value of such property rather than its adjusted tax basis;

(e) if an adjustment of the Gross Asset Value of any Partnership asset which requires that the Capital Accounts of the Partners be adjusted pursuant to Sections 1.704-1(b)(2)(iv)(e), (f) and (g) of the Regulations, by taking into account the amount of such adjustment as if such adjustment represented additional Net Income or Net Loss pursuant to Exhibit A;

(f) To the extent that an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(b) of the Code is required pursuant to Section 1.704-1(b)(2)(iv)(m) of the Regulations to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Partner's interest in the Partnership, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset) from the disposition of the asset and shall be taken into account for purposes of computing Net Income or Net Loss;

(g) by excluding Net Property Gain, Net Property Loss and Liquidating Gain; and

(h) by not taking into account in computing Net Income or Net Loss items separately allocated to the Partners pursuant to paragraphs 1(c), 2 and 3 of Exhibit A.

"*Net Property Gain*" or "*Net Property Loss*" means, for each Partnership Year or other applicable period, an amount equal to the Partnership's taxable gain or loss for such year or period from Sales in a Capital Transaction, including the amount of any adjustment of the Gross Asset Value of any Real Estate Asset which requires that the Capital Accounts of the Partners be adjusted pursuant to Sections 1.704-1(b)(2)(iv)(e), (f) and (g) of the Regulations.

"*New Securities*" means (i) any rights, options, warrants or convertible or exchangeable securities having the right to subscribe for or purchase shares of Common Stock or Preferred Shares, excluding grants under any equity incentive plans, or (ii) any Debt issued by the Initial Limited Partner that provides any of the rights described in clause (i).

"*Nonrecourse Deductions*" has the meaning set forth in Sections 1.704-2(b)(1) and 1.704-2(c) of the Regulations.

"*Nonrecourse Liabilities*" has the meaning set forth in Section 1.704-2(b)(3) of the Regulations.

"*Notice of Redemption*" means the Notice of Redemption substantially in the form of Exhibit C attached to this Agreement.

"*Offer*" has the meaning set forth in Section 11.2(c)(i).

"*Offering*" means any issuance of additional shares of Common Stock, Preferred Stock, Funding Debt or New Securities for consideration.

"*OP Unit*" means a Partnership Unit which is designated as an OP Unit of the Partnership.

"*OP Unit Economic Balance*" has the meaning set forth in subparagraph 1(c)(ii) of Exhibit A.

"*OP Unit Transaction*" means, in connection with a Class B Unit or Class C Unit, as applicable, a transaction to which the Partnership or the Initial Limited Partner shall be a party, including a merger, consolidation, unit exchange, self-tender offer for all or substantially all OP Units or other business combination or reorganization, or sale of all or substantially all of the Partnership's assets (but excluding any transaction which constitutes an Adjustment Event and any merger in which the Initial Limited Partner is the surviving entity) in each case as a result of which OP Units shall be exchanged for or converted into the right, or the holders of such Units shall otherwise be entitled, to receive cash, securities or other property or any combination thereof.

"*Original Agreement*" has the meaning set forth in the Recitals.

"*Ownership Limit*" means, with respect to any Person, the applicable restriction or restrictions on the ownership and transfer of stock of the Initial Limited Partner imposed under the Articles of Incorporation, as such restrictions may be modified for any Excepted Holder (as such term is defined in the Articles of Incorporation) pursuant to an Excepted Holder Limit (as such term is defined in the Articles of Incorporation).

"*Partner*" means the General Partner or a Limited Partner, and "Partners" means the General Partner and the Limited Partners collectively.

"*Partner Nonrecourse Debt*" has the meaning set forth in Section 1.704-2(b)(4) of the Regulations.

"*Partner Nonrecourse Debt Minimum Gain*" means an amount, with respect to each Partner Nonrecourse Debt, equal to the Partnership Minimum Gain that would result if such Partner Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Section 1.704-2(i)(3) of the Regulations.

"*Partner Nonrecourse Deductions*" has the meaning set forth in Sections 1.704-2(i)(1) and (2) of the Regulations, and the amount of Partner Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for a Partnership Year shall be determined in accordance with the rules of Section 1.704-2(i)(2) of the Regulations.

"*Partnership*" means the limited partnership formed under the Act and pursuant to this Agreement, and any successor thereto.

"*Partnership Interest*" means an ownership interest in the Partnership held by either a Limited Partner or a General Partner, and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. A Partnership Interest may be expressed as a number of Partnership Units.

"*Partnership Minimum Gain*" has the meaning set forth in Section 1.704-2(b)(2) of the Regulations, and the amount of Partnership Minimum Gain, as well as any net increase or decrease in a Partnership Minimum Gain, for a Partnership Year shall be determined in accordance with the rules of Section 1.704-2(d) of the Regulations.

"*Partnership Record Date*" means the record date established by the General Partner for a distribution pursuant to Section 5.1(a) hereof, which record date shall be the same as the record date established by the General Partner for a distribution to its stockholders of some or all of its portion of such distribution.

"*Partnership Unit*" means a fractional, undivided share of the Partnership Interests of all Partners issued hereunder. Partnership Units consist of GP Units, OP Units, Class B Units, Class C Units and any classes or series of Partnership Units established after the date hereof. The number of Partnership Units outstanding and the Percentage Interests in the Partnership represented by such Partnership Units are set forth in the Register, as may be updated from time to time. The ownership of Partnership Units shall be evidenced by such form of certificate for Partnership Units as the General Partner adopts from time to time unless the General Partner determines that the Partnership Units shall be uncertificated securities.

"*Partnership Vote*" has the meaning set forth in Section 11.2(e).

"*Partnership Vote Transaction*" has the meaning set forth in Section 11.2(e).

"*Partnership Year*" means the fiscal year of the Partnership, as set forth in Section 9.2 hereof.

"*Percentage Interest*" means, as to a Partner, the fractional part of the Partnership Interests owned by such Partner and expressed as a percentage as specified in the Register, as may be updated from time to time, except as otherwise provided in Article 17 with respect to Unearned Class C Units.

"*Permitted Investments*" means all investments (other than Properties and Loans) in which the Partnership acquires an interest, either directly or indirectly, including through ownership interests in a joint venture or other entity, pursuant to the Certificate, this Agreement and the investment objectives and policies adopted by the Initial Limited Partner from time to time, other than short-term investments acquired for purposes of cash management, and that allow the Initial Limited Partner to meet the REIT Requirements.

"*Permitted Transfer*" shall have the meaning set forth in Section 11.3(a).

"*Permitted Transferee*" means any person to whom Partnership Units are Transferred in accordance with Section 11.3.

"*Person*" means an individual or Entity.

"*Pledge*" shall have the meaning set forth in Section 11.3(a).

"*Precontribution Gain*" has the meaning set forth in subparagraph 4(c) of Exhibit A.

"*Preferred Share*" means a share of preferred stock of the Initial Limited Partner of any class or series now or hereafter authorized that has dividend rights, or rights upon liquidation, winding up and dissolution, that are superior or prior to the Common Stock.

"*Property*" or "*Properties*" means any Real Property or properties transferred or conveyed to the Partnership or any subsidiary of the Partnership, either directly or indirectly, and/or any Real Property or properties transferred or conveyed to a joint venture or partnership in which the Partnership is, directly or indirectly, a co-venturer or partner.

"*PTP Safe Harbors*" has the meaning set forth in Section 11.6(e).

"*Qualified DRIP / COPP*" means a dividend reinvestment plan or a cash option purchase plan of the Initial Limited Partner that permits participants to acquire shares of Common Stock using the proceeds of dividends paid by the Initial Limited Partner or cash of the participant, respectively; *provided*, *however*, that if such shares are offered at a discount, such discount must be designed to pass along to the stockholders of the Initial Limited Partner the savings enjoyed by the Initial Limited Partner in connection with the avoidance of stock issuance costs.

"*Qualified REIT Subsidiary*" means a "qualified REIT subsidiary" (as defined in Section 856(i) of the Code).

“*Qualified Transferee*” means an “accredited investor” as defined in Rule 501 promulgated under the Securities Act.

“*Qualifying Party*” means (a) a Limited Partner, (b) an Assignee of a Limited Partner or (c) a Person, including a lending institution as the pledgee of a Pledge, who is the transferee of a Limited Partner Interest in a Permitted Transfer; *provided, however*, that a Qualifying Party shall not include the General Partner.

“*Redemption*” has the meaning set forth in Section 15.1(a).

“*Redemption Right*” has the meaning set forth in Section 15.1(a).

“*Real Estate Assets*” means any investment by the Partnership in unimproved and improved Real Property (including fee or leasehold interests, options and leases), directly, through one or more subsidiaries or through a joint venture (net of any interest held in such investment by a partner or member of a joint venture unaffiliated with the Partnership).

“*Real Property*” means (i) land, (ii) rights in land (including leasehold interests), (iii) any buildings, structures, improvements, furnishings, fixtures and equipment located on or used in connection with land and rights or interests in land and (iv) any other real property within the meaning of Section 856 of the Code and the Regulations promulgated thereunder.

“*Register*” has the meaning set forth in Section 4.1(f).

“*Regulations*” means the final, temporary or proposed income tax regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

“*Regulatory Allocations*” means the allocations set forth in paragraph 2 of Exhibit A.

“*REIT*” means a real estate investment trust as defined in Section 856 of the Code.

“*REIT Requirements*” has the meaning set forth in Section 5.2.

“*Related Party*” means, with respect to any Person, any other Person to whom ownership of shares of the Initial Limited Partner’s stock by the first such Person would be attributed under Code Section 544 (as modified by Code Section 856(h)(1)(B)) or Code Section 318(a) (as modified by Code Section 856(d)(5)).

“*Rights*” shall have the meaning set forth in the definition of “Common Stock Amount”.

“*Safe Harbor*” has the meaning set forth in Section 10.2(d).

“*Safe Harbor Election*” has the meaning set forth in Section 10.2(d).

“*Safe Harbor Interests*” has the meaning set forth in Section 10.2(d).

“*Sales*” means (i) any transaction or series of transactions whereby: (A) the Initial Limited Partner or the Partnership sells, grants, transfers, conveys, or relinquishes its direct or indirect ownership of any Investment or portion thereof, including the transfer of any Property that is the subject of a ground lease, and including any event with respect to any Investment that gives rise to a significant amount of insurance proceeds or condemnation awards; (B) the Initial Limited Partner or the Partnership sells, grants, transfers, conveys, or relinquishes its ownership of all or substantially all of the direct or indirect interest of the Initial Limited Partner or the Partnership in any joint venture or partnership in which it is, directly or indirectly, a co-venturer or partner; or (C) any joint venture or partnership (in which the Initial Limited Partner or the Partnership is, directly or indirectly, a co-venturer or partner) sells, grants, transfers, conveys, or relinquishes its direct or indirect ownership of any Investment or portion thereof, including any event with respect to any Investment that gives rise to insurance claims or condemnation awards, but (ii) not including any transaction or series of transactions specified in clause (i)(A), (i)(B), or (i)(C) above in which the proceeds of such transaction or series of transactions are reinvested in one or more Investments within 180 days thereafter.

“*Second Amended Agreement*” has the meaning set forth in the Recitals.

“*Securities*” has the meaning set forth in Section 4.2(b).

“*Special Redemption*” has the meaning set forth in Section 15.1(a).

“*Specified Redemption Date*” means the sixth (6th) Business after the receipt by the General Partner of a Notice of Redemption; *provided*, *however*, that no Specified Redemption Date shall occur during the Initial Holding Period (except pursuant to a Special Redemption).

“*Stockholder*” means a holder of Common Stock or Preferred Stock.

“*Stockholder Distributions*” means any distributions of money or other property by the Initial Limited Partner to Stockholders, including distributions that may constitute a return of capital for U.S. federal income tax purposes, with the exception of distributions paid on shares of Common Stock repurchased or redeemed by the Initial Limited Partner.

“*Stockholder Vote*” has the meaning set forth in Section 11.2(d).

“*Stockholder Vote Transaction*” has the meaning set forth in Section 11.2(d).

"*Subsidiary*" means, with respect to any Person, any corporation, partnership, limited liability company or other entity of which a majority of (a) the voting power of the voting equity securities; or (b) the outstanding equity interests (whether or not voting), is owned, directly or indirectly, by such Person.

"*Substituted Limited Partner*" means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 11.4.

"*Surviving Partnership*" has the meaning set forth in Section 11.2(d)(i).

"*Tax Allocations*" means the allocations set forth in paragraph 4 of Exhibit A.

"*Tax Items*" has the meaning set forth in subparagraph 4(a) of Exhibit A.

"*Tax Protection Agreement*" means that certain Tax Protection Agreement, by and among the Initial Limited Partner, the Partnership and each Protected Partner (as such term is defined therein), dated as of October 4, 2017.

"*TEFRA Rules*" means Subchapter C of Chapter 63 of the Code (Section 6221 *et seq*.) as in effect for any period to which the BBA Rules do not apply, and any Regulations or other guidance issued thereunder, and any similar state or local legislation, regulations or guidance.

"*Tendered Units*" has the meaning set forth in Section 15.1(a).

"*Tendering Party*" has the meaning set forth in Section 15.1(a).

"*Terminating Capital Transaction*" means any sale or other disposition of all or substantially all of the assets of the Partnership or a related series of transactions that, taken together, result in the sale or other disposition of all or substantially all of the assets of the Partnership, in any case, not in the ordinary course of the Partnership's business.

"*Third Amended Agreement*" has the meaning set forth in the Recitals.

"*Transaction*" has the meaning set forth in Section 11.2(c).

"*Transfer*" as a noun, means any sale, assignment, conveyance, pledge, hypothecation, gift, encumbrance or other transfer, and as a verb, means to sell, assign, convey, pledge, hypothecate, give, encumber or otherwise transfer.

"*Unearned Class C Units*" has the meaning set forth in Section 17.2(e).

"*Unvested Class B Units*" has the meaning set forth in Section 16.2(e).

"*Unvested Class C Units*" has the meaning set forth in Section 17.2(e).

"*Valuation Date*" means the date of receipt by the General Partner of a Notice of Redemption pursuant to Section 15.1 herein, or such other date as specified herein, or, if such date is not a Business Day, the immediately preceding Business Day.

"*Value*" means (i) prior to the Listing Date, the most recent Offering price for a share of Common Stock less any selling commissions and dealer manager fee that would be payable with respect to the sale of a share of Common Stock or (ii) on or following the Listing Date, the Market Price of a share of Common Stock on the Valuation Date. The term "Market Price" on any date means, with respect to any class or series of outstanding shares of Common Stock, the last sale price for such shares of Common Stock, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, for such shares of Common Stock, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if such shares of Common Stock are not listed or admitted to trading on the New York Stock Exchange, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such shares of Common Stock are listed or admitted to trading or, if such shares of Common Stock are not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System or, if such system is no longer in use, the principal other automated quotation system that may then be in use or, if such shares of Common Stock are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such shares of Common Stock selected by the Board of Directors or, in the event that no trading price is available for such shares of Common Stock, the fair market value of the shares of Common Stock, as determined in good faith by the Board of Directors. In the event that the Common Stock Amount includes rights that a holder of shares of Common Stock would be entitled to receive, then the Value of such rights shall be determined by the Initial Limited Partner acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate.

"*Vested Class B Units*" has the meaning set forth in Section 16.2(e).

"*Vested Class C Units*" has the meaning set forth in Section 17.2(e).

"*Voting Stock*" with respect to any Person, means securities entitling the holders thereof to vote or consent in connection with the election of members of the Board of Directors of such Person.

Certain additional terms and phrases have the meanings set forth in Exhibit A.

Article 2

ORGANIZATIONAL MATTERS

14.1 Formation

The General Partner and the Initial Limited Partner have formed the Partnership by filing the Certificate on December 3, 2009 in the office of the Delaware Secretary of State. The Partnership is a limited partnership organized pursuant to the provision of the Act and upon the terms and conditions set forth in this Agreement. Except as expressly provided herein to the contrary, the rights and obligations of the Partners and the administration and termination of the Partnership shall be governed by the Act. The Partnership Interest of each Partner shall be personal property for all purposes.

14.2 Name

The name of the Partnership is Phillips Edison Grocery Center Operating Partnership I, L.P. The Partnership's business may be conducted under any other name or names deemed advisable by the General Partner, including the name of the Initial Limited Partner or any Affiliate thereof. The words "Limited Partnership", "LP", "Ltd." or similar words, phrases or letters shall be included in the Partnership's name where necessary for the purposes of complying with the laws of any jurisdiction that so requires. The General Partner in its sole and absolute discretion may change the name of the Partnership and shall notify the Limited Partners of such change in the next regular communication to the Limited Partners.

14.3 Registered Office and Agent; Principal Office

The address of the registered office of the Partnership in the State of Delaware and the name and address of the registered agent for service of process on the Partnership in the State of Delaware is the Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801. The principal office of the Partnership shall be 11501 Northlake Drive, Cincinnati, Ohio 45249, or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems advisable.

14.4 Power of Attorney

(a) Each Limited Partner and each Assignee who accepts Partnership Units (or any rights, benefits or privileges associated therewith) is deemed to irrevocably constitute and appoint the General Partner, any Liquidator, and authorized officers and attorneys-in-fact of each, and each of those acting singly, in each case with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead to:

(ii) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices

(A) all certificates, documents and other instruments (including this Agreement and the Certificate and all amendments or restatements thereof) that the General Partner or the Liquidator deems appropriate or necessary to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the Limited Partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may or plans to conduct business or own property, including any documents necessary or advisable to convey any Contributed Property to the Partnership;

(B) all instruments that the General Partner or any Liquidator deems appropriate or necessary to reflect any amendment, change, modification or restatement of this Agreement in accordance with its terms;

(C) all conveyances and other instruments or documents that the General Partner or any Liquidator deems appropriate or necessary to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement, including a certificate of cancellation;

(D) all instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article 11, 12 or 13 hereof or the Capital Contribution of any Partner;

(E) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of any Partnership Interest; and

(F) amendments to this Agreement as provided in Article 14 hereof; and

(iii) execute, swear to, seal, acknowledge and file all ballots, consents, approvals, waivers, certificates and other instruments appropriate or necessary, in the sole and absolute discretion of the General Partner or any Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action which is made or given by the Partners hereunder or is consistent with the terms of this Agreement or appropriate or necessary, in the sole discretion of the General Partner or any Liquidator, to effectuate the terms or intent of this Agreement.

Nothing contained herein shall be construed as authorizing the General Partner or any Liquidator to amend this Agreement except in accordance with Article 14 hereof or as may be otherwise expressly provided for in this Agreement.

(b) (i) The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, in recognition of the fact that each of the Limited Partners will be relying upon the power of the General Partner and any Liquidator to act as contemplated by this Agreement in any filing or other action by it on behalf of the Partnership, and it shall survive and not be affected by the subsequent Incapacity of any Limited Partner or

Assignee and the Transfer of all or any portion of such Limited Partner's or Assignee's Partnership Units and shall extend to such Limited Partner's or Assignee's heirs, successors, assigns and personal representatives.

(ii) Each such Limited Partner or Assignee hereby agrees to be bound by any representation made by the General Partner or any Liquidator, acting in good faith pursuant to such power of attorney, and each such Limited Partner or Assignee hereby waives any and all defenses which may be available to contest, negate or disaffirm the action of the General Partner or any Liquidator, taken in good faith under such power of attorney.

(iii) Each Limited Partner or Assignee shall execute and deliver to the General Partner or the Liquidator, within fifteen (15) days after receipt of the General Partner's or Liquidator's request therefore, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator, as the case may be, deems necessary to effectuate this Agreement and the purposes of the Partnership.

Notwithstanding anything else set forth in this Section 2.4, no Limited Partner shall incur any personal liability for any action of the General Partner or any Liquidator taken under such power of attorney.

14.5 Term

The term of the Partnership commenced on the date of the Original Agreement and shall continue unless the Partnership is dissolved pursuant to the provisions of Article 13 or as otherwise provided by law.

Article 3

PURPOSE

3.1 Purpose and Business

a. The purpose and nature of the business to be conducted by the Partnership is to conduct any business that may be lawfully conducted by a limited partnership organized pursuant to the Act including to engage in the following activities:

(i) to acquire, hold, own, develop, construct, improve, maintain, operate, sell, lease, transfer, encumber, convey, exchange, and otherwise dispose of or deal with Real Property and Real Property-related loans and assets;

(ii) to acquire, hold, own, develop, construct, improve, maintain, operate, sell, lease, transfer, encumber, convey, exchange, and otherwise dispose of or deal with real and personal property of all kinds;

(iii) to enter into any partnership, joint venture, corporation, limited liability company, trust or other similar arrangement to engage in any of the foregoing;

(iv) to conduct the business of providing property and asset management and brokerage services and other advisory services, whether directly or through one or more partnerships, joint ventures, Subsidiaries, business trusts, limited liability companies or similar arrangements;

(v) to undertake such other activities as may be necessary, advisable, desirable or convenient to the business of the Partnership;

(vi) to engage in such other ancillary activities as shall be necessary or desirable to effectuate the foregoing purposes;

provided, *however*, that such activities shall be limited to and conducted in such a manner as to permit the Initial Limited Partner at all times to be classified as a REIT, unless the Initial Limited Partner voluntarily revokes its election to be a REIT.

b. The Partnership shall have all powers necessary or desirable to accomplish the purposes enumerated.

3.2 Powers

a. The Partnership is empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described herein and for the protection and benefit of the Partnership including full power and authority to enter into, perform, and carry out contracts of any kind, to borrow money and to issue evidences of indebtedness, whether or not secured by mortgage, trust deed, pledge or other Lien, and, directly or indirectly, to acquire, own, improve, develop and construct Real Property, and lease, sell, transfer and dispose of Real Property; *provided*, *however*, that the Partnership shall not take, or refrain from taking, any action which, in the judgment of the General Partner, in its sole and absolute discretion,

(i) could adversely affect the ability of the Initial Limited Partner to continue to qualify as a REIT, unless the Initial Limited Partner otherwise ceases to qualify as a REIT;

(ii) could subject the Initial Limited Partner to any additional taxes under Section 857 or Section 4981 of the Code; or

(iii) could violate any law or regulation of any governmental body or agency having jurisdiction over the Initial Limited Partner or its securities, unless such action (or inaction) shall have been specifically consented to by the Initial Limited Partner in writing.

b. The General Partner also is empowered to do any and all acts and things necessary, appropriate or advisable to ensure that the Partnership will not be classified as a "publicly traded partnership" for the purposes of Section 7704 of the Code, including but not limited to imposing restrictions on exchanges of Partnership Units.

3.3 Representations and Warranties by the Partners

a. Each Partner that is an individual (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or a Substituted Limited Partner) represents and warrants to, and covenants with (severally, and not jointly or jointly and severally with any other Person), each other Partner that (i) the consummation of the transactions contemplated by this Agreement to be performed by such Partner will not result in a breach or violation of, or a default under, any material agreement by which such Partner or any of such Partner's property is bound, or any statute, regulation, order or other law to which such Partner is subject, (ii) if five percent (5%) or more (by value) of the Partnership's interests are or will be owned by such Partner within the meaning of Code Section 7704(d)(3), such Partner does not, and for so long as it is a Partner will not, own, directly or indirectly, (a) stock of any corporation that is a tenant of (I) the Initial Limited Partner or any Disregarded Entity with respect to the Initial Limited Partner, (II) the Partnership or (III) any partnership, venture or limited liability company of which the Initial Limited Partner, any Disregarded Entity with respect to the Initial Limited Partner, or the Partnership is a direct or indirect member or (b) an interest in the assets or net profits of any non-corporate tenant of (I) the Initial Limited Partner or any Disregarded Entity with respect to the Initial Limited Partner, (II) the Partnership or (III) any partnership, venture, or limited liability company of which the Initial Limited Partner, any Disregarded Entity with respect to the Initial Limited Partner, or the Partnership is a direct or indirect member, (iii) such Partner has the legal capacity to enter into this Agreement and perform such Partner's obligations hereunder, and (iv) this Agreement is binding upon, and enforceable against, such Partner in accordance with its terms, as such enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity and the discretion of the court before which any proceeding therefor may be brought. Notwithstanding the foregoing, a Partner that is an individual shall not be subject to the ownership restrictions set forth in clause (ii) of the immediately preceding sentence to the extent such Partner obtains the written consent of the General Partner prior to violating any such restrictions, which consent the General Partner may give, withhold or condition in its sole and absolute discretion. Each Partner that is an individual shall also represent and warrant to the Partnership that such Partner is neither a "foreign person" within the meaning of Code Section 1445(f) nor a foreign partner within the meaning of Code Section 1446(e).

b. Each Partner that is not an individual (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or a Substituted Limited Partner) represents and warrants to, and covenants with (severally, and not jointly or jointly and severally with any other Person), each other Partner that (i) the consummation of the transactions contemplated by this Agreement to be performed by it have been duly authorized by all necessary action, including, without limitation, that of its general partner(s), committee(s), trustee(s), beneficiaries, directors and/or stockholder(s) (as the case may be) as required, (ii) the consummation of such transactions shall not result in a breach or violation of, or a default under, its partnership or operating agreement, trust agreement, charter or bylaws (as the case may be) any material agreement by which such Partner or any of such Partner's properties or any of its partners, members, beneficiaries, trustees or stockholders (as the case may be) is or are bound, or any statute, regulation, order or other law to which such Partner or any of its partners, members, trustees, beneficiaries or stockholders (as the case may be) is or are subject, (iii) if five percent (5%) or more (by value) of the Partnership's interests are or will be owned by such Partner within the meaning of Code Section 7704(d)(3), such Partner does not, and for so long as it is a Partner will not, own, directly or indirectly, (a) stock of any corporation that is a tenant of (I) the Initial Limited Partner or any Disregarded Entity with respect to the Initial Limited Partner, (II) the Partnership or (III) any partnership, venture or limited liability company of which the Initial Limited Partner, any Disregarded Entity with respect to the Initial Limited Partner, or the Partnership is a direct or indirect member or (b) an interest in the assets or net profits of any non-corporate tenant of (I) the Initial Limited Partner, or any Disregarded Entity with respect to the Initial Limited Partner, (II) the Partnership or (III) any partnership, venture or limited liability company of which the Initial Limited Partner, any Disregarded Entity with respect to the Initial Limited Partner, or the Partnership is a direct or indirect member, and (iv) this Agreement is binding upon, and enforceable against, such Partner in accordance with its terms, as such enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity and the discretion of the court before which any proceeding therefor may be brought. Notwithstanding the foregoing, a Partner that is not an individual shall not be subject to the ownership restrictions set forth in clause (iii) of the immediately preceding sentence to the extent such Partner obtains the written consent of the General Partner prior to violating any such restrictions, which consent the General Partner may give, withhold or condition in its sole and absolute discretion. Each Partner that is not an individual shall also represent and warrant to the Partnership that such Partner is neither a "foreign person" within the meaning of Code Section 1445(f) nor a foreign partner within the meaning of Code Section 1446(e).

c. Each Partner (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or Substituted Limited Partner represents, warrants and agrees that (i) it has acquired and continues to hold its interest in the Partnership for its own account for investment purposes only and not for the purpose of, or with a view toward, the resale or distribution of all or any part thereof in violation of applicable laws, and not with a view toward selling or otherwise distributing such interest or any part thereof at any particular time or under any predetermined circumstances in violation of applicable laws, (ii) it is a sophisticated investor, able and accustomed to handling sophisticated financial matters for itself, particularly real estate investments, and that it has a sufficiently high net worth that it does not anticipate a need for the funds that it has invested in the Partnership in what it understands to be a highly speculative and illiquid investment, and (iii) without the consent of the General Partner, which consent may be given, withheld or conditioned in the General Partner's sole discretion, it shall not take any action that would cause (a) the Partnership at any time to have more than 100 partners, including for these purposes as partners those Persons ("Flow-Through Partners") indirectly owning an interest in the Partnership through an entity treated as a partnership, Disregarded Entity or S corporation (each such entity, a "Flow-Through Entity"), but only if substantially all of the value of such Person's interest in the Flow-Through Entity is attributable to the Flow-Through Entity's interest (direct or indirect) in the Partnership; or (b) the Partnership Interest initially issued by the Partnership to such Partner or its predecessors to be held by more than three (3) partners, including as partners any Flow-Through Partners.

d. The representations and warranties contained in Sections 3.4(a), 3.4(b) and 3.4(c) hereof shall survive the execution and delivery of this Agreement by each Partner (and, in the case of an Additional Limited Partner or a Substituted

Limited Partner, the admission of such Additional Limited Partner or Substituted Limited Partner as a Limited Partner in the Partnership) and the dissolution, liquidation and termination of the Partnership.

e. Each Partner (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or Substituted Limited Partner) hereby acknowledges that no representations as to potential profit, cash flows, funds from operations or yield, if any, in respect of the Partnership or the Initial Limited Partner have been made by any Partner or any employee or representative or Affiliate of any Partner, and that projections and any other information, including, without limitation, financial and descriptive information and documentation, that may have been in any manner submitted to such Partner shall not constitute any representation or warranty of any kind or nature, express or implied.

f. Notwithstanding the foregoing, the General Partner may, in its sole and absolute discretion, permit the modification of any of the representations and warranties contained in Sections 3.4(a), 3.4(b) and 3.4(c) above as applicable to any Partner (including, without limitation any Additional Limited Partner or Substituted Limited Partner or any transferee of either), provided that such representations and warranties, as modified, shall be set forth in a separate writing addressed to the Partnership and the General Partner.

Article 4

CAPITAL CONTRIBUTIONS

4.1 Capital Contributions of the Partners

a. The Partners have made the Capital Contributions as set forth in the Register.

b. To the extent the Partnership acquires any property by the merger of any other Person into the Partnership or the contribution of assets by any other Person, Persons who receive Partnership Interests in exchange for their interests in the Person merging into or contributing assets to the Partnership shall become Limited Partners and shall be deemed to have made Capital Contributions as provided in the applicable merger agreement or contribution agreement and as set forth in the Register, as updated to reflect such deemed Capital Contributions.

c. As of the effective date of this Agreement, the Partnership shall have four classes of Partnership Units, entitled “GP Units”, “OP Units”, “Class B Units” and “Class C Units”, respectively. Any Partnership Units representing Limited Partner Interests previously issued hereunder are redesignated as OP Units, and any Partnership Units representing General Partner Interests previously issued hereunder are redesignated as GP Units. The Class B Units and Class C Units shall have the same rights, privileges and preferences as the OP Units, except as set forth in Article 16 and Article 17, respectively. Each Partner shall own Partnership Units in the amounts set forth for such Partner in the Register and shall have a Percentage Interest in the Partnership as set forth in the Register, which Percentage Interest shall be adjusted in the Register from time to time by the General Partner to the extent necessary to reflect accurately exchanges, additional Capital Contributions, the issuance of additional Partnership Units, transfers of Partnership Units or similar events having an effect on any Partner’s Percentage Interest.

d. The number of Partnership Units held by the General Partner, in its capacity as general partner, as evidenced by GP Units, shall be deemed to be the General Partner Interest.

e. Except as otherwise may be expressly provided herein or as agreed to in writing by any Partner, (i) no such Partner shall have an obligation to make any additional Capital Contributions or provide any additional funding to the Partnership (whether in the form of loans, repayments of loans or otherwise) and (ii) no Partner shall have any obligation to restore any deficit that may exist in its Capital Account, either upon a liquidation of the Partnership or otherwise.

f. The General Partner shall cause to be maintained in the principal business office of the Partnership, or such other place as may be determined by the General Partner, the books and records of the Partnership, which shall include, among other things, a register containing the name, address, and number, class and series of Partnership Interests of each Partner, and such other information as the General Partner may deem necessary or desirable (the “Register”). The Register shall not be part of this Agreement. The General Partner shall from time to time update the Register as necessary to accurately reflect the information therein, including as a result of any sales, exchanges or other Transfers, or any redemptions, issuances or similar events involving Partnership Interests. Any reference in this Agreement to the Register shall be deemed a reference to the Register as in effect from time to time. Subject to the terms of this Agreement, the General Partner may take any action authorized hereunder in respect of the Register without any need to obtain the consent or approval of any other Partner. No action of any Limited Partner shall be required to amend or update the Register. Except as required by law, no Limited Partner shall be entitled to receive a copy of the information set forth in the Register relating to any Partner other than itself.

4.2 Additional Funds; Restrictions on the General Partner

a. (i) The sums of money required to finance the business and affairs of the Partnership shall be derived from the Capital Contributions made to the Partnership by the Partners as set forth in Section 4.1 and from funds generated from the operation and business of the Partnership, including rents and distributions directly or indirectly received by the Partnership from any Subsidiary.

(ii) If additional financing is needed from sources other than as set forth in Section 4.2(a)(i) for any reason, the General Partner may, in its sole and absolute discretion, in such amounts and at such times as it solely shall determine to be necessary or appropriate,

1. cause the Partnership to issue additional Partnership Interests and admit additional Limited Partners to the Partnership in accordance with Section 4.3;

2. make additional Capital Contributions to the Partnership (subject to the provisions of Section 4.2(b));

3. cause the Partnership to borrow money, enter into loan arrangements, issue debt securities, obtain letters of credit or otherwise borrow money on a secured or unsecured basis;

4. make a loan or loans to the Partnership (subject to Section 4.2(b)); or

5. sell any assets or properties directly or indirectly owned by the Partnership.

(iii) In no event shall any Limited Partners be required to make any additional Capital Contributions or any loan to, or otherwise provide any financial accommodation for the benefit of, the Partnership.

b. The Initial Limited Partner shall not issue any debt securities, any preferred stock or any common stock (including additional Common Stock (other than (i) as payment of the Common Stock Amount, (ii) in connection with the conversion or exchange of securities of the Initial Limited Partner solely in conversion or exchange for other securities of the Initial Limited Partner or (iii) in connection with an acquisition of Partnership Units or a property or other asset to be owned, directly or indirectly, by the Initial Limited Partner if the General Partner determines that such acquisition is in the best interests of the Partnership)) or rights, options, warrants or convertible, exercisable or exchangeable securities containing the right to subscribe for or purchase any of the foregoing (collectively, "Securities"), other than to all holders of Common Stock, unless the Initial Limited Partner shall:

(i) in the case of debt Securities, lend to the Partnership the proceeds of or consideration received for such Securities on the same terms and conditions, including interest rate and repayment schedule, as shall be applicable with respect to or incurred in connection with the issuance of such Securities and the proceeds of, or consideration received from, any subsequent exercise, exchange or conversion thereof (if applicable);

(ii) in the case of equity Securities senior or junior to the Common Stock as to dividends and distributions on liquidation, contribute to the Partnership the proceeds of or consideration (including any property or other non-cash assets) received for such Securities and the proceeds of, or consideration received from, any subsequent exercise, exchange or conversion thereof (if applicable), and receive from the Partnership, interests in the Partnership in consideration therefor with the same terms and conditions, including dividend, dividend priority and liquidation preference, as are applicable to such Securities; and

(iii) in the case of Common Stock or other equity Securities on a parity with the Common Stock as to dividends and distributions on liquidation (including Common Stock or other Securities granted as a stock award to directors and officers of the Initial Limited Partner or directors, officers or employees of its Affiliates in consideration for services or future services, and Common Stock issued pursuant to a dividend reinvestment plan or issued to enable the Initial Limited Partner to make distributions to satisfy the REIT Requirements), contribute to the Partnership the proceeds of or consideration (including any property or other non-cash assets, including services) received for such Securities and the proceeds of, or consideration received from, any subsequent exercise, exchange or conversion thereof (if applicable), and receive from the Partnership a number of additional Partnership Units in consideration therefor equal to the product of

1. the number of shares of Common Stock or other equity Securities issued by the Initial Limited Partner, multiplied by

2. a fraction the numerator of which is one and the denominator of which is the Exchange Factor in effect on the date of such contribution.

4.3 Issuance of Additional Partnership Interests; Admission of Additional Limited Partners

a. In addition to any Partnership Interests issuable by the Partnership pursuant to Section 4.2, the General Partner is authorized to cause the Partnership to issue additional Partnership Interests (or options therefore) in the form of Partnership Units or other Partnership Interests in one or more series or classes, or in one or more series of any such class senior, on a parity with, or junior to the Partnership Units to any Persons at any time or from time to time, on such terms and conditions, as the General Partner shall establish in each case in its sole and absolute discretion subject to Delaware law, including (i) the allocations of items of Partnership income, gain, loss, deduction and credit to each class or series of Partnership Interests, (ii) the right of each class or series of Partnership Interests to share in Partnership distributions, and (iii) the rights of each class or series of Partnership Interest upon dissolution and liquidation of the Partnership; *provided, however*, that, no such Partnership Interests shall be issued to the General Partner or the Initial Limited Partner unless either (A) the Partnership Interests are issued in connection with the grant, award, or issuance of Common Stock or other equity interests in the Initial Limited Partner having designations, preferences and other rights such that the economic interests attributable to such Common Stock or other equity interests are substantially similar to the designations, preferences and other rights (except voting rights) of the Partnership Interests issued to the Initial Limited Partner in accordance with this Section 4.3(a) or (B) the additional Partnership Interests are issued to all Partners holding Partnership Interests in the same class in proportion to their respective Percentage Interests in such class, without any approval being required from any Limited Partner or any other Person; *provided further, however*, that:

(i) such issuance does not cause the Partnership to become, with respect to any employee benefit plan subject to Title I of ERISA or Section 4975 of the Code, a "party in interest" (as defined in Section 3(14) of ERISA) or a "disqualified person" (as defined in Section 4975(e) of the Code); and

(ii) such issuance would not cause any portion of the assets of the Partnership to constitute assets of any employee benefit plan pursuant to Section 2510.3-101 of the regulations of the United States Department of Labor as modified by Section 3(42) of ERISA.

b. Subject to the limitations set forth in Section 4.3(a), the General Partner may take such steps as it, in its sole and absolute discretion, deems necessary or appropriate to admit any Person as a Limited Partner of the Partnership or to issue any Partnership Interests, including amending the Certificate, the Register or any other provision of this Agreement.

c. Without limiting the generality of the foregoing, from time to time, the General Partner is hereby authorized to cause the Partnership to issue Class B Units or Class C Units to Persons providing services to or for the benefit of the Partnership for such consideration or for no consideration as the General Partner may determine to be appropriate and on such terms and conditions as shall be established by the General Partner, and admit such Persons as Limited Partners. Except to the extent a Capital Contribution is made with respect to a Class B Unit or Class C Unit, each Class B Unit or Class C Unit, as applicable, is intended to qualify as a "profits interest" in the Partnership as described in Section 16.5 or Section 17.5, as applicable. Except as may be provided from time to time by the General Partner with respect to one or more series of Class B Units or Class C Units, the Class B Units and Class C Units shall have the terms set forth in Article 16 and Article 17, respectively.

4.4 Contribution of Proceeds of Issuance of Common Stock

In connection with any Offering, grant, award, or issuance of Common Stock or securities, rights, options, warrants or convertible or exchangeable securities pursuant to Section 4.2, the Initial Limited Partner shall make aggregate Capital Contributions to the Partnership of the proceeds raised in connection with such Offering, grant, award, or issuance, including any property acquired by the Initial Limited Partner pursuant to a merger or contribution agreement in exchange for Common Stock; *provided*, *however*, that if the proceeds actually received by the Initial Limited Partner are less than the gross proceeds of such Offering, grant, award, or issuance as a result of any underwriter's discount, commission, or fee or other expenses paid or incurred in connection with such Offering, grant, award, or issuance, then the Initial Limited Partner shall make a Capital Contribution to the Partnership in the amount equal to the sum of (i) the net proceeds of such issuance plus (ii) an intangible asset in an amount equal to the capitalized costs of the Initial Limited Partner relating to such issuance of Common Stock. Upon any such Capital Contribution by the Initial Limited Partner, the Capital Account of the Initial Limited Partner shall be increased by the amount of its Capital Contribution as described in the previous sentence.

4.5 Equity Incentive Plans

Nothing in this Agreement shall be construed or applied to preclude or restrain the Initial Limited Partner or the General Partner from adopting, modifying or terminating equity incentive plans for the benefit of employees, directors or other business associates of the Initial Limited Partner, the Partnership or any of their Affiliates or from issuing Common Stock, any other class or series of stock of the Initial Limited Partner or New Securities pursuant to any such plans. The General Partner or the Initial Limited Partner, as applicable, may implement such plans and any actions taken under such plans (such as the grant or exercise of options to acquire Common Stock, or the issuance of restricted Common Stock), whether taken with respect to or by an employee or other service provider of the Initial Limited Partner, the Partnership or its Subsidiaries, in a manner determined by the General Partner or Initial Limited Partner, as applicable, which may be set forth in plan implementation guidelines that the General Partner or Initial Limited Partner, as applicable, may establish or amend from time to time. The Partners acknowledge and agree that, in the event that any such plan is adopted, modified or terminated by the General Partner or the Initial Limited Partner, or for any other reason as determined by the General Partner, amendments to this Section 4.5 may become necessary or advisable, any approval or Consent to any such amendments requested by the General Partner shall be deemed granted by the Limited Partners. The Partnership is expressly authorized to issue Partnership Units (i) in accordance with the terms of any such equity incentive plans, or (ii) in an amount equal to the number of shares of Common Stock or other class or series of stock of the Initial Limited Partner or New Securities issued pursuant to any such equity incentive plans, without any further act, approval or vote of any Partner or any other Persons.

4.6 Repurchase of Common Stock

a. If the Initial Limited Partner shall elect to purchase from its stockholders Common Stock for the purpose of delivering such Common Stock to satisfy an obligation under any dividend reinvestment plan adopted by the Initial Limited Partner, any employee stock purchase plan adopted by the Initial Limited Partner, or for any other purpose, the purchase price paid by the Initial Limited Partner for such Common Stock and any other expenses incurred by the Initial Limited Partner in connection with such purchase shall be considered expenses of the Partnership and shall be reimbursed to the Initial Limited Partner, subject to the condition that:

(i) if such Common Stock subsequently is to be sold by the Initial Limited Partner, the Initial Limited Partner shall pay to the Partnership any proceeds received by the Initial Limited Partner from the sale of such Common Stock (provided that an exchange of Common Stock for Partnership Units pursuant to Section 15.1(b) would not be considered a sale for such purposes); and

(ii) if such Common Stock is not re-transferred by the Initial Limited Partner within 30 days after the purchase thereof, the Initial Limited Partner shall cause the Partnership to cancel a number of Partnership Units held by the Initial Limited Partner (as applicable) equal to the product of

1. the number of shares of such Common Stock, multiplied by

2. a fraction, the numerator of which is one and the denominator of which is the Exchange Factor in effect on the date of such cancellation.

b. If the Initial Limited Partner purchases shares of Common Stock from the Trust (as from time to time defined in the Articles of Incorporation), the Partnership will purchase from the Initial Limited Partner a number of Partnership Units, at a price per Partnership Unit equal to the price per share of Common Stock paid by the Initial Limited Partner, equal to the product of

(i) the number of shares of Common Stock purchased by the Initial Limited Partner from the Trust, multiplied by

(ii) a fraction, the numerator of which is one and the denominator of which is the Exchange Factor in effect on the date of such purchase.

4.7 No Third-Party Beneficiary

No creditor or other third party having dealings with the Partnership shall have the right to enforce the right or obligations of any Partner to make Capital Contributions or loans or to pursue any other right or remedy hereunder or at law or in equity, it being understood and agreed that the provisions of this Agreement shall be solely for the benefit of, and may be enforced solely by, the parties hereto and their respective successors and assigns.

4.8 No Interest; No Return

a. No Partner shall be entitled to interest on its Capital Contribution or on such Partner's Capital Account.

b. Except as provided herein or by law, no Partner shall have any right to demand or receive the return of its Capital Contribution from the Partnership.

4.9 No Preemptive Rights.

Subject to any preemptive rights that may be granted pursuant to Section 4.3 hereof, no Person shall have any preemptive or other similar right with respect to

a. additional Capital Contributions or loans to the Partnership; or

b. issuance or sale of any Partnership Units or other Partnership Interests.

Article 5

DISTRIBUTIONS

5.1 Distributions

a. Subject to the provisions of Sections 5.3, 5.4, 12.2(c) and 13.2, the General Partner shall cause the Partnership to distribute, at such times as the General Partner shall determine (each a "Distribution Date"), an amount of Available Cash, determined by the General Partner in its sole discretion to the Partners holding Partnership Units who are Partners on the applicable Partnership Record Date, in accordance with each such Partner's respective Percentage Interest; provided, however, that a holder of Class B Units will only be entitled to distributions with respect to a Class B Unit as set forth in Article 16 and a holder of Class C Units will only be entitled to distributions with respect to a Class C Unit as set forth in Article 17, and, in each case, in making distributions pursuant to this Section 5.1, the General Partner of the Partnership shall take into account the provisions of Section 16.2(a) and Section 17.2(a), as applicable.

b. In no event may any Partner receive a distribution pursuant to Section 5.1(a) with respect to a Partnership Unit if such Partner is entitled to receive a distribution with respect to Common Stock for which such a Partnership Unit has been exchanged.

5.2 Qualification of the Initial Limited Partner as a REIT

The General Partner shall use its best efforts to cause the Partnership to distribute sufficient amounts under this Article 5 to enable the Initial Limited Partner to pay dividends to the Stockholders that will enable the Initial Limited Partner to

a. satisfy the requirements for qualification as a REIT under the Code and Regulations ("REIT Requirements"), and

b. minimize any federal income or excise tax liability;

provided, *however*, that the General Partner shall not be bound to comply with this covenant to the extent such distributions would violate applicable Delaware law.

5.3 Withholding

All amounts withheld pursuant to the Code or any provisions of any state or local tax law and Section 10.5 hereof with respect to any allocation, payment or distribution to the Partners or Assignees shall be treated as amounts distributed to the Partners or Assignees pursuant to Section 5.1 for all purposes under this Agreement.

5.4 Additional Partnership Interests

If the Partnership issues Partnership Interests in accordance with Section 4.2, 4.3 or 4.5, the distribution priorities set forth in Section 5.1 shall be amended, as necessary, to reflect the distribution priority of such Partnership Interests and corresponding amendments shall be made to the provisions of Exhibit A.

5.5 Distributions in Kind

Except as expressly provided herein, no right is given to any Partner to demand and receive property other than cash as provided in this Agreement. The General Partner may determine, in its sole and absolute discretion, to cause the Partnership to make a distribution in kind of Partnership assets to the Partners, and such assets shall be distributed in such a fashion as to ensure that the fair market value is distributed and allocated in accordance with Articles 5, 6 and 10 hereof; *provided*, *however*, that the General Partner shall not cause the Partnership to make a distribution in kind to any Partner unless the Partner has been given 90 days prior written notice of such distribution.

5.6 Distributions Upon Liquidation

Notwithstanding the other provisions of this Article 5, net proceeds from a Terminating Capital Transaction, and any other cash received or reductions in reserves made after commencement of the liquidation of the Partnership, shall be distributed to the Holders in accordance with Section 13.2 hereof.

Article 6

ALLOCATIONS

6.1 Allocations

The Net Income, Net Loss, Net Property Gain, Net Property Loss, Liquidating Gain and other Partnership items shall be allocated pursuant to the provisions of Exhibit A.

6.2 Revisions to Allocations to Reflect Issuance of Partnership Interests

If the Partnership issues Partnership Interests to the General Partner, the Initial Limited Partner or any additional Limited Partner pursuant to Article 4, the General Partner shall make such revisions to this Article 6 and Exhibit A as it deems necessary to reflect the terms of the issuance of such Partnership Interests, including making preferential allocations to classes of Partnership Interests that are entitled thereto. Such revisions shall not require the consent or approval of any other Partner.

Article 7

MANAGEMENT AND OPERATIONS OF BUSINESS

7.1 Management

a. (i) Except as otherwise expressly provided in this Agreement, full, complete and exclusive discretion to manage and control the business and affairs of the Partnership are and shall be vested in the General Partner, and no Limited Partner (in its capacity as such) shall have any right or obligation to participate in or exercise control or management power over the business and affairs of the Partnership or any liability in connection with the General Partner's exercise of such control or management power.

(ii) The General Partner may not be removed by the Limited Partners with or without cause.

(iii) In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or which are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to Section 7.11 and Article 11 (as applicable), shall have full power and authority to do all things deemed necessary or desirable by it to conduct the business of the Partnership, to exercise all powers set forth in Section 3.2 hereof and to effectuate the purposes set forth in Section 3.1 hereof, including:

1. (1) the making of any expenditures, the lending or borrowing of money, including making prepayments on loans and borrowing money to permit the Partnership to make distributions to its Partners in such amounts as will permit the Initial Limited Partner (so long as the Initial Limited Partner qualifies as a REIT) to avoid the payment of any federal income tax (including, for this purpose, any excise tax pursuant to Section 4981 of the Code) and to make distributions to its Stockholders in amounts sufficient to permit the Initial Limited Partner to maintain REIT status,

a. the assumption or guarantee of, or other contracting for, indebtedness and other liabilities,

b. the issuance of evidence of indebtedness (including the securing of the same by deed, mortgage, deed of trust or other lien or encumbrance on the Partnership's assets), and

c. the incurring of any obligations it deems necessary for the conduct of the activities of the Partnership, including the payment of all expenses associated with the General Partner;

2. the acquisition, purchase, ownership, operating, leasing and disposition of any Real Property and any other property or assets, including mortgages and real estate-related notes, whether directly or indirectly;

3. the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership or the General Partner;

4. subject to Article 11, the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of all or substantially all of the assets of the Partnership (including the exercise or grant of any conversion, option, privilege, or subscription right or other right available in connection with any assets at any time held by the Partnership) or the merger, consolidation or other combination (each a "Business Combination") of the Partnership with or into another Entity on such terms as the General Partner deems proper;

5. the use of the assets of the Partnership (including cash on hand) for any purpose consistent with the terms of this Agreement and on any terms it sees fit, including,

a. the financing of the conduct of the operations of the Initial Limited Partner, the Partnership or any of the Partnership's Subsidiaries,

b. the lending of funds to other Persons (including the Subsidiaries of the Partnership and/or the Initial Limited Partner) and the repayment of obligations of the Partnership and its Subsidiaries and any other Person in which it has an equity investment, and

c. the making of capital contributions to its Subsidiaries;

6. the expansion, development, redevelopment, construction, leasing, repair, rehabilitation, repositioning, alteration, demolition or improvement of any property in which the Partnership or any Subsidiary of the Partnership owns an interest;

7. the negotiation, execution, and performance of any contracts, conveyances or other instruments that the General Partner considers useful or necessary to the conduct of the Partnership's operations or the implementation of the General Partner's powers under this Agreement, including contracting with contractors, developers, consultants, accountants, legal counsel, other professional advisors and other agents and the payment of their expenses and compensation out of the Partnership's assets;

8. the distribution of Partnership cash or other Partnership assets in accordance with this Agreement;

9. holding, managing, investing and reinvesting cash and other assets of the Partnership;

10. the collection and receipt of revenues and income of the Partnership;

11. the establishment of one or more divisions of the Partnership, the selection and dismissal of employees of the Partnership (including employees having titles such as "president", "vice president", "secretary" and "treasurer" of the Partnership), and agents, outside attorneys, accountants, consultants and contractors of the Partnership, and the determination of their compensation and other terms of employment or engagement;

12. the maintenance of such insurance for the benefit of the Partnership and the Partners and directors and officers thereof as it deems necessary or appropriate;

13. the formation of, or acquisition of an interest (including non-voting interests in entities controlled by Affiliates of the Partnership or third parties) in, and the contribution of property to, any further Entities or other relationships that it deems desirable, including the acquisition of interests in, and the contributions of funds or property to, or making of loans to, its Subsidiaries and any other Person from time to time, or the incurrence of indebtedness on behalf of such Persons or the guarantee of the obligations of such Persons; *provided, however,* that as long as the Initial Limited Partner has determined to elect to qualify as a REIT or to continue to qualify as a REIT, the Partnership may not engage in any such formation, acquisition or contribution that would cause the Initial Limited Partner to fail to qualify as a REIT;

14. the control of any matters affecting the rights and obligations of the Partnership, including

a. the settlement, compromise, submission to arbitration or any other form of dispute resolution, or abandonment of, any claim, cause of action, liability, debt or damages, due or owing to or from the Partnership,

b. the commencement or defense of suits, legal proceedings, administrative proceedings, arbitration or other forms of dispute resolution, and

c. the representation of the Partnership in all suits or legal proceedings, administrative proceedings, arbitrations or other forms of dispute resolution, the incurring of legal expenses, and the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

15. the undertaking of any action in connection with the Partnership's direct or indirect investment in its Subsidiaries or any other Person (including the contribution or loan of funds by the Partnership to such Persons);

16. the determination of the fair market value of any Partnership property distributed in kind using such reasonable method of valuation as the General Partner may adopt; *provided*, *however*, that such methods are otherwise consistent with the requirements of this Agreement;

17. the exercise, directly or indirectly, through any attorney-in-fact acting under a general or limited power of attorney, of any right, including the right to vote, appurtenant to any asset or investment held by the Partnership;

18. the exercise of any of the powers of the General Partner enumerated in this Agreement on behalf of or in connection with any Subsidiary of the Partnership or any other Person in which the Partnership has a direct or indirect interest, or jointly with any such Subsidiary or other Person;

19. the exercise of any of the powers of the General Partner enumerated in this Agreement on behalf of any Person in which the Partnership does not have an interest pursuant to contractual or other arrangements with such Person;

20. the making, execution and delivery of any and all deeds, leases, notes, mortgages, deeds of trust, security agreements, conveyances, contracts, guarantees, warranties, indemnities, waivers,

releases or legal instruments or agreements in writing necessary or appropriate, in the judgment of the General Partner, for the accomplishment of any of the foregoing;

21. the issuance of additional Partnership Units in connection with Capital Contributions by Additional Limited Partners and additional Capital Contributions by Partners pursuant to Article 4 hereof;

22. the authorization, issuance, sale, redemption or purchase of any Partnership Units or any securities of the Partnership;

23. the opening of bank accounts on behalf of, and in the name of, the Partnership and its Subsidiaries;

24. the updating of the Register to reflect accurately at all times the Capital Contributions and Percentage Interests of the Partners as the same are adjusted from time to time to the extent necessary to reflect redemptions, Capital Contributions, the issuance of Partnership Units, the admission of any Additional Limited Partner or any Substituted Limited Partner or otherwise, which updating, notwithstanding anything in this Agreement to the contrary, shall not be deemed an amendment of this Agreement, as long as the matter or event being reflected in the Register otherwise is authorized by this Agreement; and

25. the amendment of this Agreement to reflect such changes as are reasonably necessary or appropriate for the General Partner or the Partnership to comply with, or reasonably allocate the burden of any Partnership-level assessments under the BBA Rules.

b. Each of the Limited Partners agree that, subject to Article 7 and Article 11, the General Partner is authorized to execute, deliver and perform the above-mentioned agreements and transactions on behalf of the Partnership without any further act, approval or vote of the Partners, notwithstanding any other provision of this Agreement to the fullest extent permitted under the Act or other applicable law, rule or regulation.

c. At all times from and after the date hereof, the General Partner at the expense of the Partnership, may or may not, cause the Partnership to obtain and maintain

(ii) casualty, liability and other insurance on the properties of the Partnership;

(iii) liability insurance for the Indemnitees hereunder; and

(iiii) such other insurance as the General Partner, in its sole and absolute discretion, determines to be appropriate and reasonable.

d. The General Partner may cause the Partnership to establish and maintain at any and all times working capital accounts and other cash or similar balances in such amount as the General Partner, in its sole and absolute discretion, deems appropriate and reasonable from time to time.

e. (i) Except as otherwise required by the Tax Protection Agreement or any other written agreement between the General Partner or the Partnership and any Partner, in exercising its authority under this Agreement, the General Partner may, but shall be under no obligation to, take into account the tax consequences to any Partner (including the General Partner) of any action taken (or not taken) by it. Except as otherwise required by the Tax Protection Agreement or any other written agreement between the General Partner or the Partnership and any Partner, the General Partner and the Partnership shall not have liability to any Limited Partner for monetary damages or otherwise for losses sustained, liabilities incurred or benefits not derived by such Limited Partner in connection with such decisions; *provided*, that the General Partner has acted in good faith pursuant to its authority under this Agreement.

(ii) Except as otherwise required by the Tax Protection Agreement or any other written agreement between the General Partner or the Partnership and any Partner, the General Partner and the Partnership shall not have liability to any Limited Partner under any circumstances as a result of an income tax liability incurred by such Limited Partner as a result of an action (or inaction) by the General Partner taken pursuant to its authority under and in accordance with this Agreement.

7.2 Certificate of Limited Partnership

a. The General Partner and the Initial Limited Partner have previously filed the Certificate with the Secretary of State of Delaware as required by the Act.

b. (i) The General Partner shall use all reasonable efforts to cause to be filed such other certificates or documents as may be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and any other state, or the District of Columbia, in which the Partnership may elect to do business or own property.

(ii) To the extent that such action is determined by the General Partner to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate and do all of the things to maintain the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) under the laws of the State of Delaware and each other state, or the District of Columbia, in which the Partnership may elect to do business or own property.

(iii) The General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate or any amendment thereto to any Limited Partner.

7.3 Reimbursement of the General Partner

a. Except as provided in this Section 7.3 and elsewhere in this Agreement (including the provisions of Articles 5 and 6 regarding distributions, payments, and allocations to which it may be entitled), the General Partner shall not be compensated for its services as general partner of the Partnership.

b. (i) The Partnership shall be responsible for and shall pay all expenses relating to the Partnership's organization, the ownership of its assets and its operations. Subject to Section 15.14, the General Partner shall be reimbursed on a monthly basis, or such other basis as it may determine in its sole and absolute discretion, for all expenses that it incurs on behalf of the Partnership relating to the ownership and operation of the Partnership's assets, or for the benefit of the Partnership, including (i) all expenses associated with compliance by the General Partner and the Initial Limited Partner, with laws, rules and regulations promulgated by any regulatory body, (ii) expenses related to the operations of the General Partner and the Initial Limited Partner and to the management and administration of any Subsidiaries of the General Partner, the Initial Limited Partner or the Partnership or Affiliates of the Partnership, such as auditing expenses and filing fees and any and all salaries, compensation and expenses of officers and employees of the General Partner and the Initial Limited Partner (including, without limitation, payments under future compensation plans, of the General Partner or the Initial Limited Partner that may provide for stock units, or phantom stock, pursuant to which employees of the General Partner, the Initial Limited Partner or the Partnership will receive payments based upon dividends or on the value of share of Common Stock), (iii) director or manager fees and expenses of the General Partner, the Initial Limited Partner or their Affiliates, or (iv) all costs and expenses of the Initial Limited Partner being a public company, including costs of filings with the SEC, reports and other distributions to its stockholders; *provided, however,* that the amount of any such reimbursement shall be reduced by any interest earned by the General Partner with respect to bank accounts or other instruments or accounts held by it in its name.

(ii) Such reimbursement shall be in addition to any reimbursement made as a result of indemnification pursuant to Section 7.6 hereof.

(iii) The General Partner shall determine in good faith the amount of expenses incurred by it and the Initial Limited Partner related to the ownership and operation of, or for the benefit of, the Partnership. If certain expenses are incurred for the benefit of the Partnership and other entities (including the General Partner and/or the Initial Limited Partner), such expenses will be allocated to the Partnership and such other entities in such a manner as the General Partner in its reasonable discretion deems fair and reasonable. All payments and reimbursements hereunder shall be characterized for federal income tax purposes as expenses of the Partnership incurred on its behalf, and not as expenses of the General Partner or the Initial Limited Partner.

c. (i) Expenses incurred by the General Partner relating to the organization or reorganization of the Partnership, the General Partner and the Initial Limited Partner, the issuance of Common Stock, Preferred Stock, Funding Debt or New Securities in connection with an Offering and any issuance of additional Partnership Interests, Common Stock or rights, options, warrants, or convertible or exchangeable securities pursuant to Section 4.2 hereof and all costs and expenses associated with the preparation and filing of any periodic reports by the General Partner or the Initial Limited Partner under federal, state or local laws or regulations (including all costs, expenses, damages, and other payments resulting from or arising in connection with litigation related to any of the foregoing) are primarily obligations of the Partnership.

(ii) Subject to Section 15.14, to the extent the General Partner pays or incurs such expenses, the General Partner shall be reimbursed for such expenses.

d. If and to the extent any reimbursements to the General Partner pursuant to this Section 7.3 constitute gross income to the General Partner (as opposed to the repayment of advances made on behalf of the Partnership), such amounts shall constitute guaranteed payments within the meaning of Section 707(c) of the Code, shall be treated consistently therewith by the Partnership and all Partners, and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

7.4 <u>Outside Activities of the General Partner and the Initial Limited Partner</u>

a. Neither the General Partner nor the Initial Limited Partner shall directly or indirectly enter into or conduct any business, other than in connection with, (a) the ownership, acquisition and disposition of Partnership Interests, (b) with respect to the General Partner, the management of the business and affairs of the Partnership, (c) with respect to the Initial Limited Partner, the operation of the Initial Limited Partner as a reporting company with a class (or classes) of securities registered under the Exchange Act, (d) with respect to the Initial Limited Partner, its operations as a REIT, (e) with respect to the Initial Limited Partner, the offering, sale, syndication, private placement or public offering of stock, bonds, securities or other interests, (f) financing or refinancing of any type related to the Partnership or its assets or activities, and (g) such activities as are incidental thereto; *provided*, *however*, that, except as otherwise provided herein, any funds raised by the Initial Limited Partner pursuant to the preceding clauses (e) and (f) shall be made available to the Partnership, whether as Capital Contributions, loans or otherwise, as appropriate, and, *provided*, *further* that each of the General Partner and the Initial Limited Partner may, in its sole and absolute discretion, from time to time hold or acquire Properties in its own name or otherwise other than through the Partnership so long as the General Partner or the Initial Limited Partner, as applicable, takes commercially reasonable measures to ensure that the economic benefits and burdens of such Property are otherwise vested in the Partnership, through assignment, mortgage loan or otherwise or, if it is not commercially reasonable to vest such economic interests in the Partnership, the Partners shall negotiate in good faith to amend this Agreement, including, without limitation, the definition of "Exchange Factor," to reflect such activities and the direct ownership of assets by the General Partner or the Initial Limited Partner, as applicable. Nothing contained herein shall be deemed to prohibit the General Partner or the Initial Partner from executing guarantees of the Partnership's Debt. Notwithstanding the foregoing, the General Partner or the Initial Limited Partner may acquire Properties in exchange for shares of Common Stock, other shares of capital stock or New Securities, or cash, in each case solely to the extent such Properties (or interests therein) are contributed by the General Partner or the Initial Limited Partner, as applicable, to the Partnership, pursuant to the terms described in Section 4.3, except no such contribution shall be required to the extent the Properties acquired by the General Partner or the Initial Limited Partner, as applicable, are direct or indirect interests in Partnership Interests. If, at any time, the General Partner or the Initial Limited Partner acquires material assets (other than on behalf of the Partnership), to the extent reasonably determined by the General Partner to be necessary, the definition of "Exchange Factor" shall be adjusted, as reasonably agreed to by the General Partner and the other Limited Partners, to reflect such acquisition of material assets by the General Partner or the Initial Limited Partner, as applicable. The General Partner's General Partner Interest in the Partnership, the Initial Limited Partner's Limited Partner Interest in the Partnership, a minority interest in any Subsidiary of the Partnership that the General Partner or the Initial Limited Partner holds in order to maintain such Subsidiary's status as a partnership for federal income tax purposes or otherwise, Properties that meet the requirements of this Section 7.5(a) (and prior to their contribution to the Partnership pursuant to Section 4.3), interests in such short-term liquid investments, bank accounts or similar instruments as the General Partner deems necessary to carry out the General Partner's and the Initial Limited Partner's responsibilities contemplated under this Agreement and the Articles of Incorporation, and interests in Disregarded Entities with respect to the General Partner or the Initial Limited Partner which hold any of the foregoing, are interests which the General Partner and the Initial Limited Partner are permitted to acquire and hold for purposes of this Section 7.5(a). Nothing in this Agreement shall limit, or be deemed to limit, the ability of the Initial Limited Partner or its Subsidiaries to act as an advisor to, or manage the day-to-day activities and investment strategy of, Phillips Edison Grocery Center REIT II, Inc., Phillips Edison Grocery Center REIT III, Inc. or their respective Affiliates, or to provide similar services to other Persons from time to time in the sole discretion of the Initial Limited Partner.

b. The General Partner and any Affiliates of the General Partner may acquire Limited Partner Interests and shall be entitled to exercise all rights of a Limited Partner relating to such Limited Partner Interests.

7.5 Contracts with Affiliates

a. (i) The Partnership may lend or contribute funds or other assets to its Subsidiaries or other Persons in which it has an equity investment and such Subsidiaries and Persons may borrow funds from the Partnership, on terms and conditions established in the sole and absolute discretion of the General Partner.

(ii) The foregoing authority shall not create any right or benefit in favor of any Subsidiary or any other Person.

b. Except as provided in Section 7.4, the Partnership may Transfer assets to Entities in which it is or thereby becomes a participant upon such terms and subject to such conditions consistent with this Agreement and applicable law as the General Partner, in its sole and absolute discretion, may determine.

c. Except as expressly permitted by this Agreement, neither the Initial Limited Partner nor any of its Affiliates shall sell, Transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, except pursuant to transactions that are determined by the General Partner in good faith to be fair and reasonable.

d. The General Partner, in its sole and absolute discretion and without the approval of the Limited Partners, may propose and adopt, on behalf of the Partnership, employee benefit plans, stock option plans, and similar plans funded by the Partnership for the benefit of employees of the Partnership (including, without limitation, plans that contemplate the issuance of Class B Units or Class C Units), the Initial Limited Partner, any Subsidiaries of the Partnership or any Affiliate of any of them in respect of services performed, directly or indirectly, for the benefit of the Partnership, the Initial Limited Partner, any Subsidiaries of the Partnership or any Affiliate of any of them.

e. The General Partner is expressly authorized to enter into, in the name and on behalf of the Partnership, a "right of first opportunity" or "right of first offer" arrangement, non-competition agreements and other conflict avoidance agreements with various Affiliates of the Partnership and the General Partner, on such terms as the General Partner, in its sole and absolute discretion, believes are advisable.

7.6 Indemnification

a. (i) Subject to Section 15.14, to the fullest extent permitted by applicable law, the Partnership shall indemnify each Indemnitee from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including reasonable attorney's fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, whether by or in the right of the Partnership or otherwise (subject to (y) below) that relate to the operations of the Partnership or the Initial Limited Partner ("*Actions*") as set forth in this Agreement in which such Indemnitee may be involved, or is threatened to be involved, as a party or otherwise; *provided*, *however*, that the Partnership shall not indemnify an Indemnitee (i) if the act or omission of the Indemnitee was material to the matter giving rise to the Action and either was committed in bad faith or was the result of active and deliberate dishonesty; (ii) in the case of any criminal proceeding, if the Indemnitee had reasonable cause to believe that the act or omission was unlawful; or (iii) for any loss resulting from any transaction for which such Indemnitee actually received an improper personal benefit in money, property or services or otherwise in violation or breach of any provision of this Agreement; and provided, further, that no payments pursuant to this Agreement shall be made by the Partnership (x) to indemnify or advance expenses to any Indemnitee with respect to any Action initiated or brought voluntarily by such Indemnitee (and not by way of defense) unless (I) approved or authorized by the General Partner or (II) incurred to establish or enforce such Indemnitee's right to indemnification under this Agreement, (y) to advance expenses in connection with one or more Actions or claims brought by or in the right of the Partnership or (z) to indemnify an Indemnitee in connection with one or more Actions involving such Indemnitee if such Indemnitee is found liable to the Partnership with respect to such claim or Action. If Indemnitee is entitled to indemnification hereunder with respect to one or more but less than all claims, issues or matters in any Action, the Partnership shall provide indemnification hereunder in connection with each such claim, issue or matter, allocated on a reasonable and proportionate basis.

(ii) Without limitation, the foregoing indemnity shall extend to any liability of any Indemnitee, pursuant to a loan guaranty or otherwise, for any indebtedness of the Partnership or any Subsidiary of the Partnership (including any indebtedness which the Partnership or any Subsidiary of the Partnership has assumed or taken subject to), and the General Partner is hereby authorized and empowered, in its sole and absolute discretion on behalf of the Partnership, to enter into one or more indemnity agreements consistent with the provisions of this Section 7.6 in favor of any Indemnitee having or potentially having liability for any such indebtedness. It is the intention of this Section 7.6(a) that the Partnership indemnify each Indemnitee to the fullest extent permitted by law and this Agreement. The termination of any proceeding by judgment, order or settlement does not create a presumption that the Indemnitee did not meet the requisite standard of conduct set forth in this Section 7.6(a). The termination of any proceeding by conviction of an Indemnitee or upon a plea of *nolo contendere* or its equivalent by an Indemnitee, or an entry of an order of probation against an Indemnitee prior to judgment, does not create a presumption that such

Indemnitee acted in a manner contrary to that specified in this Section 7.6(a) with respect to the subject matter of such proceeding. Any indemnification pursuant to this Section 7.6 shall be made only out of the assets of the Partnership, and neither the General Partner nor any other holder shall have any obligation to pay or otherwise satisfy such indemnification obligation or to contribute to the capital of the Partnership or otherwise provide funds to enable the Partnership to fund its obligations under this Section 7.6.

(iii) Any indemnification pursuant to this Section 7.6 shall be made only out of the assets of the Partnership, and neither the General Partner nor any Limited Partner shall have any obligation to contribute to the capital of the Partnership, or otherwise provide funds, to enable the Partnership to fund its obligations under this Section 7.6.

b. Subject to Section 15.14, to the fullest extent permitted by law, expenses incurred by an Indemnitee who is a party to a proceeding or otherwise subject to or the focus of or is involved in any Action shall be paid or reimbursed by the Partnership as incurred by the Indemnitee in advance of the final disposition of the Action upon receipt by the Partnership of (i) a written affirmation by the Indemnitee of the Indemnitee's good faith belief that the standard of conduct necessary for indemnification by the Partnership as authorized in Section 7.7(b) has been met, and (ii) a written undertaking by or on behalf of the Indemnitee to repay the amount if it shall ultimately be determined that the standard of conduct has not been met.

c. The indemnification provided by this Section 7.6 shall be in addition to any other rights to which an Indemnitee or any other Person may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee unless otherwise provided in a written agreement with such Indemnitee or in the writing pursuant to which such Indemnitee is indemnified.

d. The Partnership may, but shall not be obligated to, purchase and maintain insurance, on behalf of any of the Indemnitees and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expenses that may be incurred by such Person in connection with the Partnership's activities, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

e. Any liabilities which an Indemnitee incurs as a result of acting on behalf of the Partnership, the General Partner or the Initial Limited Partner (whether as a fiduciary or otherwise) in connection with the operation, administration or maintenance of an employee benefit plan or any related trust or funding mechanism (whether such liabilities are in the form of excise taxes assessed by the IRS, penalties assessed by the U.S. Department of Labor, restitutions to such a plan or trust or other funding mechanism or to a participant or beneficiary of such plan, trust or other funding mechanism, or otherwise) shall be treated as liabilities or judgments or fines under this Section 7.6, unless such liabilities arise as a result of (i) an act or omission of such Indemnitee that was material to the matter giving rise to the Action and either was committed in bad faith or was the result of active and deliberate dishonesty; (ii) in the case of any criminal proceeding, an act or omission that such Indemnitee had reasonable cause to believe was unlawful, or (iii) any transaction in which such Indemnitee actually received an improper personal benefit in violation or breach of any provision of this Agreement.

f. In no event may an Indemnitee subject any of the Partners (other than the General Partner) to personal liability by reason of the indemnification provisions set forth in this Agreement.

g. An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.6 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

h. (i) The provisions of this Section 7.6 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(ii) Any amendment, modification or repeal of this Section 7.6 or any provision hereof shall be prospective only and shall not in any way affect the Partnership's liability to any Indemnitee under this Section 7.6, as in effect immediately prior to such amendment, modification, or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

i. If and to the extent any payments to the Initial Limited Partner pursuant to this Section 7.6 constitute gross income to the Initial Limited Partner (as opposed to the repayment of advances made on behalf of the Partnership), such amounts shall constitute guaranteed payments within the meaning of Section 707(c) of the Code, shall be treated consistently therewith by the Partnership and all Partners, and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

j. Any obligation or liability whatsoever of the General Partner which may arise at any time under this Agreement or any other instrument, transaction, or undertaking contemplated hereby shall be satisfied, if at all, out of the assets of the General Partner or the Partnership only. No such obligation or liability shall be personally binding upon, nor shall resort for the enforcement thereof be had to, any of the General Partner's directors, stockholders, officers, employees, or agents, regardless of whether such obligation or liability is in the nature of contract, tort or otherwise.

k. To the fullest extent permitted by applicable law, no Indemnitee shall be liable to the Partnership, any Partner or any other Person bound by this Agreement for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnitee in good faith on behalf of the Partnership and in a manner reasonably believed to be within the scope of the authority conferred on such Indemnitee by this Agreement, except that an Indemnitee shall be liable for any such loss, damage or claim incurred by reason of such Indemnitee's intentional harm or gross negligence.

7.7 Liability of the General Partner and the Initial Limited Partner

a. (i) The Limited Partners (other than the Initial Limited Partner) expressly acknowledge that, in discharging its fiduciary duties to the Partnership and the Limited Partners, the General Partner is acting on behalf of the

Partnership and the Stockholders of the Initial Limited Partner collectively; accordingly, subject to the provisions of Section 7.1(e) and the remainder of this Section 7.7, the General Partner is under no obligation to consider the separate interest of the Limited Partners (including the tax consequences to any Limited Partner or any Assignees) in deciding whether to cause the Partnership to take (or decline to take) any actions and (ii) shall not be liable for monetary damages for losses sustained, liabilities incurred, or benefits not derived by Limited Partners in connection with such decisions; *provided that* the General Partner has acted in good faith and otherwise in compliance with this Agreement.

(ii) With respect to any indebtedness of the Partnership which any Limited Partner may have guaranteed, the General Partner shall have no duty to keep such indebtedness outstanding.

b. The Limited Partners expressly acknowledge that if any conflict in the fiduciary duties owed by the Initial Limited Partner (as the sole member of the General Partner) to its Stockholders and by the General Partner, in its capacity as a general partner of the Partnership, to the Limited Partners (other than the Initial Limited Partner), the General Partner will endeavor in good faith to resolve the conflict in a manner not adverse to either the Stockholders of the Initial Limited Partner or the Limited Partners (other than the Initial Limited Partner), provided that, to the extent that any such conflict cannot be resolved in a manner not adverse to either the Stockholders of the Initial Limited Partner or the Limited Partners (other than the Initial Limited Partner), the General Partner shall be entitled to resolve such conflict in favor of the Stockholders of the Initial Limited Partner. The General Partner shall not be liable for monetary damages for losses sustained, liabilities incurred, or benefits not derived by the Limited Partners in connection with any action (or election not to act) in accordance with this Section 7.7(b) so long as the General Partner has complied with its obligations under this Section 7.7(b) and not otherwise violated this Agreement. The Initial Limited Partner shall guarantee all liabilities and obligations of the General Partner to the Limited Partners (other than the Initial Limited Partner) arising from any breach or violation of this Agreement or the General Partner’s duties to the Limited Partners.

c. Notwithstanding anything to the contrary in this Agreement, under no circumstances will the fiduciary duties of the General Partner require the General Partner to breach the Tax Protection Agreement.

d. Any amendment, modification or repeal of this Section 7.7 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability of the General Partner or the members, managers or agents of the General Partner, the Initial Limited Partner, or of the directors, officers, stockholders, employees or agents of the Initial Limited Partner, or the Indemnitees, to the Partnership, the Partners or any other Person bound by this Agreement under this Section 7.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

e. Nothing in this Agreement shall limit or otherwise affect the rights, obligations or remedies of any party to the Tax Protection Agreement or any other written agreement between the General Partner or the Partnership and any Partner.

7.8 Other Matters Concerning the General Partner

a. The General Partner may rely and shall be protected in acting, or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, or other paper or document believed by it in good faith to be genuine and to have been signed or presented by the proper party or parties.

b. The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers, architects, engineers, environmental consultants and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon and in accordance with the opinion of such Persons as to matters which such General Partner reasonably believes to be within such Person’s professional or expert competence shall be presumed to have been done or omitted in good faith.

c. (i) The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers and duly appointed attorneys-in-fact.

(ii) Each such attorney shall, to the extent provided by the General Partner in the power of attorney, have full power and authority to do and perform each and every act and duty which is permitted or required to be done by the General Partner hereunder.

d. Notwithstanding any other provisions of this Agreement or the Act, any action of the General Partner on behalf of the Partnership or any decision of the General Partner to refrain from acting on behalf of the Partnership, undertaken in the good faith belief that such action or omission is necessary or advisable in order

(i) to protect the ability of the Initial Limited Partner to continue to qualify as a REIT; or

(ii) to minimize the incurrence by the Initial Limited Partner of any taxes under Section 857 or Section 4981 of the Code,

is expressly authorized under this Agreement and is deemed approved by all of the Limited Partners.

7.9 Title to Partnership Assets

a. Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof.

b. (i) Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner or one or more nominees, as the General Partner may determine, including Affiliates of the General Partner.

(ii) The General Partner hereby declares and warrants that any Partnership asset for which legal title is held in the name of the General Partner or any nominee or Affiliate of the General Partner shall be held by the General Partner for the use and benefit of the Partnership in accordance with the provisions of this Agreement; *provided, however*, that the General Partner shall use its best efforts to cause beneficial and record title to such assets to be vested in the Partnership as soon as reasonably practicable.

(iii) All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which legal title to such Partnership assets is held.

7.10 Reliance by Third Parties

a. Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner has full power and authority, without consent or approval of any other Partner or Person, to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any contracts on behalf of the Partnership, and take any and all actions on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner as if the General Partner were the Partnership's sole party in interest, both legally and beneficially.

b. Each Limited Partner hereby waives any and all defenses or other remedies which may be available against such Person to contest, negate or disaffirm any action of the General Partner in connection with any such dealing.

c. In no event shall any Person dealing with the General Partner or its representatives be obligated to ascertain that the terms of this Agreement have been complied with or to inquire into the necessity or expediency of any act or action of the General Partner or its representatives.

d. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that

(i) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect;

(ii) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership; and

(iii) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

7.11 Loans By Third Parties

The Partnership may incur Debt, or enter into similar credit, guarantee, financing or refinancing arrangements for any purpose (including in connection with any acquisition of property) with any Person upon such terms as the General Partner determines appropriate.

Article 8

RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

8.1 Limitation of Liability

No Limited Partner shall have any liability under this Agreement except as expressly provided in this Agreement, including Section 10.5 hereof, or under the Act.

8.2 Management of Business

a. No Limited Partner or Assignee (other than the General Partner, any of its Affiliates or any officer, director, employee, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such) shall take part in the operation, management or control (within the meaning of the Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership.

b. The transaction of any such business by the General Partner, any of its Affiliates or any officer, director, employee, partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such, shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

8.3 Outside Activities of Limited Partners

a. Subject to Section 7.7 and any agreements entered into pursuant to Section 7.5 hereof and any other agreements entered into by a Limited Partner, or any of its Affiliates with the Partnership or any of its Subsidiaries, any Limited Partner, and any officer, director, employee, agent, trustee, Affiliate or shareholder of any Limited Partner shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities that are in direct competition with the Partnership or that are enhanced by the activities of the Partnership.

b. Neither the Partnership nor any Partners shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner, any Assignee or any of their Affiliates.

c. No Limited Partner nor any other Person shall have any rights by virtue of this Agreement or the Partnership relationship established hereby in any business ventures of any other Person and such Person shall have no obligation pursuant to this Agreement to offer any interest in any such business ventures to the Partnership, any Limited Partner or any such other Person, even if such opportunity is of a character which, if presented to the Partnership, any Limited Partner or such other Person, could be taken by such Person.

8.4 Return of Capital

a. Except pursuant to the rights of Redemption set forth in Section 15.1, no Limited Partner shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent of distributions made pursuant to this Agreement or upon termination of the Partnership as provided herein.

b. Except as provided in Articles 5, 6 and 13 hereof, no Limited Partner or Assignee shall have priority over any other Limited Partner or Assignee, either as to the return of Capital Contributions or as to profits, losses or distributions.

8.5 Rights of Limited Partners Relating to the Partnership

a. In addition to the other rights provided by this Agreement or by the Act, and except as limited by Section 8.5(b) hereof, each Limited Partner shall have the right, for a purpose reasonably related to such Person's interest as a limited partner in the Partnership, upon written demand with a statement of the purpose of such demand and at such Person's own expense (including such reasonable copying and administrative charges as the General Partner may establish from time to time):

i. to obtain a copy of the most recent annual and quarterly reports filed with the Securities and Exchange Commission by the Initial Limited Partner pursuant to the Exchange Act; and

ii. to obtain a copy of the Partnership's federal, state and local income tax returns for each Partnership Year.

b. Notwithstanding any other provision of this Section 8.5, the General Partner may keep confidential from the Limited Partners, for such period of time as the General Partner determines in its sole and absolute discretion to be reasonable, any information that:

i. the General Partner reasonably believes to be in the nature of trade secrets or other information, the disclosure of which the General Partner in good faith believes is not in the best interests of the Partnership or could damage the Partnership or its business; or

ii. the Partnership is required by law or by agreements with an unaffiliated third party to keep confidential.

8.6 Partnership Right to Call Limited Partner Interests

Notwithstanding any other provision of this Agreement, on and after the date on which the aggregate Percentage Interests of the Limited Partners are less than one percent (1%), the Partnership shall have the right, but not the obligation, from time to time and at any time to redeem any and all outstanding Limited Partner Interests by treating any Limited Partner as a Tendering Party who has delivered a Notice of Redemption pursuant to Section 15.1 hereof for the amount of OP Units to be specified by the General Partner, in its sole and absolute discretion, by notice to such Limited Partner that the Partnership has elected to exercise its rights under this Section 8.6. Such notice given by the General Partner to a Limited Partner pursuant to this Section 8.6 shall be treated as if it were a Notice of Redemption delivered to the General Partner by such Limited Partner. For purposes of this Section 8.6, (a) any Limited Partner (whether or not otherwise a Qualifying Party) may, in the General Partner's sole and absolute discretion, be treated as a Qualifying Party that is a Tendering Party and (b) the provisions of Sections 15.1(e)(ii) and 15.1(e)(iii) hereof shall not apply, but the remainder of Section 15.1 hereof shall apply, mutatis mutandis.

8.7 Not Applicable to Initial Limited Partner

As used in this Article 8, "Limited Partner" refers to Limited Partners other than the Initial Limited Partner or its successors.

Article 9

BOOKS, RECORDS, ACCOUNTING AND REPORTS

9.1 Records and Accounting

a. The General Partner shall keep or cause to be kept at the principal office of the Partnership those records and documents required to be maintained by the Act and other books and records deemed by the General Partner to be appropriate with respect to the Partnership's business, including all books and records necessary for the Initial Limited Partner to comply with applicable REIT Requirements and to provide to the Limited Partners any information, lists and copies of documents required to be provided pursuant to Sections 8.5(a) and 9.3 hereof.

b. Any records maintained by or on behalf of the Partnership in the regular course of its business may be kept on, or be in the form of, punch cards, magnetic tape, photographs, micrographics or any other information storage device, provided that the records so maintained are convertible into clearly legible written form within a reasonable period of time.

c. The books of the Partnership shall be maintained, for financial and tax reporting purposes, on an accrual basis in accordance with generally accepted accounting principles, or such other basis as the General Partner determines to be necessary or appropriate.

9.2 Fiscal Year

The fiscal year of the Partnership shall be the calendar year, unless otherwise required by the Code and the Regulations.

9.3 Reports

a. As soon as practicable, but in no event later than the date on which the Initial Limited Partner mails its annual report to its Stockholders, the General Partner shall cause to be mailed to each Limited Partner as of the close of the Partnership Year, an annual report containing financial statements of the Partnership, or of the Initial Limited Partner, if such statements are prepared on a consolidated basis with the Partnership, for such Partnership Year, presented in accordance with the standards of the Public Accounting Oversight Board (United States), such statements to be audited by a nationally recognized firm of independent public accountants selected by the General Partner in its sole discretion.

b. If and to the extent that the Initial Limited Partner mails quarterly reports to its Stockholders, then as soon as practicable, but in no event later than the date such reports are mailed, the General Partner shall cause to be mailed to each Limited Partner a report containing unaudited financial statements as of the last day of the calendar quarter of the Partnership, or of the Initial Limited Partner, if such statements are prepared on a consolidated basis with the Partnership, and such other information as may be required by applicable law or regulation, or as the General Partner determines to be appropriate.

c. Notwithstanding the foregoing, for so long as Jeffrey S. Edison or any of his Affiliates hold OP Units, the General Partner shall furnish to all holders of OP Units all quarterly and annual financial information that would be required to be contained in a filing with the Securities and Exchange Commission on Forms 10-Q and 10-K, as applicable, if the Initial Limited Partner or the Partnership were required to file such forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual information only, a report thereon by the certified public accountants of the Initial Limited Partner or the Partnership, as applicable; *provided, however*, that to the extent such information is filed with the Securities and Exchange Commission and is publicly available, no additional copies need be furnished to holders of OP Units. This Section 9.3(c) may not be amended without the consent of holders of at least 50% of the Partnership Interest held by Jeffrey S. Edison and his Affiliates.

d. Notwithstanding the foregoing, the General Partner may deliver to the Limited Partners each of the reports described above, as well as any other communications that it may provide hereunder, by e-mail or by any other electronic means.

Article 10

TAX MATTERS

10.1 Preparation of Tax Returns

a. The General Partner shall arrange for the preparation and timely filing (taking into account extensions) of all returns of Partnership income, gains, deductions, losses and other items required of the Partnership for federal and state income tax purposes and shall use all reasonable efforts to furnish, (i) within ninety (90) days of the close of each taxable year, preliminary tax information (which information shall be an estimate based on information available to the Partnership at such time) reasonably required by the Limited Partners for federal and state income tax reporting purposes and (ii) no later than thirty (30) days prior to the due date of the Partnership federal income tax return (taking into account extensions), a final version of such information, which may include information that is different from the information previously provided under clause (i). The federal income tax return of the Partnership shall be filed annually on IRS Form 1065 (or such other successor form) or on any other IRS form as may be required.

b. If required under the Code or applicable state or local income tax law, the General Partner shall also arrange for the preparation and timely filing (taking into account extensions) of all returns of income, gains, deductions, losses and other items required of the Subsidiaries of the Partnership for federal and state income tax purposes and shall use all reasonable efforts to furnish, (i) within ninety (90) days of the close of each taxable year, preliminary tax information (which information shall be an estimate based on information available to the Partnership at such time) reasonably required by the Limited Partners for federal and state income tax reporting purposes and (ii) no later than thirty (30) days prior to the due date of the applicable federal income tax returns (taking into account extensions), a final version of such information, which may include information that is different from the information previously provided under clause (i).

10.2 Tax Elections

a. Except as otherwise provided herein, the General Partner shall, in its sole and absolute discretion, determine whether to make any available election pursuant to the Code and the Regulations, including any election under the BBA Rules and the election under Section 754 of the Code.

b. Except as otherwise required by the Tax Protection Agreement or by any other agreement between the General Partner or the Partnership and any Partner, the General Partner shall elect a permissible method (which need not be the same method for each item or property) of eliminating the disparity between the Gross Asset Value and the tax basis for each item of property contributed to the Partnership or to a Subsidiary of the Partnership pursuant to the Regulations promulgated under the provisions of Section 704(c) of the Code.

c. The General Partner shall have the right to seek to revoke any tax election it makes, including any election under the BBA Rules and the election under Section 754 of the Code, upon the General Partner's determination, in its sole and absolute discretion, that such revocation is in the best interests of the Partners.

d. The Partners, intending to be legally bound, hereby authorize the Partnership to make an election (the "Safe Harbor Election") to have the "liquidation value" safe harbor provided in proposed Regulations Section 1.83-3(1) and the proposed Revenue Procedure set forth in Internal Revenue Service Notice 2005-43, as such safe harbor may be modified when such proposed guidance is issued in final form or as amended by subsequently issued guidance (the "Safe Harbor"), apply to any interest in the Partnership transferred to a service provider while the Safe Harbor Election remains effective (including, without limitation, Class B Units or Class C Units), to the extent such interest meets the Safe Harbor requirements (collectively, such interests are referred to as "Safe Harbor Interests"). The General Partner is authorized and directed to execute and file the Safe Harbor Election on behalf of the Partnership and the Partners if and when the Safe Harbor Election becomes available. The Partnership and the Partners (including any person to whom an interest in the Partnership is transferred in connection with the performance of services) hereby agree to comply with all requirements of the Safe Harbor (including forfeiture allocations) with respect to all Safe Harbor Interests and to prepare and file all U.S. federal income tax returns reporting the tax consequences of the issuance and vesting of Safe Harbor Interests consistent with such final Safe Harbor guidance. The General Partner is authorized to take such actions as are necessary to achieve, under the Safe Harbor, the effect that the election and compliance with all requirements of the Safe Harbor referred to above would be intended to achieve under proposed Regulations Section 1.83-3, including amending this Agreement.

10.3 Tax Matters Partner; Partnership Representative

a. (i) The General Partner shall be the "tax matters partner," within the meaning of Section 6231 of the TEFRA Rules (the "Tax Matters Partner"), and the "partnership representative," within the meaning of Section 6223 of the BBA Rules (the "Partnership Representative"), of the Partnership for federal income tax purposes.

(ii) Pursuant to Section 6230(e) of the TEFRA Rules, upon receipt of notice from the Internal Revenue Service of the beginning of an administrative proceeding with respect to the Partnership, the Tax Matters Partner shall furnish the Internal Revenue Service with the name, address, taxpayer identification number, and profit interest of each of the Limited Partners and the Assignees; *provided, however*, that such information is provided to the Partnership by the Limited Partners and the Assignees, and the TEFRA Rules apply to such proceeding.

(iii) The Tax Matters Partner or the Partnership Representative, as applicable, is authorized, but not required:

1. to enter into any settlement with the Internal Revenue Service with respect to any administrative or judicial proceedings for the adjustment of Partnership items required to be taken into account by a Partner for income tax purposes (such administrative proceedings being referred to as a "tax audit" and such judicial proceedings being referred to as "judicial review"), and in the settlement agreement the Tax Matters Partner or the Partnership Representative may expressly state that such agreement shall bind all Partners, except that if the TEFRA Rules apply to such proceeding, such settlement agreement shall not bind any Partner

a. who (within the time prescribed pursuant to the Code and Regulations) files a statement with the Internal Revenue Service providing that the Tax Matters Partner shall not have the authority to enter into a settlement agreement on behalf of such Partner; or

b. who is a "notice partner" (as defined in Section 6231(a)(8) of the TEFRA Rules) or a member of a "notice group" (as defined in Section 6223(b)(2) of the TEFRA Rules);

2. if a notice of a final administrative adjustment at the Partnership level of any item required to be taken into account by a Partner for tax purposes (a "final adjustment") is mailed to the Tax Matters Partner or the Partnership Representative, as applicable, to seek judicial review of such final adjustment, including the filing of a petition for readjustment with the Tax Court or the filing of a complaint for refund with the United States Claims Court or the District Court of the United States for the district in which the Partnership's principal place of business is located;

3. to intervene in any action brought by any other Partner for judicial review of a final adjustment;

4. to file a request for an administrative adjustment with the Internal Revenue Service and, if any part of such request is not allowed by the Internal Revenue Service, to file an appropriate pleading (petition or complaint) for judicial review with respect to such request;

5. to enter into an agreement with the Internal Revenue Service to extend the period for assessing any tax which is attributable to any item required to be taken account of by a Partner for tax purposes, or an item affected by such item; and

6. to take any other action on behalf of the Partners or the Partnership in connection with any tax audit or judicial review proceeding to the extent permitted by applicable law or regulations.

The taking of any action and the incurring of any expense by the Tax Matters Partner or the Partnership Representative in connection with any such proceeding, except to the extent required by law, is a matter in the sole and absolute discretion of the Tax Matters Partner or the Partnership Representative, as applicable.

b. (i) The Tax Matters Partner or the Partnership Representative, as applicable, shall receive no compensation for its services.

(ii) All third party costs and expenses incurred by the Tax Matters Partner or the Partnership Representative, as applicable, in performing its duties as such (including legal and accounting fees and expenses) shall be borne by the Partnership.

(iii) Nothing herein shall be construed to restrict the Partnership from engaging an accounting firm to assist the Tax Matters Partner or the Partnership Representative, as applicable, in discharging its duties hereunder, so long as the compensation paid by the Partnership for such services is reasonable.

10.4 Organizational Expenses

The Partnership shall elect to deduct expenses, if any, incurred by it in organizing the Partnership ratably over a one hundred eighty (180) month period as provided in Section 709 of the Code.

10.5 Withholding

a. Each Limited Partner hereby authorizes the Partnership to withhold from, or pay on behalf of or with respect to, such Limited Partner any amount of federal, state, local, or foreign taxes that the General Partner determines that the Partnership is required to withhold or pay with respect to any amount distributable or allocable to such Limited Partner pursuant to this Agreement, including any taxes required to be withheld or paid by the Partnership pursuant to Sections 1441, 1442, 1445, or 1446 of the Code. For purposes of this Section 10.5, any tax (including interest and penalties) assessed against or otherwise required to be paid by the Partnership on behalf of or with respect to any Partner or otherwise as a result of a Partner's interest in the Partnership (including any assessment under the BBA Rules) shall be treated as a withholding tax subject to the provisions of this Section 10.5, which tax shall be allocated among the Partners (including, in the case of assessments under the BBA Rules or otherwise, any Person that was a Partner during the taxable year or other period to which such assessment relates, even if such Person is not a Partner at the time the assessment is made or actually paid by the Partnership) as determined in good faith by the General Partner.

b. (i) Any amount paid on behalf of or with respect to a Limited Partner shall constitute a loan by the Partnership to such Limited Partner, which loan shall be repaid by such Limited Partner as the case may be within fifteen (15) days after notice from the General Partner that such payment must be made unless

1. the Partnership withholds such payment from a distribution which would otherwise be made to the Limited Partner; or

2. the General Partner determines, in its sole and absolute discretion, that such payment may be satisfied out of the available funds of the Partnership which would, but for such payment, be distributed to the Limited Partner.

(ii) Any amounts withheld pursuant to the foregoing clauses (i)(A) or (B) shall be treated as having been distributed to the Limited Partner (except that, with respect to assessments under the BBA Rules, such amounts shall (x) be treated as expenditures of the Partnership described in Section 705(a)(2)(B) of the Code, (y) be specially allocated to the Partners to whom such amounts are attributable, as determined in good faith by the General Partner, and (z) reduce the amounts otherwise distributable to such Partners under this Agreement, as if such amounts were distributed to them, as determined in good faith by the General Partner).

c. (i) Each Limited Partner hereby unconditionally and irrevocably grants to the Partnership a security interest in such Limited Partner's Partnership Interest to secure such Limited Partner's obligation to pay to the Partnership any amounts required to be paid pursuant to this Section 10.5.

(ii) (A) If a Limited Partner fails to pay when due any amounts owed to the Partnership pursuant to this Section 10.5, the General Partner may, in its sole and absolute discretion, elect to make the payment to the Partnership on behalf of such defaulting Limited Partner, and in such event shall be deemed to have loaned such amount to such defaulting Limited Partner and shall succeed to all rights and remedies of the Partnership as against such defaulting Limited Partner.

1. Without limitation, in such event, the General Partner shall have the right to receive distributions that would otherwise be distributable to such defaulting Limited Partner until such time as such loan, together with all interest thereon, has been paid in full, and any such distributions so received by the General Partner shall be treated as having been distributed to the defaulting Limited Partner and immediately paid by the defaulting Limited Partner to the General Partner in repayment of such loan.

(iii) Any amount payable by a Limited Partner hereunder shall bear interest at the highest base or prime rate of interest published from time to time by The Wall Street Journal but in no event higher than the maximum lawful rate of interest on such obligation, such interest to accrue from the date such amount is due (i.e., fifteen (15) days after demand) until such amount is paid in full.

(iv) Each Limited Partner shall take such actions as the Partnership or the General Partner shall request in order to perfect or enforce the security interest created hereunder.

Article 11

TRANSFERS; WITHDRAWALS; BUSINESS COMBINATIONS

11.1 Transfers in General

a. (i) The term "Transfer," when used in this Article 11 with respect to a Partnership Interest or a Partnership Unit, shall be deemed to refer to a transaction by which the General Partner purports to assign all or any part of its General Partner Interest to another Person, or a Limited Partner (including the Initial Limited Partner) purports to assign all or any part of its Limited Partner Interest to another Person, and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange, merger, consolidation, reclassification, reorganization, liquidation or any other disposition by law or otherwise.

(ii) The term "Transfer" when used in this Article 11 does not include any exchange of Partnership Units for cash or Common Stock pursuant to Section 15.1.

(iii) The term "Transfer" when used in this Article 11 does not include any conversion of Class B Units into OP Units pursuant to Section 16.4, or any conversion of Class C Units into OP Units pursuant to Section 17.4.

b. (i) No Partnership Interest shall be Transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article 11.

(ii) Any Transfer or purported Transfer of a Partnership Interest not made in accordance with this Article 11 shall be null and void.

11.2 <u>Transfer Restrictions in Business Combinations</u>

a. The General Partner may not Transfer any of its General Partner Interest or withdraw as General Partner, or Transfer any of its Limited Partner Interest, except

(i) with the Consent of the Limited Partners to such Transfer or withdrawal;

(ii) if the General Partner Transfers all of its General Partner Interest to the Initial Limited Partner; or

(iii) if such Transfer is to an entity which is wholly owned by the General Partner or the Initial Limited Partner and is a Qualified REIT Subsidiary.

It is a condition to any Transfer of the General Partner's General Partner Interest otherwise permitted hereunder (including any transfer permitted under this Section 11.2(a)) that: (x) coincident with such Transfer, the transferee is admitted as a General Partner pursuant to Section 12.1 hereof; (ii) the transferee assumes, by operation of law or express agreement, all of the obligations of the transferor General Partner under this Agreement with respect to such transferred General Partner Interest; and (iii) the transferee has executed such instruments as may be necessary to effectuate such admission and to confirm the agreement of such transferee to be bound by all the terms and provisions of this Agreement with respect to the General Partner Interest so acquired and the admission of such transferee as a General Partner.

b. If the General Partner withdraws as general partner of the Partnership in accordance with Section 11.2(a), the General Partner's General Partner Interest shall immediately be converted into a Limited Partner Interest.

c. In addition to the requirements of Section 11.2(d), without the Consent of the Limited Partners, the Initial Limited Partner shall not engage in any merger, consolidation or other combination of the Initial Limited Partner or the Partnership with or into another Person or sale of all or substantially all of its or the Partnership's assets, or any reclassification, recapitalization or change of any outstanding shares of the Initial Limited Partner's stock or other equity interests (other than a change in par value, or from par value to no par value, or as a result of a subdivision or combination of Common Stock) (a "<u>Transaction</u>"), unless

(i) in connection with the Transaction all Limited Partners (other than the Initial Limited Partner) will either receive, or will have the right to elect to receive on substantially identical terms as holders of Common Stock, for each OP Unit an amount of cash, securities, or other property equal to the product of the Exchange Factor and the greatest amount of cash, securities or other property or value paid in the Transaction (as applicable based on the consideration payable to holders of Common Stock) to or received by a holder of one share of Common Stock in consideration of one share of Common Stock pursuant to such Transaction or, if greater, at any time during the period from and after the date on which the Transaction is consummated; *provided, however,* that if, in connection with the Transaction, a purchase, tender or exchange offer ("<u>Offer</u>") shall have been made to and accepted by the holders of the outstanding Common Stock, each holder of OP Units also shall be given the option to exchange its OP Units for the greatest amount of cash, securities, or other property which a Limited Partner would have received had it:

1. exercised its Redemption Right pursuant to Section 15.1 and

2. sold, tendered or exchanged pursuant to the Offer the Common Stock received upon exercise of its Redemption Right pursuant to Section 15.1 immediately prior to the expiration of the Offer.

The foregoing is not intended to, and does not, affect the ability of (i) a Stockholder of the Initial Limited Partner to sell its stock in the Initial Limited Partner or (ii) the Initial Limited Partner to perform its obligations (under agreement or otherwise) to such Stockholders (including the fulfillment of any obligations with respect to registering the sale of stock under applicable securities laws); or

(ii) all the following conditions are met: (w) substantially all of the assets directly or indirectly owned by the surviving entity are owned directly or indirectly by the Partnership or another limited partnership or limited liability company which is the survivor of a merger, consolidation or combination of assets with the Partnership (in each case, the "Surviving Partnership"); (x) the Limited Partners that held OP Units immediately prior to the Transaction own a percentage interest of the Surviving Partnership based on the relative fair market value of the net assets of the Partnership and the other net assets of the Surviving Partnership immediately prior to the consummation of such transaction; (y) the rights, preferences and privileges of such Limited Partners in the Surviving Partnership are at least as favorable as those in this Agreement and as those applicable to any other limited partners or non-managing members of the Surviving Partnership; and (z) the rights of the such Limited Partners include at least the following: (a) the right to redeem their interests in the Surviving Partnership for the consideration available to such persons pursuant to Section 11.2(c)(i) or (b) the right to redeem their interests in the Surviving Partnership for cash on terms equivalent to those in effect with respect to their OP Units in this Agreement, or, if the ultimate controlling person of the Surviving Partnership has publicly traded common equity securities, such common equity securities, with an exchange ratio based on the determination of relative fair market value of such securities and the Common Stock.

(iii) The above provisions of this Section 11.2(c)(i) or (ii), as the case may be, shall similarly apply to successive mergers or consolidations permitted hereunder.

d. Neither the Initial Limited Partner nor the General Partner, as applicable, shall consummate (v) a merger, consolidation or other combination involving a Change of Control, (w) any merger involving the Partnership, (x) the sale of all or substantially all of the assets of the Initial Limited Partner or the Partnership to any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), (y) any OP Unit issuance in respect of a transaction (a "<u>Stockholder Vote Transaction</u>," and each Stockholder Vote Transaction or other transaction described in subclauses (v), (w), and (x) of this Section 11.2(d), a "<u>Partnership Vote Transaction</u>") required to be submitted for the approval of the holders of Common Stock (a "<u>Stockholder Vote</u>") unless: (i) the General Partner first provides the Limited Partners with advance notice at least equal in time to the advance notice given to holders of Common Stock in connection with such Stockholder Vote (or if no Stockholder Vote is required, advance notice at least equal in time to the advance notice that would be given to holders of Common Stock if a Stockholder Vote were required), (ii) in connection with such advance notice, the General Partner provides the Limited Partners with written materials describing the proposed Partnership Vote Transaction (which may consist of the proxy statement or registration statement used in connection with a Stockholder Vote, if applicable) and (iii) the Partnership Vote Transaction is approved by the holders of the Partnership Units (the "Partnership Vote") at the same level of approval as required for the Stockholder Vote (or if no Stockholder Vote is required, the level of approval that would be required if a Stockholder Vote were required) (for example, (x) if the approval of holders of outstanding shares of Common Stock entitled to cast a majority of the votes entitled to be cast on the matter is required to approve the Stockholder Vote Transaction in the Stockholder Vote, then the approval of holders of outstanding Partnership Units (including votes deemed to be cast by the General Partner) entitled to cast a majority of votes entitled to be cast on the matter will be required to approve the Partnership Vote Transaction in the Partnership Vote or (y) if the approval of a majority of the votes cast by holders of outstanding shares of Common Stock present at a meeting of such holders at which a quorum is present is required to approve the Stockholder Vote Transaction in the Stockholder Vote, then the approval of a majority of the votes cast (including votes deemed to be cast by the General Partner) by holders of outstanding Partnership Units present at a meeting of such holders at which a quorum is present will be required to approve the Partnership Vote Transaction in the Partnership Vote). For purposes of the Partnership Vote, (i) each Partner holding Partnership Units (other than the Initial Limited Partner or any of its Subsidiaries) shall be entitled to cast a number of votes equal to the total number of Partnership Units held by such Partner as of the record date for the Stockholder Meeting, and (ii) the Initial Limited Partner and its Subsidiaries shall not be entitled to vote thereon and shall instead be deemed to have cast a number of votes equal to the sum of (x) the total number of Partnership Units held by the Initial Limited Partner and its Subsidiaries as of the Record Date for the Stockholder Meeting plus (y) the total number of shares of unvested restricted shares of Common Stock with respect to which the General Partner does not hold back-to-back OP Units as of the Record Date for the Stockholder Meeting, in proportion to the manner in which all outstanding shares of Common Stock were voted in the Stockholder Vote (for example, "For," "Against," "Abstain" and "Not Present"). Any such Partnership Vote will be taken in accordance with Section 14.2 below (including Section 14.2(b) thereof permitting actions to be taken by written consent without a meeting), *mutatis mutandis* to give effect to the foregoing provisions of this Section 11.2(d), except that, solely for purposes of determining whether a quorum is present at any meeting of the Partners at which a Partnership Vote will occur, the Initial Limited Partner and its Subsidiaries shall be considered to be entitled to cast at such meeting all votes that the Initial Limited Partner and its Subsidiaries will be deemed to have cast in such Partnership Vote as provided in this Section 11.2(d). For sake of greater clarity, notwithstanding anything in this Agreement to the contrary (including, but not limited to, Section 13.1(b), Section 14.1 and Section 16.3), no Limited Partner shall have voting or consent rights in connection with any transaction described in Section 11.2(c) other than those set forth in Section 11.2(c) or in this Section 11.2(d).

11.3 Permitted Transfers; Right of First Refusal

a. Prior to the end of the Initial Holding Period, no Limited Partner shall Transfer all or any portion of its Partnership Interest to any transferee without the consent of the General Partner, which consent may be withheld in its sole and absolute discretion; *provided*, *however*, that any Limited Partner may, at any time, without the consent of the General Partner, (i) Transfer all or part of its Partnership Interest to any member of its Immediate Family, any Charity, any Controlled Entity or any Affiliate, or (ii) pledge (a "Pledge") all or any portion of its Partnership Interest to a lending institution that is not an Affiliate of such Limited Partner as collateral or security for a bona fide loan or other extension of credit, and Transfer such pledged Partnership Interest to such lending institution in connection with the exercise of remedies under such loan or extension of credit (any Transfer or Pledge permitted by this proviso is hereinafter referred to as a "Permitted Transfer"). After the Initial Holding Period, subject to the provisions of Sections 11.3(c), 11.3(d), 11.3(e), 11.4 and 11.6, a Limited Partner (other than the Initial Limited Partner) may, without the consent of the General Partner, Transfer all or any portion of its Limited Partner Interest, or any of such Limited Partner's economic right as a Limited Partner, subject to satisfaction of each of the following conditions:

(i) *General Partner Right of First Refusal*. The transferring Partner (or the Partner's estate in the event of the Partner's death) shall give written notice of the proposed Transfer to the General Partner, which notice shall state (i) the identity and address of the proposed transferee and (ii) the amount and type of consideration proposed to be received for the transferred Partnership Units. The General Partner shall have two (2) Business Days upon which to give the transferring Partner notice of its election to acquire the Partnership Units on the terms set forth in such notice. If it so elects, it shall purchase the Partnership Units on such terms within three (3) Business Days after giving notice of such election; *provided*, *however*, that such closing may be deferred for up to forty-five (45) days to the extent necessary to effect compliance with the Hart-Scott-Rodino Antitrust Act, if applicable, and any other applicable requirements of law. If it does not so elect, the transferring Partner may Transfer such Partnership Units to a third party, on terms no more favorable to the transferee than the proposed terms, subject to the other conditions of this Section 11.3.

(ii) *Qualified Transferee*. Any Transfer of a Partnership Interest shall be made only to a Qualified Transferee.

(iii) *Opinion of Counsel*. The Transferor shall deliver or cause to be delivered to the General Partner an opinion of counsel reasonably satisfactory to it to the effect that the proposed Transfer may be effected without registration under the Securities Act and will not otherwise violate the registration provisions of the Securities Act and the regulations promulgated thereunder or violate any state securities laws or regulations applicable to the Partnership or the Partnership Interests Transferred; *provided*, *however*, that the General Partner may, in its sole discretion, waive this condition upon the request of the Transferor.

(iv) *Minimum Transfer Restriction*. Any Transferring Partner must Transfer not less than the lesser of (i) five hundred (500) Partnership Units or (ii) all of the remaining Partnership Units owned by such Transferring Partner, unless, in each case, otherwise agreed to by the General Partner in its sole and absolute discretion; *provided*, *however*, that, for purposes of determining compliance with the foregoing restriction, all Partnership Units owned by Affiliates of a Limited Partner shall be considered to be owned by such Limited Partner.

(v) *Exception for Permitted Transfers*. The conditions of Sections 11.3(a)(i) through 11.3(a)(iv) hereof shall not apply in the case of a Permitted Transfer.

In order to effect such transfer, the Limited Partner must deliver to the General Partner a duly executed copy of the instrument making such transfer and such instrument must evidence the written acceptance by the assignee of all of the terms and conditions of this Agreement and represent that such assignment was made in accordance with all applicable laws and regulations. Notwithstanding the foregoing, any transferee of any transferred Partnership Interest shall be subject to any and all restrictions on ownership or transfer of stock of the Initial Limited Partner contained in the Articles of Incorporation that may limit or restrict such transferee's ability to exercise its redemption rights, including, without limitation, any Ownership Limit. Any transferee, whether or not admitted as a Substituted Limited Partner, shall take subject to the obligations of the transferor hereunder. Unless admitted as a Substituted Limited Partner, no transferee, whether by a voluntary Transfer, by operation of law or otherwise, shall have any rights hereunder, other than the rights of an Assignee as provided in Section 11.5 hereof.

b. (i) If a Limited Partner is Incapacitated, the executor, administrator, trustee, committee, guardian, conservator or receiver of such Limited Partner's estate shall have all of the rights of a Limited Partner, but not more rights than those enjoyed by other Limited Partners, for the purpose of settling or managing the estate and such power as the Incapacitated Limited Partner possessed to Transfer all or any part of his or its interest in the Partnership.

(ii) The Incapacity of a Limited Partner, in and of itself, shall not dissolve or terminate the Partnership.

c. The General Partner may prohibit any Transfer by a Limited Partner of its Partnership Units if it reasonably believes (based on the advice of counsel) such Transfer would require filing of a registration statement under the Securities Act of 1933, as amended, or would otherwise violate any federal or state securities laws or regulations applicable to the Partnership or the Partnership Units.

d. No Transfer by a Limited Partner of its Partnership Units may be made to any Person if

(i) it could adversely affect the ability of the Initial Limited Partner to continue to qualify as a REIT or would subject the Initial Limited Partner to any additional taxes under Section 857 or Section 4981 of the Code;

(ii) it could result in the Partnership being treated as an association taxable as a corporation for federal income tax purposes;

(iii) such Transfer would cause the Partnership to become, with respect to any employee benefit plan subject to Title I of ERISA, a "party-in-interest" (as defined in Section 3(14) of ERISA) or a "disqualified person" (as defined in Section 4975(c) of the Code);

(iv) such Transfer would, in the opinion of legal counsel for the Partnership, cause any portion of the assets of the Partnership to constitute assets of any employee benefit plan pursuant to Department of Labor Regulations Section 2510.2-101;

(v) such Transfer would subject the Partnership to regulation under the Investment Company Act of 1940, the Investment Advisors Act of 1940 or the Employee Retirement Income Security Act of 1974, each as amended;

(vi) such Transfer is a sale or exchange, and such sale or exchange would, when aggregated with all other sales and exchanges during the 12-month period ending on the date of the proposed Transfer, result in 50% or more of the interests in Partnership capital and profits being sold or exchanged during such 12-month period without the consent of the General Partner, which consent may be withheld in its sole and absolute discretion; or

(vii) such Transfer could be treated as effectuated through an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code.

e. No transfer of any Partnership Units may be made to a lender to the Partnership or any Person who is related (within the meaning of Section 1.752-4(b) of the Regulations) to any lender to the Partnership whose loan constitutes a nonrecourse liability (within the meaning of Section 1.752-1(a)(2) of the Regulations), without the consent of the General Partner, which may be withheld in its sole and absolute discretion; *provided, however,* that as a condition to such consent the lender will be required to enter into an arrangement with the Partnership and the General Partner to exchange for the Cash Amount any Partnership Units in which a security interest is held simultaneously with the time at which such lender would be deemed to be a partner in the Partnership for purposes of allocating liabilities to such lender under Section 752 of the Code.

f. Any Transfer in contravention of any of the provisions of this Section 11.3 shall be void and ineffectual and shall not be binding upon, or recognized by, the Partnership.

11.4 <u>Substituted Limited Partners</u>

a. (i) No Limited Partner shall have the right to substitute a Permitted Transferee for a Limited Partner in its place.

(ii) The General Partner shall, however, have the right to consent to the admission of a Permitted Transferee of the Partnership Interest of a Limited Partner pursuant to this Section 11.4 as a Substituted Limited Partner, which consent may be given or withheld by the General Partner in its sole and absolute discretion.

(iii) The General Partner's failure or refusal to permit such transferee to become a Substituted Limited Partner shall not give rise to any cause of action against the Partnership or any Partner.

b. A transferee who has been admitted as a Substituted Limited Partner in accordance with this Article 11 shall have all the rights and powers and be subject to all the restrictions and liabilities of a Limited Partner under this Agreement.

c. (i) No Permitted Transferee will be admitted as a Substituted Limited Partner, unless such transferee has furnished to the General Partner evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including the power of attorney granted in Section 2.4 hereof.

(ii) Upon the admission of a Substituted Limited Partner, the General Partner shall update the Register to reflect the name, address, number of Partnership Units, and Percentage Interest of such Substituted Limited Partner, and to eliminate or adjust, if necessary, the name, address and interest of the predecessor of such Substituted Limited Partner.

11.5 Assignees

a. If the General Partner, in its sole and absolute discretion, does not consent to the admission of any transferee as a Substituted Limited Partner, as described in Section 11.4(a), such transferee shall be considered an Assignee for purposes of this Agreement.

b. An Assignee shall be deemed to have had assigned to it, and shall be entitled to receive distributions from the Partnership and the share of Net Income, Net Losses, Net Property Gain, Net Property Loss, Liquidating Gain and any other items of gain, loss, deduction or credit of the Partnership attributable to the Partnership Units assigned to such transferee, but shall not be deemed to be a holder of Partnership Units for any other purpose under this Agreement, and shall not be entitled to vote such Partnership Units in any matter presented to the Limited Partners, for a vote (such Partnership Units being deemed to have been voted on such matter in the same proportion as all other Partnership Units held by Limited Partners are voted).

c. If any such transferee desires to make a further assignment of any such Partnership Units, such transferee shall be subject to all of the provisions of this Article 11 to the same extent and in the same manner as any Limited Partner desiring to make an assignment of Partnership Units.

11.6 General Provisions

a. No Limited Partner may withdraw from the Partnership other than as a result of a permitted Transfer of all of such Limited Partner's Partnership Units in accordance with this Article 11 or, as it relates to the Limited Partners, pursuant to exchange of all of its Partnership Units pursuant to Section 15.1.

b. (i) Any Limited Partner which shall Transfer all of its Partnership Units in a Transfer permitted pursuant to this Article 11 shall cease to be a Limited Partner upon the admission of all Assignees of such Partnership Units as Substituted Limited Partners.

(ii) Similarly, any Limited Partner which shall Transfer all of its Partnership Units pursuant to an exchange of all of its Partnership Units pursuant to Section 15.1 shall cease to be a Limited Partner.

c. Other than pursuant to Section 15.1 or with the consent of the General Partner, transfers pursuant to this Article 11 may only be made as of the first day of a fiscal quarter of the Partnership.

d. (i) If any Partnership Interest is transferred or assigned during the Partnership Year in compliance with the provisions of this Article 11 or exchanged pursuant to Section 15.1 on any day other than the first day of a Partnership Year, then Net Income, Net Losses, Net Property Gain, Net Property Loss, Liquidating Gain, each item thereof and all other items attributable to such interest for such Partnership Year shall be divided and allocated between the transferor Partner and the transferee Partner by taking into account their varying interests during the Partnership Year in accordance with Section 706(d) of the Code and Section 1.706-4 of the Regulations, using the interim closing of the books method or such other method permitted by the Code and the Regulations as the General Partner may select, which selection shall be set forth in a dated, written statement maintained with the Partnership's books and records. The Partners hereby agree that any such selection by the General Partner is made by "agreement of the partners" within the meaning of Section 1.706-4(f) of the Regulations.

(ii) Solely for purposes of making such allocations, each of such items for the calendar month in which the Transfer or assignment occurs shall be allocated to the transferee Partner, and none of such items for the calendar month in which an exchange occurs shall be allocated to the exchanging Partner, *provided*, *however*, that the General Partner may adopt such other conventions relating to allocations in connection with transfers, assignments, or exchanges as it determines are necessary or appropriate.

(iii) All distributions pursuant to Section 5.1(a) attributable to Partnership Units, with respect to which the Partnership Record Date is before the date of such Transfer, assignment, or exchange of such Partnership Units, shall be made to the transferor Partner or the exchanging Partner, as the case may be, and in the case of a Transfer or assignment other than an exchange, all distributions pursuant to Section 5.1(a) thereafter attributable to such Partnership Units shall be made to the transferee Partner.

e. In addition to any other restrictions on transfer herein contained, including the provisions of this Article 11, in no event may any Transfer or assignment of a Partnership Interest by any Partner (including pursuant to Section 15.1) be made without the express consent of the General Partner, in its sole and absolute discretion, (i) to any person or entity who lacks the legal right, power or capacity to own a Partnership Interest; (ii) in violation of applicable law; (iii) of any component portion of a Partnership Interest, such as the Capital Account, or rights to distributions, separate and apart from all other components of a Partnership Interest; (iv) if in the opinion of legal counsel to the Partnership such transfer would cause a termination of the Partnership for state income tax purposes (except as a result of the exchange for Common Stock of all Partnership Units held by all Limited Partners or pursuant to a transaction expressly permitted under Section 11.2); (v) if in the opinion of counsel to the Partnership, there would be a significant risk that such transfer would cause the Partnership to cease to be classified as a partnership for federal income tax purposes (except as a result of the exchange for Common Stock of all Partnership Units held by all Limited Partners or pursuant to a transaction expressly permitted under Section 11.2); (vi) if such transfer requires the registration of such Partnership Interest pursuant to any applicable federal or state securities laws; (vii) if such transfer is effectuated through an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code, such transfer would result in the Partnership being unable to qualify for one or more (as selected by the General Partner) of the "safe harbors" set forth in Section 1.7704-1 of the Regulations (or such other guidance subsequently published by the IRS setting forth safe harbors under which interests will not be treated as "readily tradable on a secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code) (the "PTP Safe Harbors"), or such transfer causes the Partnership to become a "publicly traded partnership," as such term is defined in Section 469(k)(2) or Section 7704(b) of the Code (*provided, however,* that this clause (vii) shall not be the basis for limiting or restricting in any manner the exercise of the Redemption Right under Section 15.1 unless, and only to the extent that, outside tax counsel provides to the General Partner an opinion to the effect that, in the absence of such limitation or restriction, there is a significant risk that the Partnership will be treated as a "publicly traded partnership" and, by reason thereof, taxable as a corporation); (viii) such transfer could adversely affect the ability of the Initial Limited Partner to remain qualified as a REIT; or (ix) if in the opinion of legal counsel of the transferring Partner (which opinion and counsel are reasonably satisfactory to the Partnership), or legal counsel of the Partnership, such transfer could adversely affect the ability of the Initial Limited Partner to continue to qualify as a REIT or subject the Initial Limited Partner to any additional taxes under Section 857 or Section 4981 of the Code, if the Initial Limited Partner has elected to be qualified as a REIT.

f. The General Partner shall monitor the transfers of interests in the Partnership to determine (i) if such interests are being traded on an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code; and (ii) whether additional transfers of interests would result in the Partnership being unable to qualify for one or more (as selected by the General Partner) of the PTP Safe Harbors. The General Partner shall take all steps reasonably necessary or appropriate to prevent any trading of interests or any recognition by the Partnership of transfers made on such markets and, except as otherwise provided herein, to ensure that one or more (as selected by the General Partner) of the PTP Safe Harbors is met; *provided*, *however*, that the foregoing shall not authorize the General Partner to limit or restrict in any manner the right of any holder of a Partnership Unit to exercise the Redemption Right in accordance with Section 15.1 unless, and only to the extent that, outside tax counsel provides to the General Partner an opinion to the effect that, in the absence of such limitation or restriction, there is a significant risk that the Partnership will be treated as a "publicly traded partnership" and, by reason thereof, taxable as a corporation.

Article 12

ADMISSION OF PARTNERS

12.1 Admission of Successor General Partner

a. (i) A successor to all of the General Partner Interest pursuant to Article 11 hereof who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective immediately following such transfer and the admission of such successor General Partner as a general partner of the Partnership upon the satisfaction of the terms and conditions set forth in Section 12.1(b).

(ii) Any such transferee shall carry on the business of the Partnership without dissolution.

b. A Person shall be admitted as a substitute or successor General Partner of the Partnership only if the following terms and conditions are satisfied:

(i) the Person to be admitted as a substitute or additional General Partner shall have accepted and agreed to be bound by all the terms and provisions of this Agreement by executing a counterpart thereof and such other documents or instruments as may be required or appropriate in order to effect the admission of such Person as a General Partner;

(ii) if the Person to be admitted as a substitute or additional General Partner is a corporation or a partnership it shall have provided the Partnership with evidence satisfactory to counsel for the Partnership of such Person's authority to become a General Partner and to be bound by the terms and provisions of this Agreement; and

(iii) counsel for the Partnership shall have rendered an opinion (relying on such opinions from other counsel as may be necessary) that the admission of the person to be admitted as a substitute or additional General Partner is in conformity with the Act, that none of the actions taken in connection with the admission of such Person as a substitute or additional General Partner will cause

1. the Partnership to be classified other than as a partnership for federal income tax purposes, or

2. the loss of any Limited Partner's limited liability.

c. In the case of such admission on any day other than the first day of a Partnership Year, all items attributable to the General Partner Interest for such Partnership Year shall be allocated between the transferring General Partner and such successor as provided in Section 11.6(d) hereof.

d. The admission of any Person as a substitute or successor General Partner of the Partnership must comply with the terms of Article 11.

12.2 Admission of Additional Limited Partners

a. A Person who makes a Capital Contribution to the Partnership in accordance with this Agreement or is issued Class B Units or Class C Units in exchange for no consideration in accordance with this Agreement shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner

(i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including the power of attorney granted in Section 2.4 hereof, and

(ii) such other documents or instruments as may be required in the discretion of the General Partner in order to effect such Person's admission as an Additional Limited Partner.

b. (i) Notwithstanding anything to the contrary in this Section 12.2, no Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent may be given or withheld in the General Partner's sole and absolute discretion.

(ii) The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded on the books and records of the Partnership, following the consent of the General Partner to such admission.

c. (i) If any Additional Limited Partner is admitted to the Partnership on any day other than the first day of a Partnership Year, then Net Income, Net Losses, Net Property Gain, Net Property Loss, Liquidating Gain, each item thereof and all other items allocable among Partners and Assignees for such Partnership Year shall be allocated among such Additional Limited Partner and all other Partners and Assignees by taking into account their varying interests during the Partnership Year in accordance with Section 706(d) of the Code and Section 1.706-4 of the Regulations, using the interim closing of the books method or such other method permitted by the Code and the Regulations as the General Partner may select, which selection shall be set forth in a dated, written statement maintained with the Partnership's books and records. The Partners hereby agree that any such selection by the General Partner is made by "agreement of the partners" within the meaning of Section 1.706-4(f) of the Regulations.

(ii) (A) Solely for purposes of making such allocations, unless the General Partner decides to use another method permitted under the Code or the Regulations, each of such items for the calendar month in which an admission of any Additional Limited Partner occurs shall be allocated among all of the Partners and Assignees, including such Additional Limited Partner.

1. distributions pursuant to Section 5.1(a) with respect to which the Partnership Record Date is before the date of such admission shall be made solely to Partners and Assignees, other than the Additional Limited Partner, and all distributions pursuant to Section 5.1(a) thereafter shall be made to all of the Partners and Assignees, including such Additional Limited Partner.

12.3 Amendment of Agreement and Certificate of Limited Partnership

For the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Act to amend the records of the Partnership and, if necessary, to prepare as soon as practical an amendment of this Agreement (or any update of the Register) and, if required by law, shall prepare and file an amendment to the Certificate and may for this purpose exercise the power of attorney granted pursuant to Section 2.4 hereof.

Article 13

DISSOLUTION, LIQUIDATION AND TERMINATION

13.1 Dissolution

a. The Partnership shall not be dissolved by the admission of Substituted Limited Partners, Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the withdrawal of the General Partner, any successor General Partner shall continue the business of the Partnership.

b. The Partnership shall dissolve, and its affairs shall be wound up, only upon the first to occur of any of the following (each, a "Liquidating Event"):

(i) the expiration of its term as provided in Section 2.5 hereof;

(ii) an event of withdrawal of the General Partner, as defined in the Act (other than an event of bankruptcy), unless, within ninety (90) days after such event of withdrawal, a "majority in interest" (as defined below) of the remaining Partners Consent in writing to continue the business of the Partnership and to the appointment, effective as of the date of withdrawal, of a successor General Partner;

(iii) an election to dissolve the Partnership made by the General Partner, with the consent of the Limited Partners holding at least a majority of the Percentage Interest of the Limited Partners (including Limited Partner Interests held by the General Partner);

(iv) entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Act;

(v) a Capital Transaction;

(vi) a final and non-appealable judgment is entered by a court of competent jurisdiction ruling that each of the General Partner and the Initial Limited Partner is bankrupt or insolvent, or a final and non-appealable order for relief is entered by a court with appropriate jurisdiction against each of the General Partner and the Initial Limited Partner, in each case under any federal or state bankruptcy or insolvency laws as now or hereafter in effect, unless prior to the entry of such order or judgment a "majority in interest" (as defined below) of the remaining Partners Consent in writing to continue the business of the Partnership and to the appointment, effective as of a date prior to the date of such order or judgment, of a substitute General Partner.

As used herein, a "majority in interest" shall refer to Partners (excluding the General Partner) who hold more than fifty percent (50%) of the outstanding Percentage Interests not held by the General Partner.

13.2 Winding Up

a. (i) Upon the occurrence of a Liquidating Event, the Partnership shall continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors and Partners.

(ii) No Partner shall take any action that is inconsistent with, or not necessary to or appropriate for, the winding up of the Partnership's business and affairs.

(iii) The General Partner, or, if there is no remaining General Partner, any Person elected by the Limited Partners holding at least a "majority in interest" (the General Partner or such other Person being referred to herein as the "Liquidator"), shall be responsible for overseeing the winding up and dissolution of the Partnership and shall take full account of the Partnership's liabilities and property and the Partnership property shall be liquidated as promptly as is consistent with obtaining the fair value thereof, and the proceeds therefrom (which may, to the extent determined by the General Partner, include shares of common stock or other securities of the General Partner) shall be applied and distributed in the following order:

1. First, to the payment and discharge of all of the Partnership's debts and liabilities to creditors other than the Partners;

2. Second, to the payment and discharge of all of the Partnership's debts and liabilities to the General Partner;

3. Third, to the payment and discharge of all of the Partnership's debts and liabilities to the other Partners; and

4. the balance, if any, shall be distributed to all Partners with positive Capital Accounts in accordance with their respective positive Capital Account balances after giving effect to all allocations in Exhibit A and all prior distributions under Section 5.1.

(iv) The General Partner shall not receive any additional compensation for any services performed pursuant to this Article 13.

(v) Any distributions pursuant to this Section 13.2(a) shall be made by the end of the Partnership's taxable year in which the liquidation occurs (or, if later, within 90 days after the date of the liquidation).

b. (i) Notwithstanding the provisions of Section 13.2(a) hereof which require liquidation of the assets of the Partnership, but subject to the order of priorities set forth therein, if prior to or upon dissolution of the Partnership the Liquidator determines that an immediate sale of part or all of the Partnership's assets would be impractical or would cause undue loss to the Partners, the Liquidator may, in its sole and absolute discretion, defer for a reasonable time the liquidation of any asset except those necessary to satisfy liabilities of the Partnership (including to those Partners as creditors) or distribute to the Partners, in lieu of cash, as tenants in common and in accordance with the provisions of Section 13.2(a) hereof, undivided interests in such Partnership assets as the Liquidator deems not suitable for liquidation.

(ii) Any such distributions in kind shall be made only if, in the good faith judgment of the Liquidator, such distributions in kind are in the best interests of the Partners, and shall be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreements governing the operation of such properties at such time.

(iii) The Liquidator shall determine the fair market value of any property distributed in kind using such reasonable method of valuation as it may adopt.

c. In the discretion of the Liquidator, a pro rata portion of the distributions that would otherwise be made to the General Partner, the Limited Partners pursuant to this Article 13 may be:

1. distributed to a trust established for the benefit of the General Partner and the Limited Partners for the purposes of liquidating Partnership assets, collecting amounts owed to the Partnership, and paying any contingent or unforeseen liabilities or obligations of the Partnership or the General Partner arising out of or in connection with the Partnership; the assets of any such trust shall be distributed to the General Partner and the Limited Partners from time to time, in the reasonable discretion of the Liquidator, in the same proportions as the amount distributed to such trust by the Partnership would otherwise have been distributed to the General Partner and the Limited Partners pursuant to this Agreement; or

2. withheld or escrowed to provide a reasonable reserve for Partnership liabilities (contingent or otherwise) and to reflect the unrealized portion of any installment obligations owed to the Partnership, provided that such withheld or escrowed amounts shall be distributed to the General Partner and the Limited Partners in the manner and order of priority set forth in Section 13.2(a), as soon as practicable.

13.3 Negative Capital Account

Except as otherwise agreed to in writing by any Partner, if any Partner has a deficit balance in his Capital Account (after giving effect to all contributions, distributions and allocations for all taxable years, including the year during which such liquidation occurs), such Partner shall have no obligation to make any contribution to the capital of the Partnership with respect to such deficit, and such deficit shall not be considered a debt owed to the Partnership or to any other Person for any purpose whatsoever.

13.4 Rights of Limited Partners

a. Except as otherwise provided in this Agreement, each Limited Partner shall look solely to the assets of the Partnership for the return of its Capital Contributions and shall have no right or power to demand or receive property other than cash from the Partnership.

b. Except as otherwise provided in this Agreement, no Limited Partner shall have priority over any other Partner as to the return of its Capital Contributions, distributions, or allocations.

13.5 Notice of Dissolution

If a Liquidating Event occurs or an event occurs that would, but for the provisions of an election or objection by one or more Partners pursuant to Section 13.1, result in a dissolution of the Partnership, the General Partner shall, within thirty (30) days thereafter, provide written notice thereof to each of the Partners.

13.6 Termination of Partnership and Cancellation of Certificate of Limited Partnership

Upon the completion of the liquidation of the Partnership's assets, as provided in Section 13.2 hereof, the Partnership shall be terminated, a certificate of cancellation shall be filed, and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the state of Delaware shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

13.7 Reasonable Time for Winding-Up

A reasonable time shall be allowed for the orderly winding-up of the business and affairs of the Partnership and the liquidation of its assets pursuant to Section 13.2 hereof in order to minimize any losses otherwise attendant upon such winding-up, and the provisions of this Agreement shall remain in effect among the Partners during the period of liquidation.

13.8 Waiver of Partition

Each Partner hereby waives any right to partition of the Partnership property.

Article 14

AMENDMENT OF PARTNERSHIP AGREEMENT; MEETINGS

14.1. Amendments

a. The General Partner shall have the power, without the consent of the Limited Partners, to amend this Agreement except as set forth in Section 14.1(b) hereof. The General Partner shall provide notice to the Limited Partners when any action under this Section 14.1(a) is taken in the next regular communication to the Limited Partners.

b. Notwithstanding Section 14.1(a) hereof, this Agreement shall not be amended with respect to:

(i) any Partner adversely affected without the Consent of such Partner adversely affected if such amendment would:

1. convert a Limited Partner's interest in the Partnership into a General Partner Interest;

2. modify the limited liability of a Limited Partner in a manner adverse to such Limited Partner; or

3. amend this Section 14.1(b)(i);

(ii) any Limited Partner adversely affected without the Consent of Limited Partners if such amendment would:

1. alter or change Section 15.1 or any defined terms used therein to the extent such alteration or change would affect the provisions of Section 15.1;

2. create an obligation to make Capital Contributions not contemplated in this Agreement;

3. alter or change the terms of this Agreement regarding the rights of the limited partners with respect to Business Combinations, Transactions or transactions giving rise to voting or consent rights under Article 11 or alter or change any defined term used in any provision of this Agreement relating thereto;

4. amend Section 7.1(e), Section 7.7 or Section 7.8 or otherwise alter or change the fiduciary duties of the General Partner to the Limited Partners;

5. alter or change the distribution and liquidation rights provided in Section 5 and 13 hereto, or the allocations provisions of Article 6 or Exhibit A except as permitted under Section 5.4, Section 6.2 and Section 7.1(a)(iii)(Y) of this Agreement; or

6. amend this Section 14.1(b)(ii).

c. Section 14.1(b)(i) does not require unanimous consent of all Partners adversely affected unless the amendment is to be effective against all Partners adversely affected.

d. The restrictions on amendments in this Agreement, including in this Section 14.1, shall apply regardless of how an amendment may be affected, whether directly, by supplement or separate agreement, or whether by or in connection with a merger, consolidation or by an amendment to the Certificate.

14.2. Meetings of the Partners

a. (i) Meetings of the Partners may be called by the General Partner and shall be called upon the receipt by the General Partner of a written request by Limited Partners holding 25 percent or more of the Partnership Interests.

(ii) The request shall state the nature of the business to be transacted.

(iii) Except as set forth in Section 11.2(d), notice of any such meeting shall be given to all Partners not less than seven (7) days nor more than thirty (30) days prior to the date of such meeting.

(iv) Partners may vote in person or by proxy at such meeting.

(v) Whenever the vote or Consent of the Limited Partners is permitted or required under this Agreement, such vote or Consent may be given at a meeting of the Partners or may be given in accordance with the procedure prescribed in Section 14.1(a).

(vi) Except as otherwise expressly provided in this Agreement, the Consent of holders of a majority of the Percentage Interests held by Partners (including the General Partner) shall control.

b. (i) Subject to Section 14.2(a)(vi), any action required or permitted to be taken at a meeting of the Partners may be taken without a meeting if a written consent setting forth the action so taken is signed by a majority of the Percentage Interests of the Partners (or such other percentage as is expressly required by this Agreement).

(ii) Such Consent may be in one instrument or in several instruments, and shall have the same force and effect as a vote of a majority of the Percentage Interests of the Partners (or such other percentage as is expressly required by this Agreement).

(iii) Such Consent shall be filed with the General Partner.

(iv) An action so taken shall be deemed to have been taken at a meeting held on the effective date of the Consent as certified by the General Partner.

c. (i) Each Limited Partner may authorize any Person or Persons to act for him by proxy on all matters in which a Limited Partner is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting.

(ii) Every proxy must be signed by the Partner or an attorney-in-fact and a copy thereof delivered to the Partnership.

(iii) No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided in the proxy.

(iv) Every proxy shall be revocable at the pleasure of the Partner executing it, such revocation to be effective upon the General Partner's receipt of written notice of such revocation from the Partner executing such proxy.

d. (i) Each meeting of the Partners shall be conducted by the General Partner or such other Person as the General Partner may appoint pursuant to such rules for the conduct of the meeting as the General Partner or such other Person deems appropriate.

(ii) Meetings of Partners may be conducted in the same manner as meetings of the Stockholders of the General Partner and may be held at the same time, and as part of, meetings of the Stockholders of the General Partner.

Article 15

GENERAL PROVISIONS

15.1 Redemption Rights of Qualifying Parties

a. After the applicable Initial Holding Period, a Qualifying Party shall have the right (subject to the terms and conditions set forth herein) (the "Redemption Right") to require the Partnership to redeem all or a portion of the applicable OP Units held by such Tendering Party (OP Units that have in fact been tendered for redemption being hereafter referred to as "Tendered Units") in exchange (a "Redemption") for the Cash Amount payable on the Specified Redemption Date. The Partnership may, in the General Partner's sole and absolute discretion, redeem Tendered Units at the request of the holder thereof prior to the end of the applicable Initial Holding Period (subject to the terms and conditions set forth herein) (a "Special Redemption"). Any Redemption shall be exercised pursuant to a Notice of Redemption delivered to the General Partner by the Qualifying Party when exercising the Redemption Right (the "Tendering Party"). The Partnership's obligation to effect a Redemption, however, shall not arise or be binding against the Partnership until the earlier of (i) the date the General Partner notifies the Tendering Party that the General Partner declines to require the Initial Limited Partner to acquire some or all of the Tendered Units under Section 15.1(b) hereof following receipt of a Notice of Redemption and (ii) the Business Day following the Cut-Off Date. In the event of a Redemption, the Cash Amount shall be delivered as a certified or bank check payable to the Tendering Party or, in the General Partner's sole and absolute discretion, in immediately available funds, in each case, on or before the Specified Redemption Date.

b. Notwithstanding the provisions of Section 15.1(a) hereof, on or before the close of business on the Cut-Off Date, the General Partner may, in the General Partner's sole and absolute discretion but subject to the Ownership Limit, elect to require the Initial Limited Partner to acquire some or all (such percentage being referred to as the "Applicable Percentage") of the Tendered Units from the Tendering Party in exchange for shares of Common Stock or the Cash Amount payable on the Specified Redemption Date. If the General Partner elects to require the Initial Limited Partner to acquire some or all of the Tendered Units pursuant to this Section 15.1(b), the General Partner shall give written notice thereof to the Tendering Party on or before the close of business on the Cut-Off Date. If the General Partner elects to require the Initial Limited Partner to acquire any of the Tendered Units for shares of Common Stock, the Initial Limited Partner shall issue and deliver such Common Stock to the Tendering Party pursuant to the terms of this Section 15.1(b), in which case (1) the Initial Limited Partner shall assume directly the obligation with respect thereto and shall satisfy the Tendering Party's exercise of its

Redemption Right with respect to such Tendered Units and (2) such transaction shall be treated, for federal income tax purposes, as a transfer by the Tendering Party of such Tendered Units to the Initial Limited Partner in exchange for the Common Stock Amount. If the General Partner so elects, on the Specified Redemption Date, the Tendering Party shall sell such number of the Tendered Units to the Initial Limited Partner in exchange for a number of shares of Common Stock equal to the product of the Common Stock Amount and the Applicable Percentage. The Tendering Party shall submit (i) such information, certification or affidavit as the Initial Limited Partner may reasonably require in connection with the application of the Ownership Limit to any such acquisition and (ii) such written representations, investment letters, legal opinions or other instruments necessary, in the Initial Limited Partner's view, to effect compliance with the Securities Act. In the event of a purchase of the Tendered Units by the Initial Limited Partner pursuant to this Section 15.1(b), the Tendering Party shall no longer have the right to cause the Partnership to effect a Redemption of such Tendered Units and, upon notice to the Tendering Party by the General Partner given on or before the close of business on the Cut-Off Date that the General Partner has elected to require the Initial Limited Partner to acquire some or all of the Tendered Units pursuant to this Section 15.1(b), the obligation of the Partnership to effect a Redemption of the Tendered Units as to which the General Partner's notice relates shall not accrue or arise. A number of shares of Common Stock equal to the product of the Applicable Percentage and the Common Stock Amount, if applicable, shall be delivered by the Initial Limited Partner as duly authorized, validly issued, fully paid and non-assessable shares of Common Stock and, if applicable, Rights, free of any pledge, lien, encumbrance or restriction, other than the Ownership Limit, the Securities Act and relevant state securities or "blue sky" laws. Neither any Tendering Party whose Tendered Units are acquired by the Initial Limited Partner pursuant to this Section 15.1(b), any Partner, any Assignee nor any other interested Person shall have any right to require or cause the Initial Limited Partner to register, qualify or list any Common Stock owned or held by such Person, whether or not such shares of Common Stock are issued pursuant to this Section 15.1(b), with the SEC, with any state securities commissioner, department or agency, under the Securities Act or the Exchange Act or with any stock exchange; *provided*, *however*, that this limitation shall not be in derogation of any registration or similar rights granted pursuant to any other written agreement between the Initial Limited Partner and any such Person. Shares of Common Stock issued upon an acquisition of the Tendered Units by the Initial Limited Partner pursuant to this Section 15.1(b) may contain such legends regarding restrictions under the Securities Act and applicable state securities laws as the General Partner determines to be necessary or advisable in order to ensure compliance with such laws.

c. Notwithstanding the provisions of Section 15.1(a) and 15.1(b) hereof, the Tendering Parties shall have no rights under this Agreement that would otherwise be prohibited by the Articles of Incorporation and shall have no rights to require the Partnership to redeem OP Units if the acquisition of such OP Units by the Initial Limited Partner pursuant to Section 15.1(b) hereof would cause any Person to violate the Ownership Limit. To the extent that any attempted Redemption or acquisition of the Tendered Units by the Initial Limited Partner pursuant to Section 15.1(b) hereof would be in violation of this Section 15.1(c), it shall be null and void *ab initio*, and the Tendering Party shall not acquire any rights or economic interests in the shares of Common Stock otherwise issuable by the Initial Limited Partner under Section 15.1(b) hereof or cash otherwise payable under Section 15.1(a) hereof.

d. If the General Partner does not elect to require the Initial Limited Partner to acquire the Tendered Units pursuant to Section 15.1(b) hereof:

(i) The Partnership may elect to raise funds for the payment of the Cash Amount either (a) by requiring that the Initial Limited Partner contribute to the Partnership funds from the proceeds of a registered public Offering by the Initial Limited Partner of shares of Common Stock sufficient to purchase the Tendered Units or (b) from any other sources (including, but not limited to, the sale of any Property and the incurrence of additional Debt) available to the Partnership. The Initial Limited Partner shall make a Capital Contribution of any such amounts to the Partnership for an additional Partnership Interest consistent with the provisions of Article 4. Any such contribution shall entitle the Initial Limited Partner to an equitable Percentage Interest adjustment.

(ii) If the Cash Amount is not paid on or before the Specified Redemption Date, interest shall accrue with respect to the Cash Amount from the day after the Specified Redemption Date to and including the date on which the Cash Amount is paid at a rate equal to the base rate on corporate loans at large United States money center commercial banks, as published from time to time in the Wall Street Journal (but not higher than the maximum lawful rate).

e. Notwithstanding anything herein to the contrary (but subject to Section 15.1(c) hereof), with respect to any Redemption (or any tender of OP Units for Redemption if the Tendered Units are acquired by the Initial Limited Partner pursuant to Section 15.1(b) hereof) pursuant to this Section 15.1:

(i) All OP Units acquired by the Initial Limited Partner pursuant to Section 15.1(b) hereof shall automatically, and without further action required, be converted into and deemed to be an Initial Limited Partner Partnership Interest comprised of the same number of OP Units.

(ii) Subject to the Ownership Limit, no Tendering Party may effect a Redemption for less than one thousand (1,000) OP Units or, if such Tendering Party holds (as a Limited Partner or, economically, as an Assignee) less than one thousand (1,000) OP Units, all of the OP Units held by such Tendering Party, without, in each case, the Consent of the General Partner.

(iii) If (i) a Tendering Party surrenders its Tendered Units during the period after the Partnership Record Date with respect to a distribution and before the record date established by the Initial Limited Partner for a distribution to its stockholders of some or all of its portion of such Partnership distribution, and (ii) the General Partner elects to require the Initial Limited Partner to acquire any of such Tendered Units in exchange for shares of Common Stock pursuant to Section 15.1(b), such Tendering Party shall pay to the Initial Limited Partner on the Specified Redemption Date an amount in cash equal to the portion of the Partnership distribution in respect of the Tendered Units exchanged for shares of Common Stock, insofar as such distribution relates to the same period for which such Tendering Party would receive a distribution in respect of such shares of Common Stock.

(iv) The consummation of such Redemption (or an acquisition of Tendered Units by the Initial Limited Partner pursuant to Section 15.1(b) hereof, as the case may be) shall be subject to the expiration or termination of the applicable waiting period, if any, under the Hart-Scott-Rodino Act.

(v) The Tendering Party shall continue to own (subject, in the case of an Assignee, to the provisions of Section 11.5 hereof) all OP Units subject to any Redemption, and be treated as a Limited Partner or an Assignee, as applicable, with respect to such OP Units for all purposes of this Agreement, until such OP Units are either paid for by the Partnership pursuant to Section 15.1(a) hereof or transferred to the Initial Limited Partner and paid for, by the issuance of the Common Stock, pursuant to Section 15.1(b) hereof on the Specified Redemption Date. Until a Specified Redemption Date and an acquisition of the Tendered Units by the Initial Limited Partner pursuant to Section 15.1(b) hereof, the Tendering Party shall have no rights as a stockholder of the Initial Limited Partner with respect to the shares of Common Stock issuable in connection with such acquisition.

f. In connection with an exercise of Redemption Rights pursuant to this Section 15.1, except as otherwise Consented to by the General Partner, the Tendering Party shall submit the following to the General Partner, in addition to the Notice of Redemption:

(i) A written affidavit, dated the same date as the Notice of Redemption, (a) disclosing the actual and constructive ownership, as determined for purposes of Code Sections 856(a)(6) and 856(h), of shares of Common Stock by (i) such Tendering Party and (ii) to the best of their knowledge any Related Party and (b) representing that, after giving effect to the Redemption or an acquisition of the Tendered Units by the Initial Limited Partner pursuant to Section 15.1(b) hereof, neither the Tendering Party nor to the best of their knowledge any Related Party will own shares of Common Stock in violation of the Ownership Limit;

(ii) A written representation that neither the Tendering Party nor to the best of their knowledge any Related Party has any intention to acquire any additional shares of Common Stock prior to the closing of the Redemption or an acquisition of the Tendered Units by the Initial Limited Partner pursuant to Section 15.1(b) hereof on the Specified Redemption Date;

(iii) An undertaking to certify, at and as a condition of the closing of (i) the Redemption or (ii) the acquisition of Tendered Units by the Initial Limited Partner pursuant to Section 15.1(b) hereof on the Specified Redemption Date, that either (a) the actual and constructive ownership of shares of Common Stock by the Tendering Party and to the best of its knowledge any Related Party remain unchanged from that disclosed in the affidavit required by Section 15.1(f)(i) or (b) after giving effect to the Redemption or the acquisition of Tendered Units by the Initial Limited Partner pursuant to Section 15.1(b) hereof, neither the Tendering Party nor, to the best of its knowledge, any other Person shall own shares of Common Stock in violation of the Ownership Limit; and

(iv) In connection with any Special Redemption, the Initial Limited Partner shall have the right to receive an opinion of counsel reasonably satisfactory to it to the effect that the proposed Special Redemption will not cause the Partnership, the General Partner or the Initial Limited Partner to violate any federal or state securities laws or regulations applicable to the Special Redemption, the issuance and sale of the Tendered Units to the Tendering Party or the issuance and sale of Shares of Common Stock to the Tendering Party pursuant to Section 15.1(b) of this Agreement.

g. The Qualifying Party shall be solely responsible for the payment of any real estate transfer taxes imposed in connection with any Redemption.

15.2 Addresses and Notice

Any notice, demand, request or report required or permitted to be given or made to a Partner, Indemnitee or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or five days after being sent by first class United States mail or by overnight delivery or via facsimile to the Partner or Assignee at the address set forth in the Register or such other address of which the Partner shall notify the General Partner in writing. Notwithstanding the foregoing, the General Partner may elect to deliver any such notice, demand, request or report by E-mail or by any other electronic means, in which case such communication shall be deemed given or made one day after being sent.

15.3 Titles and Captions

All article or section titles or captions in this Agreement are for convenience of reference only, shall not be deemed part of this Agreement and shall in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as specifically provided otherwise, references to “Articles” and “Sections” are to Articles and Sections of this Agreement.

15.4 Pronouns and Plurals

Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

15.5 Further Action

The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

15.6 Binding Effect

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

15.7 Creditors

Other than as expressly set forth herein with respect to the Indemnities, none of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

15.8 Waiver

No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach or any other covenant, duty, agreement or condition.

15.9 Counterparts

This Agreement may be executed (including by facsimile transmission) with counterpart signature pages or in counterparts, all of which together shall constitute one agreement binding on all of the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

15.10 Applicable Law

This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of laws thereof.

15.11 Invalidity of Provisions

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

15.12 Entire Agreement

This Agreement contains the entire understanding and agreement among the Partners with respect to the subject matter hereof and supersedes any other prior written or oral understandings or agreements among them with respect thereto.

15.13 No Rights as Stockholders

Nothing contained in this Agreement shall be construed as conferring upon the holders of the Partnership Units any rights whatsoever as stockholders of the Initial Limited Partner or the General Partner, including any right to receive dividends or other distributions made to Stockholders or to vote or to consent or receive notice as Stockholders in respect to any meeting of Stockholders for the election of directors of the Initial Limited Partner or the General Partner or any other matter.

15.14 Limitation to Preserve REIT Status.

Notwithstanding anything else in this Agreement, to the extent that the amount to be paid, credited, distributed or reimbursed by the Partnership to the Initial Limited Partner or its officers, directors, employees or agents, whether as a reimbursement, fee, expense or indemnity (a "REIT Payment"), would constitute gross income to the Initial Limited Partner for purposes of Section 856(c)(2) or 856(c)(3) of the Code, then, notwithstanding any other provision of this Agreement, the amount of such REIT Payments, as selected by the General Partner in its discretion from among items of potential distribution, reimbursement, fees, expenses and indemnities, shall be reduced for any Partnership Year so that the REIT Payments, as so reduced, for or with respect to the Initial Limited Partner shall not exceed the lesser of:

(i) an amount equal to the excess, if any, of (a) four and nine-tenths percent (4.9%) of the Initial Limited Partner's total gross income (but excluding the amount of any REIT Payments) for the Partnership Year that is described in subsections (A) through (I) of Section 856(c)(2) of the Code over (b) the amount of gross income (within the meaning of Section 856(c)(2) of the Code) derived by the Initial Limited Partner from sources other than those described in subsections (A) through (I) of Section 856(c)(2) of the Code (but not including the amount of any REIT Payments); or

(ii) an amount equal to the excess, if any, of (a) twenty-four percent (24%) of the Initial Limited Partner's total gross income (but excluding the amount of any REIT Payments) for the Partnership Year that is described in subsections (A) through (I) of Section 856(c)(3) of the Code over (b) the amount of gross income (within the meaning of Section 856(c)(3) of the Code) derived by the Initial Limited Partner from sources other than those described in subsections (A) through (I) of Section 856(c)(3) of the Code (but not including the amount of any REIT Payments);

provided, *however*, that REIT Payments in excess of the amounts set forth in clauses (i) and (ii) above may be made if the General Partner, as a condition precedent, obtains an opinion of tax counsel that the receipt of such excess amounts should not adversely affect the Initial Limited Partner's ability to qualify as a REIT. To the extent that REIT Payments may not be made in a Partnership Year as a consequence of the limitations set forth in this Section 15.14, such REIT Payments shall carry over and shall be treated as arising in the following Partnership Year if such carry over does not adversely affect the Initial Limited Partner's ability to qualify as a REIT, *provided*, *however*, that any such REIT Payment shall not be carried over more than three Partnership Years, and any such remaining payments shall no longer be due and payable. The purpose of the limitations contained in this Section 15.14 is to prevent the Initial Limited Partner from failing to qualify as a REIT under the Code by reason of the Initial Limited Partner's share of items, including distributions, reimbursements, fees, expenses or indemnities, receivable directly or indirectly from the Partnership, and this Section 15.14 shall be interpreted and applied to effectuate such purpose.

Article 16

CLASS B UNITS

16.1 Designation and Number

a. Except as set forth in this Article 16, Class B Units shall have the same rights, privileges and preferences as the OP Units. Subject to the provisions of this Article 16 and the special provisions of subparagraph 1(c)(ii) of Exhibit A, Class B Units shall be treated as Partnership Units, with all of the rights, privileges and obligations attendant thereto.

b. It is intended that the Partnership shall maintain at all times a one-to-one correspondence between Class B Units and OP Units for conversion and other purposes. If an Adjustment Event (as defined below) occurs, then the General Partner shall make a corresponding adjustment to the Class B Units to maintain a one-for-one conversion and economic equivalence ratio between OP Units and Class B Units. The following shall be "Adjustment Events": (A) the Partnership makes a distribution on all outstanding OP Units in Partnership Units, (B) the Partnership subdivides the outstanding OP Units into a greater number of units or combines the outstanding OP Units into a smaller number of units, or (C) the Partnership issues any Partnership Units in exchange for its outstanding OP Units by way of a reclassification or recapitalization of its OP Units. If more than one Adjustment Event occurs, the adjustment to the Class B Units need be made only once using a single formula that takes into account each and every Adjustment Event as if all Adjustment Events occurred simultaneously. For the avoidance of doubt, the following events shall not be Adjustment Events: (x) the issuance of Partnership Units in a financing, reorganization, acquisition or other similar business transaction, (y) the issuance of Partnership Units pursuant to any employee benefit or compensation plan or dividend reinvestment plan, or (z) the issuance of any Partnership Units in respect of a capital contribution to the Partnership, including a contribution by the Initial Limited Partner of proceeds from the sale of securities by the Initial Limited Partner. If the Partnership takes an action affecting the OP Units other than actions specifically described above as Adjustment Events and, in the opinion of the General Partner such action would require an adjustment to the Class B Units to maintain the one-to-one correspondence described above, the General Partner shall have the right to make such adjustment to the Class B Units, to the extent permitted by law, in such manner and at such time as the General Partner, in its sole discretion, may determine to be appropriate under the circumstances. If an adjustment is made to the Class B Units as herein provided, the Partnership shall promptly file in the books and records of the Partnership an officer's certificate setting forth such adjustment and a brief statement of the facts requiring such adjustment, which certificate shall be conclusive evidence of the correctness of such adjustment absent manifest error. Promptly after the filing of such certificate, the Partnership shall mail a notice to each holder of Class B Units setting forth the adjustment to his, her or its Class B Units and the effective date of such adjustment.

16.2 Special Provisions.

Class B Units shall be subject to the following special provisions:

a. Distributions.

(i) Except as otherwise provided in this Agreement or any Class B Unit Agreement, holders of Class B Units shall be entitled to receive current distributions of Available Cash (other than distributions upon the occurrence of a Liquidating Event) in an amount per unit equal to the amount of any such distributions that would have been payable to such holders if the Class B Units had been OP Units (if applicable, assuming such Class B Units were held for the entire period to which such distributions relate).

(ii) Holders of Class B Units shall be entitled to receive distributions upon the occurrence of a Liquidating Event pursuant to Section 13.2.

b. Allocations. Holders of Class B Units shall be entitled to certain special allocations of gain under subparagraph 1(c)(ii) of Exhibit A.

c. Exchange Right. The right to exchange all or a portion of Partnership Units for cash or, at the option of the Partnership, for shares of Common Stock provided to Limited Partners under Section 15.1 hereof shall not apply with respect to Class B Units unless and until the Class B Units are converted to OP Units as provided in clause (d) below and Section 16.4 hereof.

d. Conversion to OP Units. Class B Units are eligible to be converted into OP Units in accordance with Section 16.4 hereof.

(e) Vesting. Class B Units may, in the sole discretion of the General Partner, be issued subject to vesting, forfeiture and additional restrictions on Transfer pursuant to the terms of the applicable Class B Unit Agreement. The terms of any Class B Unit Agreement may be modified by the General Partner from time to time in its sole discretion, subject to any restrictions on amendment imposed by the relevant Class B Unit Agreement or by any applicable equity incentive plan of the Partnership. Class B Units that were fully vested and nonforfeitable when issued or that have vested and are no longer subject to forfeiture under the terms of a Class B Unit Agreement are referred to as "Vested Class B Units"; all other Class B Units are referred to as "Unvested Class B Units."

(f) Forfeiture. Upon the forfeiture of any Class B Units in accordance with the applicable Class B Unit Agreement (including any forfeiture effected through repurchase), the Class B Units so forfeited (or repurchased) shall immediately, and without any further action, be treated as cancelled and no longer outstanding for any purpose. Unless otherwise specified in the applicable Class B Unit Agreement, no consideration or other payment shall be due with respect to any Class B Units that have been forfeited, other than any distributions declared with respect to a Partnership Record Date and with respect to such units prior to the effective date of the forfeiture. Except as otherwise provided in this Agreement (including without limitation subparagraph 2(h) of Exhibit A), any applicable equity incentive plan of the Partnership and the applicable Class B Unit Agreement, in connection with any forfeiture (or repurchase) of such units, the balance of the portion of the Capital Account of the holder of Class B Units that is attributable to all of his or her Class B Units shall be reduced by the amount, if any, by which it exceeds the target balance contemplated by subparagraph 1(c)(ii) of Exhibit A, calculated with respect to such holder's remaining Class B Units, if any.

(g) Transfers. Subject to the terms and limitations contained in an applicable Class B Unit Agreement and any applicable equity incentive plan of the Partnership, and except as expressly provided in this Agreement with respect to Class B Units, a holder of Class B Units shall be entitled to transfer his or her Class B Units to the same extent, and subject to the same restrictions as holders of OP Units are entitled to transfer their OP Units pursuant to Article 11.

16.3 Voting

a. Holders of Class B Units shall (a) have the same voting rights as the Limited Partners, with the Class B Units voting as a single class with the OP Units and having one vote per Class B Unit; and (b) have the additional voting rights that are expressly set forth below. So long as any Class B Units remain outstanding, the Partnership shall not, without the affirmative vote of the holders of at least a majority of the Class B Units outstanding at the time, given in person or by proxy, either in writing or at a meeting (voting separately as a class), amend, alter or repeal, whether by merger, consolidation or otherwise, the provisions of this Agreement applicable to Class B Units so as to materially and adversely affect any right, privilege or voting power of the Class B Units or the holders of Class B Units as such, unless such amendment, alteration, or repeal affects equally, ratably and proportionately the rights, privileges and voting powers of the Limited Partners; but subject, in any event, to the following provisions:

(i) With respect to any OP Unit Transaction, so long as the Class B Units are treated in accordance with Section 16.4(d) hereof, the consummation of such OP Unit Transaction shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the Class B Units or the holders of Class B Units as such; and

(ii) Any creation or issuance of any Partnership Units or of any class or series of Partnership Interest including additional OP Units, Class B Units, or Class C Units whether ranking senior to, junior to, or on a parity with the Class B Units with respect to distributions and the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the Class B Units or the holders of Class B Units as such.

b. The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required, all outstanding Class B Units shall have been converted into OP Units.

16.4 Conversion of Class B Units

a. Conversion. At such time as the Economic Capital Account Balance attributable to a Vested Class B Unit is equal to the OP Unit Economic Balance, each such balance determined on a per unit basis as of the effective date of conversion (the "Class B Unit Conversion Date"), such Vested Class B Unit shall automatically convert into one fully paid and non-assessable OP Unit, giving effect to all adjustments (if any) made pursuant to Section 16.1 hereof; *provided*, that a Vested Class B Unit shall not be convertible into OP Units if the Economic Capital Account Balance attributable to such Vested Class B Unit is negative. Each holder of Class B Units covenants and agrees with the Partnership that all Vested Class B Units to be converted pursuant to this Section 16.4 shall be free and clear of all liens. The conversion of Vested Class B Units shall occur automatically after the close of business on the applicable Class B Unit Conversion Date without any action on the part of such holder of Vested Class B Units, as of which time such holder of Vested Class B Units shall be credited on the books and records of the Partnership with the issuance as of the opening of business on the next day of the number of OP Units issuable upon such conversion. For purposes of determining the Economic Capital Account Balance attributable to a Class B Unit, allocations pursuant to subparagraph 1(c)(ii) of Exhibit A shall be made in such a manner so as to allow the greatest number of Class B Units to convert pursuant to this Section 16.4 at any time.

b. Adjustment to Gross Asset Value.

(i) The General Partner shall provide the holders of Class B Units the opportunity but not the obligation to make Capital Contributions to the Partnership in exchange for OP Units in order to cause an adjustment to the Gross Asset Value of the Partnership's assets within the meaning of paragraph (b)(i) of the definition of Gross Asset Value up to two (2) times each Partnership Year including:

1. if the Partnership or the General Partner shall be a party to any OP Unit Transaction; *provided*, that the General Partner shall give each holder of Class B Units written notice of such OP Unit Transaction at least thirty (30) days prior to entering into any definitive agreement pursuant to which the OP Unit Transaction would be consummated; or

2. upon a Listing; *provided*, that the General Partner shall give each holder of Class B Units written notice of such Listing at least thirty (30) days prior to such Listing.

(ii) For purposes of clause (i) of this Section 16.4(b), the value of each OP Unit issued in order to cause an adjustment to the Gross Asset Value of the Partnership's assets shall be an amount equal to the product of (y) the Value of a share of Common Stock as of the date the holder of Class B Units makes a Capital Contribution to the Partnership multiplied by (z) the Exchange Factor.

(iii) For the avoidance of doubt, the issuance of Class B Units shall be treated as an event allowing for an adjustment to the Gross Asset Value of the Partnership's assets within the meaning of paragraph (b)(iv) of the definition of Gross Asset Value.

c. Impact of Conversion for Purposes of Subparagraph 1(c)(ii) of Exhibit A. For purposes of making future allocations under subparagraph 1(c)(ii) of Exhibit A, the portion of the Economic Capital Account Balance of the applicable holder of Class B Units that is treated as attributable to his, her or its Class B Units shall be reduced, as of the date of conversion, by the product of the number of Class B Units converted and the OP Unit Economic Balance.

d. OP Unit Transactions. Immediately prior to or concurrent with an OP Unit Transaction the maximum number of Class B Units then eligible for conversion (in accordance with the provisions of Section 16.4(a)) shall automatically be converted into an equal number of OP Units, giving effect to all adjustments (if any) made pursuant to Section 16.1 hereof, taking into account any allocations that occur in connection with the OP Unit Transaction or that would occur in connection with the OP Unit Transaction if the assets of the Partnership were sold at the OP Unit Transaction price or, if applicable, at a value determined by the General Partner in good faith using the value attributed to the Partnership Units in the context of the OP Unit Transaction (in which case the Class B Unit Conversion Date shall be the effective date of the OP Unit Transaction). In anticipation of such OP Unit Transaction, the Partnership shall use commercially reasonable efforts to cause each holder of Class B Units to be afforded the right to receive in connection with such OP Unit Transaction in consideration for the OP Units into which his, her or its Class B Units will be converted the same kind and amount of cash, securities and other property (or any combination thereof) receivable upon the consummation of such OP Unit Transaction by a holder of the same number of OP Units, assuming such holder of OP Units is not a Person with which the Partnership consolidated or into which the Partnership merged or which merged into the Partnership or to which such sale or transfer was made, as the case may be (a "Constituent Person"), or an affiliate of a Constituent Person. In the event that holders of OP Units have the opportunity to elect the form or type of consideration to be received upon consummation of the OP Unit Transaction, prior to such OP Unit Transaction the General Partner shall give prompt written notice to each holder of Class B Units of such election, and shall use commercially reasonable efforts to afford the holders of Class B Units the right to elect, by written notice to the General Partner, the form or type of consideration to be received upon conversion of each Class B Unit held by such holder into OP Units in connection with such OP Unit Transaction. If a holder of Class B Units fails to make such an election, such holder (and any of its transferees) shall receive upon conversion of each Class B Unit held by him, her or it (or by any of his, her or its transferees) the same kind and amount of consideration that a holder of an OP Unit would receive if such OP Unit holder failed to make such an election. The Partnership shall use commercially reasonable effort to cause the terms of any OP Unit Transaction to be consistent with the provisions of this Section 16.4(d) and to enter into an agreement with the successor or purchasing entity, as the case may be, for the benefit of any holders of Class B Units whose Class B Units will not be converted into OP Units in connection with the OP Unit Transaction that will (i) contain provisions enabling the holders of Class B Units that remain outstanding after such OP Unit Transaction to convert their Class B Units into securities as comparable as reasonably possible under the circumstances to the OP Units and (ii) preserve as far as reasonably possible under the circumstances the distribution, special allocation, conversion, and other rights set forth in this Agreement for the benefit of the holders of Class B Units.

16.5 Profits Interests

a. Class B Units are intended to qualify as a "profits interest" in the Partnership issued to a new or existing Partner in a partner capacity for services performed or to be performed to or for the benefit of the Partnership within the meaning of Rev. Proc. 93-27, 1993-2 C.B. 343, and Rev. Proc. 2001-43, 2001-2 C.B. 191, the Code, the Regulations, and other future guidance provided by the IRS with respect thereto, and the allocations under subparagraph 1(c)(ii) of Exhibit A shall be interpreted in a manner that is consistent therewith.

b. The Partners agree that the General Partner may make a Safe Harbor Election (if and when the Safe Harbor Election becomes available), on behalf of itself and of all Partners, to have the Safe Harbor apply irrevocably with respect to Class B Units transferred in connection with the performance of services by a Partner in a partner capacity. The Safe Harbor Election (if and when the Safe Harbor Election becomes available) shall be effective as of the date of issuance of such Class B Units. If such election is made, (i) the Partnership and each Partner agree to comply with all requirements of the Safe Harbor with respect to all interests in the Partnership transferred in connection with the performance of services by a Partner in a partner capacity, whether such Partner was admitted as a Partner or as the transferee of a previous Partner, and (ii) the General Partner shall cause the Partnership to comply with all record-keeping requirements and other administrative requirements with respect to the Safe Harbor as shall be required by proposed or final regulations relating thereto.

c. The Partners agree that if a Safe Harbor Election is made by the General Partner, (A) each Class B Unit issued hereunder with respect to which the Safe Harbor Election is available is a Safe Harbor Interest, (B) each Class B Unit represents a profits interest received for services rendered or to be rendered to or for the benefit of the Partnership by such holder of Class B Units in his, her or its capacity as a Partner or in anticipation of becoming a Partner, and (C) the fair market value of each Class B Unit issued by the Partnership upon receipt by such holder of Class B Units as of the date of issuance is zero (plus the amount, if any, of any Capital Contributions made to the Partnership by such holder of Class B Units in connection with the issuance of such Class B Unit), representing the liquidation value of such interest upon receipt (with such valuation being consented to and hereby approved by all Partners).

d. Each Partner, by signing this Agreement or by accepting such transfer, hereby agrees (A) to comply with all requirements of any Safe Harbor Election made by the General Partner with respect to each holder of Class B Units' Safe Harbor Interest, (B) that each holder of Class B Units shall take into account all items of income, gain, loss, deduction and credit associated with its Class B Units, (C) that neither the Partnership nor any Partner shall claim a deduction (as wages, compensation or otherwise) for the fair market value of such Class B Units issued to a holder of such Class B Units, and (D) that to the extent that such profits interest is forfeited after the date hereof, the Partnership shall make special forfeiture allocations of gross items of income, deduction or loss (including, as may be permitted by or under Regulations (or other rules promulgated) to be adopted, notional items of income, deduction or loss) in accordance with the Regulations to be adopted under Sections 704(b) and 83 of the Code.

e. The General Partner shall file or cause the Partnership to file all returns, reports and other documentation as may be required, as reasonably determined by the General Partner, to perfect and maintain any Safe Harbor Election made by the General Partner with respect to granting of each holder of Class B Units' Safe Harbor Interest.

f. The General Partner is hereby authorized and empowered, without further vote or action of the Partners, to amend this Agreement to the extent necessary or helpful in accordance with the advice of Partnership tax counsel or accountants to sustain the Partnership's position that (A) it has complied with the Safe Harbor requirements in order to provide for a Safe Harbor Election and it has ability to maintain the same, or (B) the issuance of the Class B Units is not a taxable event with respect to the holders of Class B Units, and the General Partner shall have the authority to execute any such amendment by and on behalf of each Partner pursuant to the power of attorney granted by this Agreement. Any undertaking by any Partner necessary or desirable to (A) enable or preserve a Safe Harbor Election or (B) otherwise to prevent the issuance of Class B Units from being a taxable event with respect to the holders of Class B Units may be reflected in such amendments and, to the extent so reflected, shall be binding on each Partner.

g. Each Partner agrees to cooperate with the General Partner to perfect and maintain any Safe Harbor Election, and to timely execute and deliver any documentation with respect thereto reasonably requested by the General Partner, at the expense of the Partnership.

h. No Transfer of any interest in the Partnership by a Partner shall be effective unless prior to such Transfer, the assignee or intended recipient of such interest shall have agreed in writing to be bound by the provisions of Section 10.2(d) and this Section 16.5, in a form reasonably satisfactory to the General Partner.

i. The provisions of this Section 16.5 shall apply regardless of whether or not a holder of Class B Units files an election pursuant to Section 83(b) of the Code.

j. The General Partner may amend this Section 16.5 as it deems necessary or appropriate to maximize the tax benefit of the issuance of Class B Units to any holder of Class B Units if there are changes in the law or Regulations concerning the issuance of partnership interests for services.

Article 17

CLASS C UNITS

17.1 Designation and Number

a. Except as set forth in this Article 17, Class C Units shall have the same rights, privileges and preferences as the OP Units. Subject to the provisions of this Article 17 and the special provisions of subparagraph 1(c)(ii) of Exhibit A, Class C Units shall be treated as Partnership Units, with all of the rights, privileges and obligations attendant thereto.

b. It is intended that the Partnership shall maintain at all times a one-to-one correspondence between Class C Units and OP Units for conversion and other purposes. If an Adjustment Event (as defined in Section 16.1(b)) occurs, then the General Partner shall make a corresponding adjustment to the Class C Units to maintain a one-for-one conversion and economic equivalence ratio between OP Units and Class C Units. If more than one Adjustment Event occurs, the adjustment to the Class C Units need be made only once using a single formula that takes into account each and every Adjustment Event as if all Adjustment Events occurred simultaneously. If the Partnership takes an action affecting the OP Units other than actions specifically described in Section 16.1(b) as Adjustment Events and, in the opinion of the General Partner such action would require an adjustment to the Class C Units to maintain the one-to-one correspondence described above, the General Partner shall have the right to make such adjustment to the Class C Units, to the extent permitted by law, in such manner and at such time as the General Partner, in its sole discretion, may determine to be appropriate under the circumstances. If an adjustment is made to the Class C Units as herein provided, the Partnership shall promptly file in the books and records of the Partnership an officer's certificate setting forth such adjustment and a brief statement of the facts requiring such adjustment, which certificate shall be conclusive evidence of the correctness of such adjustment absent manifest error. Promptly after the filing of such certificate, the Partnership shall mail a notice to each holder of Class C Units setting forth the adjustment to his, her or its Class C Units and the effective date of such adjustment.

17.2 Special Provisions.

Class C Units shall be subject to the following special provisions:

a. Distributions.

(i) Except as otherwise provided in this Agreement or any Class C Unit Agreement, holders of Class C Units shall be entitled to receive current distributions of Available Cash (other than distributions upon the occurrence of a Liquidating Event) in an amount per unit equal to (A) in the case of Unearned Class C Units, the product of the distribution made to holders of OP Units per OP Unit multiplied by the Class C Unit Sharing Percentage, and (ii) in the case of Earned Class C Units, the distribution made to holders of OP Units per OP Unit, in each case, if applicable, assuming such Class C Units were held for the entire period to which such distributions relate.

(ii) Holders of Class C Units shall be entitled to receive distributions upon the occurrence of a Liquidating Event pursuant to Section 13.2.

b. Allocations.

(i) Holders of Earned Class C Units shall be entitled to certain special allocations of gain under subparagraph 1(c)(ii) of Exhibit A.

(ii) Holders of Unearned Class C Units shall be subject to the same allocation provisions as holders of Earned Class C Units; provided, however, that for purposes of subparagraph 1(a) and paragraph 2 of Exhibit A, the term Percentage Interest when used with respect to an Unearned Class C Unit shall be equal to the Percentage Interest of an Earned Class C Unit multiplied by the Class C Unit Sharing Percentage.

c. Exchange Right. The right to exchange all or a portion of Partnership Units for cash or, at the option of the Partnership, for shares of Common Stock provided to Limited Partners under Section 15.1 hereof shall not apply with respect to Class C Units unless and until the Class C Units are converted to OP Units as provided in clause (d) below and Section 17.4 hereof.

d. Conversion to OP Units. Class C Units are eligible to be converted into OP Units in accordance with Section 17.4 hereof.

(e) Earning and Vesting. Class C Units may, in the sole discretion of the General Partner, be issued subject to vesting (e.g., based on performance-vesting features, such as the economic performance of the Initial Limited Partner, and/or time-vesting features, such as the holder's continued employment with the Initial Limited Partner or any of its subsidiaries), forfeiture and additional restrictions on Transfer pursuant to the terms of the applicable Class C Unit Agreement. The terms of any Class C Unit Agreement may be modified by the General Partner from time to time in its sole discretion, subject to any restrictions on amendment imposed by the relevant Class C Unit Agreement or by any applicable equity incentive plan of the Partnership. For Class C Units that are subject to both performance-vesting requirements and time-vesting requirements under the terms of a Class C Unit Agreement, the Class C Units that have satisfied such performance-vesting requirements are referred to as "Earned Class C Units," and all other Class C Units are referred to as "Unearned Class C Units," whether or not such Class C Units have satisfied such time-vesting requirements. Class C Units that were fully vested and nonforfeitable when issued or that have vested and are no longer subject to forfeiture under the terms of a Class C Unit Agreement are referred to as "Vested Class C Units"; all other Class C Units are referred to as "Unvested Class C Units."

(f) Forfeiture. Upon the forfeiture of any Class C Units in accordance with the applicable Class C Unit Agreement (including any forfeiture effected through repurchase), the Class C Units so forfeited (or repurchased) shall immediately, and without any further action, be treated as cancelled and no longer outstanding for any purpose. Unless otherwise specified in the applicable Class C Unit Agreement, no consideration or other payment shall be due with respect to any Class C Units that have been forfeited, other than any distributions declared with respect to a Partnership Record Date and with respect to such units prior to the effective date of the forfeiture. Except as otherwise provided in this Agreement (including without limitation subparagraph 2(h) of Exhibit A), any applicable equity incentive plan of the Partnership and the applicable Class C Unit Agreement, in connection with any forfeiture (or repurchase) of such units, the balance of the portion of the Capital Account of the holder of Class C Units that is attributable to all of his or her Class C Units shall be reduced by the amount, if any, by which it exceeds the target balance contemplated by subparagraph 1(c)(ii) of Exhibit A, calculated with respect to such holder's remaining Class C Units, if any.

(g) Transfers. Subject to the terms and limitations contained in an applicable Class C Unit Agreement and any applicable equity incentive plan of the Partnership, and except as expressly provided in this Agreement with respect to Class C Units, a holder of Class C Units shall be entitled to transfer his or her Class C Units to the same extent, and subject to the same restrictions as holders of OP Units are entitled to transfer their OP Units pursuant to Article 11.

17.3 Voting

a. Holders of Class C Units shall (a) have the same voting rights as the Limited Partners, with the Class C Units voting as a single class with the OP Units and having one vote per Class C Unit; and (b) have the additional voting rights that are expressly set forth below. So long as any Class C Units remain outstanding, the Partnership shall not, without the affirmative vote of the holders of at least a majority of the Class C Units outstanding at the time, given in person or by proxy, either in writing or at a meeting (voting separately as a class), amend, alter or repeal, whether by merger, consolidation or otherwise, the provisions of this Agreement applicable to Class C Units so as to materially and adversely affect any right, privilege or voting power of the Class C Units or the holders of Class C Units as such, unless such amendment, alteration, or repeal affects equally, ratably and proportionately the rights, privileges and voting powers of the Limited Partners; but subject, in any event, to the following provisions:

(i) With respect to any OP Unit Transaction, so long as the Class C Units are treated in accordance with Section 17.4(d) hereof, the consummation of such OP Unit Transaction shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the Class C Units or the holders of Class C Units as such; and

(ii) Any creation or issuance of any Partnership Units or of any class or series of Partnership Interest including additional OP Units, Class B Units or Class C Units whether ranking senior to, junior to, or on a parity with the Class C Units with respect to distributions and the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the Class C Units or the holders of Class C Units as such.

b. The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required, all outstanding Class C Units shall have been converted into OP Units.

17.4 Conversion of Class C Units

a. Conversion. At such time as the Economic Capital Account Balance attributable to a Vested Class C Unit is equal to the OP Unit Economic Balance, each such balance determined on a per unit basis as of the effective date of conversion (the "Class C Unit Conversion Date"), such Vested Class C Unit shall automatically convert into one fully paid and non-assessable OP Unit, giving effect to all adjustments (if any) made pursuant to Section 17.1 hereof; *provided*, that a Vested Class C Unit shall not be convertible into OP Units if the Economic Capital Account Balance attributable to such Vested Class C Unit is negative. Each holder of Class C Units covenants and agrees with the Partnership that all Vested Class C Units to be converted pursuant to this Section 17.4 shall be free and clear of all liens. The conversion of Vested Class C Units shall occur automatically after the close of business on the applicable Class C Unit Conversion Date without any action on the part of such holder of Vested Class C Units, as of which time such holder of Vested Class C Units shall be credited on the books and records of the Partnership with the issuance as of the opening of business on the next day of the number of OP Units issuable upon such conversion. For purposes of determining the Economic Capital Account Balance attributable to a Class C Unit, allocations pursuant to subparagraph 1(c)(ii) of Exhibit A shall be made in such a manner so as to allow the greatest number of Class C Units to convert pursuant to this Section 17.4 at any time.

b. Adjustment to Gross Asset Value.

(i) The General Partner shall provide the holders of Class C Units the opportunity but not the obligation to make Capital Contributions to the Partnership in exchange for OP Units in order to cause an adjustment to the

Gross Asset Value of the Partnership's assets within the meaning of paragraph (b)(i) of the definition of Gross Asset Value up to two (2) times each Partnership Year including:

1. if the Partnership or the General Partner shall be a party to any OP Unit Transaction; *provided*, that the General Partner shall give each holder of Class C Units written notice of such OP Unit Transaction at least thirty (30) days prior to entering into any definitive agreement pursuant to which the OP Unit Transaction would be consummated; or

2. upon a Listing; *provided*, that the General Partner shall give each holder of Class C Units written notice of such Listing at least thirty (30) days prior to such Listing.

(ii) For purposes of clause (i) of this Section 17.4(b), the value of each OP Unit issued in order to cause an adjustment to the Gross Asset Value of the Partnership's assets shall be an amount equal to the product of (y) the Value of a share of Common Stock as of the date the holder of Class C Units makes a Capital Contribution to the Partnership multiplied by (z) the Exchange Factor.

(iii) For the avoidance of doubt, the issuance of Class C Units shall be treated as an event allowing for an adjustment to the Gross Asset Value of the Partnership's assets within the meaning of paragraph (b)(iv) of the definition of Gross Asset Value.

c. Impact of Conversion for Purposes of Subparagraph 1(c)(ii) of Exhibit A. For purposes of making future allocations under subparagraph 1(c)(ii) of Exhibit A, the portion of the Economic Capital Account Balance of the applicable holder of Class C Units that is treated as attributable to his, her or its Class C Units shall be reduced, as of the date of conversion, by the product of the number of Class C Units converted and the OP Unit Economic Balance.

d. OP Unit Transactions. Immediately prior to or concurrent with an OP Unit Transaction the maximum number of Class C Units then eligible for conversion (in accordance with the provisions of Section 17.4(a)) shall automatically be converted into an equal number of OP Units, giving effect to all adjustments (if any) made pursuant to Section 17.1 hereof, taking into account any allocations that occur in connection with the OP Unit Transaction or that would occur in connection with the OP Unit Transaction if the assets of the Partnership were sold at the OP Unit Transaction price or, if applicable, at a value determined by the General Partner in good faith using the value attributed to the Partnership Units in the context of the OP Unit Transaction (in which case the Class C Unit Conversion Date shall be the effective date of the OP Unit Transaction). In anticipation of such OP Unit Transaction, the Partnership shall use commercially reasonable efforts to cause each holder of Class C Units to be afforded the right to receive in connection with such OP Unit Transaction in consideration for the OP Units into which his, her or its Class C Units will be converted the same kind and amount of cash, securities and other property (or any combination thereof) receivable upon the consummation of such OP Unit Transaction by a holder of the same number of OP Units, assuming such holder of OP Units is not a Constituent Person or an affiliate of a Constituent Person. In the event that holders of OP Units have the opportunity to elect the form or type of consideration to be received upon consummation of the OP Unit Transaction, prior to such OP Unit Transaction the General Partner shall give prompt written notice to each holder of Class C Units of such election, and shall use commercially reasonable efforts to afford the holders of Class C Units the right to elect, by written notice to the General Partner, the form or type of consideration to be received upon conversion of each Class C Unit held by such holder into OP Units in connection with such OP Unit Transaction. If a holder of Class C Units fails to make such an election, such holder (and any of its transferees) shall receive upon conversion of each Class C Unit held by him, her or it (or by any of his, her or its transferees) the same kind and amount of consideration that a holder of an OP Unit would receive if such OP Unit holder failed to make such an election. The Partnership shall use commercially reasonable effort to cause the terms of any OP Unit Transaction to be consistent with the provisions of this Section 17.4(d) and to enter into an agreement with the successor or purchasing entity, as the case may be, for the benefit of any holders of Class C Units whose Class C Units will not be converted into OP Units in connection with the OP Unit Transaction that will (i) contain provisions enabling the holders of Class C Units that remain outstanding after such OP Unit Transaction to convert their Class C Units into securities as comparable as reasonably possible under the circumstances to the OP Units and (ii) preserve as far as reasonably possible under the circumstances the distribution, special allocation, conversion, and other rights set forth in this Agreement for the benefit of the holders of Class C Units.

17.5 Profits Interests

a. Class C Units are intended to qualify as a "profits interest" in the Partnership issued to a new or existing Partner in a partner capacity for services performed or to be performed to or for the benefit of the Partnership within the meaning of Rev. Proc. 93-27, 1993-2 C.B. 343, and Rev. Proc. 2001-43, 2001-2 C.B. 191, the Code, the Regulations, and other future guidance provided by the IRS with respect thereto, and the allocations under subparagraph 1(c)(ii) of Exhibit A shall be interpreted in a manner that is consistent therewith.

b. The Partners agree that the General Partner may make a Safe Harbor Election (if and when the Safe Harbor Election becomes available), on behalf of itself and of all Partners, to have the Safe Harbor apply irrevocably with respect to Class C Units transferred in connection with the performance of services by a Partner in a partner capacity. The Safe Harbor Election (if and when the Safe Harbor Election becomes available) shall be effective as of the date of issuance of such Class C Units. If such election is made, (i) the Partnership and each Partner agree to comply with all requirements of the Safe Harbor with respect to all interests in the Partnership transferred in connection with the performance of services by a Partner in a partner capacity, whether such Partner was admitted as a Partner or as the transferee of a previous Partner, and (ii) the General Partner shall cause the Partnership to comply with all record-keeping requirements and other administrative requirements with respect to the Safe Harbor as shall be required by proposed or final regulations relating thereto.

c. The Partners agree that if a Safe Harbor Election is made by the General Partner, (A) each Class C Unit issued hereunder with respect to which the Safe Harbor Election is available is a Safe Harbor Interest, (B) each Class C Unit represents a profits interest received for services rendered or to be rendered to or for the benefit of the Partnership by such holder of Class C Units in his, her or its capacity as a Partner or in anticipation of becoming a Partner, and (C) the fair market value of each Class C Unit issued by the Partnership upon receipt by such holder of Class C Units as of the date of issuance is zero (plus the amount, if any, of any Capital Contributions made to the Partnership by such holder of Class C Units in connection with the issuance of such Class C Unit), representing the liquidation value of such interest upon receipt (with such valuation being consented to and hereby approved by all Partners).

d. Each Partner, by signing this Agreement or by accepting such transfer, hereby agrees (A) to comply with all requirements of any Safe Harbor Election made by the General Partner with respect to each holder of Class C Units' Safe Harbor Interest, (B) that each holder of Class C Units shall take into account all items of income, gain, loss, deduction and credit associated with its Class C Units, (C) that neither the Partnership nor any Partner shall claim a deduction (as wages, compensation or otherwise) for the fair market value of such Class C Units issued to a holder of such Class C Units, and (D) that to the extent that such profits interest is forfeited after the date hereof, the Partnership shall make special forfeiture allocations of gross items of income, deduction or loss (including, as may be permitted by or under Regulations (or other rules promulgated) to be adopted, notional items of income, deduction or loss) in accordance with the Regulations to be adopted under Sections 704(b) and 83 of the Code.

e. The General Partner shall file or cause the Partnership to file all returns, reports and other documentation as may be required, as reasonably determined by the General Partner, to perfect and maintain any Safe Harbor Election made by the General Partner with respect to granting of each holder of Class C Units' Safe Harbor Interest.

f. The General Partner is hereby authorized and empowered, without further vote or action of the Partners, to amend this Agreement to the extent necessary or helpful in accordance with the advice of Partnership tax counsel or accountants to sustain the Partnership's position that (A) it has complied with the Safe Harbor requirements in order to provide for a Safe Harbor Election and it has ability to maintain the same, or (B) the issuance of the Class C Units is not a taxable event with respect to the holders of Class C Units, and the General Partner shall have the authority to execute any such amendment by and on behalf of each Partner pursuant to the power of attorney granted by this Agreement. Any undertaking by any Partner necessary or desirable to (A) enable or preserve a Safe Harbor Election or (B) otherwise to prevent the issuance of Class C Units from being a taxable event with respect to the holders of Class C Units may be reflected in such amendments and, to the extent so reflected, shall be binding on each Partner.

g. Each Partner agrees to cooperate with the General Partner to perfect and maintain any Safe Harbor Election, and to timely execute and deliver any documentation with respect thereto reasonably requested by the General Partner, at the expense of the Partnership.

h. No Transfer of any interest in the Partnership by a Partner shall be effective unless prior to such Transfer, the assignee or intended recipient of such interest shall have agreed in writing to be bound by the provisions of Section 10.2(d) and this Section 17.5, in a form reasonably satisfactory to the General Partner.

i. The provisions of this Section 17.5 shall apply regardless of whether or not a holder of Class C Units files an election pursuant to Section 83(b) of the Code.

j. The General Partner may amend this Section 17.5 as it deems necessary or appropriate to maximize the tax benefit of the issuance of Class C Units to any holder of Class C Units if there are changes in the law or Regulations concerning the issuance of partnership interests for services.

[SIGNATURE PAGE FOLLOWS]

Signature Page to Third Amended and Restated Agreement of Limited Partnership of Phillips Edison Grocery Center Operating Partnership I, L.P., among the undersigned and the other parties thereto.

GENERAL PARTNER:

PHILLIPS EDISON GROCERY CENTER OP GP I, LLC

By: Phillips Edison & Company, Inc., its sole member

By: ____________________________________

Name:

Title:

INITIAL LIMITED PARTNER:

PHILLIPS EDISON & COMPANY, INC.

By: ____________________________________

Name:

Title:

PHILLIPS EDISON NTR LLC

By: ____________________________________

Name:

Title:

Exhibit A

Allocations

1. Allocations.

(a) Allocations of Net Income and Net Loss. Except as otherwise provided in this Agreement, after giving effect to the special allocations in subparagraph 1(c) and paragraph 2, Net Income, Net Loss and, to the extent necessary, individual items of income, gain, loss or deduction of Net Income or Net Loss, of the Partnership for each Partnership Year or other applicable period shall be allocated among the General Partner and Limited Partners in accordance with their respective Percentage Interests.

(b) Allocations of Net Property Gain, Net Property Loss or Liquidating Gain. Except as otherwise provided in this Agreement, and subject to the limitations set forth in subparagraph 1(c)(ii) with respect to Class B Units and Class C Units, after giving effect to the special allocations in subparagraphs 1(c) and paragraph 2, Net Property Gain, Net Property Loss, Liquidating Gain and, to the extent necessary, individual items of income, gain, credit, loss and deduction comprising Net Property Gain, Net Property Loss or Liquidating Gain of the Partnership for each Partnership Year or other applicable period shall be allocated among the Partners in a manner determined in the reasonable discretion of the General Partner that will, as nearly as possible cause the Capital Account balance of each Partner at the end of such Partnership Year or other applicable period to equal (i) the amount of the distributions that would be made to such Partner pursuant to Section 5.1(a) of the Agreement if the Partnership were dissolved, its affairs wound up and its assets were sold for cash equal to their Gross Asset Value, taking into account any adjustments thereto for such period, all Partnership liabilities were satisfied in full in cash according to their terms (limited with respect to each nonrecourse liability to the Gross Asset Value of the assets securing such liability), and the net proceeds (after satisfaction of such liabilities) were distributed in full in accordance with Section 5.1(a) of the Agreement to the Partners immediately after making such allocations, minus (ii) the sum of such Partner's share of Partnership Minimum Gain and Partner Nonrecourse Debt Minimum Gain and the amount, if any and without duplication, that the Partner would be obligated to contribute to the capital of the Partnership, all computed immediately prior to the hypothetical sale of assets.

(c) Special Allocations.

(i) General Partner Gross Income Allocation. After giving effect to the special allocations in paragraph 2 but prior to any allocations under subparagraphs 1(a) or 1(b), there shall be specially allocated to the General Partner an amount of (i) first, items of Partnership income and (ii) second, items of Partnership gain during each Partnership Year or other applicable period in an amount equal to the excess, if any, of (A) the cumulative distributions made to the General Partner under Section 7.3(b) of the Agreement, other than distributions which would properly be treated as "guaranteed payments" or which are attributable to the reimbursement of expenses which would properly be either deductible by the Partnership or added to the tax basis of any Partnership asset, over (B) the cumulative allocations of Partnership income and gain to the General Partner under this subparagraph 1(c)(i).

(ii) Special Allocations Regarding Class B Units and Class C Units. After giving effect to the special allocations in subparagraph 1(c)(i) and paragraph 2 but prior to any allocations under subparagraphs 1(a) or 1(b), Net Property Gain, Net Property Loss or Liquidating Gain and, to the extent necessary, individual items of income and gain comprising Net Property Gain and Liquidating Gain of the Partnership shall be allocated to the holders of Class B Units and Class C Units, as applicable, until their Economic Capital Account Balances are equal to (A) the OP Unit Economic Balance, multiplied by (B) the number of their Class B Units or Class C Units, as applicable; *provided*, *however*, that Net Property Gain or Liquidating Gain or individual items of income and gain comprising Net Property Gain, Net Property Loss or Liquidating Gain will be allocated with respect to Class B Units or Class C Units, as applicable, only to the extent that, since such Class B Units or Class C Units, as applicable, were issued, (i) the sum of (a) Net Property Gain and (b) Liquidating Gain of the Partnership exceeds (ii) Net Property Loss of the Partnership. The "Economic Capital Account Balances" of the Class B Unit holders or Class C Unit holders, as applicable, will be equal to their Capital Account balances to the extent attributable to their ownership of Class B Units or Class C Units, as applicable. The "OP Unit Economic Balance" shall mean (Y) the aggregate Capital Account balance attributable to the OP Units outstanding, plus the amount of any Partner Minimum Gain or Partnership Minimum Gain, in either case to the extent attributable to the ownership of OP Units and computed on a hypothetical basis after taking into account all allocations through the date on which any allocation is made under this subparagraph 1(c)(ii), divided by (Z) the number of OP Units outstanding. Any allocations made pursuant to the first sentence of this subparagraph 1(c)(ii) shall be made among the holders of Class B Units and Class C Units, as applicable, in proportion to the amounts required to be allocated to each under this subparagraph 1(c)(ii). The parties agree that the intent of this subparagraph 1(c)(ii) is to make the Capital Account balance associated with each Class B Unit or Class C Unit, as applicable, to be economically equivalent to the Capital Account balance associated with the OP Units outstanding (on a per-Unit basis), but only if and to the extent that the Capital Account balance associated with the OP Units outstanding, without regard to the allocations under this subparagraph 1(c)(ii), has increased on a per-Unit basis since the issuance of the relevant Class B Unit or Class C Unit, as applicable. Any remaining Net Property Gain, Net Property Loss or Liquidating Gain not allocated pursuant to this subparagraph 1(c)(ii) shall be included in the calculation of Net Property Gain, Net Property Loss or Liquidating Gain, as applicable, and will be allocated pursuant to subparagraph 1(b).

2. Regulatory Allocations. Notwithstanding any provisions of paragraph 1 of this Exhibit A, the following special allocations shall be made.

(a) Minimum Gain Chargeback (Nonrecourse Liabilities). Except as otherwise provided in Section 1.704-2(f) of the Regulations, if there is a net decrease in Partnership Minimum Gain for any Partnership Year, each Partner shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Partner's share of the net decrease in Partnership Minimum Gain to the extent required by Section 1.704-2(f) of the Regulations. The items to be so allocated shall be determined in accordance with Sections 1.704-2(f) and (i) of the Regulations. This subparagraph 2(a) is intended to comply with the minimum gain chargeback requirement in said section of the Regulations and shall be interpreted consistently therewith. Allocations pursuant to this subparagraph 2(a) shall be made in proportion to the respective amounts required to be allocated to each Partner pursuant hereto.

(b) Partner Minimum Gain Chargeback. Except as otherwise provided in Section 1.704-2(i)(4) of the Regulations, if there is a net decrease in Partner Nonrecourse Debt Minimum Gain during any Partnership Year, each Partner who has a share of the Partner Nonrecourse Debt Minimum Gain, determined in accordance with Section 1.704-2(i)(5) of the Regulations, shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to that Partner's share of the net decrease in the Partner Nonrecourse Debt Minimum Gain to the extent and in the manner required by Section 1.704-2(i) of the Regulations. The items to be so allocated shall be determined in accordance with Sections 1.704-2(i)(4) and (j)(2) of the Regulations. This subparagraph 2(b) is intended to comply with the minimum gain chargeback requirement with respect to Partner Nonrecourse Debt contained in said section of the Regulations and shall be interpreted consistently therewith. Allocations pursuant to this subparagraph 2(b) shall be made in proportion to the respective amounts required to be allocated to each Partner pursuant hereto.

(c) Qualified Income Offset. If a Partner unexpectedly receives any adjustments, allocations or distributions described in Sections 1.704-1(b)(2)(ii)(d)(4), (5) or (6) of the Regulations, and such Partner has an Adjusted Capital Account Deficit, items of Partnership income (including gross income) and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate the Adjusted Capital Account Deficit as quickly as possible as required by the Regulations. This subparagraph 2(c) is intended to constitute a "qualified income offset" under Section 1.704-1(b)(2)(ii)(d) of the Regulations and shall be interpreted consistently therewith.

(d) Nonrecourse Deductions. Nonrecourse Deductions for any Partnership Year or other applicable period shall be allocated to the Partners in accordance with their respective Percentage Interests.

(e) Partner Nonrecourse Deductions. Partner Nonrecourse Deductions for any Partnership Year or other applicable period with respect to a Partner Nonrecourse Debt shall be specially allocated to the Partner that bears the economic risk of loss for such Partner Nonrecourse Debt (as determined under Sections 1.704-2(b)(4) and 1.704-2(i)(1) of the Regulations).

(f) Section 754 Adjustment. To the extent an adjustment to the adjusted tax basis of any asset of the Partnership pursuant to Section 734(b) of the Code or Section 743(b) of the Code is required, pursuant to Section 1.704-1(b)(2)(iv)(m) of the Regulations, to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be specially allocated among the Partners in a manner consistent with the manner in which each of their respective Capital Accounts are required to be adjusted pursuant to such section of the Regulations.

(g) Gross Income Allocation. If any Partner has an Adjusted Capital Account Deficit at the end of any Partnership Year or other applicable period which is in excess of the amount such Partner is obligated to restore pursuant to the penultimate sentences of Sections 1.704-2(g)(1) and 1.704-2(i)(5) of the Regulations, such Partner shall be specially allocated items of Partnership income (including gross income) and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this subparagraph 2(g) shall be made if and only to the extent that such Partner would have an Adjusted Capital Account Deficit in excess of such amount after all other allocations provided for under this Agreement have been tentatively made as if subparagraph 2(c) and this subparagraph 2(g) were not in this Agreement.

(h) Forfeiture Allocations. Upon a forfeiture of any Unvested Class B Units or Unvested Class C Units by any Partner, gross items of income, gain, loss or deduction shall be allocated to such Partner in accordance with Section 16.5(d)(D) or Section 17.5(d)(D) of the Agreement, as applicable.

(i) Class B Units and Class C Units. Subject to Section 17.2(b)(ii) of the Agreement, for purposes of the allocations set forth in this paragraph 2, each issued and outstanding Class B Unit or Class C Unit will be treated as one outstanding OP Unit.

3. Curative Allocations. The General Partner is authorized to offset all Regulatory Allocations either with other Regulatory Allocations or with special allocations of other items of Partnership income, gain, loss, or deduction pursuant to this paragraph 3. Therefore, notwithstanding any other provision of this Exhibit A (other than the Regulatory Allocations and Tax Allocations), the General Partner shall make such offsetting allocations of Partnership income, gain, loss or deduction in whatever manner the General Partner determines appropriate so that, after such offsetting allocations are made, each Partner's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Partner would have had if the Regulatory Allocations were not part of this Agreement.

4. Tax Allocations.

(a) Items of Income or Loss. Except as is otherwise provided in this Exhibit A, an allocation of Partnership Net Income, Net Loss, Net Property Gain, Net Property Loss or Liquidating Gain to a Partner shall be treated as an allocation to such Partner of the same share of each item of income, gain, loss, deduction and item of tax-exempt income or Section 705(a)(2)(B) expenditure (or item treated as such expenditure pursuant to Section 1.704-1(b)(2)(iv)(i) of the Regulations) that is taken into account in computing Net Income, Net Loss, Net Property Gain, Net Property Loss or Liquidating Gain. Except as otherwise provided in this paragraph 4, items of income, gain, loss and deduction of the Partnership to be allocated for income tax purposes ("Tax Items") shall be allocated among the Partners on the same basis as the corresponding book items are allocated under paragraphs 1 through 3 of this Exhibit A.

(b) Section 1245/1250 Recapture. Subject to subparagraph 4(c) below, if any portion of gain from the sale of Partnership assets is treated as gain which is ordinary income by virtue of the application of Sections 1245 or 1250 of the Code or is gain described in Section 1(h)(1)(D) of the Code ("Affected Gain"), then such Affected Gain shall be allocated among the Partners in the same proportion that the depreciation and amortization deductions giving rise to the Affected Gain were allocated. This subparagraph 4(b) shall not alter the amount of Net Income, Net Property Gain or Liquidating Gain (or items thereof) allocated among the Partners, but merely the character of such Net Income, Net Property Gain or Liquidating Gain (or items thereof). For purposes hereof, in order to determine the proportionate allocations of depreciation and amortization deductions for each Partnership Year or other applicable period, such deductions shall be deemed allocated on the same basis as Net Income, Net Loss, Net Property Gain, Net Property Loss and Liquidating Gain for such respective period.

(c) Precontribution Gain, Revaluations. With respect to any Contributed Property, the Partnership shall use any permissible method contained in the Regulations promulgated under Section 704(c) of the Code selected by the General Partner, in its sole discretion, to take into account any variation between the adjusted basis of such asset and the fair market value of such asset as of the time of the contribution ("Precontribution Gain"). Each Partner hereby agrees to report income, gain, loss and deduction on such Partner's federal income tax return in a manner consistent with the method used by the Partnership. If any asset has a Gross Asset Value which is different from the Partnership's adjusted basis for such asset for federal income tax purposes because the Partnership has revalued such asset pursuant to Section 1.704-1(b)(2)(iv)(f) of the Regulations, the allocations of Tax Items shall be made in accordance with the principles of Section 704(c) of the Code and the Regulations and the methods of allocation promulgated thereunder. The intent of this subparagraph 4(c) is that each Partner who contributed to the capital of the Partnership a Contributed Property will bear, through reduced allocations of depreciation, increased allocations of gain or other items, the tax detriments associated with any Precontribution Gain. This subparagraph 4(c) is to be interpreted consistently with such intent.

(d) Excess Nonrecourse Liability Safe Harbor. Pursuant to Section 1.752-3(a)(3) of the Regulations, solely for purposes of determining each Partner's proportionate share of the "excess nonrecourse liabilities" of the Partnership (as defined in Section 1.752-3(a)(3) of the Regulations), the Partners' respective interests in Partnership profits shall be determined under any permissible method reasonably determined by the General Partner.

(e) References to Regulations. Any reference in this Exhibit A or the Agreement to a provision of proposed and/or temporary Regulations shall, if such provision is modified or renumbered, be deemed to refer to the successor provision as so modified or renumbered, but only to the extent such successor provision applies to the Partnership under the effective date rules applicable to such successor provision.

(f) Successor Partners. For purposes of this Exhibit A, a transferee of a Partnership Interest shall be deemed to have been allocated the Net Income, Net Loss, Net Property Gain, Net Property Loss, Liquidating Gain and other items of Partnership income, gain, loss, deduction and credit allocable to the transferred Partnership Interest that previously have been allocated to the transferor Partner pursuant to this Agreement.

<u>Exhibit B</u>

Examples Regarding Exchange Factor

For purposes of the following examples, it is assumed that (a) the Exchange Factor in effect on ________ is 1.0 and (b) on _______ (the "*Partnership Record Date*" for purposes of these examples), prior to the events described in the examples, there are 100 shares of Common Stock issued and outstanding.

Example 1

On the Partnership Record Date, the Initial Limited Partner declares a dividend on its outstanding Common Stock in shares of Common Stock. The amount of the dividend is one share of Common Stock paid in respect of each share of Common Stock owned. Pursuant to Paragraph (i) of the definition of "Exchange Factor," the Exchange Factor shall be adjusted on the Partnership Record Date, effective immediately after the stock dividend is declared, as follows:

1.0 * 200/100 = 2.0

Accordingly, the Exchange Factor after the stock dividend is declared is 2.0.

Example 2

On the Partnership Record Date, the Initial Limited Partner distributes options to purchase Common Stock to all holders of its Common Stock. The amount of the distribution is one option to acquire one share of Common Stock in respect of each share of Common Stock owned. The strike price is $4.00 a share. The Value of a share of Common Stock on the Partnership Record Date is $5.00 per share. Pursuant to Paragraph (ii) of the definition of "Exchange Factor," the Exchange Factor shall be adjusted on the Partnership Record Date, effective immediately after the options are distributed, as follows:

1.0 * (100 + 100)/(100 + [100 * $4.00/$5.00]) = 1.1111

Accordingly, the Exchange Factor after the options are distributed is 1.1111. If the options expire or become no longer exercisable, then the retroactive adjustment specified in Paragraph (ii) of the definition of "Exchange Factor" shall apply.

Example 3

On the Partnership Record Date, the Initial Limited Partner distributes assets to all holders of its Common Stock. The amount of the distribution is one asset with a fair market value (as determined by the Initial Limited Partner) of $1.00 in respect of each share of Common Stock owned. It is also assumed that the assets do not relate to assets received by the Initial Limited Partner pursuant to a pro rata distribution by the Partnership. The Value of a share of Common Stock on the Partnership Record Date is $5.00 a share. Pursuant to Paragraph (iii) of the definition of "Exchange Factor," the Exchange Factor shall be adjusted on the Partnership Record Date, effective immediately after the assets are distributed, as follows:

1.0 * $5.00/($5.00 - $1.00) = 1.25

Accordingly, the Exchange Factor after the assets are distributed is 1.25.

Exhibit C

Notice of Redemption

To: [__________]
[__________]
[__________]

The undersigned Limited Partner or Assignee hereby irrevocably tenders for Redemption OP Units in Philips Edison Grocery Center Operating Partnership I, L.P. in accordance with the terms of the Philips Edison Grocery Center Operating Partnership I, L.P., dated as of [________], as amended (the "*Agreement*"), and the Redemption Rights referred to therein. The undersigned Limited Partner or Assignee:

(a) undertakes (i) to surrender such Partnership OP Units and any certificate therefor at the closing of the Redemption and (ii) to furnish to the General Partner, prior to the Specified Redemption Date, the documentation, instruments and information required under Section 15.1(f) of the Agreement;

(b) directs that the certified check representing the Cash Amount, or the Common Stock Amount, as applicable, deliverable upon the closing of such Redemption be delivered to the address specified below;

(c) represents, warrants, certifies and agrees that:

(i) the undersigned Limited Partner or Assignee is a Qualifying Party,

(ii) the undersigned Limited Partner or Assignee has, and at the closing of the Redemption will have, good, marketable and unencumbered title to such OP Units, free and clear of the rights or interests of any other person or entity,

(iii) the undersigned Limited Partner or Assignee has, and at the closing of the Redemption will have, the full right, power and authority to tender and surrender such OP Units as provided herein, and

(iv) the undersigned Limited Partner or Assignee has obtained the consent or approval of all persons and entities, if any, having the right to consent to or approve such tender and surrender; and

(d) acknowledges that he will continue to own such OP Units until and unless either (1) such OP Units are acquired by the Initial Limited Partner pursuant to Section 15.1(b) of the Agreement or (2) such redemption transaction closes.

All capitalized terms used herein and not otherwise defined shall have the same meaning ascribed to them respectively in the Agreement.

Name of Limited Partner or Assignee:

(Signature of Limited Partner or Assignee)

(Street Address)

Dated: ___________

(City)(State)(Zip Code)

Signature Medallion Guaranteed by:

Issue Check Payable to:

Please insert social security
or identifying number:

Exhibit D

Certificate of Limited Partnership

Exhibit 10.4

PROPERTY MANAGEMENT,
LEASING AND CONSTRUCTION MANAGEMENT AGREEMENT

THIS PROPERTY, LEASING AND CONSTRUCTION MANAGEMENT AGREEMENT ("Agreement") is made and entered into as of ***, 2017, by and among *** STATION LLC, a Delaware limited liability company ("Owner"), and PHILLIPS EDISON GROCERY CENTER OPERATING PARTNERSHIP I, L.P., a Delaware limited partnership ("Manager").

R E C I T A L S:

A. Owner is a limited liability company formed to acquire, own, operate, lease, finance and manage shopping center properties.

B. Manager operates, manages, leases and manages construction with respect to shopping center properties located throughout the continental United States.

C. Owner desires to engage Manager, and Manager desires to accept such engagement, to manage the shopping center owned by Owner and known as ***, under the terms and conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are acknowledged by each party, the parties agree as follows:

1. **Definitions**. Except as otherwise specified or as the context may otherwise require, the following terms have the respective meanings set forth below for all purposes of this Agreement, and the definitions are equally applicable both to the singular and plural forms:

1.1 "Gross Receipts" means (i) all fixed and minimum rent, percentage rent and license fees paid by tenants and other occupants of the Property, (ii) the profit of Owner derived from the sale of electricity (i.e., the spread between the wholesale and retail prices of electricity that is re-sold to tenants of the Property), utilities and heating, ventilation and air conditioning to tenants and other occupants of the Property, (iii) all amounts paid by tenants and other occupants of the Property for common area maintenance, real estate taxes (whether or not such is paid directly to taxing authority), insurance, interest and any other payments of any nature (including attorneys' fees and late fees) made by any such tenants or other occupants, and (iv) proceeds of rent insurance.

1.2 "Improvements" means buildings, structures, and equipment from time to time located on the Properties and all parking and common areas located on the Property.

1.3 "Management Fees" means the fees and expenses payable to Manager pursuant to Section 9, "Compensation".

1.4 "Manager" means Phillips Edison Grocery Center Operating Partnership I, L.P.

1.5 "Owner" means *** Station LLC.

1.6 "Property" means the individual real estate asset owned by Owner that is made subject to this Agreement, as further identified in the Property Addendum (as defined below), and all tracts acquired by Owner related to that asset. If Owner owns more than one site, then Owner shall use multiple Property Addenda and "Property" means all of the real estate assets of Owner covered by this Agreement, collectively.

1.7 "Property Addendum" means the addendum (as may be modified, amended or supplemented in writing from time to time) attached to this Agreement and incorporated within this Agreement by reference, executed by Manager and Owner. The Property Addendum describes the Property, including its real estate and the improvements. If Owner owns more than one Property and sells a Property, then the Property Addendum with respect to the sold Property will be deemed of no further force or effect from and after the closing of the sale, except to the extent of post-closing management and accounting functions that are required to be performed under this Agreement.

1.8 "Property Personnel" means persons hired or retained as employees of Manager to perform services for the Property, which services include, but are not limited to, property management, property-level accounting and book-keeping services, property-level budgeting and forecasting, and property-level tax preparation services. Notwithstanding the foregoing, the following persons are not considered Property Personnel: (i) any Manager whose primary responsibility is to manage Property Personnel and who is not directly responsible for providing services to a specific property or group of properties, and (ii) any person who also serves as an executive officer of Manager and/or as an executive officer of Owner.

2. **Appointment Of Manager**

2.1 Owner hereby engages and retains Manager, for the Property, as the sole and exclusive property manager to perform such functions as are specified in this Agreement and/or on the Property Addendum. Manager hereby accepts such appointment.

2.2 Owner hereby engages and retains Manager, for the Property, as the sole and exclusive leasing agent for the leasing of all space in the Property as well as for obtaining ground leases on any outparcels. Manager shall perform such functions as are specified in this Agreement and/or on the Property Addendum. Manager hereby accepts such appointment.

2.3 Owner hereby engages and retains Manager, for the Property, as the sole and exclusive construction manager to perform the functions specified in this Agreement and/or on the Property Addendum. Manager hereby accepts such appointment.

2.4 Manager shall act under this Agreement as an independent contractor and not as the Owner's agent employee or fiduciary. Manager does not have the right, power or authority to enter into agreements or incur liability on behalf of the Owner except as set forth in this Agreement or in a Property Addendum. Any action taken by Manager which is not expressly permitted by this Agreement will not bind the Owner.

3. **Standards**. Manager will in good faith, with due diligence and in accordance with generally accepted management and construction management standards in the shopping center industry within the geographical areas of the Property, perform its management, leasing and construction management duties and obligations. In all events, the standards of performance shall be consistent with the standards of management, leasing and construction management to which Manager performs with respect to its own portfolio of properties. Manager will devote its commercially reasonable efforts to performing its duties under this Agreement to manage, operate, maintain and lease the Property in a diligent, careful and professional manner to maximize all potential revenues to the Owner and to minimize expenses and losses to the Owner. The services of Manager are to be of a scope and quality not less than those generally performed by first class, professional managers of properties similar in type and quality to the Property and located in the same market area as the Property. Manager will make available to the Owner the full benefit of the judgment, experience and advice of the members of Manager's organization. Manager will at all times act in good faith and in a commercially reasonable manner and in a fiduciary capacity with respect to the proper protection of and accounting for the Owner's assets.

4. **Term**. This Agreement shall commence upon full execution of this Agreement and shall continue until terminated in accordance with Section 10.

5. **Duties Of Manager- Property Management**. Manager's duties as property manager for the Property include the following for the Property (as may be supplemented with additional duties as detailed in the Property Addendum) and for Owner, as applicable:

5.1 For Accounting and Finance, Manager will:

a) Calculate, bill and collect rental payments and other charges due to the Owner from tenants in the Property under the respective tenant leases or otherwise with regard to the Property. To the extent tenant leases affecting the Property so require, Manager shall timely make or verify any calculations that are required to determine the amount of rent due from tenants, including without limitation calculating percentage rent, operating expense "pass-throughs" and consumer price index adjustments and, where required, shall give timely notice to tenants.

b) Cash Management.

1) Establish on behalf of the Owner a concentration account (a "Concentration Account") at a bank to be specified in writing by Owner, which such Concentration Account will be tied into each Operating Account (as defined below) via a daily automated two-way sweep. Without in any way limited the foregoing, Manager shall not commingle its funds or property or the funds or property of any other entities for which is provides services with any other funds or property of Owner. This automated two-way sweep shall work in the following manner: all checks or wires presented on behalf of the Property's Operating Account will be funded by having the cash automatically pulled down from the Concentration Account to fund the check or wire, and all cash deposited into the Property's Operating Account or lockbox accounts will be automatically swept up to the Concentration Account on a daily basis.

2) Notwithstanding the preceding, if an Owner is not a wholly owned subsidiary of the REIT or OP and its (a) governing documents of the Owner require, or (b) the payments in respect of the Property are required by a lender to be made into a lockbox account, or (c) if the payments in respect of the Property are required to be handled otherwise by a contractual restriction agreed to by Owner, then such requirements shall be followed by Manager following written notice from by Owner. Funds released from any lockbox account or other arrangement to the custody of the Owner shall otherwise follow the above procedures.

3) To the extent required by the foregoing paragraph(s), establish on behalf of the Owner for the Property an operating account ("Operating Account") at a bank to be agreed upon in writing by Owner upon receipt of a fully-executed Property Addendum and a W9 completed by the Owner. If not required by the foregoing paragraph(s), multiple properties may share the same Operating Account. The signature card for the Operating Account shall indicate that Manager is dealing with the Operating Account as a fiduciary of the Owner. The Operating Account and all funds therein is at all times the property of the Owner. The Owner shall have

electronic banking system access to the Operating Account which permits it to obtain account information and make withdrawals from the Operating Account.

4) Notwithstanding anything to the contrary contained in this Agreement, Owner may direct payments or deposits received by Manager or payments or transfers from the Operating Account for the Property to deviate from the above procedures by a written request to Manager. In such event, Manager shall provide the Owner with all information necessary to effect those deposits, transfers or payments.

5) If required by state law, deposit security deposits and/or advance rentals in separate accounts in the name of the Owner at the financial institution designated by Owner with respect to the Property.

6) Pay all invoices directly from the Operating Account unless directed otherwise by the Owner or by lender requirements.

7) On or before the 25th day of each month, submit an invoice to the Owner accompanied by a computation of the fees and expense reimbursements due to Manager in accordance with this Agreement. Owner has the right to review the invoice, and may obtain any supporting documentation from Manager. To the extent that Owner believes the computation provided by Manager is inconsistent with the computation permitted under this Agreement, Owner and Manager shall work together in good faith to reach a computation of fees that is reasonably agreeable to both parties.

8) Without in any way limiting the foregoing, to the extent required by Owner's governing documents or applicable lender requirements, Manager will deposit amounts relating to the Property in the Property's Operating Account within five (5) business days' of receipt. Manager has no proprietary interest in the Concentration Account or any Operating Account, or in any other account authorized by this Agreement, and all sums collected by Manager relating to the Property and all sums placed in any accounts are the property of the Owner. To the extent not yet deposited, all sums shall be held in trust by Manager for the Owner.

c) Subject to the terms of this Agreement relating to allocation of expenses, pay fees, expenses and commissions of independent contractors, architects, engineers, subcontractors and suppliers that contract with Manager in the management, operation, maintenance or repair of the Property. Manager will review all charges before payment to confirm accuracy and agreement.

d) Promptly and diligently enforce the Owner's rights under any tenant leases affecting the Property, including without limitation taking the following actions where appropriate: (i) with the Owner's prior consent: (a) terminating tenancies, (b) instituting and prosecuting actions, and evicting tenants, (c) settling, compromising and releasing actions or suits, or re-instituting tenancies, and (d) recovering rents and other sums due by legal proceedings in a court of general jurisdiction; and (ii) without the Owner's prior written consent: (a) in a court of special jurisdiction as applicable, signing and serving notices as are deemed necessary by Manager, and (b) recovering rents and other sums due by legal proceedings in a court of similar jurisdiction. In each case Manager will promptly notify the Owner of such action in writing. If authorized by the Owner, Manager will consult an attorney for the purpose of enforcing the Owner's rights or taking any actions and the Owner shall have the right to designate counsel for any matter and to control all litigation affecting or arising out of the operation of the Property. Manager will keep Owner informed of any dissatisfaction with the law firm or services, or the reasonableness of the costs.

e) Prepare and maintain routine and customary financial and business books and records for Owner and the Property and to employ and supervise outside accountants to prepare income and other tax returns and specialty accounting services for Owner and the Property. The preparation of income and other tax returns and the performance of such specialty accounting services shall be performed by Manager or, as deemed necessary by Manager, be performed by third party professionals and supervised by Manager at Owner's expense. Manager will use the accrual method of accounting in accordance with GAAP, with such policies as are to be determined by management subject to Owner's determination (including without limitation, capitalization policies, depreciation and amortization policies, and such other accounting policies as Owner may direct from time to time).

f) Maintain fixed asset accounting detail and related depreciation.

g) Prepare and submit to Owner a proposed operating and capital budget, including an itemized statement of the estimated revenues and expenses in reasonable detail, which shall include, without limitation, reasonable detail as to employee expenses to be reimbursed to Manager for the operation, repair and maintenance of the Property (the "Budget") and a marketing and leasing plan on the Property (a

"Plan") (assuming Manager is retained as leasing agent), in each case for the calendar year immediately following each submission. Each Budget and Plan will be in the form approved by the Owner. A draft Budget and, as applicable, Plan for the Property shall be submitted to Owner on or prior to December 15 of the year preceding the January 1 of the year to which the budget applies. Owner will have 21 days after receipt of the Budget and Plan within which to approve or reject in writing the same, with any rejection accompanied by a reasonably detailed explanation of the basis for the rejection. Manager will then submit a revised draft Budget and Plan to Owner within 10 days after receipt of any rejection. Owner has 10 days after receipt of the revised Budget and Plan to approve or reject the same in writing, with any rejection accompanied by a reasonably detailed explanation of the basis for the rejection. The foregoing process will repeat with 10 days between receipt and revision, on Manager's end, and receipt and acceptance or rejection on Owner's end, until each Budget and Plan has been approved. If the parties cannot come to agreement on a Budget and Plan for a Property, then Manager will operate the applicable Property on the Budget and Plan most recently approved by Owner. To the extent any expenditure to be made by Manager exceeds the applicable line item in the prior year's Budget by 5% or more, the same shall require Owner's prior written consent, exclusive of uncontrollable expenditures and emergencies (included by not limited to snow and ice removal, electricity, insurance premiums and emergency items outside of the control of Manager). Manager will provide supporting information reasonably requested by Owner in connection with its review of any Budget or Plan submitted by Manager.

Manager will implement the Budget and Plan and use its commercially reasonable efforts to ensure that the actual cost of operating the Properties does not exceed the Budget. The Budget constitutes an authorization for Manager to expend necessary monies to manage and operate the Properties in accordance with the Budget, but subject to the provisions of this Agreement, until a subsequent Budget is approved. The approval of non-recurring costs and capital improvements in the Budget and Plan constitutes an authorization for Manager to collect bids for the expenditure and to present a final recommendation to the Owner for expenditure of monies to implement those items.

Without affecting any other limitation imposed by this Agreement and except as may be provided to the contrary elsewhere in this Agreement, Manager will secure the prior written approval of Owner before incurring any liability or obligation for any item in excess of $10,000 not reflected on the approved Budget or the Plan, except with respect to emergency items as described in this subsection (G). If, however, another threshold with respect to any matter is specified elsewhere in this Agreement or in a written directive or authorization of Owner, then the threshold for that matter will be as set forth in that directive. Manager will provide a report to Owner regarding any emergency expenses or capital requirements as promptly as practicable following the occurrence of the event giving rise to the expenses, specifying the circumstances of the emergency situation or requirement.

h) Pay wages, salaries, commissions and employee benefits of all Property Personnel, including without limitation workers' compensation insurance, social security taxes, unemployment insurances, other taxes or levies now in force or hereafter imposed, any claims that may arise under the employee health or worker's compensation programs maintained by Manager, employee-related overhead expenses and associated administrative charges with respect to any such Property Personnel (collectively, "Employee Benefits"), all of which are deemed an operating expense of the Property and which shall be in accordance with approved Budgets. The number and classification of employees serving the Property shall be determined by Manager, as appropriate for the proper operation of the Property.

i) Deliver to Owner, within 15 days after the end of each month during the term of this Agreement, the monthly reporting package detailed on Exhibit A that relates to the Property and the immediately preceding calendar month or any portion thereof. The reporting package will be made on an accrual basis and include all transactions, whether or not reimbursable pursuant to the provisions of this Agreement.

j) Deliver to Owner, within 15 days after the end of each quarter during the term of this Agreement, the quarterly reporting package detailed on Exhibit B that relates to the Property and the immediately preceding calendar quarter or any portion thereof. The reporting package will be made on an accrual basis and include all transactions, whether or not reimbursable pursuant to the provisions of this Agreement.

k) Deliver to Owner, within 30 days after the end of each calendar year during the term of this Agreement, the annual reporting package detailed in Exhibit C that relates to the Property and the immediately preceding calendar year or any portion thereof. The reporting package will be made on an accrual basis and include all transactions, whether or not reimbursable pursuant to the provisions of this Agreement.

l) File real, personal and ad valorem (real or personal) property tax returns required to be filed by Owner with respect to the Property and pay all ad valorem taxes and assessments out of the operating accountants of the Property. Manager will also use, on Owner's behalf, the services of independent tax consultants and attorneys to appeal or challenge real, personal and ad valorem (real or personal) property taxes as identified by Manager, and Manager will manage the appeals process on Owner's behalf by supplying needed information and making required payments out of the operating funds for the Property or the separate funds of Owner.

m) Cooperate with the REIT's independent auditors with respect to the annual audit of the REIT for the purpose of expressing an opinion on the financial statements of the REIT (the "Annual REIT Audit"). In addition, the REIT shall have the right to conduct an audit of Manager's books and records solely with respect to the fees and expense reimbursements relating to the services provided pursuant to this Agreement (the "Fee Audit"). The REIT may conduct the Fee Audit by using its own internal auditors or by employing independent auditors no more than once per year. Costs associated with conducting such Fee Audits by internal or independent auditors, and costs of the Annual REIT Audit, shall be borne by REIT. If any Fee Audit conducted by or on behalf of REIT reveals a discrepancy in excess of ten percent (10%), and greater than $10,000, for the aggregate fees and expense reimbursements payable during the period under audit pursuant to the Fee Audit, then Manager shall be responsible for the reasonable expenses of such audit.

5.2 For Operations and asset management ("Asset Management"), Manager will:

a) Use commercially reasonable efforts to operate in accordance with the Budget and Plan unless otherwise specifically approved in writing by Owner, or except in the case of emergencies or uncontrollable expenses.

b) Investigate, hire, train, pay, supervise and discharge the Property Personnel necessary to maintain and operate the Property, including without limitation property managers having experience and education satisfactory to Owner. Property Personnel are the agents or employees of Manager and not of Owner, but Owner has the right to approve via the annual budget process the compensation of Manager's personnel for which Manager has the right to be reimbursed under this Agreement. Owner has no right to supervise or direct the Property Personnel. Manager will supervise and at Owner's expense retain independent contractors, subcontractors, and suppliers to provide for the management, maintenance, repair and operation of the Property as well as security functions, to the extent services are not sufficiently provided by Property Personnel, but in accordance with the Budget.

c) Maintain during the term of this Agreement a bond or applicable insurance covering Manager and all persons who handle, have access to or are responsible for Owner's monies, in an amount and form reasonably acceptable to the Owner. Manager will provide the Owner with a certificate or other satisfactory documentation evidencing the existence and terms of such bond(s) upon execution of this Agreement.

d) If commercially reasonable within the geographic area in which the Property is located, obtain not less than three (3) competing bids for, and contract with and supervise onsite management of, contractors.

e) Assist in coordinating the opening and closing of the businesses of tenants, including insurance coverage and signage approval.

f) Purchase necessary supplies and equipment required for the proper operation, maintenance, repair and restoration of the Property, in accordance with the Budget.

g) Cause to be made repairs, replacements, renovations and capital improvements on the Property, in accordance with the Budget.

h) Contract and pay charges for utilities used in the operation of the Property, including without limitation water, electricity, gas, telephone and sewerage services, unless a service is carried or covered under the tenant's name.

i) Contract for and maintain policies of commercial general liability and bodily injury and property damage insurance with respect to the Property, with companies and in form and substance acceptable to Owner.

j) Advertise the Property by means and media as Manager deems appropriate, including without limitation attendance and facilities for ICSC and related leasing events, in accordance with the Budget, and implement an effective leasing program for the Property on a local and national basis. Notwithstanding the foregoing, to the extent Owner shall request specific advertising that differs from or is in addition to Manager's planned approach, the incremental cost of such specific advertising shall be borne by Owner

k) Assist in securing leases with temporary tenants or licensees for use of the Property.

l) Actively promote and market the Property to potential tenants, current tenants and the general community.

m) Conduct complete inspections of the Property as is prudent to determine that the same are in good order and repair, but no less frequently than once per calendar quarter.

n) Forward to Owner promptly upon receipt all notices of violation or other notices from any governmental authority, and board of fire underwriters or any insurance company, and make recommendations regarding compliance with the notices as are appropriate given the circumstances.

o) Maintain business-like relations with the tenants of the Property and respond promptly to tenant complaints in a prudent, businesslike manner. Manager shall maintain a record of all written tenant complaints for no less than one year and Manager's response to complaints, which record shall be available for review by Owner.

p) Analyze all bills received for services, work and supplies in connection with the maintaining and operating the Property, pay all bills, and pay any other amount payable in respect to the Property. Manager will use reasonable commercial efforts to pay all bills within the time required to obtain discounts, if any. Manager will comply with any request from Owner to forward certain bills to Owner promptly after receipt. Manager will ensure timely 1099 reporting to the IRS, with 1099's filed under Manager's name and Manager's taxpayer identification number (TIN), listing Manager as the "payer." Manager will provide Owner with a signed declaration indicating compliance with 1099 reporting as part of the February reporting package. Penalties for misfilings as a result of Manager's negligence are not to be charged to the property, but are payable by Manager.

5.3 For all property management items, Manager will:

a) Employ in-house or outside attorneys, at Owner's expense, to handle any legal matters involving the Property, in accordance with the Budget or as otherwise approved by Owner. Manager employs an in-house legal department which will perform some or all of the legal services. To the extent any employee of the in-house legal department performs services, the cost of the in house employee will be an operating expense of the Property and reimbursable by Owner, based upon approved Budgets consistent with the hourly rates charged internally by Manager to the other property funds for which it performs services. The costs are an operating expense of the Property and shall be reimbursable by Owner.

b) Perform leasing analysis and credit underwriting with respect to prospective tenants (and subtenants and assignees); prepare leases and other tenant related documents; and engage in a competitive construction bidding process for lease-related construction projects expected to exceed $25,000 not otherwise within the duties of a construction manager.

c) Take other actions and perform other functions as Manager reasonably deems advisable for the efficient and economic management, operation and maintenance of the Property.

6. **Duties Of Manager- Leasing Agent.** Manager's duties as leasing agent for any of the Property includes the following:

6.1 Leasing Functions. Manager will coordinate and negotiate the leasing of the Property using reasonable commercial must be consistent with form and terms approved by Owner unless a tenant requires use of its own lease form. Manager will hiring all leasing agents as necessary for the leasing of the Property, work with outside brokers and leasing agents, and otherwise oversee and manage the leasing process on behalf of Owner. Manager's duties in this regard include, without limitation, (1) preparing and distributing listings to potential tenants and/or their representatives and to reputable and active real estate agents; (2) supplying sufficient information to cooperating brokers and agents to enable them to promote the rental of the Property, (3) marketing and promoting the Property, (4) maintaining and updating a merchandising and leasing plan for the Property, and (5) providing an updated leasing budget and leasing reforecast for the then-following twelve (12) month period. Additionally, in connection with the Budget process, Manager will submit a yearly leasing budget for approval in accordance (and simultaneously) with the procedure set forth above for the approval of the Budget by Owner.

6.2 Advertising. Manager will advertise and place signage on the Property regarding the leasing, provided that the signage complies with applicable laws, regulations and requirements. Manager will provide a marketing package, aerial photographs, demographic reports, site plans, signage and a two-sided flyer for each Property at Manager's expense. Any additional advertising and promotion requested by Owner will be done at Owner's expense pursuant to a program and budget agreed upon by Owner and Manager.

6.3 Other Actions. Manager will take other actions and perform other functions as Manager or Owner reasonably deems advisable for the efficient and economic leasing of the Property.

7. **Duties Of Manager- Construction Manager.** Manager's duties as construction manager for the Property shall be in accordance with a the budget for the construction that is established by Owner and Manager prior to beginning the applicable construction activities, and shall include the following:

7.1 General. Manager will assist in securing licenses, registrations, or permits required by law and shall comply with all ordinances, laws, orders, codes, rules, and regulations pertaining to building improvements and/or the services described in this Agreement. Manager will secure lien waivers and affidavits and properly file, to the extent required, terminations of notices of commencement prior to payment to contractors.

7.2 Bidding. When commercially reasonable in Manager's sole judgement, Manager will obtain bids from at least three outside contractors for all projects estimated to cost more than $25,000.00. Manager will select the low bid unless it has supplied Owner with a reasonable justification for the selection of a bidder other than the low bidder (e.g., Manager determines in its reasonable discretion that the bidder to be selected is more likely to complete the job on time, with commercially reasonable workmanship and in the most efficient manner). Manager shall manage the bidding process consistent with the manner in which it manages bidding for projects within its own portfolio of properties

7.3 New Construction, Tenant Improvements, and Redevelopments. Manager will perform the following duties for construction of Improvements on undeveloped land ("New Construction") and for construction of Improvements that are to be made at the direction of, or in conformity with lease obligations to, tenants ("Tenant Improvements") or for work that changes the size or nature of Improvements or for the redevelopment of Improvements (collectively, "Redevelopments"):

a) Provide updated and detailed project budgets to Owner.

b) Supervise all Improvement projects, such supervision to include, but not be limited to, preparation of budgets, plans, bidding, subcontractor selection, material selection, job supervision, collection of lien waivers, sworn statements, affidavits and the like. Manager will require lien waivers, sworn statements, affidavits and similar documentation as a condition to disbursement.

c) Arrange for, coordinate, supervise and advise Owner with respect to the selection of architects, contractors, design firms and consultants, environmental firms and consultants, and the execution of design, construction and consulting contracts.

d) Review design documents, and drafts thereof, submitted by the architect or other consultants, and notify Owner in writing of any mistakes, errors or omissions that Manager observes in the documents and any recommendations it may have with respect to such mistakes, errors or omissions, provided Manager will not in any manner be responsible for the accuracy, adequacy or completeness of those documents.

e) Evaluate and make recommendations to Owner concerning cost estimates prepared by others.

f) Review and evaluate proposed schedules for construction.

g) Coordinate the work of subcontractors.

h) Monitor the progress of construction.

i) Endeavor to work with the general contractor to identify any deficiencies in the work performed by subcontractors.

j) Advise Owner with respect to alterations and modifications in any design documents submitted by the architect or other consultants that may be in Owner's interest, including obtaining advantages in terms of cost savings, scheduling, leasing, operation and maintenance issues and other matters affecting the overall benefit of the project.

k) Review and advise Owner on change order proposals and requests for additional services submitted to Owner.

l) Schedule, coordinate, and attend necessary or appropriate project meetings.

m) Monitor and coordinate punch list preparation and resolution by the subcontractors.

n) Make recommendations to Owner concerning, and monitor, the use of the site by subcontractors, particularly as it relates to staging and storage, ingress and egress, temporary signage, fencing, barricades, restrictions on hours of operation, safety considerations and similar considerations.

o) Coordinate and advise Owner with respect to preparation, execution, completion and filing of project-related documents, including, but not limited to contracts, permit applications, licenses, certifications, zoning requirements, land use restrictions, and governmental filings applicable to the project, and any other similar documents.

p) Review and advise Owner with respect to draw requests submitted on the project.

q) Upon completion of construction, walk the completed New Construction, Tenant Improvements, or Redevelopments with Owner (upon Owner's discretion) or otherwise take measures to ensure that everything has been completed in accordance with the specifications. Manager will cause the subcontractors to repair or replace any items that are determined to be deficient during this walk.

r) As instructed by Owner, perform additional related project management functions.

s) Collect warranties and operation manuals, certificates, guarantees, as-builts and any similar documentation for the benefit of Owner.

7.4 New Construction and Redevelopments. In addition, Manager will perform the following duties with respect to New Construction and Redevelopments:

a) Provide Owner with a budget for each Improvement to be built prior to beginning construction of the respective Improvement.

b) Meet on a regular basis with Owner's leasing agents and representatives of prospective tenants.

c) Arrange for, coordinate, supervise and advise Owner with respect to various development services prior to design and construction of the Project, including due diligence, site investigations, land use and zoning matters, and similar development services.

7.5 Tenant Improvements. In addition, Manager will perform the following duties related to Tenant Improvements:

a) Arrange for and supervise the performance of all installations and improvements in space leased to any tenant which are either expressly required under the terms of a lease of such space or which are customarily provided to tenants.

b) Meet with tenants and prospective tenants and their architects, engineers, consultants and contractors to facilitate design and construction of leasehold improvements.

c) Maintain separate files as to each tenant, and thereby document the entire design and construction process for each tenant.

d) Compile and disseminate such data regarding each tenant as Owner may reasonably require.

7.6 Duties with Respect to Tenant Directed Improvements. In addition, Manager will supervise and facilitate tenant installations performed by the tenant and/or tenant's contractors, including:

a) Review and evaluate lease exhibit language that identifies the scope and nature of tenant construction of the improvements.

b) Review tenant construction documents for compliance with landlord criteria and requirements applicable to the improvements.

c) Review and evaluate proposed schedules for tenant construction.

d) Coordinate delivery of shell space to tenants as required by the tenant's lease.

e) Monitor the progress of tenant construction including but not limited to compliance with scheduling requirements, compliance with rules and regulations of the Property, verify that tenant has obtained proper permits, etc., coordinating requests for tenant improvement allowance draws.

f) Maintain appropriate files and records as to each project documenting the design and construction process for each tenant in a manner consistent with Manager's record retention guidelines.

8. **Duties Of Manager- Other.** Manager will in all events comply with the reasonable requests of Owner related to property management, leasing, and construction management of the Improvements to be made to the Property. Owner will maintain sufficient funds in account(s) so that Manager will have funds available to pay all obligations contemplated under this Agreement when due. Under no circumstances does Manager have any obligation to advance funds to or for the account of Owner.

8.1 Ownership Agreements. Owner will obtain, review and provide to Manager correct and legible copies of all agreements of limited partnership, joint venture partnership agreements and operating agreements of Owner and its affiliates as well as the articles of incorporation, bylaws, and if applicable, registration statement on Form S-11 (no. 333-164313) of Owner, including all prospectus supplements and post-effective amendments (collectively, the "Ownership Agreements"). Owner will also provide Manager with correct and legible copies of all mortgages on all Properties and inform Manager of any restrictions relating to property use arising from mortgages or recorded declarations. Manager will use reasonable care to avoid any act or omission which, in the performance of its duties, in any way conflicts with the terms of the Ownership Agreements or the mortgages in the absence of the express direction of the Owner, and Manager shall promptly notify Owner if any conflict arises.

8.2 Periodic Meetings. Manager its personnel or contractors engaged or involved in the management, operation, leasing or construction management of the Property shall meet to discuss the historical results of operations, to consider deviations from any budget, and to discuss any other matters so requested by the Owner upon reasonable notice from Owner.

9. **Compensation And Expense Reimbursement**.

9.1 Owner shall pay Manager a monthly management fee equal to four percent (4.0%) of the Gross Receipts for that given month, payable from that month's receipts, but not less than $2,000.00 per month, in each case unless a different fee is described in the Property Addendum for the Property.

9.2 Owner shall pay Manager leasing fees, if applicable, at market rates as specified on the Property Addendum for the Property.

9.3 For construction management services, including but not limited to services related to the investigation and remediation of environmental conditions at the Properties, Manager shall be entitled to fees for tenant and tenant directed improvements, capital improvements and construction management services, all at market rates for the geographic area in which the Property is located, as may be more fully set forth on the Property Addendum or another writing executed by Manager and Owner.

9.4 Manager will pay other reimbursable expenses as Owner has approved and deems advisable or necessary for the efficient and economic management and leasing of the Property through its Budget or as otherwise provided for in this Agreement (e.g., for marketing or leasing programs that exceed in scope that which Manager would normally utilize for its own properties). Owner will reimburse Manager for those expenses, which shall include to the extent included in the applicable Budget, costs of (i) Property Personnel, including wages, salaries, commissions and employee benefits, and supervision of the Property Personnel, (ii) roving maintenance personnel to the extent needed at the Property from time to time, (iii) direct leasing expenses, including, but not limited to, travel expenses for leasing personnel, (iv) travel and entertainment, (v) printing and stationery, (vi) advertising, (vii) marketing, (viii) signage, (ix) long distance phone calls, (x) electronic filing expenses, and (xi) other direct expenses. The costs of roving maintenance personnel will be charged to the Property at a reasonable hourly or monthly rate pre-approved by Owner for the actual and reasonably necessary services provided by such roving maintenance personnel at the Property. Owner will reimburse Manager for employee benefits of Property Personnel in an amount equal to 20% of the total compensation payable to each employee. Employee benefits shall not be reconciled to the actual amounts incurred by Owner for the employee benefits of each employee, such that Owner will not be required to reimburse Manager any additional amounts to the extent that the amounts reimbursed to Manager for employee benefits of an employee is less than the actual amount of employee benefits paid by Manager to such employee, and Manager is not required to reimburse Owner to the extent the employee benefits paid by Manager to an employee are less than the amount of employee benefits reimbursed by Owner to Manager for such employee.

9.5 For Additional Services as defined in the Property Addendum, Manager is entitled to fees for the Additional Services at market rates for the geographic area in which the Property is located, as may be specifically identified in the Property Addendum.

10. **Insurance.** Manager will obtain and keep in full force and effect at Owner's expense insurance (1) on the Property, and (2) on activities at the Property against such hazards as Owner and Manager shall deem appropriate and as may be required under any mortgage or other loan documents binding upon Owner. In any event, Manager will procure insurance sufficient to comply with the leases and the Ownership Agreements. All liability policies shall provide sufficient insurance satisfactory to both Owner and Manager and shall contain waivers of subrogation for the benefit of Manager and the applicable Owner.

10.1 Manager will obtain and keep in full force and effect, in accordance with the laws of the state in which the Property is located, worker's compensation insurance covering all employees of Manager at the Property and all persons engaged in the performance of any work required under this Agreement. Manager will also obtain and keep in full force and effect, in accordance with the laws of the state in which the Property is located, employer's liability, employee theft, commercial general liability, and umbrella insurance, and Manager will furnish Owner certificates of insurers naming Owner as co-insureds and evidencing that such insurance is in effect and that insurer will provide directly to Owner no less than 30 days' notice of any cancellation or non-renewal. If any work under this Agreement is subcontracted, Manager will include in each subcontract a provision that the subcontractor must furnish Owner with evidence of coverage (and any other coverage Manager deems appropriate in the circumstances) naming Owner as co-insured and evidencing that the insurance is in effect and that insurer will provide directly to Owner no less than 30 days' notice of any cancellation or non-renewal, as well as indemnification as is customary. The cost of insurance procured by Manager is reimbursable to the same extent as provided in this Agreement. The Property may be added to blanket policies of insurance for the coverage required under this Section so long as such blanket insurance policies provide the same coverage to Owner that would be provided by separate insurance policies.

10.2 Manager will cooperate with and provide reasonable access to the Property to representatives of insurance companies and insurance brokers with respect to insurance which is in effect or for which application has been made. Manager will use its good faith efforts in a commercially reasonable manner to comply with all requirements of insurers.

10.3 Manager will promptly investigate and report in detail to Owner and the applicable insurance carriers all accidents, claims for damage relating to the ownership, operation or maintenance of the Property, and any damage or destruction to the Property and the estimated costs of repair. Manager will prepare for approval by Owner all reports required by the applicable insurance company in connection with any claim. Owner will reimburse Manager's third party costs in connection therewith. Such reports shall be given to Owner promptly and any report not given within 10 days after the occurrence of any accident, claim, damage or destruction shall be noted in the monthly reports delivered to Owner. Manager is authorized to settle any claim against an insurance company arising out of any policy and, in connection with the claim, to execute proofs of loss and adjustments of loss and to collect and provide receipts for loss proceeds using commercially reasonable good faith efforts.

11. **Liability Of Manager**. Manager is not liable for any errors in judgment or for mistakes of fact or of law or for anything which it may in good faith do or refrain from doing, except in the case of gross negligence, fraud or willful misconduct.

12. **Indemnity**. Owner hereby indemnifies Manager and its managers, employees and officers against and agrees to defend, protect, hold and save them free and harmless from any liability or expenses (including reasonable attorney's fees and court costs) arising out of injuries or damages to persons or property by reason of any cause relating to the Property, except to the extent caused by the gross negligence, fraud or willful misconduct and which is not otherwise covered by insurance held by Owner. Owner will name Manager as an "additional insured" or "co-insured" on any and all liability insurance policies for the Property. Manager hereby indemnifies Owner and its employees and officers against and agrees to defend, protect, hold and save them free and harmless from any liability or expenses (including reasonable attorney's fees and court costs) arising out of injuries or damages to persons or property by reason of any cause relating to the Property caused by the gross negligence, fraud or willful misconduct, which is not otherwise covered by insurance held by Owner.

13. **Termination**. This Agreement may be terminated by either party upon thirty (30) days' written notice, in toto or only with respect to the Property, provided that termination will not affect any rights or obligations accrued to either party prior to termination (subject to any offsetting claims for damages), including, but not limited to payment of property management fees, leasing fees and construction management fees earned to the date of termination. If, however, termination occurs before a construction project is completed, the construction management fee to be earned shall be prorated based upon the reasonably estimated portion of the applicable project that had been completed up to the date of termination). If Owner owns more than one Property subject to this Agreement, and this Agreement is terminated as to some but not all of the Property, then only commissions and management fees with respect to the Property that is subject to such termination and that accrued prior to the termination date will be due to Manager. Notwithstanding anything to the contrary contained in this Agreement, if either Owner or Manager defaults in performing any of its obligations under this Agreement, then the other party may terminate this Agreement effective upon delivery of notice of default. The indemnification obligations of the parties survive the expiration or termination of this Agreement. Manager's obligations under this Agreement for physical property management, leasing and construction management may, at Owner's election, terminate as to any particular Property upon its sale, provided that Manager's obligations for the performance of accounting and other so-called "back office functions" shall terminate only at such time as a final tax return with respect to the applicable Property has been prepared and filed and such customary and ordinary information related to the Property has been provided to Owner. Manager shall cooperate subsequent to any termination of this Agreement to provide final property reconciliations and other reports as reasonably requested by Owner, with the cost of services provided by Manager to be reimbursed by Owner through the final date of service.

14. **Manager's Obligations After Termination**. Upon the termination of this Agreement, Manager will have the following duties:

14.1 Manager will deliver to Owner, or its designee, all books and records (including data files in magnetic or other similar storage media but specifically excluding any licensed software) with respect to the Property.

14.2 Manager will transfer and assign to Owner, or its designee, or terminate upon Owner's direction, all service contracts (designated by Owner for transfer and assignment) and personal property relating to or used in the operation and maintenance of the Property, except personal property paid for and owned by Manager. Manager will also, for a period of sixty (60) days immediately following the date of such termination (with respect to this entire Agreement or any Property terminated as being subject to this Agreement), make itself available to consult with and advise Owner, or its designee, regarding the operation, maintenance and leasing of the Property.

14.3 Manager will render to Owner an accounting of all funds of Owner in its possession and shall deliver to Owner a statement of management fees claimed to be due Manager and shall cause funds of Owner held by Manager relating to the Property to be paid to Owner or their designees and shall assist in the transferring of approved signatories on all Accounts.

14.4 Manager shall provide accounting services and related services for so long as required to wind-down the operation of the Owner entity which owned the Property, included by not limited to preparing and filing tax returning and corporate governance documentation for so long as required by governing authorities. Owner shall reimburse Manager a reasonable fee for such post-sale services determined by the allocation of Property Personnel providing such services.

15. **No Obligation to Third Parties**. None of the obligations and duties of Manager under the Agreement in any way creates any obligations of Manager to any third party with the exception of Owner.

16. **Additional Services.** The services contemplated under this Agreement are normal and customary property management, leasing and general and construction management services. If Manager is required or requested to perform additional services beyond the scope of this Agreement, then Owner shall pay Manager fees for these additional services at market rates as mutually agreed upon in advance by the parties.

17. **Manager’s Action on Tenant’s Default**. If the reasonably expected costs are less than a threshold to be agreed upon by Manager and Owner with respect to the Property (or with respect to leases or contracts less than certain thresholds with respect to the Property), then Manager has the right, in its own name or in the name of Owner, to take any and all actions, including distraint, which Manager deems advisable and which Owner has the right to take, in the event of any tenant's breach of any covenant, provision or condition binding upon tenant under its lease with Owner. Nothing in this paragraph shall be deemed to require Manager to institute legal action against any tenant. If the reasonably expected costs exceed the agreed upon thresholds, then Owner shall only be responsible for those costs if it pre-approves such actions. In addition, if Owner desires to commence legal action notwithstanding Manager’s recommendation to the contrary, then it shall pay for all costs and reasonable attorneys' fees in connection with that action.

18. **Entire Agreement**. This Agreement supersedes all agreements previously made between the parties relating to its subject matter. There are no other understandings or agreements between them.

19. **Assignment; Binding Effect**. Manager may delegate partially or in full its duties and rights under this Agreement to any wholly owned subsidiary. Any other partial or full delegation or assignment of its duties and rights under this Agreement may be made only with the prior written consent of Owner. Except as provided in the immediately preceding sentence, this Agreement is binding upon and inures to the benefit of the parties and their respective successors and assigns.

20. **Amendments**. This Agreement may be amended only by an instrument in writing signed by the party against whom enforcement of the amendment is sought.

21. **Other Business**. Nothing contained in this Agreement prevents Manager from engaging in other activities or business ventures, whether or not the other activities or ventures are in competition with Owner or the business of Owner, including, without limitation, property management activities for other parties (including other REITs) and providing services to other programs advised, sponsored or organized by Manager or its affiliates or third parties. This Agreement does not limit or restrict the right of any director, officer, employee, or stockholder of Manager or its affiliates to engage in any other business or to render services of any kind to any other partnership, corporation, firm, individual, trust or association. Manager may, with respect to any investment in which the Owner is a participant, also render advice and service to each and every other participant. Manager will report to Owner the existence of any condition or circumstance, existing or anticipated, of which it has knowledge, which creates or could create a conflict of interest between Manager’s obligations to Owner and its obligations to or its interest in any other partnership, corporation, firm, individual, trust or association.

22. **Notices**. All notices under this Agreement shall be in writing and delivered personally or mailed by national overnight courier or certified mail, postage prepaid, addressed to the parties at their last known addresses. All notices shall be in writing and, except when receipt is required to start the running of a period of time, are deemed given when delivered in person or first business day after deposit with a national overnight courier with confirmation of overnight delivery, or on the fifth day after its mailing by registered or certified United States mail, postage prepaid and return receipt requested, at the addresses set forth after the parties’ respect names below or at any different addresses as either party has advised the other party in writing.

MANAGER:	PHILLIPS EDISON GROCERY CENTER OPERATING PARTNERSHIP I, L.P. 11501 Northlake Drive Cincinnati, OH 45249 Attention: Vice-President
With a copy to:	PHILLIPS EDISON GROCERY CENTER OPERATING PARTNERSHIP I, L.P. 11501 Northlake Drive Cincinnati, OH 45249 Attention: Legal Department
OWNER:	*** Station LLC 11501 Northlake Drive Cincinnati, OH 45249 Attention: Chief Operating Officer
With a copy to:	*** Station LLC 222 South Main Street, Suite 1730 Salt Lake City, Utah 84101 Attention: General Counsel

23. **Non-Waiver**. No delay or failure by either party to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right, unless otherwise provided in this Agreement.

24. **Headings**. Headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.

25. **Severability**. If any term, covenant or condition of this Agreement or its application to any person or circumstance is held invalid or unenforceable to any extent, then the remainder of this Agreement, or the application of that term, covenant or condition to persons or circumstances other than those to which it is held to be invalid or unenforceable, will not be affected. Each term, covenant or condition of this Agreement is valid and shall be enforced to the fullest extent permitted by law.

26. **Governing Law**. This Agreement will be construed in accordance with and governed by the laws of the State of Ohio. Any action to enforce this Agreement or an action for a breach of this Agreement will be maintained in a binding arbitration proceeding before the American Arbitration Association in Cincinnati, Ohio.

27. **Counterpart**. This Agreement may be executed in two or more counterparts, each of which is deemed an original but all of which together constitute one and the same instrument.

[Signatures on next page]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

OWNER:

*** STATION LLC,
a Delaware limited liability company
By: Phillips Edison Grocery Center
Operating Partnership I, L.P.,
a Delaware limited partnership, its sole member

By: Phillips Edison Grocery Center OP GP I LLC,
its general partner

By:
Name:
Title:

MANAGER:

PHILLIPS EDISON GROCERY CENTER
OPERATING PARTNERSHIP I, L.P.,
a Delaware limited partnership

By: Phillips Edison Grocery Center OP GP I LLC,
a Delaware limited liability company,
its general partner

By:
Name:
Title:

EXHIBIT A

MONTHLY REPORTING PACKAGE

For the current month and year to date, statements presenting, on a comparative basis, actual to budget (and/or forecast or other projections), including variance explanations for material variances:

- Executive Summary (operations, leasing, capital, tenant/market issues, other)
- Balance Sheet
- Income Statement
- Aged Receivables and Delinquencies Report
- Rent Rolls (as requested in writing by Owner)
- Month to date and year to date variance report with explanations (budget to actual and actual to previous year actual)
- List of any material accrual adjustment that may have been missed on the last business day of each month
- Leasing Update
- Consolidated Financial Statements
- Reforecast operating projections and cash flow
- Any additional reports that Owner shall reasonably request

EXHIBIT B

QUARTERLY REPORTING PACKAGE

- All items in the monthly reporting package.
- Quarter to date variance reports with explanations compared to budget and same period prior year.
- Copy of cash receipts ledger entries for such period, if requested.
- The originals (or copies, as Owner may request) of all contracts entered into by PECO on behalf of Owner during such period, if requested.
- Consolidated financial statements.
- Such other reports as may be required by Owner.

EXHIBIT C

ANNUAL REPORTING PACKAGE

- All items in the quarterly reporting package which shall include annual operating statements and a list of variances and explanations of material variances (budget to actual and actual to previous year actual).

- All information required for tax filings, as determined by Owner.

- Certifications of assessment, testing and compliance with internal controls.

Any other reports reasonably requested by Owner.

PROPERTY MANAGEMENT,
LEASING AND CONSTRUCTION MANAGEMENT AGREEMENT
PROPERTY ADDENDUM

PROPERTY DESCRIPTION:

Property Name:	***
Street Address:	***
City, State, Zip Code:	***
County:	***
Owner Name:	*** STATION LLC

SERVICES TO BE PROVIDED:

☑ Property Management Services as specified in this Agreement with:

x No changes

_____ Changes as follows: ____
____
____

Threshold pursuant to Section 14: <u>Total expenses per matter not to exceed $5,000 without consent of Owner</u> __________________________
____
____

Property Management Fees:

x Property Management Fee: 3.0% of Gross Receipts, as specified in Section 6(a); but in no event will the management fee be less than $1,000.00 per month.

x Additional Property Management Fees (in addition to the foregoing):

□ As to any sale(s) of land associated with the Property (but not the entire Property), a sales commission of zero percent (0%) of the gross sale price;

□ If the Property is sold during the term of this agreement, a sales commission of zero percent (0%);

□ As to real estate tax appeals, 40% of any Property tax savings and interest received as a result of assessment reductions on any property, for the period that includes all open assessment years. Property tax savings shall be equal to (a) the difference between (i) the original property tax assessment and (ii) the final property tax settlement for the open tax years, which settlement is less than the original property tax assessment, multiplied by (b) appropriate tax rates, multipliers or equalizations;

□ As to community contributions, 0% of any savings received or contribution received from the local governing authority directly related to operation of the Property in such community.

□ As to lease assignments, 0% of the fees collected for lease assignments and similar agreements;

□ As to short-term leases, periodic tenancy agreements, licenses agreements and similar instruments originated by Manager, 0% of the total gross rent under the agreement;

□ Manager shall be reimbursed for out-of-pocket expenses incurred with third parties engaged by Manager for the benefit of Owner.

☑ Leasing Agreement duties as specified in Section 5(b) of the Agreement except as specified below:

_____ No changes

_____ Changes as follows: ____
____
____

x Leasing Agreement Fees:

□ New Lease Commission Percentage: Six percent (6.0%) of the gross amount of all base rent under the first five (5) years of the primary term of said leases, plus three percent (3.0%) of the gross amount of all base rent under any additional years of the primary term, payable one-half upon the full execution of the lease and one-half upon tenant opening for business.

□ Notwithstanding the foregoing, for any new lease for over 15,000 square feet, the leasing commission shall calculated as set forth above, provided that it shall not be less than Three Dollars ($3.00) per square foot of leasable area.

□ Renewals: For any renewal or extension of a lease (including the exercise of an existing lease option), Manager shall be paid: three percent (3.0%) of the gross amount of all base rent under the primary term of said lease, payable upon execution of such renewal or extension.______________________________

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____

□ Expansions: For each lease amendment or modification in which the tenant expands its premises, Owner will pay Manager a leasing commission of six percent (6.0%) of the gross amount of the base rent represented by such additional space under the balance of the then current term of the lease, plus three percent (3.0%) of the gross amount of all base rent represented by such additional space under any additional years of the primary term, payable one-half upon execution of the amendment or modification document and one-half upon the tenant opening for business from the expansion space.

□ Co-Brokers: As leasing agent for the Property, Manager may cooperate with independent real estate brokers or agents. If Manager hires a co-broker in order to assist Manager in securing a tenant or if an opportunity is brought to Manager by an independent broker, the applicable leasing commission payable to Co-Broker shall be paid by Owner.

□ Payment terms (if other than specified above): ____________________

☑ Construction Management Services as specified in Section 5(c) of the Agreement except as specified below. In particular, the construction management will include the following (add attachments as necessary):

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x Construction Management Fees:

□ As to Construction Management, for ground-up construction and redevelopment projects, a fee of 5% of the total project hard costs plus architectural and engineering costs payable at final completion of the project; and 5% of the total cost of all other Construction Management Services, including, but not limited to, services related to the investigation and remediation of environmental conditions at the Property.

Exhibit 21.1

Subsidiaries of Phillips Edison & Company, Inc.

Entity	Jurisdiction
12 West Station LLC	Delaware
Aegis Waterford, L.L.C.	Delaware
Arcadia Station LLC	Delaware
Ardrey Kell Owners Association Inc.	North Carolina
Ardrey Kell Station LLC	Delaware
Ashland Junction II LLC	Delaware
Ashland Junction LLC	Delaware
Atwater Station LLC	Delaware
B. & O., Ltd.	Ohio
Baker Hill Station LLC	Delaware
Barclay Station LLC	Delaware
Barnwell Station LLC	Delaware
Battle Station LLC	Delaware
Bear Creek Station LLC	Delaware
Beavercreek Towne Station LLC	Delaware
Birdneck Station LLC	Delaware
Boronda Station LLC	Delaware
Breakfast Point Station LLC	Delaware
Brentwood Commons Station LLC	Delaware
Broadway Promenade Commercial Condominium Association Inc.	Florida
Broadway Promenade Master Association Inc.	Florida
Broadway Promenade Station LLC	Delaware
Broadway Station LLC	Delaware
Brook Park Station LLC	Delaware
Buckingham Station LLC	Delaware
Burbank Plaza Station LLC	Delaware
Burwood Station LLC	Delaware
Butler Creek Station LLC	Delaware
Butler's Crossing Station LLC	Delaware
Cactus Station LLC	Delaware
Cahill Station LLC	Delaware
Centerpoint Station LLC	Delaware
Central Station (KY) LLC	Delaware
Centre Stage Station LLC	Delaware
Champions Gate Station LLC	Delaware
Chapel Hill North Station LLC	Delaware
Cherry Hill Station LLC	Delaware
CitiCentre Station LLC	Delaware
Civic Center Station LLC	Delaware
Claremont Village Station LLC	Delaware
College Plaza Station LLC	Delaware
Collington Plaza Station LLC	Delaware
Commerce GP LLC	Delaware
Commerce Station LP	Delaware
Contra Loma Station LLC	Delaware
Coppell Station LLC	Delaware

Entity	Jurisdiction
Coquina Station LLC	Delaware
Coronado Center Station LLC	Delaware
Countryside Station Limited Liability Company	Ohio
Courthouse Marketplace Station LLC	Delaware
Crossroads Asheboro Station LLC	Delaware
Crystal Station LLC	Delaware
Cureton Station LLC	Delaware
Cushing Station LLC	Delaware
Dean Taylor Station LLC	Delaware
Deerwood Lake Station LLC	Delaware
Delafield Station LLC	Delaware
Driftwood Village Station LLC	Delaware
Dublin Station LLC	Delaware
Duck Creek Station LLC	Delaware
Dunlop Station LLC	Delaware
Dyer Station LLC	Delaware
Eagles Landing Station LLC	Delaware
East Burnside Station LLC	Delaware
East Pointe Station LLC	Delaware
East Side Station LLC	Delaware
Eastland Station LLC	Delaware
Edgecombe Station LLC	Delaware
Edgewood Station LLC	Delaware
Emporia Station LLC	Delaware
Enfield Station LLC	Delaware
Everson Pointe Station LLC	Delaware
Fair Acres Station LLC	Delaware
Fairfield Station LLC	Delaware
Fairlawn Station LLC	Delaware
Fairview Oaks Station LLC	Delaware
Fairview Plaza Station (PA) LLC	Delaware
Fairview Station LLC	Delaware
Falcon Valley Station LLC	Delaware
Five Town Station LLC	Delaware
Flag City Station LLC	Delaware
Flynn Crossing Station LLC	Delaware
Foothills Station LLC	Delaware
Forest Park Station II LLC	Delaware
Forest Park Station LLC	Delaware
French Golden Gate Station LLC	Delaware
Gateway Station LLC	Delaware
Geist Station LLC	Delaware
Georgesville Station LLC	Delaware
GlenEagles Station LLC	Delaware
Glenwood Station LLC	Delaware
Glynn Place Station LLC	Delaware
Golden Eagle Station LLC	Delaware
Golden Station LLC	Delaware
Goolsby Pointe Station LLC	Delaware

Entity	Jurisdiction
Goshen Station LLC	Delaware
Governor's Square Station LLC	Delaware
Grassland Crossing Station LLC	Delaware
Grayson Station LLC	Delaware
Greentree Station LLC	Delaware
Greenwood Station LLC	Delaware
Guadalupe Station LLC	Delaware
Hamilton Ridge Station LLC	Delaware
Hamilton Village Station LLC	Delaware
Hampton Village Station LLC	Delaware
Hannaford (MA) Station LLC	Delaware
Harbour Village Station LLC	Delaware
Harrison Pointe Station LLC	Delaware
Hartville Station LLC	Delaware
Hastings Marketplace Station LLC	Delaware
Heath Brook Station LLC	Delaware
Heritage Oaks Station L.P.	California
Heron Creek Station LLC	Delaware
Hickory Station LLC	Delaware
High Point Village Station LLC	Delaware
Highland Fair Station LLC	Delaware
Hilfiker Station LLC	Delaware
Hillside - West LLC	Delaware
Hoke Crossing Station LLC	Delaware
Hurstborne Townfair Station LLC	Delaware
Jackson Junction LLC	Delaware
Jasper Station LLC	Delaware
Juan Tabo Station LLC	Delaware
Kirkwood Market Place Station LLC	Delaware
Kleinwood Station LLC	Delaware
Lafayette Station LLC	Delaware
Lake Village Station LLC	Delaware
Lake Wales Station LLC	Delaware
Lakeshore Crossing Station LLC	Delaware
Lakeside (Salem) Station LLC	Delaware
Lakewood Station LLC	Delaware
Landen Station LLC	Delaware
LaPlata IV LLC	Delaware
LaPlata North LLC	Delaware
LaPlata Plaza LLC	Delaware
LaPlata South LLC	Delaware
Lumina Commons Station LLC	Delaware
Lutz Lake Station LLC	Delaware
Lynnwood Place Station LLC	Delaware
Mableton Crossing Station LLC	Delaware
Macland Pointe Station LLC	Delaware
Marion Station LLC	Delaware
Mayfair Station LLC	Delaware
Meadowthorpe Station LLC	Delaware

Entity	Jurisdiction
Melbourne Station LLC	Delaware
Monfort Heights Station LLC	Delaware
Mountain Park Station LLC	Delaware
Murphy Marketplace Station LLC	Delaware
Murray Station LLC	Delaware
Murray Station Outlot LLC	Delaware
New Prague Station LLC	Delaware
New Windsor Station LLC	Delaware
Nordan Station LLC	Delaware
Normal Station LLC	Delaware
Northcross Station LLC	Delaware
Northlake Station LLC	Delaware
Northridge Station LLC	Delaware
Northside Station LLC	Delaware
Northstar Marketplace Station LLC	Delaware
Northtowne Station LLC	Delaware
Northwoods Crossing Station LLC	Delaware
Norwood Station LLC	Delaware
Oak Mill Station II LLC	Delaware
Oak Mill Station LLC	Delaware
Onalaska Station LLC	Delaware
Orchard Plaza Station LLC	Delaware
Orchard Plaza Station LLC	Delaware
Orchard Square Station LLC	Delaware
Orchards Center Station LLC	Delaware
Page Station LLC	Delaware
PAI GP LLC	Delaware
Palmetto Pavilion Station LLC	Delaware
Palmetto Station LLC	Delaware
Paradise Crossing Station LLC	Delaware
Paradise Lakes Station LLC	Delaware
Park Place Station LLC	Delaware
Park View Station LLC	Delaware
Parkway Station LLC	Delaware
Parsons Village Station LLC	Ohio
Pawleys Island Station LLC	Delaware
PECO Heritage LLC	Delaware
Peco Heritage LLC	Delaware
PECO Value Added Grocery Manager, LLC	Delaware
PECO Winery LLC	Delaware
Phillips Edison & Company Ltd.	Ohio
Phillips Edison & Company, Inc.	Maryland
Phillips Edison Grocery Center OP GP I LLC	Delaware
Phillips Edison Grocery Center Operating Partnership I, L.P.	Delaware
Phillips Edison Grocery TRS, Inc	Delaware
Phillips Edison HoldCo LLC	Ohio
Phillips Edison HoldCo Manager LLC	Ohio
Phillips Edison Institutional Joint Venture I, L.P.	Delaware
Phillips Edison Institutional REIT LLC	Delaware

Entity	Jurisdiction
Phillips Edison North Carolina LLC	North Carolina
Phillips Edison NTR II LLC	Delaware
Phillips Edison NTR III LLC	Delaware
Pioneer Station LLC	Delaware
Pipestone Station LLC	Delaware
Plaza of the Oaks Station LLC	Delaware
Portland Station LLC	Delaware
Powell Villa Station LLC	Delaware
Promenade Station LLC	Delaware
Quail Valley Station LLC	Delaware
Quartz Hill Station LLC	Delaware
Red Maple Station LLC	Delaware
Richmond Station LLC	Delaware
Rio Rancho Station LLC	Delaware
Rivermont Station II LLC	Delaware
Rivermont Station LLC	Delaware
Riverplace Station LLC	Delaware
Rocky Ridge Station LLC	Delaware
Rolling Hills Station LLC	Delaware
San Mateo Station LLC	Delaware
Savage Station LLC	Delaware
Savoy Station LLC	Delaware
Seven Hills Station LLC	Delaware
Shaws Easton Station LLC	Delaware
Shaws Hanover Station LLC	Delaware
Shiloh Station LLC	Delaware
Sidney Station LLC	Delaware
Sierra Station LLC	Delaware
Silver Rock Insurance, Inc.	Utah
Snowview Station LLC	Delaware
South Oaks (Missouri) Station LLC	Delaware
South Oaks Station LLC	Delaware
Southampton Station LLC	Delaware
Southern Hills Crossing Station LLC	Delaware
Southern Palms Station LLC	Delaware
Southgate (Ohio) Station LLC	Delaware
Southgate Station LLC	Delaware
Southwest Marketplace Station LLC	Delaware
St. Charles Station LLC	Delaware
St. Johns Station LLC	Delaware
Statler Station LLC	Delaware
Sterling Point Station LLC	Delaware
Stockbridge Station LLC	Delaware
Stockbridge Station Outparcel LLC	Delaware
Stonewall Station LLC	Delaware
Sulphur Grove Station LLC	Delaware
Summerville Station LLC	Delaware
Sunburst Station LLC	Delaware
Sunset Center Station LLC	Delaware

Entity	Jurisdiction
The Phillips Edison Group LLC	Ohio
Thompson Valley Station III LLC	Delaware
Thompson Valley Station LLC	Delaware
Thompson Valley Station Outlot LLC	Delaware
Timberlake Station LLC	Delaware
Titusville Station LLC	Delaware
Town & Country Noblesville Station LLC	Delaware
Towne Crossing Station LLC	Delaware
Townfair (PA) Station LLC	Delaware
Tramway Station LLC	Delaware
Upper Deerfield Station LLC	Delaware
Uptown Station LLC	Delaware
Vaughns Station LLC	Delaware
Village Mooresville Station LLC	Delaware
Village One Station LLC	Delaware
Vine Street Station LLC	Delaware
Vineyard Station LLC	Delaware
Waynesboro Station LLC	Delaware
Wesley Chapel Station LLC	Delaware
West Creek Station LLC	Delaware
Westcreek Plaza Station LLC	Delaware
Western Square Station LLC	Delaware
Westin Station LLC	Delaware
Westridge Station LLC	Delaware
Westwood Station LLC	Delaware
Westwoods Station Phase II LLC	Delaware
White Oaks Station LLC	Delaware
Willowbrook Commons Station LLC	Delaware
Winchester Gateway Station LLC	Delaware
Windsor Station LLC	Delaware
Winery Square Station L.P.	Delaware
Winter Springs Station LLC	Delaware
Yorktown Station LLC	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-209506 on Form S-3 and Registration Statement No. 333-212876 on Form S-8 of our report dated March 29, 2018, relating to the consolidated financial statements and financial statement schedule of Phillips Edison & Company, Inc., (formerly known as Phillips Edison Grocery Center REIT I, Inc.), and subsidiaries appearing in this Annual Report on Form 10-K of Phillips Edison & Company, Inc. for the year ended December 31, 2017.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio
March 29, 2018

Exhibit 31.1

Certification pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Jeffrey S. Edison, certify that:

1. I have reviewed this annual report on Form 10-K of Phillips Edison & Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2018

/s/ Jeffrey S. Edison

Jeffrey S. Edison
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Devin I. Murphy, certify that:

1. I have reviewed this annual report on Form 10-K of Phillips Edison & Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2018

/s/ Devin I. Murphy

Devin I. Murphy
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification pursuant to 18 U.S.C. Section 1350,
as Adopted pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K of Phillips Edison & Company, Inc. (the “Registrant”) for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Jeffrey S. Edison, Chief Executive Officer of the Registrant, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge and belief:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: March 29, 2018

/s/ Jeffrey S. Edison

Jeffrey S. Edison
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

Certification pursuant to 18 U.S.C. Section 1350,
as Adopted pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K of Phillips Edison & Company, Inc. (the "Registrant") for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Devin I. Murphy, Chief Financial Officer of the Registrant, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge and belief:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: March 29, 2018

/s/ Devin I. Murphy

Devin I. Murphy
Chief Financial Officer
(Principal Financial Officer)

Exhibit 99.1

CONSENT OF INDEPENDENT VALUATION EXPERT

Phillips Edison & Company, Inc.:

We hereby consent to the reference to our name and description of our role in the valuation process of Phillips Edison & Company, Inc. (the "Company") included in the Annual Report on Form 10-K for the year ended December 31, 2017, and incorporated by reference into the Company's Registration Statement on Form S-3 (File No. 333-209506) and the related prospectus included therein. In giving this consent, we do not admit that we are within the category of persons whose consent is required by Section 7 of the Securities Act of 1933, as amended.

/s/ Duff & Phelps, LLC

Chicago, Illinois

Date: March 29, 2018