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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2019

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)

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 every Interactive Data File required to be submitted, pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☑ No ☐

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 Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☑	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. ☐

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
None	None	None

As of August 1, 2019, there were 283.5 million outstanding shares of common stock of the Registrant.

PHILLIPS EDISON & COMPANY, INC.
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w PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PHILLIPS EDISON & COMPANY, INC.
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2019 AND DECEMBER 31, 2018
(Unaudited)
(In thousands, except per share amounts)

	June 30, 2019	December 31, 2018
ASSETS		
Investment in real estate:		
Land and improvements	$ 1,595,005	$ 1,598,063
Building and improvements	3,241,923	3,250,420
In-place lease assets	460,994	464,721
Above-market lease assets	66,740	67,140
Total investment in real estate assets	5,364,662	5,380,344
Accumulated depreciation and amortization	(667,037)	(565,507)
Net investment in real estate assets	4,697,625	4,814,837
Investment in unconsolidated joint ventures	42,418	45,651
Total investment in real estate assets, net	4,740,043	4,860,488
Cash and cash equivalents	17,772	16,791
Restricted cash	34,784	67,513
Accounts receivable – affiliates	3,409	5,125
Corporate intangible asset, net	4,401	14,054
Goodwill	29,066	29,066
Other assets, net	131,101	153,076
Real estate investment and other assets held for sale	15,877	17,364
Total assets	$ 4,976,453	$ 5,163,477
LIABILITIES AND EQUITY		
Liabilities:		
Debt obligations, net	$ 2,423,405	$ 2,438,826
Below-market lease liabilities, net	125,041	131,559
Earn-out liability	32,000	39,500
Deferred income	14,899	14,025
Accounts payable and other liabilities	138,780	126,074
Liabilities of real estate investment held for sale	302	596
Total liabilities	2,734,427	2,750,580
Commitments and contingencies (Note 10)	—	—
Equity:		
Preferred stock, $0.01 par value per share, 10,000 shares authorized, zero shares issued		
and outstanding at June 30, 2019 and December 31, 2018, respectively	—	—
Common stock, $0.01 par value per share, 1,000,000 shares authorized, 283,770 and 279,803		
shares issued and outstanding at June 30, 2019 and December 31, 2018, respectively	2,838	2,798
Additional paid-in capital	2,718,871	2,674,871
Accumulated other comprehensive (loss) income (“AOCI”)	(20,538)	12,362
Accumulated deficit	(830,358)	(692,045)
Total stockholders’ equity	1,870,813	1,997,986
Noncontrolling interests	371,213	414,911
Total equity	2,242,026	2,412,897
Total liabilities and equity	$ 4,976,453	$ 5,163,477

See notes to consolidated financial statements.

PHILLIPS EDISON & COMPANY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenues:				
Rental income	$ 129,030	$ 94,410	$ 257,890	$ 188,296
Fees and management income	3,051	9,137	6,312	17,849
Other property income	500	626	1,148	1,227
Total revenues	132,581	104,173	265,350	207,372
Expenses:				
Property operating	20,933	16,901	43,799	35,016
Real estate taxes	17,930	13,326	35,278	26,473
General and administrative	13,540	13,450	26,750	23,911
Depreciation and amortization	59,554	46,385	120,543	92,812
Impairment of real estate assets	25,199	10,939	38,916	10,939
Total expenses	137,156	101,001	265,286	189,151
Other:				
Interest expense, net	(25,758)	(17,051)	(50,842)	(33,830)
(Loss) gain on disposal of property, net	(1,266)	985	5,855	985
Other impairment charges	(9,661)	—	(9,661)	—
Other (expense) income, net	(912)	(1,182)	6,624	(1,289)
Net loss	(42,172)	(14,076)	(47,960)	(15,913)
Net loss attributable to noncontrolling interests	5,602	2,725	6,195	2,962
Net loss attributable to stockholders	$ (36,570)	$ (11,351)	$ (41,765)	$ (12,951)
Earnings per common share:				
Net loss per share attributable to stockholders - basic and diluted (See Note 13)	$ (0.13)	$ (0.06)	$ (0.15)	$ (0.07)
Comprehensive (loss) income:				
Net loss	$ (42,172)	$ (14,076)	$ (47,960)	$ (15,913)
Other comprehensive (loss) income:				
Change in unrealized value on interest rate swaps	(23,645)	4,855	(38,006)	18,343
Comprehensive (loss) income	(65,817)	(9,221)	(85,966)	2,430
Net loss attributable to noncontrolling interests	5,602	2,725	6,195	2,962
Comprehensive loss (income) attributable to noncontrolling interests	3,168	1,782	5,106	(584)
Comprehensive (loss) income attributable to stockholders	$ (57,047)	$ (4,714)	$ (74,665)	$ 4,808

See notes to consolidated financial statements.

PHILLIPS EDISON & COMPANY, INC.
CONSOLIDATED STATEMENTS OF EQUITY
FOR THE THREE MONTHS ENDED JUNE 30, 2019 AND 2018
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended June 30, 2019 and 2018							
	Common Stock							
	Shares	Amount	Additional Paid-In Capital	AOCI	Accumulated Deficit	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at April 1, 2018	186,027	$ 1,860	$ 1,638,176	$ 27,381	$ (634,164)	$ 1,033,253	$ 428,019	$ 1,461,272
Share repurchases	(3,830)	(38)	(42,099)	—	—	(42,137)	—	(42,137)
Dividend reinvestment plan ("DRIP")	1,102	11	12,124	—	—	12,135	—	12,135
Change in unrealized value on interest rate swaps	—	—	—	3,912	—	3,912	943	4,855
Common distributions declared, $0.17 per share	—	—	—	—	(31,158)	(31,158)	—	(31,158)
Distributions to noncontrolling interests	—	—	—	—	—	—	(7,308)	(7,308)
Share-based compensation expense	5	—	401	—	—	401	1,300	1,701
Other	—	—	(12)	—	—	(12)	—	(12)
Net loss	—	—	—	—	(11,351)	(11,351)	(2,725)	(14,076)
Balance at June 30, 2018	183,304	$ 1,833	$ 1,608,590	$ 31,293	$ (676,673)	$ 965,043	$ 420,229	$ 1,385,272
Balance at April 1, 2019	281,549	$ 2,815	$ 2,693,946	$ (61)	$ (745,740)	$ 1,950,960	$ 398,225	$ 2,349,185
Share repurchases	(541)	(5)	(5,989)	—	—	(5,994)	—	(5,994)
DRIP	1,558	15	17,225	—	—	17,240	—	17,240
Change in unrealized value on interest rate swaps	—	—	—	(20,477)	—	(20,477)	(3,168)	(23,645)
Common distributions declared, $0.17 per share	—	—	—	—	(48,048)	(48,048)	—	(48,048)
Distributions to noncontrolling interests	—	—	—	—	—	—	(7,061)	(7,061)
Share-based compensation expense	—	—	630	—	—	630	1,891	2,521
Share-based awards vesting	24	1	(1)	—	—	—	—	—
Conversion of noncontrolling interests	1,180	12	13,060	—	—	13,072	(13,072)	—
Net loss	—	—	—	—	(36,570)	(36,570)	(5,602)	(42,172)
Balance at June 30, 2019	283,770	$ 2,838	$ 2,718,871	$ (20,538)	$ (830,358)	$ 1,870,813	$ 371,213	$ 2,242,026

PHILLIPS EDISON & COMPANY, INC.
CONSOLIDATED STATEMENTS OF EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(Unaudited)
(In thousands, except per share amounts)

	Six Months Ended June 30, 2019 and 2018							
	Common Stock							
	Shares	Amount	Additional Paid-In Capital	AOCI	Accumulated Deficit	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2018	185,233	$ 1,852	$ 1,629,130	$ 16,496	$ (601,238)	$ 1,046,240	$ 432,442	$ 1,478,682
Share repurchases	(4,196)	(42)	(46,110)	—	—	(46,152)	—	(46,152)
DRIP	2,262	23	24,876	—	—	24,899	—	24,899
Change in unrealized value on interest rate swaps	—	—	—	14,797	—	14,797	3,546	18,343
Common distributions declared, $0.34 per share	—	—	—	—	(62,484)	(62,484)	—	(62,484)
Distributions to noncontrolling interests	—	—	—	—	—	—	(14,097)	(14,097)
Share-based compensation expense	5	—	719	—	—	719	1,300	2,019
Other	—	—	(25)	—	—	(25)	—	(25)
Net loss	—	—	—	—	(12,951)	(12,951)	(2,962)	(15,913)
Balance at June 30, 2018	183,304	$ 1,833	$ 1,608,590	$ 31,293	$ (676,673)	$ 965,043	$ 420,229	$ 1,385,272
Balance at December 31, 2018	279,803	$ 2,798	$ 2,674,871	$ 12,362	$ (692,045)	$ 1,997,986	$ 414,911	$ 2,412,897
Adoption of new accounting pronouncement (see Note 3)	—	—	—	—	(528)	(528)	—	(528)
Balance at January 1, 2019	279,803	$ 2,798	$ 2,674,871	$ 12,362	$ (692,573)	$ 1,997,458	$ 414,911	$ 2,412,369
Share repurchases	(1,146)	(11)	(12,663)	—	—	(12,674)	—	(12,674)
DRIP	3,161	31	34,927	—	—	34,958	—	34,958
Change in unrealized value on interest rate swaps	—	—	—	(32,900)	—	(32,900)	(5,106)	(38,006)
Common distributions declared, $0.34 per share	—	—	—	—	(96,020)	(96,020)	—	(96,020)
Distributions to noncontrolling interests	—	—	—	—	—	—	(14,228)	(14,228)
Share-based compensation expense	—	—	1,063	—	—	1,063	2,730	3,793
Share-based awards vesting	82	1	(1)	—	—	—	—	—
Share-based awards retained for taxes	(18)	—	(206)	—	—	(206)	—	(206)
Conversion of noncontrolling interests	1,888	19	20,880	—	—	20,899	(20,899)	—
Net loss	—	—	—	—	(41,765)	(41,765)	(6,195)	(47,960)
Balance at June 30, 2019	283,770	$ 2,838	$ 2,718,871	$ (20,538)	$ (830,358)	$ 1,870,813	$ 371,213	$ 2,242,026

See notes to consolidated financial statements.

PHILLIPS EDISON & COMPANY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(Unaudited)
(In thousands)

	Six Months Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (47,960)	$ (15,913)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization of real estate assets	117,170	84,216
Impairment of real estate assets	38,916	10,939
Depreciation and amortization of corporate assets	3,373	7,672
Amortization of deferred financing expenses	2,522	2,401
Net amortization of above- and below-market leases	(2,224)	(1,990)
Gain on disposal of property, net	(5,855)	(877)
Change in fair value of earn-out liability	(7,500)	1,500
Straight-line rent	(4,456)	(2,471)
Share-based compensation expense	3,793	1,994
Equity in net loss of unconsolidated joint ventures	976	—
Other impairment charges	9,661	—
Other	5,211	229
Changes in operating assets and liabilities:		
Other assets, net	(1,553)	(702)
Accounts payable and other liabilities	(12,005)	(9,186)
Net cash provided by operating activities	100,069	77,812
CASH FLOWS FROM INVESTING ACTIVITIES:		
Real estate acquisitions	(49,880)	(9,222)
Capital expenditures	(27,221)	(17,346)
Proceeds from sale of real estate	47,857	13,300
Return of investment in unconsolidated joint ventures	2,257	—
Net cash used in investing activities	(26,987)	(13,268)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in credit facility	(73,359)	(15,000)
Proceeds from mortgages and loans payable	60,000	65,000
Payments on outstanding indebtedness	(4,835)	(20,542)
Distributions paid, net of DRIP	(60,787)	(37,819)
Distributions to noncontrolling interests	(13,841)	(14,096)
Repurchases of common stock	(11,802)	(44,494)
Other	(206)	—
Net cash used in financing activities	(104,830)	(66,951)
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(31,748)	(2,407)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH:		
Beginning of period	84,304	27,445
End of period	$ 52,556	$ 25,038
RECONCILIATION TO CONSOLIDATED BALANCE SHEETS		
Cash and cash equivalents	$ 17,772	$ 8,310
Restricted cash	34,784	16,728
Cash, cash equivalents, and restricted cash at end of period	$ 52,556	$ 25,038

PHILLIPS EDISON & COMPANY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(Unaudited)
(In thousands)

	2019	2018
SUPPLEMENTAL CASH FLOW DISCLOSURE, INCLUDING NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Cash paid for interest	$ 44,169	$ 32,422
Accrued capital expenditures	2,960	2,428
Change in distributions payable	275	(235)
Change in distributions payable - noncontrolling interests	387	2
Change in accrued share repurchase obligation	872	1,658
Distributions reinvested	34,958	24,899

See notes to consolidated financial statements.

1. ORGANIZATION

Phillips Edison & Company, Inc. (“we,” the “Company,” “our,” or “us”) 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, regional, and local retailers that sell necessity-based goods and services in strong demographic markets throughout the United States. In addition to managing our own properties, our third-party investment management business provides comprehensive real estate and asset management services to (i) Phillips Edison Grocery Center REIT III, Inc. (“PECO III”), a non-traded publicly registered REIT; (ii) three institutional joint ventures; and (iii) one private fund (collectively, the “Managed Funds”).

In November 2018, we completed a merger (the “Merger”) with Phillips Edison Grocery Center REIT II, Inc. (“REIT II”), a public non-traded REIT that was advised and managed by us, in a 100% stock-for-stock transaction valued at approximately $1.9 billion. As a result of the Merger, we acquired 86 properties and a 20% equity interest in Necessity Retail Partners (“NRP” or the “NRP joint venture”), a joint venture that owned 13 properties. For a more detailed discussion, see Note 4.

In November 2018, through our direct or indirect subsidiaries, we entered into a joint venture with The Northwestern Mutual Life Insurance Company (“Northwestern Mutual”). At formation, we contributed or sold 17 grocery-anchored shopping centers with a fair value of approximately $359 million to the new joint venture, Grocery Retail Partners I LLC (“GRP I” or the “GRP I joint venture”). GRP I also assumed a portfolio loan from us as part of this transaction. In exchange, we received a 15% ownership interest in GRP I and cash of $161.8 million. For a more detailed discussion, see Note 6.

As of June 30, 2019, we wholly-owned fee simple interests in 298 real estate properties. In addition, we owned a 20% equity interest in NRP and a 15% interest in GRP I, as described previously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Certain of our accounting estimates are particularly important for an understanding of our financial position and results of operations and require the application of significant judgment by management. For example, significant estimates and assumptions have been made with respect to the useful lives of assets, recoverable amounts of receivables, and other fair value measurement assessments required for the preparation of the consolidated financial statements. As a result, these estimates are subject to a degree of uncertainty.

Other than those noted below, there have been no changes to our significant accounting policies during the six months ended June 30, 2019. For a full summary of our accounting policies, refer to our 2018 Annual Report on Form 10-K filed with the SEC on March 13, 2019.

Basis of Presentation and Principles of Consolidation—The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. Readers of this Quarterly Report on Form 10-Q should refer to our audited consolidated financial statements for the year ended December 31, 2018, which are included in our 2018 Annual Report on Form 10-K. In the opinion of management, all normal and recurring adjustments necessary for the fair presentation of the unaudited consolidated financial statements for the periods presented have been included in this Quarterly Report. Our results of operations for the three and six months ended June 30, 2019, are not necessarily indicative of the operating results expected for the full year.

The accompanying consolidated financial statements include our accounts and those of our majority-owned subsidiaries. All intercompany balances and transactions are eliminated upon consolidation.

Leases—We are party to a number of lease agreements, both as a lessor as well as a lessee of various types of assets.

Lessor—The majority of our revenue is lease revenue derived from our real estate assets, which is accounted for under Accounting Standards Codification (“ASC”) Topic 842, *Leases* (“ASC 842”). We adopted the accounting guidance contained within ASC 842 on January 1, 2019, the effective date of the standard for public companies. We record lease and lease-related revenue as Rental Income on the consolidated statements of operations and comprehensive (loss) income, also referred to herein as our “consolidated statements of operations”, in accordance with ASC 842.

We enter into leases primarily as a lessor as part of our real estate operations, and leases represent the majority of our revenue. We lease space in our properties generally in the form of operating leases. Our leases typically provide for reimbursements from tenants for common area maintenance, insurance, and real estate tax expenses. Common area maintenance reimbursements can be fixed, with revenue earned on a straight-line basis over the term of the lease, or variable, with revenue recognized as services are performed for which we will be reimbursed.

The terms and expirations of our operating leases with our tenants are generally similar. The majority of leases for inline (non-anchor) tenants have terms that range from 2 to 10 years, and the majority of leases for anchor tenants range from 3 to 13 years. In both cases, the full term of the lease prior to our acquisition or assumption of the lease will generally be longer, however, we are measuring the commencement date for these purposes as being the date that we acquired or assumed the lease, excluding option periods.

The lease agreements frequently contain fixed-price renewal options to extend the terms of leases and other terms and conditions as negotiated. In calculating the term of our leases, we consider whether these options are reasonably certain to be exercised. Our determination involves a combination of contract-, asset-, entity-, and market-based factors and involves considerable judgment. We retain substantially all of the risks and benefits of ownership of the real estate assets leased to tenants. Currently, our tenants have no options to purchase at the end of the lease term, although in a small number of leases, a tenant, usually the anchor tenant, may have the right of first refusal to purchase one of our properties if we elect to sell the center.

Beginning January 1, 2019, we evaluate whether a lease is an operating, sales-type, or direct financing lease using the criteria established in ASC 842. Leases will be considered either sales-type or direct financing leases if any of the following criteria are met:

- if the lease transfers ownership of the underlying asset to the lessee by the end of the term;
- if the lease grants the lessee an option to purchase the underlying asset that is reasonably certain to be exercised;
- if the lease term is for the major part of the remaining economic life of the underlying asset; or
- if the present value of the sum of the lease payments and any residual value guaranteed by the lessee equals or exceeds substantially all of the fair value of the underlying asset.

We utilize substantial judgment in determining the fair value of the leased asset, the economic life of the leased asset, and the relevant borrowing rate in performing our lease classification analysis. If none of the criteria listed above are met, the lease is classified as an operating lease. Currently all of our leases are classified as operating leases, and we expect that the majority, if not all, of our leases will continue to be classified as operating leases based upon our typical lease terms.

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 when revenue recognition under a lease begins, as well as the nature of the leased asset, is dependent upon our assessment of who is the owner, for accounting purposes, of any related tenant improvements. 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 (i.e., 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 the lessee or we are 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.

The majority of our leases provide for fixed rental escalations, and we recognize rental income on a straight-line basis over the term of each lease in such instances. 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.

Reimbursements from tenants for recoverable real estate taxes and operating expenses that are fixed per the terms of the applicable lease agreements are recorded on a straight-line basis, as described above. The majority of our lease agreements with tenants, however, provide for tenant reimbursements that are variable depending upon the applicable expenses incurred. These reimbursements 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. Both fixed and variable tenant reimbursements are recorded as Rental Income in the consolidated statements of operations. In certain cases, the lease agreement may stipulate that a tenant make a direct payment for real estate taxes to the relevant taxing authorities. In these cases, beginning on January 1, 2019, we no longer record any revenue or expense related to these tenant expenditures. Although we expect such cases to be rare, in the event that a direct-paying tenant failed to make their required payment to the taxing authorities, we would potentially be liable for such amounts, although they are not recorded as a liability in our consolidated balance sheets per the requirements of ASC 842. We have made a policy election to exclude amounts collected from customers for all sales tax and other similar taxes from the transaction price in our recognition of lease revenue.

Additionally, we record an immaterial amount of variable revenue in the form of percentage rental income. 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.

In some instances, as part of our negotiations, we may offer lease incentives to our tenants. These incentives usually take the form of payments made to or on behalf of the tenant, and such incentives will be deducted from the lease payment and recorded on a straight-line basis over the term of the new lease.

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. We record lease termination income as Rental Income in the consolidated statements of operations.

Historically, we periodically reviewed the collectability of outstanding receivables. Following the adoption of ASC 842, as of January 1, 2019, lease receivables are reviewed continually to determine whether or not it is likely that we will realize all amounts receivable for each of our tenants (i.e., whether a tenant is deemed to be a credit risk). If we determine that the tenant is not a credit risk, no reserve or reduction of revenue is recorded, except in the case of disputed charges. If we determine that the tenant is a credit risk, revenue for that tenant is recorded on a cash basis, including any amounts relating to straight-line rent receivables and/or receivables for recoverable expenses. Under ASC 842, the aforementioned adjustments as well as any reserve for disputed charges are recorded as a reduction of Rental Income rather than in Property Operating, where our reserves were previously recorded, on the consolidated statements of operations.

Lessee—We enter into leases as a lessee as part of our real estate operations in the form of ground leases of land for certain properties, and as part of our corporate operations in the form of office space and office equipment leases. Ground leases typically have initial terms of 15-40 years with one or more options to renew for additional terms of 3-5 years, and may include options that grant us, as the lessee, the right to terminate the lease, without penalty, in advance of the full lease term. Our office space leases generally have terms of less than ten years with no renewal options. Office equipment leases typically have terms ranging from 3-5 years with options to extend the term for a year or less, but contain minimal termination rights. In calculating the term of our leases, we consider whether we are reasonably certain to exercise renewal and/or termination options. Our determination involves a combination of contract-, asset-, entity-, and market-based factors and involves considerable judgment.

Currently, neither our operating leases nor our finance leases have residual value guarantees or other restrictions or covenants, but a small number may contain nonlease components which have been deemed not material. Beginning January 1, 2019, we evaluate whether a lease is a finance or operating lease using the criteria established in ASC 842. The criteria we use to determine whether a lease is a finance lease are the same as those we use to determine whether a lease is sales-type lease as a lessor. If none of the finance lease criteria is met, we classify the lease as an operating lease.

We record right-of-use ("ROU") assets and liabilities in the consolidated balance sheets based upon the terms and conditions of the applicable lease agreement. We use discount rates to calculate the present value of lease payments when determining lease classification and measuring our lease liability. We use the rate implicit in the lease as our discount rate unless that rate cannot be readily determined, in which case we consider various factors to select an appropriate discount rate. This requires the application of judgment, and we consider the length of the lease as well as the length and securitization of our outstanding debt agreements in selecting an appropriate rate. Refer to Note 3 for further detail.

Revenue Recognition—In addition to our lease-related revenue, we also earn fee revenues by providing services to the Managed Funds. These fees are accounted for within the scope of ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), and are recorded as Fees and Management Income on the consolidated statements of operations. We provide services to the Managed Funds, all of which are considered related parties. These services primarily include asset acquisition and disposition services, asset management, operating and leasing of properties, construction management, and other general and administrative responsibilities. These services are currently provided under various combinations of advisory agreements, property management agreements, and other service agreements (the "Management Agreements"). The wide variety of duties within the Management Agreements makes determining the performance obligations within the contracts a matter of judgment. We have concluded that each of the separately disclosed fee types in the below table represents a separate performance obligation within the Management Agreements.

The table below shows the most significant of these fee types in the Management Agreements:

Fee	Performance Obligation Satisfied	Form and Timing of Payment	Description
Asset Management	Over time	In cash and/or ownership units, monthly	Because each increment of service is distinct, although substantially the same, revenue is recognized at the end of each reporting period based upon asset base and the applicable rate.
Property Management	Over time	In cash, monthly	Because each increment of service is distinct, although substantially the same, revenue is recognized at the end of each month based on a percentage of the properties' cash receipts.
Leasing Commissions	Point in time (upon close of a transaction)	In cash, upon completion	Revenue is recognized in an amount equal to the fees charged by unaffiliated persons rendering comparable services in the same geographic location.
Construction Management	Point in time (upon close of a project)	In cash, upon completion	Revenue is recognized in an amount equal to the fees charged by unaffiliated persons rendering comparable services in the same geographic location.
Acquisition/Disposition	Point in time (upon close of a transaction)	In cash, upon close of the transaction	Revenue is recognized based on a percentage of the purchase price or disposition price of the property acquired or sold.

Due to the nature of the services being provided under our Management Agreements, each performance obligation has a variable component. Therefore, when we determine the transaction price for the contracts, we are required to constrain our estimate to an amount that is not probable of significant revenue reversal. For most of these fee types, such as acquisition fees and leasing commissions, compensation only occurs if a transaction takes place and the amount of compensation is dependent upon the terms of the transaction. For our property and asset management fees, due to the large number and broad range of possible consideration amounts, we calculate the amount earned at the end of each month.

In addition to the fees listed above, certain of our Management Agreements include the potential for additional revenues if certain market conditions are in place or certain events take place. We have not recognized revenue related to these fees, nor will we until it is no longer highly probable that there would be a material reversal of revenue.

Additionally, effective January 1, 2018, sales or transfers to non-customers of non-financial assets or in substance non-financial assets that do not meet the definition of a business are accounted for within the scope of ASC Topic 610-20, *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets* ("ASC 610-20"). Generally, our sales of real estate would be considered a sale of a non-financial asset as defined by ASC 610-20. Under ASC 610-20, if we determine we do not have a controlling financial interest in the entity that holds the asset and the arrangement meets the criteria to be accounted for as a contract, we would de-recognize the asset and recognize a gain or loss on the sale of the real estate when control of the underlying asset transfers to the buyer. Further, we may defer a tax gain through an Internal Revenue Code (the "Code") Section 1031 like-kind exchange by purchasing another property within a specified time period. For additional information regarding gain on sale of assets, refer to Note 5.

Income Taxes—Our consolidated financial statements include the operations of wholly owned subsidiaries that have jointly elected to be treated as Taxable REIT Subsidiaries ("TRS") and are subject to U.S. federal, state, and local income taxes at regular corporate tax rates. During the three and six months ended June 30, 2019 and 2018, no federal income tax expense or benefit was reported, and we recorded a full valuation allowance for our net deferred tax asset. We recognized an immaterial amount of state and local income tax expense, which is included in Other (Expense) Income, Net on the consolidated statements of operations.

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

Standard	Description	Date of Adoption	Effect on the Consolidated Financial Statements or Other Significant Matters
Accounting Standards Update ("ASU") 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ASU 2018-19, Financial Instruments - Credit Losses (Topic 326): Codification Improvements ASU 2019-05, Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief	The amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. It clarifies that receivables arising from operating leases are not within the scope of Topic 326. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with ASC 842. It also allows election of the fair value option on certain financial instruments. This update is effective for public entities in fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted after December 15, 2018.	January 1, 2020	We are currently evaluating the impact the adoption of this standard will have on our consolidated financial statements. The majority of our financial instruments result from operating leasing transactions, which are not within the scope of this standard.
ASU 2018-13, Fair Value Measurement (Topic 820)	This ASU eliminates, adds and modifies certain disclosure requirements for fair value measurements as part of the Financial Accounting Standards Board's disclosure framework project. It is effective for annual and interim reporting periods beginning after December 15, 2019, but early adoption is permitted.	January 1, 2020	We are currently evaluating the impact the adoption of this standard will have on our consolidated financial statements, which is expected to only impact fair value measurement disclosures.
ASU 2018-17, Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities	This ASU amends two aspects of the related-party guidance in ASC 810: (1) adds an elective private-company scope exception to the variable interest entity guidance for entities under common control and (2) indirect interests held through related parties in common control arrangements should be considered on a proportional basis for determining whether fees paid to decision makers and service providers are variable interests. For entities other than private companies, the amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. All entities are required to apply the amendments in this update retrospectively with a cumulative effect adjustment to retained earnings at the beginning of the earliest period presented. Early adoption is permitted.	January 1, 2020	We are currently evaluating the impact the adoption of this standard will have on our consolidated financial statements.
ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments	This ASU amends a variety of topics, improving certain aspects of previously issued ASUs, including ASU 2016-01, Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, and ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The amendment is effective for fiscal years beginning after December 15, 2019, but early adoption is permitted.	January 1, 2020	We are currently evaluating the impact the adoption of this standard will have on our consolidated financial statements.

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

Standard	Description	Date of Adoption	Effect on the Financial Statements or Other Significant Matters
ASU 2016-02, Leases (Topic 842) ASU 2018-01, Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842 ASU 2018-10, Codification Improvements to Topic 842, Leases ASU 2018-11, Leases (Topic 842): Targeted Improvements ASU 2018-20, Leases (Topic 842): Narrow-Scope Improvements for Lessors ASU 2019-01, Leases (Topic 842): Codification Improvements	These updates amended existing guidance by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements.	January 1, 2019	We adopted this standard on January 1, 2019 and a modified retrospective transition approach was required. We determined that the adoption had a material impact on our consolidated financial statements; please refer to Note 3 for additional details. We elected to utilize the following optional practical expedients upon adoption: - Package of practical expedients which permits us not to reassess our prior conclusions about lease identification, lease classification, and initial direct costs. - Practical expedient permitting us not to assess whether existing, expired, or current land easements either are or contain a lease. - Practical expedient which permits us as a lessor not to separate non-lease components, such as common area maintenance reimbursements, from the associated lease component, provided that the timing and pattern of transfer of the services are substantially the same. Because of our decision to elect this practical expedient, we will no longer present our Rental Income and Tenant Recovery Income amounts separately on our consolidated statements of operations, and have reclassified Tenant Recovery Income amounts to Rental Income for all periods presented on the consolidated statements of operations. - Practical expedient which permits us not to record a right of use asset or lease liability related to leases of twelve months or fewer, but instead allows us to record expense related to any such leases as it is incurred.
ASU 2018-07, Compensation - Stock Compensation (Topic 718): Improvements to Non-employee Share-Based Payment Accounting	The amendments in this update expanded the scope of Topic 718: *Compensation - Stock Compensation* to include share-base payment transactions for acquiring goods and services from non-employees, except for specific guidance on inputs to an option pricing model and the attribution of cost (that is, the period of time over which share-based payment awards vest and the pattern of cost recognition over that period).	January 1, 2019	The adoption of this standard did not have a material impact on our consolidated financial statements.
ASU 2018-16, Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes	This update permitted use of the OIS rate based on the SOFR as a US benchmark interest rate for hedge accounting purposes under Topic 815. The purpose of this was to facilitate the LIBOR to SOFR transition and provide sufficient lead time for entities to prepare for changes to interest rate risk hedging strategies for both risk management and hedge accounting purposes.	January 1, 2019	The adoption of this standard did not have a material impact on our consolidated financial statements.

Reclassifications—The following line items on our consolidated statements of operations for the three and six months ended June 30, 2018, were reclassified to conform to current year presentation:

- Tenant Recovery was combined with Rental Income, and
- Other Expense, Net previously included activity from property disposals, and this is now presented as (Loss) Gain on Disposal of Property, Net.

The following line items on our consolidated statements of cash flows for the six months ended June 30, 2018, were reclassified to conform to current year presentation:

- Accounts Receivable - Affiliates was combined with Other Assets, Net;
- Accounts Payable - Affiliates was combined with Accounts Payable and Other Liabilities; and
- Net Loss on Write-off of Unamortized Capitalized Leasing Commissions, Market Debt Adjustments, and

  Deferred Financing Expenses were reclassified to Other.

3. LEASES

Standard Adoption—Effective January 1, 2019, we adopted ASU 2016-02, *Leases*. This standard was adopted in conjunction with the related updates, ASU 2018-01, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, C*odification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; and ASU 2018-20, *Leases (Topic 842): Narrow-Scope Improvements for Lessors*, collectively "ASC 842," using a modified-retrospective approach, as required. Consequently, financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019.

The adoption of ASC 842 resulted in a $0.5 million adjustment to the current year's opening balance in Accumulated Deficit on the consolidated balance sheets as a result of recognizing ROU assets and lease liabilities as well as adjustments to our collectability reserve. Beginning in January 1, 2019, due to the new standard's narrowed definition of initial direct costs, we now expense significant lease origination costs as incurred, which were previously capitalized as initial direct costs and amortized to expense over the lease term. We capitalized $6.2 million of internal costs for the year ended December 31, 2018, some of which we will continue to capitalize in accordance with the standard. During the six months ended June 30, 2019, the amounts capitalized were $1.9 million, compared to $2.9 million during the six months ended June 30, 2018. Amounts that were capitalized prior to the adoption of ASC 842 will continue to be amortized over their remaining lives.

Additionally, ASC 842 requires that lessors exclude from variable payments all costs paid by a lessee directly to a third party. For the year ended December 31, 2018, $8.0 million in real estate tax payments made by tenants directly to third parties was recorded by us as both Tenant Recovery Income and Real Estate Taxes. This amount was approximately $1.3 million and $2.7 million for the three and six months ended June 30, 2018, respectively. Beginning January 1, 2019, such amounts are no longer recognized by us. As the recorded expense was completely offset by the tenant recovery income recorded, this has no net impact to earnings.

Beginning January 1, 2019, operating lease receivables are accounted for under ASC 842, which requires us to recognize changes in the collectability assessment for an operating lease as an adjustment to lease income. For the year ended December 31, 2018, $2.9 million of expense was recorded as Property Operating on our consolidated statements of operations, which would have been recorded as a reduction to Rental Income under the new standard. For the three and six months ended June 30, 2019, the total amount recorded as a reduction to Rental Income as a result of collectability reserves was $0.1 million and $0.7 million, respectively.

Lessor—The majority of our leases are largely similar in that the leased asset is retail space within our properties, and the lease agreements generally contain similar provisions and features, without substantial variations. All of our leases are currently classified as operating leases.

Approximate future fixed contractual lease payments to be received under non-cancelable operating leases in effect as of June 30, 2019, assuming no new or renegotiated leases or option extensions on lease agreements, are as follows (in thousands):

Year		Amount
Remaining 2019	$	191,571
2020		360,997
2021		316,521
2022		274,713
2023		223,940
2024 and thereafter		636,772
Total	$	2,004,514

No single tenant comprised 10% or more of our aggregate annualized base rent ("ABR") as of June 30, 2019. As of June 30, 2019, our real estate investments in Florida and California represented 12.3% and 10.0% of our ABR, respectively. As a result, the geographic concentration of our portfolio makes it particularly susceptible to adverse economic or weather developments in the Florida and California real estate markets.

Lessee—As a lessee, we recognized additional operating lease liabilities of $6.2 million with corresponding ROU assets of $6.0 million, and the difference between them was recorded as an adjustment to Accumulated Deficit on the consolidated balance sheets. On adoption of ASC 842, these asset and liability amounts represented the present value of the remaining fixed minimum rental payments under current leasing standards for existing leases, adjusted as appropriate for amounts written off in transition to the new guidance. The initial measurement of a ROU asset may differ from the initial measurement of the corresponding lease liability due to initial direct costs, prepaid lease payments, and lease incentives.

Lease assets, grouped by balance sheet line where they are recorded, consisted of the following as of June 30, 2019 (in thousands):

	June 30, 2019	
Assets		
Investment in Real Estate:		
ROU asset - operating leases	$	4,707
Less: accumulated amortization		(217)
Total in Investment in Real Estate		4,490
Other Assets:		
ROU asset - operating leases		2,540
ROU asset - finance leases		705
Less: accumulated amortization		(595)
Total in Other Assets		2,650
Total ROU lease assets(1)	$	7,140
Liabilities		
Accounts Payable and Other Liabilities:		
Operating lease liability	$	6,790
Debt Obligations, Net:		
Finance lease liability		581
Total lease liabilities(1)	$	7,371

(1) As of June 30, 2019, the weighted average remaining lease term was approximately 2.4 years for finance leases and 18.3 years for operating leases. The weighted average discount rate was 3.54% for finance leases and 4.07% for operating leases.

Below are the amounts recorded in our consolidated statements of operations related to our ROU assets and lease liabilities by lease type (in thousands):

	Three Months Ended June 30, 2019		Six Months Ended June 30, 2019	
Statements of operations information:				
Finance lease cost:				
Amortization of ROU assets	$	64	$	128
Interest on lease liabilities		4		9
Operating lease costs		449		797
Short term lease expense		376		767

Below are the amounts recorded in our consolidated statements of cash flows related to our leases by type (in thousands):

	Six Months Ended June 30, 2019	
Statements of cash flows information:		
Operating cash flows used for operating leases	$	(620)
Financing cash flows used for finance leases		(122)
ROU assets obtained in exchange for new lease liabilities		1,444

Future undiscounted payments for fixed lease charges by lease type as of June 30, 2019, are as follows (in thousands):

	Undiscounted	
	Operating	Finance
Remaining 2019	$ 745	$ 148
2020	1,174	295
2021	723	98
2022	684	26
2023	529	20
Thereafter	6,419	15
Total undiscounted cash flows from leases	10,274	602
Total lease liabilities recorded at present value	6,790	581
Difference between undiscounted cash flows and present value of lease liabilities	$ 3,484	$ 21

4. MERGER WITH REIT II

In November 2018, we acquired 86 properties as part of the Merger with REIT II. Under the terms of the Merger, at the time of closing, the following consideration was given in exchange for REIT II common stock (in thousands):

	Amount
Fair value of PECO common stock issued(1)	$ 1,054,745
Fair value of REIT II debt:	
Corporate debt	719,181
Mortgages and notes payable	102,727
Derecognition of REIT II management contracts, net(2)	30,428
Transaction costs	11,587
Total consideration and debt activity	1,918,668
Less: debt assumed	464,462
Total consideration	$ 1,454,206

(1) The total number of shares of common stock issued was 95.5 million.

(2) Previously a component of Other Assets, Net.

To complete the Merger, we issued 2.04 shares of our common stock in exchange for each issued and outstanding share of REIT II common stock, which was equivalent to $22.54 based on our most recent estimated value per share ("EVPS"), as of the date of the transaction, of $11.05. The exchange ratio was based on a thorough review of the relative valuation of each entity, including factoring in our investment management business as well as each company's transaction costs.

Upon completion of the Merger, our continuing stockholders owned approximately 71% of the issued and outstanding shares of the Company on a fully diluted basis (determined as if each Operating Partnership unit ("OP unit") were exchanged for one share of our common stock) and former REIT II stockholders owned approximately 29% of the issued and outstanding shares of the Company on a fully diluted basis (determined as if each OP unit were exchanged for one share of our common stock).

Assets Acquired and Liabilities Assumed—After consideration of all applicable factors pursuant to the business combination accounting rules under ASC 805, *Business Combinations* ("ASC 805"), including the application of a screen test to evaluate if substantially all the fair value of the acquired properties is concentrated in a single asset or group of similar assets, we concluded that the Merger qualified as an asset acquisition.

Additionally, prior to the close of the Merger, all of REIT II's real properties were managed and leased by us, under the terms of various management agreements. As we had contractual relationships with REIT II, we considered the provisions of ASC 805 regarding the settlement of pre-existing relationships. This guidance provides that a transaction that in effect settles pre-existing relationships between the acquirer and acquiree should be evaluated under the guidance set forth in ASC 805 for possible gain/loss recognition.

In applying the relevant guidance to the settlement of our contractual relationships with REIT II, we noted that the provisions of the various agreements provided both parties to each of the agreements with substantial termination rights. The agreements permitted either party to terminate without cause or penalty upon prior written notice within a specified number of days' notice. Therefore, we determined that the termination of the agreements did not result in a settlement gain or loss under the relevant guidance, and thus no gain or loss was recorded in the consolidated financial statements.

Prior to the consummation of the Merger, we did, however, have an existing intangible asset related to our acquisition of certain REIT II management contracts. Because this relationship was internalized as part of the Merger, we derecognized the carrying value of these intangible assets upon completion of the Merger and have included the derecognized contract value of $30.4 million in our calculation of total consideration in the table above.

As of December 31, 2018, we capitalized approximately $11.6 million in costs related to the Merger. The following table summarizes the final purchase price allocation based on a valuation report prepared by a third-party valuation specialist that was subject to management's review and approval (in thousands):

	Amount
Assets:	
Land and improvements	$ 561,100
Building and improvements	1,198,884
Intangible lease assets	197,384
Fair value of unconsolidated joint venture	16,470
Cash and cash equivalents	354
Restricted cash	5,159
Accounts receivable and other assets	33,045
Total assets acquired	2,012,396
Liabilities:	
Debt assumed	464,462
Intangible lease liabilities	60,421
Accounts payable and other liabilities	33,307
Total liabilities assumed	558,190
Net assets acquired	$ 1,454,206

The allocation of the purchase price is based on management's assessment, which requires a significant amount of judgment and represents management's best estimate of the fair value as of the acquisition date.

5. REAL ESTATE ACTIVITY

Acquisitions—The following table summarizes our real estate acquisitions during the six months ended June 30, 2019 and 2018 (dollars in thousands):

Property Name	Location	Anchor Tenant	Acquisition Date	Purchase Price	Leased % of Rentable Square Feet at Acquisition
Murray Landing Outparcel	Columbia, SC	N/A	5/16/2019	$ 295	N/A
Naperville Crossings	Naperville, IL	ALDI	4/26/2019	49,585	88.0%
Shoppes of Lake Village	Leesburg, FL	Publix	2/26/2018	8,423	71.3%

The fair value and weighted-average useful life at acquisition for lease intangibles acquired as part of the above acquisitions are as follows (dollars in thousands, weighted-average useful life in years):

	Six Months Ended			
	June 30, 2019		June 30, 2018	
	Fair Value	Weighted-Average Useful Life	Fair Value	Weighted-Average Useful Life
In-place lease assets	$ 4,736	11	$ 946	6
Above-market lease assets	825	8	74	3
Below-market lease liabilities	(2,097)	16	(457)	16

Property Sales—The following table summarizes our property sales activity (dollars in thousands):

	Six Months Ended June 30,	
	2019	2018
Number of properties sold	6	2
Number of outparcels sold	1	—
Proceeds from sale of real estate	$ 47,857	$ 13,300
Gain on sale of properties, net[(1)]	6,627	985

(1) The gain on sale of properties, net does not include miscellaneous write-off activity, which is also recorded in Gain on Disposal of Property, Net on the consolidated statements of operations.

Property Held for Sale—As of June 30, 2019, two properties were classified as held for sale. For information regarding the disposition of held for sale property, refer to Note 16. As of December 31, 2018, we had two properties that were classified as held for sale, and both were sold in the first quarter of 2019. Properties classified as held for sale as of June 30, 2019 and December 31, 2018, were under contract to sell, with no substantive contingencies, and the prospective buyers had significant funds at risk as of the respective reporting date. A summary of assets and liabilities for the properties held for sale as of June 30, 2019 and December 31, 2018, is below (in thousands):

	June 30, 2019	December 31, 2018
ASSETS		
Total investment in real estate assets, net	$ 15,555	$ 16,889
Other assets, net	322	475
Total assets	$ 15,877	$ 17,364
LIABILITIES		
Below-market lease liabilities, net	$ 117	$ 208
Accounts payable and other liabilities	185	388
Total liabilities	$ 302	$ 596

Impairment of Real Estate Assets—During the three and six months ended June 30, 2019, we recognized impairment charges totaling $25.2 million and $38.9 million, respectively. During the three and six months ended June 30, 2018, we recognized an impairment charge totaling $10.9 million. The impairments were associated with certain anticipated property dispositions where the net book value exceeded the estimated fair value. Our estimated fair value was based upon the contracted price to sell or the marketed price for disposition, less costs to sell. We have applied reasonable estimates and judgments in determining the amount of impairment recognized.

6. INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES

We co-invest with third parties in joint ventures that own multiple properties. As a result of the Merger in November 2018, we acquired a 20% interest in the NRP joint venture. In November 2018, we also entered into an agreement (the “Joint Venture Agreement”) with Northwestern Mutual to create the GRP I joint venture. Under the terms of the Joint Venture Agreement, we contributed or sold all of our ownership interests in 17 grocery-anchored shopping centers to the GRP I joint venture.

The following table details our investment balances in these unconsolidated joint ventures, which are accounted for using the equity method of accounting and are considered to be related parties to us as of June 30, 2019 and December 31, 2018 (dollars in thousands):

	June 30, 2019		December 31, 2018	
	NRP	GRP I	NRP	GRP I
Ownership percentage	20%	15%	20%	15%
Number of properties	13	17	13	17
Investment balance	$ 14,454	$ 27,964	$ 16,198	$ 29,453
Unamortized basis adjustments(1)	5,317	—	6,026	—

(1) Our investment in NRP differs from our proportionate share of the entity's underlying net assets due to basis differences initially recorded at $6.2 million arising from the Merger and recording the investment at fair value.

The following table summarizes the operating information of the unconsolidated joint ventures and their impact on our consolidated statements of operations and consolidated statements of equity. We did not have any investments in unconsolidated joint ventures during the three and six months ended June 30, 2018 (in thousands):

	Three Months Ended June 30, 2019		Six Months Ended June 30, 2019	
	NRP	GRP I	NRP	GRP I
Loss from unconsolidated joint ventures, net	$ 114	$ 52	$ 202	$ 65
Amortization of basis adjustments(1)	354	—	709	—
Distributions	551	509	833	1,424

(1) These amounts are amortized starting at the date of the Merger and recorded as an offset to earnings from the NRP joint venture in Other Expense, Net on our consolidated statements of operations.

7. OTHER ASSETS, NET

The following is a summary of Other Assets, Net as of June 30, 2019 and December 31, 2018, excluding amounts related to assets classified as held for sale (in thousands):

	June 30, 2019	December 31, 2018
Other assets, net:		
Deferred leasing commissions and costs	$ 35,518	$ 32,957
Deferred financing expenses	13,971	13,971
Office equipment, ROU assets, and other	18,016	14,315
Total depreciable and amortizable assets	67,505	61,243
Accumulated depreciation and amortization	(28,603)	(24,382)
Net depreciable and amortizable assets	38,902	36,861
Accounts receivable, net	50,681	56,104
Deferred rent receivable, net	25,778	21,261
Derivative asset	5,324	29,708
Investment in affiliates	700	700
Prepaids and other	9,716	8,442
Total other assets, net	$ 131,101	$ 153,076

8. 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 June 30, 2019 and December 31, 2018 (dollars in thousands):

	Interest Rate(1)	June 30, 2019	December 31, 2018
Revolving credit facility(2)	LIBOR + 1.40%	$ —	$ 73,359
Term loans	2.06%-4.59%	1,918,410	1,858,410
Secured portfolio loan facility	3.52%	195,000	195,000
Mortgages	3.45%-7.91%	329,404	334,117
Finance lease liability		581	552
Assumed market debt adjustments, net		(3,841)	(4,571)
Deferred financing expenses, net		(16,149)	(18,041)
Total		$ 2,423,405	$ 2,438,826

(1) Interest rates are as of June 30, 2019.

(2) The gross borrowings and payments under our revolving credit facility were $105.6 million and $179.0 million, respectively, during the six months ended June 30, 2019. The gross borrowings and payments under our revolving credit facility were $151.0 million and $166.0 million, respectively, during the six months ended June 30, 2018.

In May 2019, we executed a $60 million delayed draw feature on one of our term loans. We used the proceeds from this draw to pay down our revolver balance.

As of June 30, 2019 and December 31, 2018, the weighted-average interest rate, including the effect of derivative financial instruments, for all of our debt obligations was 3.5%.

The allocation of total debt between fixed-rate and variable-rate as well as between secured and unsecured, excluding market debt adjustments and deferred financing expenses, net, as of June 30, 2019 and December 31, 2018, is summarized below (in thousands):

	June 30, 2019	December 31, 2018
As to interest rate:(1)		
Fixed-rate debt	$ 2,111,985	$ 2,216,669
Variable-rate debt	331,410	244,769
Total	$ 2,443,395	$ 2,461,438
As to collateralization:		
Unsecured debt	$ 1,918,410	$ 1,931,769
Secured debt	524,985	529,669
Total	$ 2,443,395	$ 2,461,438

(1) Includes the effects of derivative financial instruments (see Notes 9 and 15).

9. DERIVATIVES AND HEDGING ACTIVITIES

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 through 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 six months ended June 30, 2019 and 2018, such derivatives were used to hedge the variable cash flows associated with certain variable-rate debt.

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 $3.5 million will be reclassified from AOCI as an increase 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 June 30, 2019 and December 31, 2018 (notional amounts in thousands):

	June 30, 2019	December 31, 2018
Count	11	12
Notional amount	$ 1,587,000	$ 1,687,000
Fixed LIBOR	0.7% - 2.9%	0.7% - 2.9%
Maturity date	2019 - 2025	2019 - 2025

The table below details the nature of the gain or loss recognized on interest rate derivatives designated as cash flow hedges in the consolidated statements of operations (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Amount of (loss) gain recognized in other comprehensive income on derivatives[1]	$ (22,348)	$ 5,608	$ (35,205)	$ 19,047
Amount of gain reclassified from AOCI into interest expense[1]	(1,297)	(753)	(2,801)	(704)

(1) Changes in value are solely driven from changes in LIBOR futures as a result of various economic factors.

Credit-risk-related Contingent Features—We have agreements with our derivative counterparties that contain provisions where, if we 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 June 30, 2019, 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 $21.0 million. As of June 30, 2019, 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 $21.0 million.

10. COMMITMENTS AND CONTINGENCIES

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. Depending on the nature of the environmental matter, the seller of the property, a tenant of the property, and/or another third party may be 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.

11. EQUITY

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

On May 8, 2019, our Board increased the EVPS of our common stock to $11.10 based substantially on the estimated market value of our portfolio of real estate properties and our third-party investment management business as of March 31, 2019. We engaged a third-party valuation firm to provide a calculation of the range in EVPS of our common stock as of March 31, 2019, which reflected certain balance sheet assets and liabilities as of that date. Previously, on May 9, 2018, our Board increased the EVPS of our common stock to $11.05 from $11.00 based substantially on the estimated market value of our portfolio of real estate properties and our third-party investment management business as of March 31, 2018.

Shares of our common stock are issued under the DRIP, as discussed below, at the same price as the EVPS in effect at the time of issuance.

Dividend Reinvestment Plan—The DRIP 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.

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 ("SRP")—Our SRP provides an opportunity for stockholders to have shares of common stock repurchased, subject to certain restrictions and limitations. The Board reserves the right, in its sole discretion, at any time and from time to time, to reject any request for repurchase.

Due to the funding limits, no proceeds were available for standard share repurchases during the six months ended June 30, 2019. Repurchase requests in connection with a stockholder's death, "qualifying disability," or "determination of incompetence" were completed in full. In July 2019, approximately 1.2 million shares of our common stock were repurchased under the SRP.

On August 7, 2019, the Board suspended the SRP with respect to standard repurchases. 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 amended SRP, adopted on August 7, 2019 and described in Part II, Item 5 of this Quarterly Report on Form 10-Q.

Convertible Noncontrolling Interests—Under the terms of the Partnership Agreement, 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 June 30, 2019 and December 31, 2018, are classified as Noncontrolling Interests within permanent equity on our consolidated balance sheets. The distributions that have been paid on OP units are included in Distributions to Noncontrolling Interests on the consolidated statements of equity. During the six months ended June 30, 2019, OP units were converted into shares of our common stock at a 1:1 ratio. There were approximately 42.7 million and 44.5 million OP units outstanding as of June 30, 2019 and December 31, 2018, respectively.

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

Awards to employees under our Amended and Restated 2010 Long-Term Incentive Plan are typically granted and vest during the first quarter of each year. We also grant restricted stock to our independent directors under our Amended and Restated 2010 Independent Director Stock Plan, which vest based upon the completion of a service period. Certain of our executives have made the election to receive OP units in lieu of shares of common stock upon vesting of their award grants. All share-based compensation awards, regardless of the form of payout upon vesting, are presented in the following table, which summarizes our stock-based award activity (number of units in thousands):

	Six Months Ended June 30, 2019			
	Restricted Stock Awards	Performance Stock Awards[1]	Phantom Stock Units	Weighted-Average Grant-Date Fair Value[2]
Nonvested at December 31, 2018	808	199	998	$ 10.60
Granted	464	1,275	—	11.05
Vested	(196)	—	—	10.99
Forfeited	(26)	—	(12)	10.76
Nonvested at June 30, 2019	1,050	1,474	986	$ 10.80

(1) Certain performance-based awards granted during the period contain terms which dictate that the number of award units to be issued will vary based upon actual performance compared to target performance. The number of shares deemed to be issued per this table reflect our probability-weighted estimate of the number of shares that will vest based upon current and expected company performance. The maximum number of award units to be issued under all outstanding grants, excluding phantom stock units as they are settled in cash, was 4.0 million and 1.2 million as of June 30, 2019 and December 31, 2018, respectively.

(2) On an annual basis, we engage an independent third-party valuation advisory consulting firm to estimate the EVPS of our common stock.

On March 12, 2019, the Compensation Committee of the Company's Board of Directors (the "Committee") approved a new form of award agreement under the Company's Amended and Restated 2010 Long-Term Incentive Plan for performance-based long term incentive units ("Performance LTIP Units") and made one-time grants of Performance LTIP Units to certain of our executives. Any amounts earned under the Performance LTIP Unit award agreements will be issued in the form of LTIP Units, which represent OP units that are structured as a profits interest in the Operating Partnership. Dividends will accrue on the Performance LTIP Units until the measurement date, subject to a quarterly distribution of 10% of the regular quarterly distributions.

During the three months ended June 30, 2019 and 2018, the expense for all stock-based awards, including phantom stock units, was $3.3 million and $3.1 million, respectively. During the six months ended June 30, 2019 and 2018, the expense was $5.3 million and $4.7 million, respectively. We had $22.6 million of unrecognized compensation costs related to these awards that we expect to recognize over a weighted average period of approximately 4.3 years. The fair value at the vesting date for stock-based awards that vested during the six months ended June 30, 2019 was $2.2 million.

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 Net Loss Attributable to Stockholders by the weighted-average number of shares of common stock 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 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 Fourth Amended and Restated Agreement of Limited Partnership of the Operating Partnership. Phantom stock units are not considered to be participating securities, as they are not convertible into common stock.

The impact of OP units on basic and diluted EPS has been calculated using the two-class method whereby earnings are allocated to the OP units based on dividends declared and the OP 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 June 30, 2019 and 2018.

The following table provides a reconciliation of the numerator and denominator of the earnings per share calculations (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Numerator:				
Net loss attributable to stockholders - basic	$ (36,570)	$ (11,351)	$ (41,765)	$ (12,951)
Net loss attributable to convertible OP units(1)	(5,643)	(2,756)	(6,426)	(3,090)
Net loss - diluted	$ (42,213)	$ (14,107)	$ (48,191)	$ (16,041)
Denominator:				
Weighted-average shares - basic	283,010	184,450	282,148	185,171
OP units(1)	43,288	44,453	43,640	44,453
Adjusted weighted-average shares - diluted	326,298	228,903	325,788	229,624
Earnings per common share:				
Basic and diluted	$ (0.13)	$ (0.06)	$ (0.15)	$ (0.07)

(1) OP units include units that are convertible into common stock or cash, at the Operating Partnership's option. The Operating Partnership loss attributable to these OP units, which is included as a component of Net Loss Attributable to Noncontrolling Interests on the consolidated statements of operations, has been added back in the numerator as these OP units were included in the denominator for all years presented.

Approximately 2.5 million and 1.0 million unvested restricted stock awards were outstanding as of June 30, 2019 and 2018, respectively. These securities were anti-dilutive, and, as a result, their impact was excluded from the weighted-average common shares used to calculate diluted EPS.

14. REVENUE RECOGNITION AND RELATED PARTY TRANSACTIONS

Revenue—Summarized below are amounts included in Fee and Management Income. The revenue includes the fees and reimbursements earned by us from the Managed Funds, and other revenues that are not in the scope of ASC 606 but are included in this table for the purpose of disclosing all related party revenues (in thousands):

	Three Months Ended June 30, 2019				Six Months Ended June 30, 2019			
	PECO III	Joint Ventures	Other Parties(1)	Total	PECO III	Joint Ventures	Other Parties(1)	Total
Recurring fees(2)	$ 228	$ 1,352	$ 59	$ 1,639	$ 422	$ 2,681	$ 118	$ 3,221
Transactional revenue and reimbursements(3)	204	621	2	827	1,016	1,026	7	2,049
Insurance premiums	21	72	492	585	24	72	946	1,042
Total fees and management income	$ 453	$ 2,045	$ 553	$ 3,051	$ 1,462	$ 3,779	$ 1,071	$ 6,312

(1) Insurance premium income from other parties includes amounts from third parties not affiliated with us in the amount of $0.5 million and $1.0 million for the three and six months ended June 30, 2019.

(2) Recurring fees include asset management fees and property management fees.

(3) Transaction revenue includes items such as leasing commissions, construction management fees, and acquisition fees.

	Three Months Ended June 30, 2018				Six Months Ended June 30, 2018			
	REIT II(1)	PECO III and Joint Ventures	Other Parties(2)	Total	REIT II(1)	PECO III and Joint Ventures	Other Parties(2)	Total
Recurring fees	$ 5,189	$ 581	$ 77	$ 5,847	$ 10,333	$ 1,139	$ 152	$ 11,624
Transactional revenue and reimbursements	2,240	515	(11)	2,744	3,951	1,184	20	5,155
Insurance premiums	109	—	437	546	189	—	881	1,070
Total fees and management income	$ 7,538	$ 1,096	$ 503	$ 9,137	$ 14,473	$ 2,323	$ 1,053	$ 17,849

(1) All amounts earned from REIT II were earned prior to the close of the Merger in November 2018, and ceased upon its acquisition by us.

(2) Recurring fees and other revenue from other parties includes amounts from third parties not affiliated with us in the amount of $0.5 million and $0.9 million for the three and six months ended June 30, 2018.

Organization and Offering Costs—Under the terms of one of our Management Agreements, we have incurred organization and offering costs related to PECO III's private placement and public offering since 2017. In June 2019, PECO III's Board of Directors approved the suspension of the public offering, effective June 14, 2019. In connection with the suspension, we reduced our organization and offering cost receivable to the contractually obligated amount as of June 30, 2019, which resulted in a reduction of $2.3 million to Accounts Receivable - Affiliates on our consolidated balance sheets. As of June 30, 2019 and December 31, 2018, we had receivables for organization and offering costs of $2.5 million and $4.5 million, respectively, which were recorded in Accounts Receivable - Affiliates on our consolidated balance sheets.

In addition to organization and offering costs, we have receivables related to Management Agreements from related parties of $0.9 million and $0.6 million as of June 30, 2019 and December 31, 2018, respectively. These amounts were recorded in Accounts Receivable - Affiliates on the consolidated balance sheets.

Other Related Party Matters—Griffin Capital Company, LLC ("Griffin sponsor") owns a 25% interest, and we own a 75% interest, in the PECO III advisor. A portion of organization and offering costs was incurred by the Griffin sponsor. In connection with the suspension of PECO III's public offering, we have reduced our organization and offering cost payable to the contractually obligated amount as of June 30, 2019, which resulted in a $0.4 million reduction to Accounts Payable and Other Liabilities on our consolidated balance sheets. This reduction, coupled with the $2.3 million reduction to Accounts Receivable - Affiliates, resulted in a net increase in expense of $1.9 million recorded in Other Impairment Charges in our consolidated statements of operations. As such, of the receivable we have from PECO III, $0.9 million and $1.2 million were reimbursable to the Griffin sponsor as of June 30, 2019 and December 31, 2018, respectively, and were recorded in Accounts Payable and Other Liabilities on the consolidated balance sheets.

PECO Air L.L.C. ("PECO Air"), an entity in which Mr. Edison, our Chairman, Chief Executive Officer, and President, owns a 50% interest, owns an airplane that we use for business purposes in the course of our operations. We paid approximately $0.2 million to PECO Air for use of its airplane for the three months ended June 30, 2019 and 2018. For the six months ended June 30, 2019 and 2018, we paid $0.5 million and $0.4 million, respectively.

We are the limited guarantor for up to $200 million, capped at $50 million in most instances, of debt for our NRP joint venture. Our guarantee is limited to being the non-recourse carveout guarantor and the environmental indemnitor. Additionally, as a part of the GRP I joint venture, GRP I assumed from us a $175 million mortgage loan for which we assumed the obligation of limited guarantor. Our guarantee is limited to being the non-recourse carveout guarantor and the environmental indemnitor. We entered into a separate agreement with Northwestern Mutual in which we agree to apportion any potential liability under this guaranty between us and them based on our respective ownership percentages.

15. 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.

Debt Obligations—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 June 30, 2019 and December 31, 2018 (in thousands):

	June 30, 2019	December 31, 2018
Fair value	$ 2,467,023	$ 2,467,317
Recorded value[(1)]	2,439,554	2,456,867

(1) Recorded value does not include net deferred financing expenses of $16.1 million and $18.0 million as of June 30, 2019 and December 31, 2018, respectively.

Recurring and Nonrecurring Fair Value Measurements—Our earn-out liability and interest rate swaps are measured and recognized at fair value on a recurring basis, while certain assets and liabilities are measured and recognized at fair value as needed. The fair value measurements that occurred during the six months ended June 30, 2019, and during the year ended December 31, 2018, were as follows (in thousands):

	June 30, 2019			December 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Recurring						
Derivative assets[(1)]	$ —	$ 5,324	$ —	$ —	$ 29,708	$ —
Derivative liability[(1)]	—	(21,007)	—	—	(3,633)	—
Earn-out liability	—	—	(32,000)	—	—	(39,500)
Nonrecurring						
Impaired real estate assets, net[(2)]	—	120,510	—	—	71,991	—
Impaired corporate intangible asset, net	—	—	4,401	—	—	—

(1) We record derivative assets in Other Assets, Net and derivative liabilities in Accounts Payable and Other Liabilities on our consolidated balance sheets.
(2) The carrying value of impaired real estate assets may have subsequently increased or decreased after the measurement date due to capital improvements, depreciation, or sale.

Derivative Instruments—As of June 30, 2019 and December 31, 2018, we had interest rate swaps that fixed LIBOR on portions of our unsecured term loan facilities.

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 Topic 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 June 30, 2019 and December 31, 2018, 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.

Earn-out—In connection with the PELP transaction, the Company entered into a contribution agreement (the "Contribution Agreement"), dated as of May 18, 2017, with the Operating Partnership and the contributors listed therein. The Contribution Agreement established an earn-out structure by which PELP was given the opportunity to earn a maximum of 12.5 million additional OP units if certain milestones related to (i) fundraising in the investment management business, and (ii) the timing and valuation related to a liquidity event for PECO, were achieved by certain dates. The liquidity event earn-out provisions provided, in relevant part, that the contributors would have the right to receive a minimum of three million and a maximum of five million OP units as contingent consideration if a "liquidity event" (as defined in the Contribution Agreement) was successfully achieved by the Company by December 31, 2019. On March 12, 2019, the Company entered into an amendment to the Contribution Agreement ("Amendment"). Pursuant to the terms of the Amendment, the initial liquidity earn-out term has been extended by two years through December 31, 2021 and the threshold for the maximum payout of five million OP units has been raised to $11.20 per share from $10.20 per share.

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 most likely range of potential outcomes includes a possibility of no additional OP units issued as well as up to five million out of the maximum 12.5 million units being issued.

The following table presents a reconciliation of the change in the earn-out liability measured at fair value on a recurring basis using Level 3 inputs (in thousands):

	Earn-Out Liability
Balance at December 31, 2018	$ 39,500
Change in fair value recognized in Other Income (Expense), Net	(7,500)
Balance at June 30, 2019	$ 32,000

Real Estate Asset Impairment—Our real estate assets are measured and recognized at fair value less costs to sell on a nonrecurring basis dependent upon when we determine an impairment has occurred. During the three and six months ended June 30, 2019 and 2018, we impaired assets that were under contract or actively marketed for sale at a disposition price that was less than carrying value, or had other operational impairment indicators. The valuation technique used for the fair value of all impaired real estate assets was the expected net sales proceeds. We determined that valuation to fall under Level 2 of the fair value hierarchy.

We recorded the following expense as a result of the impaired real estate assets (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Impairment of real estate assets	$ 25,199	$ 10,939	$ 38,916	$ 10,939

Corporate Intangible Asset Impairment—In connection with the PELP transaction, we acquired a corporate intangible asset consisting of in-place management contracts. We evaluate our corporate intangible asset for impairment when a triggering event occurs, or circumstances change, that indicate the carrying value may not be recoverable. For the three months ended June 30, 2019, the suspension of the PECO III public offering constituted a triggering event for further review of the corporate intangible asset's fair value compared to its carrying value.

We estimate the fair value of the corporate intangible asset using a discounted cash flow model, leveraging certain Level 3 inputs. The evaluation of corporate intangible assets for potential impairment requires management to exercise significant judgment and to make certain assumptions. The assumptions utilized in the evaluation include future cash flows and a discount rate. For our most recent impairment test for the corporate intangible asset during the three months ended June 30, 2019, we used a discount rate of 19% in our discounted cash flow model.

Based on this analysis, we concluded the carrying value exceeded the estimated fair value of the corporate intangible asset, and an impairment charge of $7.8 million was recorded in Other Impairment Charges on the consolidated statements of operations. As a result of this impairment, the estimated remaining future amortization of the management contracts is as follows: $0.7 million in 2019, $1.4 million in 2020, $1.4 million in 2021, and $0.9 million in 2022.

16. SUBSEQUENT EVENTS

Distributions—Distributions paid to stockholders and OP unit holders of record subsequent to June 30, 2019, were as follows (in thousands, except distribution rate):

Month	Date of Record	Distribution Rate	Date Distribution Paid	Gross Amount of Distribution Paid	Distribution Reinvested through the DRIP	Net Cash Distribution
June	6/15/2019	$0.05583344	7/1/2019	$ 18,101	$ 5,571	$ 12,530
July	7/15/2019	$0.05583344	8/1/2019	18,118	5,412	12,706

In August 2019, our Board authorized distributions for September, October, and November 2019 to the stockholders of record at the close of business on September 16, 2019, October 15, 2019, and November 15, 2019, respectively, equal to a monthly amount of $0.05583344 per share of common stock. The distributions for August 2019 were previously authorized by our Board and are expected to be paid on September 3, 2019. OP unit holders will receive distributions at the same rate as common stockholders. 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.

Property Sales—Subsequent to June 30, 2019, we sold the following real estate property, which was classified as held for sale as of June 30, 2019 (dollars in thousands):

Property Name	Location	Anchor Tenant	Square Footage	Disposition Date	Sale Price
Winery Square	Fairfield, CA	Food Maxx	118,370	7/19/2019	$ 14,250

ITEM 2. 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 I, Item 1. Financial Statements.

Cautionary Note Regarding Forward-Looking Statements

Certain statements contained in this Quarterly Report on Form 10-Q of Phillips Edison & Company, Inc. ("we," the "Company," "our," or "us") 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 forward-looking statements can generally be identified by our use of forward-looking terminology such as "may," "will," "expect," "intend," "anticipate," "estimate," "believe," "continue," "seek," "objective," "goal," "strategy," "plan," "should," "could," 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"). 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 Quarterly Report on Form 10-Q. Therefore, such statements are not intended to be a guarantee of our performance in future periods.

See Part I, Item 1A. Risk Factors of our 2018 Annual Report on Form 10-K, filed with the SEC on March 13, 2019 and Part II, Item 1A. Risk Factors in this Quarterly Report on Form 10-Q 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-Q.

Overview

We are an internally-managed 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 real estate investments. Additionally, we operate an investment management business providing property management and advisory services to approximately $725 million of third-party assets. This business provides comprehensive real estate and asset management services to (i) PECO III, a non-traded publicly registered REIT; (ii) three institutional joint ventures; and (iii) one private fund (collectively, the "Managed Funds").

In November 2018, through our direct or indirect subsidiaries, we entered into a joint venture with Northwestern Mutual. At formation, we contributed or sold 17 grocery-anchored shopping centers with a fair value of approximately $359 million to the new joint venture, GRP I. GRP I also assumed a portfolio loan from us as part of this transaction. In exchange, we received a 15% ownership interest in GRP I and cash of $161.8 million. For a more detailed discussion, see Note 6.

In November 2018, we completed the Merger with REIT II, a public non-traded REIT that was advised and managed by us, in a 100% stock-for-stock transaction valued at approximately $1.9 billion. As a result of the Merger, we acquired 86 properties and a 20% equity interest in NRP, a joint venture that owned 13 properties. For a more detailed discussion, see Note 4.

Portfolio and Leasing Statistics—Below are statistical highlights of our wholly-owned portfolio:

	Total Portfolio as of June 30, 2019
Number of properties	298
Number of states	32
Total square feet (in thousands)	33,526
Leased % of rentable square feet	94.6%
Average remaining lease term (in years)(1)	4.8

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

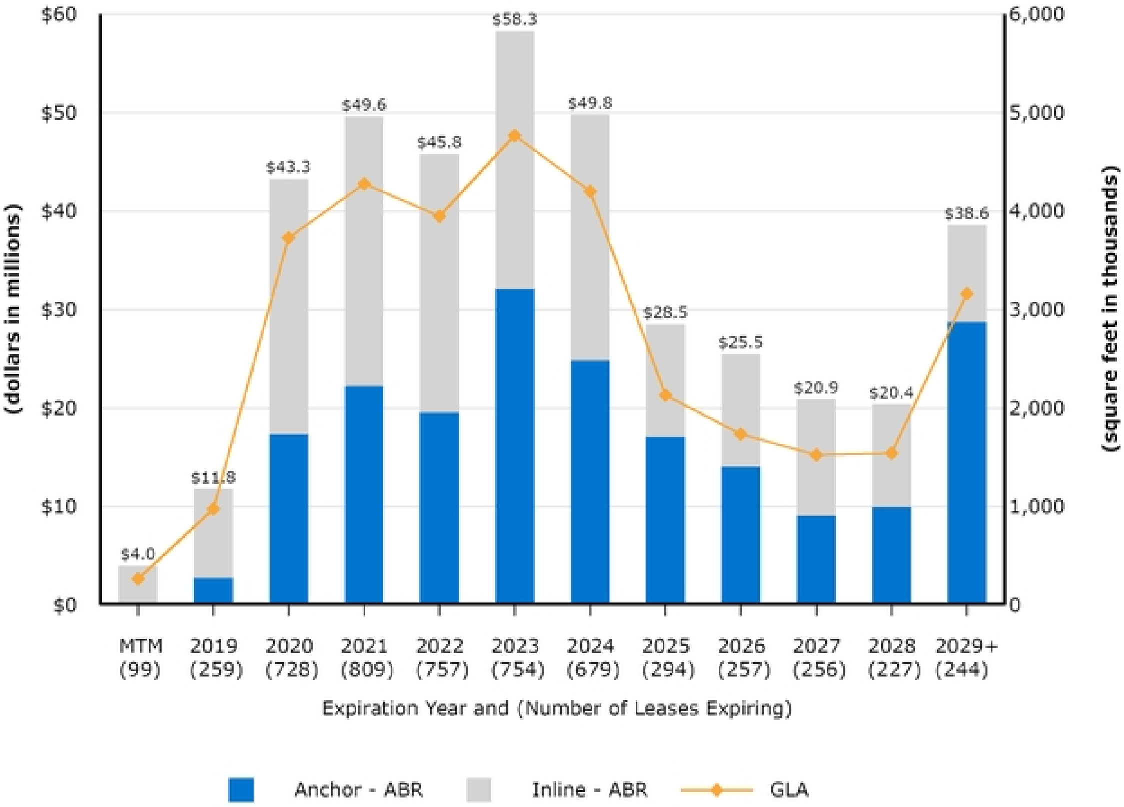
The following table summarizes the portfolio information of the joint ventures and our ownership percentage as of June 30, 2019 (dollars and square feet in thousands):

	June 30, 2019			
Joint Venture	Ownership Percentage	Number of Properties	ABR(1)	GLA(2)
Necessity Retail Partners	20%	13	$ 18,384	1,391
Grocery Retail Partners I	15%	17	24,538	1,908

(1) We calculate annualized base rent ("ABR") as monthly contractual rent as of June 30, 2019, multiplied by 12 months.

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

Lease Expirations—The following chart shows, on an aggregate basis, all of the scheduled lease expirations after June 30, 2019, for each of the next ten years and thereafter for our 298 properties and the prorated portion of those owned through our joint ventures. The chart shows the leased square feet and ABR represented by the applicable lease expiration year:



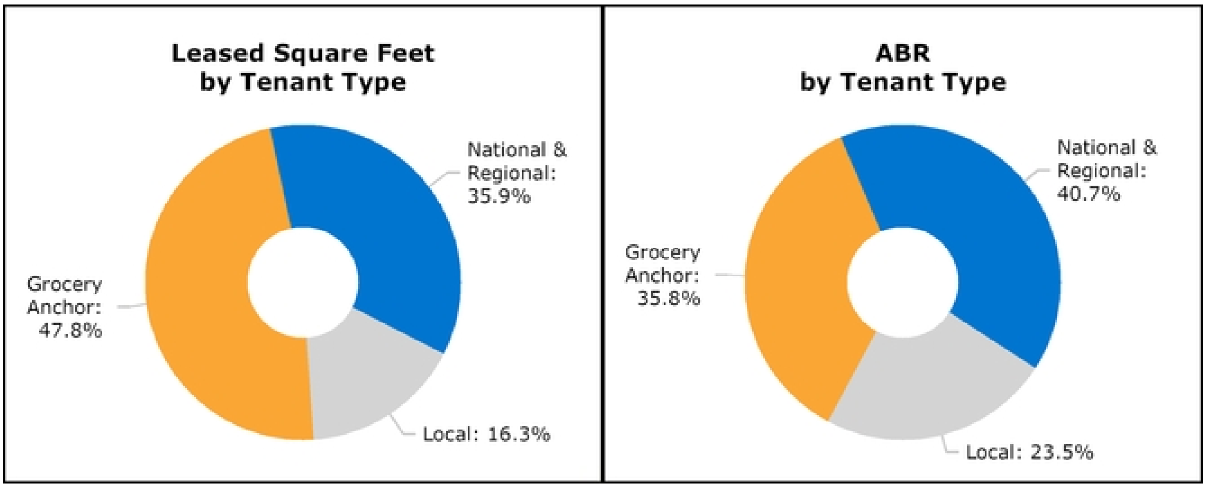
Additionally, subsequent to June 30, 2019, we renewed approximately 0.6 million total square feet and $4.1 million of total ABR of the expiring leases, inclusive of our pro rata share related to our joint ventures.

Based on current market base rental rates, we continue to 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.

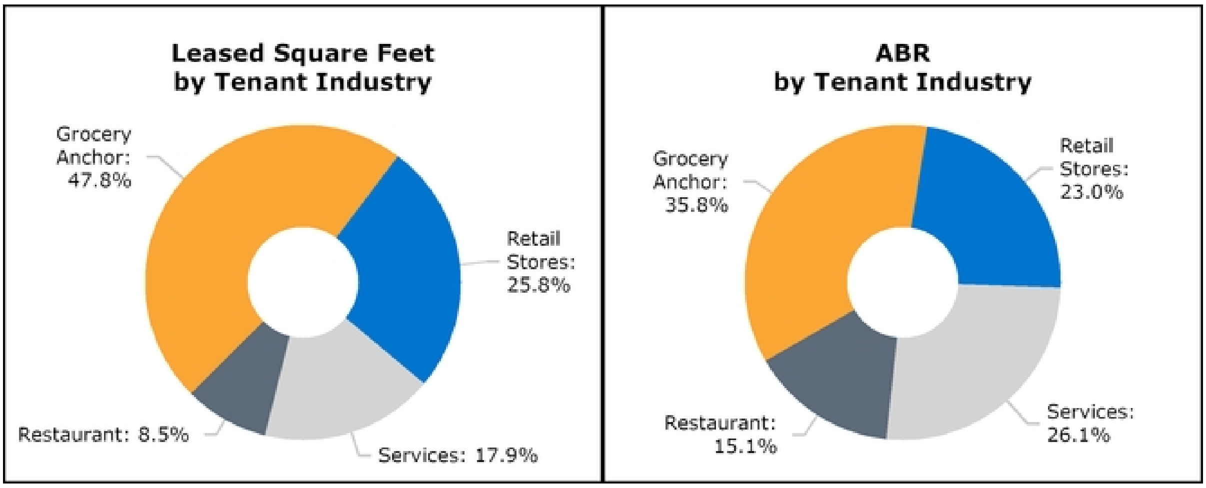
See Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations -
Leasing Activity, for further discussion of leasing activity.

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 property, 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 property, we consider the tenant mix at each property 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, including our wholly-owned properties and the prorated portion of those owned through our joint ventures, by tenant type as of June 30, 2019:



The following charts present the composition of our portfolio by tenant industry as of June 30, 2019:



The following table presents our top twenty tenants, including our wholly-owned properties and the prorated portion of those owned through our joint ventures, grouped according to parent company, by ABR, as of June 30, 2019 (dollars and square feet in thousands):

	June 30, 2019				
Tenant	ABR	% of ABR	Leased Square Feet	% of Leased Square Feet	Number of Locations(1)
Kroger	$ 27,227	6.9%	3,549	11.0%	69
Publix	21,986	5.5%	2,231	6.9%	58
Albertsons-Safeway	17,018	4.3%	1,680	5.2%	32
Ahold Delhaize	16,798	4.2%	1,262	3.9%	25
Walmart	10,451	2.6%	1,956	6.1%	16
Giant Eagle	9,163	2.3%	900	2.8%	13
Sprouts Farmers Market	4,343	1.1%	304	0.9%	10
Dollar Tree	4,189	1.1%	469	1.5%	47
Raley's	3,897	1.0%	262	0.8%	5
Subway	3,142	0.8%	133	0.4%	99
SUPERVALU	3,122	0.8%	400	1.2%	9
Schnuck's	2,953	0.7%	328	1.0%	5
Save Mart	2,868	0.7%	359	1.1%	7
Southeastern Grocers	2,799	0.7%	331	1.0%	8
Anytime Fitness	2,720	0.7%	182	0.6%	39
Lowe's	2,407	0.6%	371	1.2%	4
Kohl's	2,215	0.6%	365	1.1%	4
Food 4 Less (PAQ)	2,124	0.5%	118	0.4%	2
Walgreens	2,117	0.5%	106	0.3%	8
H&R Block	2,090	0.5%	115	0.4%	63
	$ 143,629	36.1%	15,421	47.8%	523

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

Results of Operations

Due to the timing of the closing of the Merger with REIT II, there is no financial data included related to the acquired properties in our results of operations prior to its closing on November 16, 2018. The variances to 2018 are primarily related to the Merger unless otherwise stated.

Summary of Operating Activities for the Three Months Ended June 30, 2019 and 2018

	Three Months Ended June 30,		Favorable (Unfavorable) Change	
(Dollars in thousands)	2019	2018	$	%
Operating Data:				
Total revenues	$ 132,581	$ 104,173	$ 28,408	27.3 %
Property operating expenses	(20,933)	(16,901)	(4,032)	(23.9)%
Real estate tax expenses	(17,930)	(13,326)	(4,604)	(34.5)%
General and administrative expenses	(13,540)	(13,450)	(90)	(0.7)%
Depreciation and amortization	(59,554)	(46,385)	(13,169)	(28.4)%
Impairment of real estate assets	(25,199)	(10,939)	(14,260)	(130.4)%
Interest expense, net	(25,758)	(17,051)	(8,707)	(51.1)%
(Loss) gain on disposal of property, net	(1,266)	985	(2,251)	NM
Other impairment charges	(9,661)	—	(9,661)	NM
Other expense, net	(912)	(1,182)	270	22.8 %
Net loss	(42,172)	(14,076)	(28,096)	NM
Net loss attributable to noncontrolling interests	5,602	2,725	2,877	105.6 %
Net loss attributable to stockholders	$ (36,570)	$ (11,351)	$ (25,219)	NM

Below are explanations of the significant fluctuations in our results of operations for the three months ended June 30, 2019 and 2018:

Total Revenues increased $28.4 million as follows:

- $35.7 million increase related to the Merger with REIT II, including $43.2 million from the properties acquired, partially offset by a reduction of $7.5 million in management fee revenue previously received from the acquired properties;
- $1.4 million increase primarily related to fee and management income received from the joint ventures included as Managed Funds;
- $0.7 million increase related to properties acquired before January 1, 2018, primarily driven by a $0.22 increase in average minimum rent per square foot as compared to the three months ended June 30, 2018;
- $8.1 million decrease related to our net disposition of properties since January 1, 2018, outside of the Merger with REIT II, which includes 17 properties sold or contributed to GRP I and 14 properties sold to third parties, net of 6 properties acquired; and
- $1.3 million decrease related to the change in presentation of real estate tax payments paid directly by tenants. The adoption of ASC 842, which requires lessors to exclude from variable payments all costs paid by a lessee directly to a third party, precludes our recognition of real estate tax payments made by tenants directly to third parties as recoverable revenue or expense. As such, we recognized no applicable real estate tax revenue for these direct payments during the three months ended June 30, 2019. As the recorded revenue in prior periods was completely offset by the recorded expense, this has no net impact to earnings.

Property Operating increased $4.0 million as follows:

- $4.4 million increase related to the properties acquired in the Merger with REIT II;
- $0.2 million decrease related to our same-center portfolio; and
- $0.2 million decrease related to our net disposal and corporate activity.

Real Estate Taxes increased $4.6 million as follows:

- $6.3 million increase related to the properties acquired in the Merger with REIT II;
- $0.4 million increase related to our same-center portfolio;
- $0.8 million decrease related to our net disposal activity; and
- $1.3 million decrease related to the change in presentation of real estate tax payments paid directly by tenants due to the adoption of ASC 842.

Impairment of Real Estate Assets:

- Our increase in impairment of real estate assets of $14.3 million is related to assets under contract or actively marketed for sale at a disposition price that was less than the carrying value. Upon disposition, we intend to use the funds to execute our initiatives to recycle capital into higher quality assets, invest in our existing properties through redevelopment, and reduce our leverage.

Interest Expense, Net:

- The $8.7 million increase was largely due to $464.5 million of debt assumed and new debt entered into in connection with the Merger. Interest expense, net was comprised of the following (dollars in thousands):

	Three Months Ended June 30,	
	2019	2018
Interest on revolving credit facility, net	$ 566	$ 544
Interest on term loans, net	15,851	9,579
Interest on secured debt	5,767	6,074
Amortization of deferred financing expenses, assumed market debt and derivative adjustments, net	3,480	854
Other	94	—
Interest expense, net	$ 25,758	$ 17,051
Weighted-average interest rate as of end of period	3.5%	3.5%
Weighted-average term (in years) as of end of period	4.7	4.9

(Loss) Gain on Disposal of Property, Net:

- The $2.3 million change was related to a net loss recognized from the sale of three properties during the three months ended June 30, 2019, as compared to a net gain recognized from the sale of two properties during the three months ended June 30, 2018.

Other Impairment Charges:

- Other impairment charges of $9.7 million are due to the suspension of the PECO III public offering. This included a $7.8 million impairment of a corporate intangible asset and a $1.9 million impairment of organization and offering costs (see Notes 14 and 15).

Other Expense, Net decreased $0.3 million as follows:

- $0.9 million expense, net during the three months ended June 30, 2019 was primarily attributable to:
  - $0.5 million expense from our unconsolidated joint ventures, primarily due to the amortization of basis adjustments as a result of our Merger with REIT II; and
  - $0.3 million expense related to state and local income taxes.
- $1.2 million expense, net during the three months ended June 30, 2018 was primarily attributable to a $1.5 million expense related to an increase in the fair value of our earn-out liability (see Note 15).

Summary of Operating Activities for the Six Months Ended June 30, 2019 and 2018

	Six Months Ended June 30,		Favorable (Unfavorable) Change	
(Dollars in thousands)	**2019**	**2018**	**$**	**%**
Operating Data:				
Total revenues	$ 265,350	$ 207,372	$ 57,978	28.0 %
Property operating expenses	(43,799)	(35,016)	(8,783)	(25.1)%
Real estate tax expenses	(35,278)	(26,473)	(8,805)	(33.3)%
General and administrative expenses	(26,750)	(23,911)	(2,839)	(11.9)%
Depreciation and amortization	(120,543)	(92,812)	(27,731)	(29.9)%
Impairment of real estate assets	(38,916)	(10,939)	(27,977)	NM
Interest expense, net	(50,842)	(33,830)	(17,012)	(50.3)%
Gain on disposal of property, net	5,855	985	4,870	NM
Other impairment charges	(9,661)	—	(9,661)	NM
Other income (expense), net	6,624	(1,289)	7,913	NM
Net loss	(47,960)	(15,913)	(32,047)	NM
Net loss attributable to noncontrolling interests	6,195	2,962	3,233	109.1 %
Net loss attributable to stockholders	$ (41,765)	$ (12,951)	$ (28,814)	NM

Below are explanations of the significant fluctuations in the results of operations for the six months ended June 30, 2019 and 2018:

Total Revenues increased $58.0 million as follows:

- $73.4 million increase related to the Merger with REIT II, including $87.9 million from the properties acquired, partially offset by a reduction of $14.5 million in management fee revenue previously received from the acquired properties;
- $2.9 million increase primarily related to fee and management income received from the joint ventures included as Managed Funds;
- $1.5 million increase related to properties acquired before January 1, 2018, primarily driven by a $0.20 increase in average minimum rent per square foot as compared to the six months ended June 30, 2018;
- $16.4 million decrease related to our net disposition of properties since January 1, 2018, outside of the Merger with REIT II. This includes 17 properties sold or contributed to GRP I and 14 properties sold to third parties, net of 6 properties acquired; and
- $3.4 million decrease related to the adoption of ASC 842 (see our Summary of Operating Activities for the Three Months Ended June 30, 2019 and 2018), which included a $2.7 million decrease related to the change in presentation of real estate tax payments paid directly by tenants, and a $0.7 million decrease related to the change in presentation of our assessment of lease collectability.

Property Operating increased $8.8 million primarily as follows:

- $9.6 million increase related to the properties acquired in the Merger with REIT II;
- $0.7 million decrease related to our same-center portfolio; and
- $0.2 million decrease related to our net disposal and corporate activity.

Real Estate Taxes increased $8.8 million as follows:

- $12.8 million increase related to the properties acquired in the Merger with REIT II;
- $0.6 million increase related to our same-center portfolio;
- $1.9 million decrease related to our net disposal activity; and
- $2.7 million decrease related to the change in presentation of real estate tax payments paid directly by tenants due to the adoption of ASC 842.

General and Administrative Expenses:

- The $2.8 million increase in general and administrative expenses was driven by the Merger with REIT II, primarily related to overhead costs such as compensation and benefits, accounting fees, and IT-related costs which are no longer reimbursable from REIT II as it is no longer an unconsolidated Managed Fund.

Impairment of Real Estate Assets:

- Our increase in impairment of real estate assets of $28.0 million is related to assets under contract or actively marketed for sale at a disposition price that was less than the carrying value. Upon disposition, we intend to use the funds to execute our initiatives to recycle capital into higher quality assets, invest in our existing properties through redevelopment, and reduce our leverage.

Interest Expense, Net:

- The $17.0 million increase was largely due to $464.5 million of debt assumed and new debt entered into in connection with the Merger. Interest expense, net was comprised of the following (dollars in thousands):

	Six Months Ended June 30,	
	2019	2018
Interest on revolving credit facility, net	$ 1,421	$ 811
Interest on term loans, net	30,704	18,872
Interest on secured debt	11,539	12,337
Amortization of deferred financing expenses, assumed market debt and derivative adjustments, net	7,004	1,810
Other	174	—
Interest expense, net	$ 50,842	$ 33,830
Weighted-average interest rate as of end of period	3.5%	3.5%
Weighted-average term (in years) as of end of period	4.7	4.9

Gain on Disposal of Property, Net:

- The $4.9 million increase was related to the sale of six properties during the six months ended June 30, 2019, as compared to the sale of two properties during the six months ended June 30, 2018 (see Note 5).

Other Impairment Charges:

- Other impairment charges of $9.7 million are due to the suspension of the PECO III public offering. This included a $7.8 million impairment of a corporate intangible asset and a $1.9 million impairment of organization and offering costs (see Notes 14 and 15).

Other Income (Expense), Net increased $7.9 million as follows:

- $6.6 million income, net during the six months ended June 30, 2019 was primarily attributable to:
    - $7.5 million income related to the change in fair value of our earn-out liability (see Note 15);
    - $0.5 million income related to other non-recurring income associated with property acquisitions;
    - $1.0 million expense from our unconsolidated joint ventures, primarily due to the amortization of basis adjustments as a result of our Merger with REIT II; and
    - $0.3 million expense related to state and local income taxes.
- $1.3 million expense, net during the six months ended June 30, 2018 was primarily attributable to a $1.5 million expense related to an increase in the fair value of our earn-out liability.

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.

Below is a summary of leasing activity for our wholly-owned properties for the three months ended June 30, 2019 and 2018[1]:

	Total Deals		Inline Deals[2]	
	2019	2018[3]	2019	2018[3]
New leases:				
Number of leases	100	44	96	42
Square footage (in thousands)	393	119	227	93
First-year base rental revenue (in thousands)	$ 5,467	$ 1,905	$ 4,017	$ 1,679
Average rent per square foot (“PSF”)	$ 13.91	$ 16.04	$ 17.67	$ 17.98
Average cost PSF of executing new leases[4]	$ 25.68	$ 23.92	$ 30.54	$ 23.84
Number of comparable leases[5]	33	12	33	11
Comparable rent spread[6]	10.5%	15.1%	10.5%	4.3%
Weighted average lease term (in years)	8.1	6.0	7.0	5.5
Renewals and options:				
Number of leases	159	134	148	124
Square footage (in thousands)	716	650	309	290
First-year base rental revenue (in thousands)	$ 9,579	$ 8,203	$ 6,759	$ 4,980
Average rent PSF	$ 13.39	$ 12.62	$ 21.87	$ 17.16
Average rent PSF prior to renewals	$ 12.15	$ 11.74	$ 19.73	$ 15.61
Percentage increase in average rent PSF	10.2%	7.3%	10.9%	9.7%
Average cost PSF of executing renewals and options	$ 2.59	$ 2.45	$ 4.29	$ 3.62
Number of comparable leases	122	98	117	95
Comparable rent spread	10.8%	7.9%	11.0%	9.8%
Weighted average lease term (in years)	4.8	5.0	4.4	4.6
Portfolio retention rate[7]	87.1%	94.9%	76.2%	89.2%

(1) Per square foot amounts may not recalculate exactly based on other amounts presented within the table due to rounding.

(2) We consider an inline deal to be a lease for less than 10,000 square feet of GLA.

(3) Leasing activity in 2018 does not include activity for the REIT II properties, as they were acquired in the Merger on November 16, 2018.

(4) The cost of executing new leases, renewals, and options includes leasing commissions, tenant improvement costs, landlord work, and tenant concessions. The costs associated with landlord work for repositioning and redevelopment projects are excluded, if any.

(5) A comparable lease is a lease that is executed for the exact same space (location and square feet) in which a tenant was previously located. For a lease to be considered comparable, it must have been executed within 365 days from the earlier of legal possession or the day the prior tenant physically vacated the space.

(6) The comparable rent spread compares the percentage increase (or decrease) of new or renewal leases (excluding options) to the expiring lease of a unit that was occupied within the past 12 months.

(7) 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.

Below is a summary of leasing activity for our wholly-owned properties for the six months ended June 30, 2019 and 2018[1]:

	Total Deals		Inline Deals	
	2019	2018	2019	2018
New leases:				
Number of leases	207	118	199	113
Square footage (in thousands)	716	363	479	264
First-year base rental revenue (in thousands)	$ 10,345	$ 5,141	$ 8,184	$ 4,440
Average rent PSF	$ 14.44	$ 14.15	$ 17.07	$ 16.84
Average cost PSF of executing new leases	$ 26.51	$ 24.48	$ 29.10	$ 24.74
Number of comparable leases	73	33	71	31
Comparable rent spread	14.6%	18.1%	13.0%	10.2%
Weighted average lease term (in years)	7.6	6.8	6.7	6.7
Renewals and options:				
Number of leases	322	251	300	229
Square footage (in thousands)	1,404	1,224	635	489
First-year base rental revenue (in thousands)	$ 20,129	$ 15,829	$ 13,865	$ 9,024
Average rent PSF	$ 14.34	$ 12.93	$ 21.83	$ 18.44
Average rent PSF prior to renewals	$ 13.12	$ 11.95	$ 19.52	$ 16.65
Percentage increase in average rent PSF	9.3%	8.2%	11.9%	10.6%
Average cost PSF of executing renewals and options	$ 2.91	$ 2.76	$ 4.68	$ 4.02
Number of comparable leases	252	185	244	177
Comparable rent spread	11.6%	9.4%	12.4%	11.6%
Weighted average lease term (in years)	4.8	4.9	4.6	4.8
Portfolio retention rate	85.5%	91.6%	78.4%	82.9%

(1) See the footnotes to the summary of leasing activity table for the three months ended June 30, 2019, for more detail regarding certain items throughout this table.

Non-GAAP Measures

Pro Forma Same-Center Net Operating Income ("NOI")—Same-Center NOI represents the NOI for the properties that were owned and operational for the entire portion of both comparable reporting periods. For purposes of evaluating Same-Center NOI on a comparative basis, we are presenting Pro Forma Same-Center NOI, which is Same-Center NOI on a pro forma basis as if the Merger had occurred on January 1, 2018. This perspective allows us to evaluate Same-Center NOI growth over a comparable period. As of June 30, 2019, we had 291 same-center properties, including 85 same-center properties acquired in the Merger. Pro Forma Same-Center NOI is not necessarily indicative of what actual Same-Center NOI growth would have been if the Merger had occurred on January 1, 2018, nor does it purport to represent Same-Center NOI 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 (dollars in thousands):

	Three Months Ended June 30,		Favorable (Unfavorable)		Six Months Ended June 30,		Favorable (Unfavorable)	
	2019	2018(1)	$ Change	% Change	2019	2018(1)	$ Change	% Change
Revenues:								
Rental income(2)	$ 92,448	$ 92,072	$ 376		$ 184,159	$ 182,928	$ 1,231	
Tenant recovery income	28,452	29,908	(1,456)		58,346	61,541	(3,195)	
Other property income	458	508	(50)		1,079	1,195	(116)	
Total revenues	121,358	122,488	(1,130)	(0.9)%	243,584	245,664	(2,080)	(0.8)%
Operating expenses:								
Property operating expenses	16,859	18,211	1,352		35,575	38,466	2,891	
Real estate taxes	17,488	18,585	1,097		34,209	36,871	2,662	
Total operating expenses	34,347	36,796	2,449	6.7 %	69,784	75,337	5,553	7.4 %
Total Pro Forma Same-Center NOI	$ 87,011	$ 85,692	$ 1,319	1.5 %	$ 173,800	$ 170,327	$ 3,473	2.0 %

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

(2) Excludes straight-line rental income, net amortization of above- and below-market leases, and lease buyout income. In accordance with ASC 842, revenue amounts deemed uncollectible are included in rental income for 2019 and property operating expense in 2018.

Pro Forma Same-Center Net Operating Income Reconciliation—Below is a reconciliation of Net Loss to NOI for our real estate investments and Pro Forma Same-Center NOI (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net loss	$ (42,172)	$ (14,076)	$ (47,960)	$ (15,913)
Adjusted to exclude:				
Fees and management income	(3,051)	(9,137)	(6,312)	(17,849)
Straight-line rental income	(2,819)	(1,409)	(4,532)	(2,489)
Net amortization of above- and below-market leases	(1,091)	(983)	(2,224)	(1,990)
Lease buyout income	(223)	(43)	(456)	(66)
General and administrative expenses	13,540	13,450	26,750	23,911
Depreciation and amortization	59,554	46,385	120,543	92,812
Impairment of real estate assets	25,199	10,939	38,916	10,939
Interest expense, net	25,758	17,051	50,842	33,830
Loss (gain) on disposal of property, net	1,266	(985)	(5,855)	(985)
Other impairment charges	9,661	—	9,661	—
Other	912	1,087	(6,624)	1,100
Property management expense allocations to third-party assets under management	3,462	4,001	6,725	7,791
NOI for real estate investments	89,996	66,280	179,474	131,091
Less: NOI from centers excluded from same-center	(2,985)	(8,783)	(5,674)	(17,290)
NOI from same-center properties acquired in the Merger, prior to acquisition	—	28,195	—	56,526
Total Pro Forma Same-Center NOI	$ 87,011	$ 85,692	$ 173,800	$ 170,327

Pro Forma Same-Center Properties—Below is a breakdown of our property count, including same-center properties by origin as well as non-same-center properties:

	Six Months Ended June 30, 2019
Same-center properties owned since January 1, 2018	206
Same-center properties acquired in the Merger	85
Properties acquired after January 1, 2018	7
Total properties	298

REIT II Same-Center Net Operating Income—NOI from the REIT II properties acquired in the Merger, prior to acquisition, was obtained from the accounting records of REIT II without adjustment. The accounting records were subject to internal review by us. The table below provides Same-Center NOI detail for the non-ownership period of REIT II (in thousands):

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Revenues:		
Rental income[1]	$ 30,731	$ 61,304
Tenant recovery income	10,946	22,821
Other property income	172	443
Total revenues	41,849	84,568
Operating expenses:		
Property operating expenses	6,823	14,275
Real estate taxes	6,831	13,767
Total operating expenses	13,654	28,042
Total Same-Center NOI	$ 28,195	$ 56,526

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

Funds from Operations ("FFO") and Modified Funds from Operations ("MFFO")—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 stockholders computed in accordance with GAAP, excluding gains (or losses) from sales of property and gains (or losses) from change in control, plus depreciation and amortization, and after adjustments for impairment losses on 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 FFO 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. 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, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Calculation of FFO Attributable to Stockholders and Convertible Noncontrolling Interests				
Net loss	$ (42,172)	$ (14,076)	$ (47,960)	$ (15,913)
Adjustments:				
Depreciation and amortization of real estate assets	57,828	42,841	117,170	85,140
Impairment of real estate assets	25,199	10,939	38,916	10,939
Loss (gain) on disposal of property, net	1,266	(985)	(5,855)	(985)
Adjustments related to unconsolidated joint ventures	1,051	—	2,106	—
FFO attributable to the Company	43,172	38,719	104,377	79,181
Adjustments attributable to noncontrolling interests not convertible into common stock	(41)	(31)	(231)	(128)
FFO attributable to stockholders and convertible noncontrolling interests	$ 43,131	$ 38,688	$ 104,146	$ 79,053
Calculation of MFFO				
FFO attributable to stockholders and convertible noncontrolling interests	$ 43,131	$ 38,688	$ 104,146	$ 79,053
Adjustments:				
Net amortization of above- and below-market leases	(1,091)	(982)	(2,224)	(1,990)
Depreciation and amortization of corporate assets	1,726	3,544	3,373	7,672
Straight-line rent	(2,743)	(1,414)	(4,456)	(2,471)
Amortization of market debt adjustment	2,255	(465)	4,482	(737)
Change in fair value of earn-out liability	—	1,500	(7,500)	1,500
Other impairment charges	9,661	—	9,661	—
Adjustments related to unconsolidated joint ventures	353	—	697	—
Other	188	74	276	104
MFFO	$ 53,480	$ 40,945	$ 108,455	$ 83,131
FFO Attributable to Stockholders and Convertible Noncontrolling Interests/MFFO per share				
Weighted-average common shares outstanding - diluted[(1)]	326,607	228,909	326,124	229,628
FFO attributable to stockholders and convertible noncontrolling interests per share - diluted[(1)]	$ 0.13	$ 0.17	$ 0.32	$ 0.34
MFFO per share - diluted [(1)]	$ 0.16	$ 0.18	$ 0.33	$ 0.36

(1) Restricted stock awards were dilutive to FFO Attributable to Stockholders and Convertible Noncontrolling Interests and MFFO for the three and six months ended June 30, 2019 and 2018, and, accordingly, their impact was included in the weighted-average common shares used to calculate diluted FFO Attributable to Stockholders and Convertible Noncontrolling Interests and MFFO per share.

Liquidity and Capital Resources

General—Aside from standard operating expenses, we expect our principal cash demands to be for:

- cash distributions to stockholders;
- capital expenditures and leasing costs;
- investments in real estate;
- redevelopment and repositioning projects;
- repurchases of common stock; and
- principal and interest payments on our outstanding indebtedness.

We expect our primary sources of liquidity to be:

- operating cash flows;
- proceeds received from dispositions of properties;
- reinvested distributions;
- proceeds from debt financings, including borrowings under our unsecured credit facility;
- distributions received from joint ventures; and
- available, unrestricted cash and cash equivalents.

We believe our sources of cash will provide adequate liquidity to fund our obligations.

Debt—The following table summarizes information about our debt as of June 30, 2019 and December 31, 2018 (dollars in thousands):

	June 30, 2019	December 31, 2018
Total debt obligations, gross(1)	$ 2,443,395	$ 2,461,438
Weighted average interest rate	3.5%	3.5%
Weighted average maturity	4.7	4.9
Revolving credit facility capacity	$ 500,000	$ 500,000
Revolving credit facility availability(2)	491,423	426,182
Revolving credit facility maturity(3)	October 2021	October 2021

(1) Excludes assumed market debt adjustments and deferred financing expenses.

(2) Net of outstanding letters of credit.

(3) The revolving credit facility has additional options to extend the maturity to October 2022.

Our debt is subject to certain covenants and, as of June 30, 2019, 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 June 30, 2019, allow us access to future borrowings as needed.

The following table presents our calculation of net debt to total enterprise value, inclusive of our prorated portion of net debt owned through our joint ventures, as of June 30, 2019 and December 31, 2018 (dollars in thousands):

	June 30, 2019	December 31, 2018
Net debt:		
Total debt, excluding below-market adjustments and deferred financing expenses	$ 2,504,389	$ 2,522,432
Less: Cash and cash equivalents	18,492	18,186
Total net debt	$ 2,485,897	$ 2,504,246
Enterprise value:		
Total net debt	$ 2,485,897	$ 2,504,246
Total equity value(1)	3,627,314	3,583,029
Total enterprise value	$ 6,113,211	$ 6,087,275
Net debt to total enterprise value	40.7%	41.1%

(1) Total equity value is calculated as the product of the number of diluted shares outstanding and the estimated net asset value per share at the end of the period. There were 326.8 million and 324.6 million diluted shares outstanding as of June 30, 2019 and December 31, 2018, respectively.

As of June 30, 2019, we had cash and cash equivalents and restricted cash of $52.6 million, a net decrease of $31.7 million during the six months ended June 30, 2019.

Below is a summary of our cash flow activity (dollars in thousands):

	Six Months Ended June 30,			
	2019	2018	$ Change	% Change
Net cash provided by operating activities	$ 100,069	$ 77,812	$ 22,257	28.6%
Net cash used in investing activities	(26,987)	(13,268)	(13,719)	103.4%
Net cash used in financing activities	(104,830)	(66,951)	(37,879)	56.6%

Operating Activities—Our net cash provided by operating activities was primarily impacted by the following:

- Property operations—Most of our operating cash comes from rental income and is offset by property operating expenses, real estate taxes, and general and administrative costs. Our change in cash flows from property operations primarily results from owning a larger portfolio year-over-year as a result of the Merger with REIT II.
- Fee and management income—We also generate operating cash from our third-party investment management business, pursuant to various management and advisory agreements between us and the Managed Funds. Our fee and management income was $6.3 million for the six months ended June 30, 2019, a decrease of $11.5 million as compared to the same period in 2018, primarily due to fee and management income no longer received from the properties acquired in the Merger with REIT II, offset by increased fee and management income as a result of our joint ventures.
- Cash paid for interest—During the six months ended June 30, 2019, we paid $44.2 million for interest, an increase of $11.7 million over the same period in 2018. This increase was largely due to $464.5 million of debt assumed and new debt entered into in connection with the Merger with REIT II.
- Working capital—During the six months ended June 30, 2019, the increase in cash used for working capital was primarily driven by higher prepaid expenses, partially offset by higher third party payables as a result of owning a larger portfolio.
- Accounting for lease costs—The adoption of ASC 842 has caused us to expense as incurred significant lease origination costs which were previously capitalized. Such origination costs are now included as operating expenses and are therefore included as a reduction of our cash flows from operations rather than classified as capital expenditures on the statements of cash flows in the current period. As a result of the adoption, we recognized an additional $1.9 million of lease origination costs as operating cash outflows during the six months ended June 30, 2019, as compared to the same period in 2018.

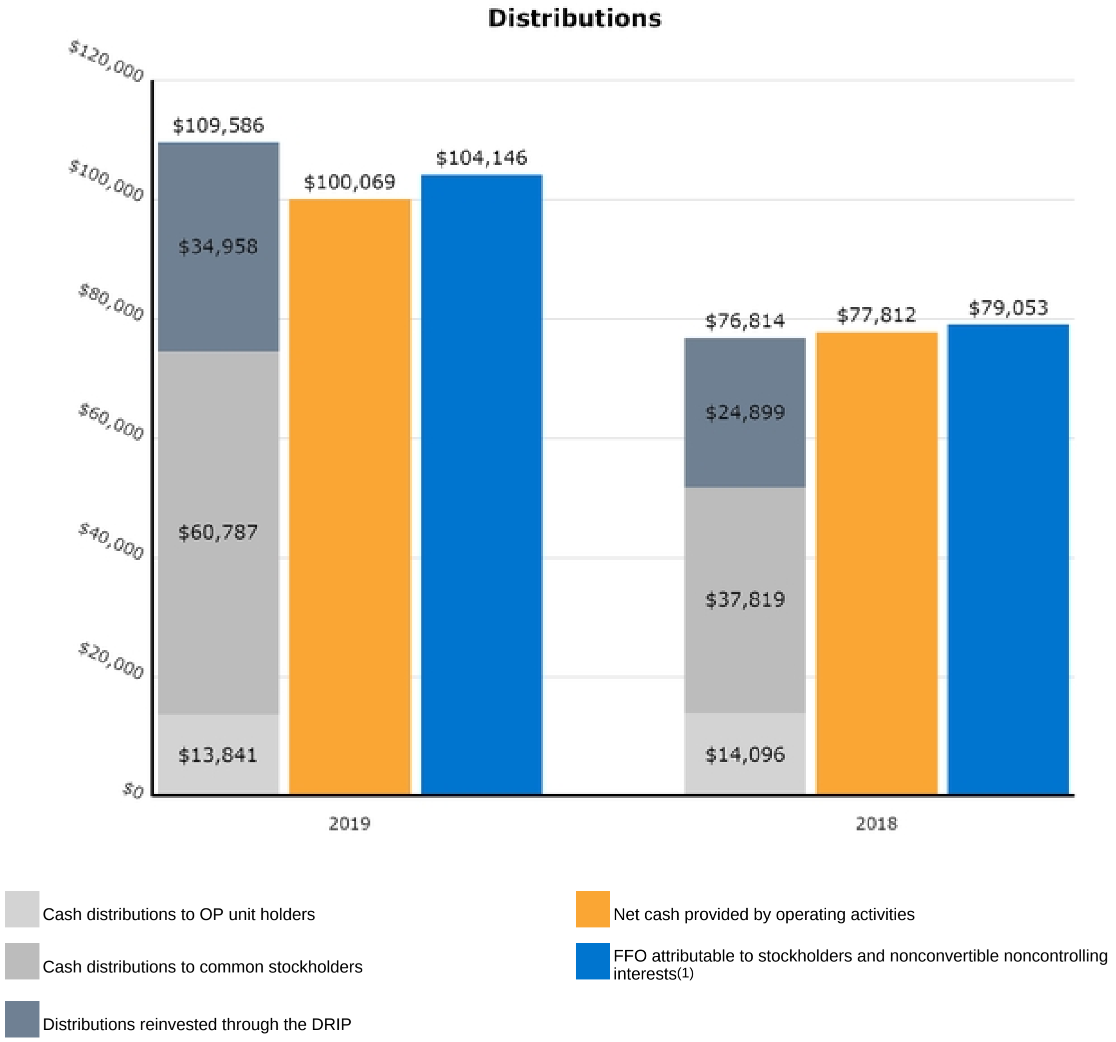
Investing Activities—Our net cash used in investing activities was primarily impacted by the following:

- Real estate acquisitions and dispositions—During the six months ended June 30, 2019, we acquired one property and one outparcel for a total cash outlay of $49.9 million, as compared to one property acquisition during the same period in 2018 for a total cash outlay of $9.2 million. During the six months ended June 30, 2019, we disposed of six properties for a net cash inflow of $47.9 million, as compared to two property dispositions for a net cash inflow of $13.3 million during the same period in 2018.
- Capital expenditures—We invest capital into leasing our properties and maintaining or improving the condition of our properties. During the six months ended June 30, 2019, we paid $27.2 million for capital expenditures, an increase of $9.9 million over the same period in 2018, primarily driven by tenant improvements due to higher leasing activity, and an increase in building improvements due to our larger portfolio. Additionally, we have invested in other value-added redevelopment and new development in our existing centers.

Financing Activities—Net cash used in financing activities was primarily impacted by the following:

- Debt borrowings and payments—Cash from financing activities is primarily affected by inflows from borrowings and outflows from payments on debt. 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. During the six months ended June 30, 2019, our cash from borrowings decreased by $47.7 million as a result of an increase in cash flows received from the sale of properties as well as higher cash flows from operations. In May 2019, we executed a $60 million delayed draw feature on one of our term loans, the proceeds of which were used to to pay down our revolving credit facility balance. As of June 30, 2019, we had no outstanding balance on our revolver.
- Distributions to stockholders and OP unit holders—Cash used for distributions to common stockholders and OP unit holders increased $22.7 million for the six months ended June 30, 2019, as compared to the same period in 2018 primarily due to the increase in the number of common stockholders as a result of the Merger.
- Share repurchases—Our SRP provides an opportunity for stockholders to have shares of common stock repurchased, subject to certain restrictions and limitations (see Note 11). Cash outflows for share repurchases decreased by $32.7 million due to the timing of our standard share repurchase in the third quarter of 2019 as compared to the second quarter of 2018.

Distributions—Activity related to distributions to our common stockholders and OP unit holders for the six months ended June 30, 2019 and 2018, was as follows (in thousands):



(1) See Item 2. 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, for information regarding why we present FFO, as well as for a reconciliation of this non-GAAP financial measure to Net Loss.

We paid distributions monthly and expect to continue paying distributions monthly (subject to Board authorization) 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 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.

Critical Accounting Policies

Our 2018 Annual Report on Form 10-K contains a description of our critical accounting policies, including those relating to real estate assets, revenue recognition, and the valuation of real estate, investments, and related intangible assets. There have been no significant changes to our critical accounting policies during 2019, except for the policies related to the accounting for leases as a result of the adoption of ASC 842 as of January 1, 2019, as described in Note 2 and Note 3 in the accompanying consolidated financial statements.

Impact of Recently Issued Accounting Pronouncements

Refer to Note 2 for discussion of the impact of recently issued accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes from the quantitative and qualitative disclosures about market risk disclosed in Part II, Item 7A of our 2018 Annual Report on Form 10-K filed with the SEC on March 13, 2019.

ITEM 4. 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 June 30, 2019. 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 June 30, 2019.

Changes in Internal Control over Financial Reporting

During the quarter ended June 30, 2019, there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

w PART II OTHER INFORMATION

ITEM 1. 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 for 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 1A. RISK FACTORS

The following risk factor supplements the risk factors set forth in our 2018 Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (“SEC”) on March 13, 2019:

If we continue to 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 (other than those limits set forth under Maryland law). To the extent we continue to fund distributions from borrowings, 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 need to borrow funds to pay distributions, 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 six months ended June 30, 2019, we paid gross distributions to our common stockholders of $109.6 million, including distributions reinvested through the dividend reinvestment plan (“DRIP”) of $35.0 million. For the six months ended June 30, 2019, our net cash provided by operating activities was $100.1 million, which represents a shortfall of of $9.5 million, or 8.7%, of our distributions paid, while our funds from operations (“FFO”) Attributable to Stockholders and Convertible Noncontrolling Interests were $104.1 million, which represents a shortfall of $5.5 million, or 5.0%, of the distributions paid. The shortfall was funded by proceeds from borrowings. For the six months ended June 30, 2018, we paid distributions of $76.8 million, including distributions reinvested through the DRIP of $24.9 million. For the six months ended June 30, 2018, our net cash provided by operating activities was $77.8 million, which represents a surplus of $1.0 million, or 1.3%, of our distributions paid, while our FFO was $79.1 million, which represents a surplus of $2.3 million, or 3.0% of our distributions paid.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Share Repurchases

During the three months ended June 30, 2019, 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 Repurchased Under the Program
April 2019	174	$	11.05	174	(3)
May 2019	172		11.10	172	(3)
June 2019	195		11.10	195	(3)

(1) On May 8, 2019, our Board increased the estimated value per share ("EVPS") of our common stock to $11.10 based substantially on the estimated market value of our portfolio of real estate properties and our third-party investment management business as of March 31, 2019. Prior to May 8, 2019, the EVPS was $11.05 (see Note 11).

(2) We announced the commencement of the Share Repurchase Program ("SRP") in August 2010, and it was subsequently amended in September 2011, April 2016, and August 2019.

(3) We currently limit the dollar value and number of shares that may yet be repurchased under the SRP, as described in Part II Item 5 of our Annual Report on Form 10-K filed March 13, 2019. In addition, in August 2019, the SRP was suspended with respect to standard share repurchases.

On August 7, 2019, the Board amended the SRP, adopting the Third Amended and Restated Share Repurchase Program (the "Third Amended SRP"). Under the Third Amended SRP, the repurchase price per share will be equal to the lesser of $10.00 or our most recent EVPS. The Third Amended SRP will become effective 30 days after the date of this filing and the full text of the Third Amended SRP is attached hereto as Exhibit 99.1.

On August 7, 2019, the Board suspended the SRP for standard repurchases. However, 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 Third Amended SRP.

During the six months ended June 30, 2019, we repurchased approximately 1.1 million shares of our common stock under the SRP in connection with a stockholder's death, "qualifying disability," or "determination of incompetence," which requests were completed in full. Due to the program's funding limits, no funds were available for standard repurchases during the second quarter of 2019. In July 2019, we repurchased approximately 1.2 million shares of our common stock under the SRP. Repurchases in connection with a stockholder's death, "qualifying disability," or "determination of incompetence" were completed in full. The remaining repurchase requests that were in good order were fulfilled on a pro rata basis.

Unregistered Sales of Equity Securities

During the six months ended June 30, 2019, we issued an aggregate of 1.9 million shares of common stock in redemption of 1.9 million Operating Partnership units. These shares of common stock were issued in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended. We relied on the exemption under Section 4(a)(2) based upon factual representations received from the limited partner who received the shares of common stock.

ITEM 5. OTHER INFORMATION

Director Elections

On August 7, 2019, the Board increased its size to nine directors, effective November 1, 2019, and appointed Elizabeth Fischer and Jane Silfen each to serve from November 1, 2019 until the 2020 annual meeting of stockholders and until her successor is duly elected and qualified. There are no arrangements or understandings between either of Mses. Fischer or Silfen and any other persons pursuant to which either of them was elected as a director. The Board determined that each of Mses. Fischer and Silfen is independent as defined by the rules of the New York Stock Exchange. Mses. Fischer and Silfen will participate in the compensation program for non-employee directors as described under the heading "Director Compensation" in our Proxy Statement filed with the SEC on March 29, 2019.

Chief Financial Officer

As previously disclosed, John P. Caulfield has been promoted to the role of Chief Financial Officer, effective August 15, 2019. In connection with his promotion, Mr. Caulfield and the Company entered into a Participation Agreement dated August 7, 2019, pursuant to which he became a participant in the Company's Executive Change in Control and Severance Plan. The Participation Agreement is attached hereto as Exhibit 10.1.

Share Repurchase Program

On August 7, 2019, the Board amended the SRP, adopting the Third Amended SRP. Under the Third Amended SRP, the repurchase price per share will be equal to the lesser of $10.00 or our most recent EVPS. The full text of the Third Amended SRP is attached hereto as Exhibit 99.1 and incorporated by reference herein. In addition, on August 7, 2019, the Board suspended the SRP for standard repurchases. However, 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 Third Amended SRP. The Third Amended SRP and the suspension of standard repurchases will become effective 30 days after the date of this filing.

ITEM 6. EXHIBITS

Ex.	Description
4.1	Second Amended and Restated Dividend Reinvestment Plan (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 10-Q filed May 10, 2019)
10.1	Participation Agreement for John Caulfield dated August 7, 2019*
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	Phillips Edison & Company, Inc. Third Amended and Restated Share Repurchase Program, dated August 7, 2019*
101.1	The following information from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations and Comprehensive (Loss) Income; (iii) Consolidated Statements of Equity; and (iv) Consolidated Statements of Cash Flows*

*Filed herewith.

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.

PHILLIPS EDISON & COMPANY, INC.

Date: August 12, 2019	By:	*/s/ Jeffrey S. Edison*
		Jeffrey S. Edison
		Chairman of the Board, Chief Executive Officer, and President (Principal Executive Officer)
Date: August 12, 2019	By:	*/s/ Devin I. Murphy*
		Devin I. Murphy
		Chief Financial Officer and Treasurer (Principal Financial Officer)

Exhibit 10.1

To: John Caulfield

Re: Executive Severance and Change in Control Plan

This letter agreement (the "Participation Agreement") will confirm that you have been selected to participate in the Phillips Edison & Company, Inc. Executive Severance and Change in Control Plan (the "Plan") as a Participant (as defined in the Plan). Your participation in the Plan and the terms of any severance benefits payable thereunder are governed by the terms and conditions set forth in the formal plan document, a copy of which has been provided to you. Note that the terms of the Plan, as well as your right to participate in the Plan, may be amended or terminated at any time, subject to certain exceptions as set forth in the Plan.

In exchange for the benefits and payments set forth in the Plan, you agree to the following restrictive covenants

- *Non-Competition*. For eighteen (18) months following the termination of your employment with the Company and its affiliates (collectively, the "Company Group"), you will not directly or indirectly, own, manage, operate, control, fundraise, consult with (as a consultant, independent contractor, or otherwise), be employed by or otherwise provide services to, or participate in the ownership, management, operation or control of a Competing Business (as defined below) in the United States. For purposes of this Participation Agreement, "Competing Business" means a company with the following characteristics: (i) the primary and principal business activity of the entity is the ownership, management and/or development of neighborhood and community grocery anchored shopping centers and (ii) whose owned, managed or assets under development exceed $1 billion as of the end of the entity's last fiscal year; provided, that nothing herein prohibits you from investing in mutual funds and stocks, bonds, or other securities in any business if such stocks, bonds, or other securities are listed on any securities exchange or are publicly traded in an over the counter market, and such investment does not exceed, in the case of any capital stock of any one issuer, three percent (3%) of the issued and outstanding capital stock or in the case of bonds or other securities, three percent (3%) of the aggregate principal amount thereof issued and outstanding.
- *Non-Solicitation*. For eighteen (18) months following the termination of your employment with the Company Group, you will not induce or encourage any employee of the Company Group, to leave the employment of the Company Group, or solicit, induce, or encourage any existing customer, client, or independent contractor of the Company Group, on behalf, directly or indirectly, of a Competing Business to cease or reduce its business with or services rendered to the Company Group.
- *Non-Disclosure*.
  - During your employment you will be exposed to Confidential Information (as defined below). You acknowledge and agree that you will use the Confidential Information solely for the benefit of the Company Group and that all Confidential Information will remain the exclusive property of the Company Group. You agree not, except as may be required by legal or administrative process upon prior written notice to the Company, to disclose to any unauthorized person or use for your own purposes any Confidential Information without the prior written consent of the Board of Directors of the Company. Upon your termination of employment, or at any other time the Company may request, you agree to deliver and not take with you any materials containing Confidential Information or Work Product (as defined below), including all memoranda, notes, plans, records, reports, printouts and software and other documents and data (and copies thereof) embodying or relating to the Confidential Information and Work Product, which you may then possess.
  - Nothing in this Participation Agreement prohibits you from communicating or cooperating with filing a complaint or participating in any investigation by any governmental agency with respect to possible violations of any law, or otherwise making disclosures to any governmental agency, that are protected under the whistleblower provisions of applicable law; provided, that such communications and disclosures are consistent with applicable law. You understand and acknowledge that you will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made (i) in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. You understand and acknowledge further that if you file a lawsuit for retaliation for reporting a suspected violation of law you may disclose the trade secret to your attorney and use the trade secret information in the court proceeding, if you file any document containing the trade secret under seal; and do not disclose the trade secret, except pursuant to court order. However, under no circumstance will you be authorized to disclose any information covered by attorney-client privilege or attorney work product of any member of the Company Group without prior written consent of the Company's General Counsel or other officer designated by the Company.
  - For purposes of this Participation Agreement: "Confidential Information" means any and all information, concerning the business or affairs of the Company Group in whatever form that is not generally known to the public, including but not limited to the following: (i) the names, lists, contact information of clients of the Company Group; (ii) the financial, business or other information of the Company Group and its clients; (iii) the terms, structure and amounts paid for services by any client; (iv) the client's contract and buying history; (v) projects, plans and methods of operation within the Company Group; (vi), sales and marketing plans and related information; (vii) operations, procedures and practices; (viii) business plans and information contained therein, and (ix) any other confidential information of, about or concerning the Company, the manner of operation of the Company and other confidential data of any kind, nature or description relating to the Company. "Work Product" means all discoveries, inventions, innovations, improvements, developments, methods, and patentable or copyrightable work (whether or not including any Confidential Information) and all registrations or applications related thereto, all other proprietary information and all similar or related information (whether or not patentable) which relate to the Company Group's actual or anticipated business, research and development or existing or

future products or services and which are conceived, developed or made by you (whether above or jointly with others) while employed by the Company Group.

Should your participation in the Plan be terminated, your non-competition and non-solicitation obligations under this Participation Agreement shall also terminate. Although your obligations regarding Confidential Information and Work Product will remain in effect.

You will not be a “Participant” entitled to benefits under the Plan unless you sign and return a copy of this Participation Agreement to my attention. Additionally, upon your termination of employment with the Company Group, you will be required to execute and not revoke a release agreement in substantially the form attached hereto as Exhibit A in accordance with the terms and conditions of the Plan in order to receive the benefits under the Plan.

Please contact Keith Rummer at [phone number redacted] or [email address redacted] should you have any questions about participation in the Plan.

ACCEPTED AND AGREED:

/s/ John Caulfield

John Caulfield

Date: August 7, 2019

<u>Exhibit A</u>

Release Agreement

[Date]

Name
Address 1
Address 2

Dear []:

This letter confirms the agreement between Phillips Edison & Company LTD and its parents and subsidiaries (collectively "Phillips Edison") and you regarding the terms of your separation from Phillips Edison.

1. You will be separated from Phillips Edison effective [] (the "Termination Date"). Such separation is a termination qualifying you for severance benefits under the Phillips Edison & Company, Inc. Executive Severance and Change in Control Plan (the "Severance Plan").

2. Even if you do not sign this agreement, Phillips Edison will pay to you the compensation that you have earned through the Termination Date and any accrued and unused vacation benefits. Similarly, even if you do not sign this agreement, you will be offered any benefits to which you might be entitled under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"). Even if you do not sign, you will retain all vested benefits you may have under any Phillips Edison retirement and/or 401(k) plan in which you are a qualified participant, if any.

3. If you sign and return this agreement on or before [] Either 21 or 45 days from date of agreement; 45 days if group termination. (and provided further that you do not revoke this agreement within seven (7) days after signing it), then, as required by the terms of the Severance Plan and in consideration and in exchange for your agreements contained in paragraph 4, Phillips Edison hereby agrees to provide you the following, commencing after the expiration of the seven-day revocation period.
   (a) Phillips Edison will pay to you a lump sum severance in the amount of $[]; less appropriate tax withholding and other authorized, permitted, and required deductions.
   (b) If you elect COBRA, then for up to [] months, Phillips Edison will continue to provide such coverage and you will continue to pay the same amount of monthly premium as in effect for other Phillips Edison executives. Should you become employed with any other employer and be eligible for group health insurance under such employer's plan then Phillips Edison's obligations under this Section 3(b) will be reduced by the extent of comparable coverage provided by such other employer. You agree to report any such coverage to Phillips Edison. Phillips Edison may satisfy its obligations under this Section 3(b) by paying you the difference between the monthly COBRA premium and the monthly premium you would have paid as an active employee.
   (c) Full vesting in [] time based LTI Awards (as defined in the Severance Plan).
   (d) You will remain eligible to vest in and be paid on [] performance-based LTI Awards based on actual performance at the end of the relevant 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.

4. In consideration and in exchange for the entitlements set forth in paragraph 3 above, you hereby agree:

   (a) On behalf of yourself and anyone claiming through you, to release, acquit, and forever discharge Phillips Edison and each of their respective subsidiaries, affiliates, predecessors, successors, assigns, past and present officers, owners, representatives, directors, employees, divisions, agents, partners, parent organizations, heirs, executors, and administrators and anyone claiming through them (hereinafter "the Companies" collectively), from any and all manner of claims whatsoever which you ever had or may in the future have or hold against the Companies arising out of your employment with any of the Companies and/or the cessation of your employment with any of the Companies. Said claims or causes of action include, but are not limited to, claims or causes of action under all of the following: the Age Discrimination in Employment Act and the Older Workers Benefits Protection Act (as amended), 29 U.S.C. Sections 621 and following; the Civil Rights Acts of the Civil War Era, 1964 and 1991, and the Equal Pay Act of 1963 (all as amended), 42 U.S.C. Sections 1981 and following and 2000e and following; the Americans with Disabilities Act (as amended), 42 U.S.C. Sections 12101 and following; the Employee Retirement Income Security Act of 1974 (as amended), 29 U.S.C. Sections 1001 and following; the Fair Labor Standards Act (as amended), 29 U.S.C. Sections 201 and following; the Family and Medical Leave Act of 1993 (as amended), 29 U.S.C. Sections 2601 and following; all comparable and/or relevant state and/or municipal statutes; claims or causes of action for wrongful discharge or retaliatory discharge; and claims or causes of action for breach of any alleged contract or public policy arising from your employment with any of the Companies. Notwithstanding this waiver, you do not waive rights or claims that may arise from events after the date this waiver is executed, other than events expressly contemplated by this letter agreement.

   (b) You will not bring any legal action against the Companies for claims, potential or actual, waived under this agreement. You further agree that should you bring any type of administrative or legal action arising out of claims waived under this agreement, you will bear all legal fees and costs, including those of the Companies.

(c) You represent and agree that the release in paragraph (a) above is given in exchange for fair and adequate consideration.

(d) You will return to Phillips Edison before or on the Termination Date, all company property in your possession in good working order, ordinary wear and tear excepted, including, but not limited to: company vehicles; credit cards; equipment (including, without limitation, computer equipment and phones); supplies; samples; prototypes; keys; badges and documents such as client lists, price lists, phone listings, and equipment lists. An accurate and documented expense report, for any and all reimbursable expenses you incurred up to and including the Termination Date, must be submitted to Phillips Edison within forty-five (45) calendar days following the Termination Date. **Any expenses, otherwise reimbursable to you, turned in after this forty-five (45) day period will not be reimbursed.**

(e) You will cooperate fully with the Companies in their defense of or other participation in any administrative, judicial or other proceeding arising from any charge, complaint or other action which has or may be filed and agree any testimony you may provide will be truthful.

(f) You will not disclose any trade secrets, manufacturing processes, marketing information, customer information or any other confidential information which you acquired while an employee of the Companies, to any other person or entity, or use such information in any manner. You understand and agree that your failure to comply with this paragraph may result in legal action seeking legal and equitable relief against you or any person or entity to whom you disclose this information or on whose behalf you use it. Notwithstanding the foregoing, in compliance with the requirements of the Defend Trade Secrets Act, you acknowledge the following: (i) you will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, (ii) you will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal and (iii) if you file a lawsuit for retaliation by Phillips Edison for reporting a suspected violation of law, you may disclose trade secrets to your attorney and use the trade secret information in the court proceeding if you: (A) file any document containing the trade secret under seal; and (B) do not disclose the trade secret, except pursuant to court order.

(g) You further agree to comply with the non-disclosure of information, non-solicitation of employees and the non-competition covenants contained in the Participation Agreement you entered into in connection with the Severance Plan.

5. The release in paragraph 4(a) and the covenant not to sue in paragraph 4(b) will not affect your rights to (i) enforce this agreement, (ii) claim unemployment compensation or any state disability or workers' compensation insurance benefits, (iii) any indemnification under any charter or bylaws of Phillips Edison, or any directors and officers liability insurance; or (iv) file a charge with, report possible violations to, or participate or cooperate with any governmental agency or entity, including but not limited to the Equal Employment Opportunity Commission, the Department of Justice, the Securities and Exchange Commission, Congress, the Inspector General, or any other governmental agency or make other disclosures that are protected under the whistleblower, anti-discrimination, or anti-retaliation provisions of federal, state or local law or regulation; however, you agree that if you participate in any such claim, you waive your right to recover any individual monetary relief or other individual remedies from the Companies (other than unemployment compensation).

6. In the event that you breach any of your agreements under paragraph 4, any outstanding obligations of Phillips Edison hereunder will immediately terminate.

7. Phillips Edison hereby advises you as follows pursuant to the Older Workers Benefits Protection Act of 1990:

(a) You have the right to consult with an attorney before signing this agreement.

(b) You have [twenty-one (21)][forty-five (45)] 45 days applies in group termination. days from the date of receipt of this letter to consider this agreement.

(c) If you sign this agreement, you have seven (7) days after signing it to revoke this agreement and this agreement will not be effective and no payments, pursuant to paragraph 3 of this agreement, will be made to you until this seven (7) day revocation period has expired.

8. The provisions of this agreement are severable. If any provision or portion thereof is held to be invalid or unenforceable, it will not affect the validity or unenforceability of any other provisions or portions thereof.

9. You represent that you have thoroughly read and considered all aspects of this agreement, that you understand all of its provisions, and that you are voluntarily entering into this agreement.

10. The parties agree that nothing in this agreement is an admission by any party hereto of any act, practice, or policy of discrimination or breach of contract either in violation of applicable law or otherwise, and that nothing in this agreement is to be construed as such by any other person.

11. This agreement sets forth the entire agreement between you and Phillips Edison and supersedes any and all prior oral and/or written agreements or understandings between you and Phillips Edison concerning the subject matter. This

agreement may not be altered, amended or modified, except by a further written document signed by you and Phillips Edison.

If you are willing to enter into this agreement, please date and sign the enclosed copy of this agreement in the spaces indicated below, and return that copy to me by []. As noted above, you have seven (7) days after you sign this agreement to revoke the agreement should you wish to do so.

Sincerely,

Keith A. Rummer
Sr. VP Human Resources

Accepted and agreed to this ____________ day of ______________________, 20__

____
Signature

WITNESS: ______________________   DATE: __________________

RECEIPT

I, [], received from Phillips Edison a copy of the attached separation agreement dated [] on this date.

____
Name

____
Date

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 Quarterly Report on Form 10-Q 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: August 12, 2019

/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 Quarterly Report on Form 10-Q 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: August 12, 2019

/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 Quarterly Report on Form 10-Q of Phillips Edison & Company, Inc. (the “Registrant”) for the quarter ended June 30, 2019, 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: August 12, 2019

/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 Quarterly Report on Form 10-Q of Phillips Edison & Company, Inc. (the “Registrant”) for the quarter ended June 30, 2019, 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: August 12, 2019

/s/ Devin I. Murphy

Devin I. Murphy
Chief Financial Officer
(Principal Financial Officer)

Exhibit 99.1

PHILLIPS EDISON & COMPANY, INC.

THIRD AMENDED AND RESTATED SHARE REPURCHASE PROGRAM

Adopted on August 7, 2019

The board of directors of Phillips Edison & Company, Inc., a Maryland corporation (the "**Company**"), has adopted a Third Amended and Restated Share Repurchase Program (the "**SRP**"), the terms and conditions of which are set forth below. Capitalized terms shall have the same meaning as set forth in the Company's charter unless otherwise defined herein.

1. Qualifying Stockholders. "**Qualifying Stockholders**" are holders of the Company's shares of Common Stock (the "**Shares**") who (a) purchased their Shares from the Company or acquired their Shares through one or more non-cash transactions, such as transfers by gift, transfers by inheritance, intrafamily transfers, transfers as a result of family dissolutions, transfers to affiliates and transfers by operation of law, and (b) (i) have held their Shares for at least one year, provided that, if the Company is repurchasing all of a stockholder's Shares, then there is no holding period requirement for Shares purchased pursuant to the Company's dividend reinvestment plan, or (ii) who qualify for the special repurchase provisions set forth in paragraphs 6, 7 and 8 below. For the avoidance of doubt, once 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.

2. Share Repurchase. Subject to the terms and conditions of this SRP, including the limitations on repurchases set forth in paragraph 4 and the procedures for repurchase set forth in paragraph 5, the Company will repurchase such number of Shares as requested by a Qualifying Stockholder.

3. Repurchase Price. The repurchase price per Share will be equal to the lesser of (a) $10.00 and (b) the Company's most recent estimated net asset value per Share, as determined by the Company's Advisor or another firm chosen for that purpose.

4. Limitations on Repurchases. Except as set forth in paragraph 6 below, the Company's obligation to repurchase Shares hereunder is limited as follows:

a. Unless the Shares are being repurchased in connection with a stockholder's death, Qualifying Disability (as defined in paragraph 7) or Determination of Incompetence (as defined in paragraph 8), the Company may not repurchase Shares unless the stockholder has held the Shares for one year.

b. During any calendar year, the Company may repurchase no more than 5% of the weighted-average number of Shares outstanding during the prior calendar year.

c. The Company has no obligation to repurchase Shares if the repurchase would violate the restrictions on distributions under Maryland General Corporation Law, as amended from time to time, 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 dividend reinvestment plan during the preceding four fiscal quarters, less amounts already used for repurchases since the beginning of that period; however, subject to the limitations described above, the Company may use other sources of cash at the discretion of its Board of Directors. The Board of Directors reserves the right, in its sole discretion, at any time and from time to time, to reject any request for repurchase.

5. Procedures for Repurchase. The Company has engaged a third party to administer the SRP. Upon any change to the identity or the mailing address of the program administrator, the Company will notify stockholders of such change. The Company will repurchase Shares on the last business day of each month (and in all events on a date other than a dividend payment date) (the "**Repurchase Date**"). (As of the Repurchase Date, repurchased Shares will cease earning dividends notwithstanding the fact that the repurchase payment for such Shares may have not yet have been remitted to the former holder of such Shares.)

For a stockholder's Shares to be eligible for repurchase in a given month, the program administrator must receive a written repurchase request from the stockholder or from an authorized representative of the stockholder setting forth the number of Shares requested to be repurchased at least five business days before the Repurchase Date. If the Company cannot repurchase all Shares presented for repurchase in any month because of the limitations on repurchases set forth in paragraph 4, then the Company will honor repurchase requests on a pro rata basis, except that (i) if a pro rata repurchase would result in a stockholder owning less than half of the minimum purchase requirement described in a currently effective, or the most recently effective, registration statement of the Company as such registration statement has been amended or supplemented (the "**Minimum Purchase Requirement**"), then the Company would repurchase all of such stockholder's Shares; and (ii) if a pro rata repurchase would result in a stockholder owning more than half but less than all of the Minimum Purchase Requirement, then the Company would not repurchase any Shares that would reduce a stockholder's ownership of Shares below the Minimum Purchase Requirement. If the Company is repurchasing all of a stockholder's Shares, there would be no holding period requirement for Shares purchased pursuant to the Company's dividend reinvestment plan.

If the Company does not completely satisfy a repurchase request at month-end because the program administrator did not receive the request in time or because of the limitations on repurchases set forth in paragraph 4, then the Company will treat the unsatisfied portion of the repurchase request as a request for repurchase at the next Repurchase Date, unless the repurchase request is withdrawn. Any stockholder can withdraw a repurchase request by sending written notice to the program administrator, provided such notice is received at least five business days before the Repurchase Date.

6. Special Provisions upon a Stockholder's Death, Qualifying Disability or Determination of Incompetence. The Company will treat repurchase requests made upon a stockholder's death, Qualifying Disability (as defined in paragraph 7) or Determination of Incompetence (as defined in paragraph 8) differently, as follows:

a. There is no one-year holding requirement.

b. The cash available for repurchases pursuant to a stockholder's death, Qualifying Disability (as defined in paragraph 7) or Determination of Incompetence (as defined in paragraph 8) will not be limited to 5% of the weighted-average number of Shares outstanding during the prior calendar year.

c. The cash available for repurchases pursuant to a stockholder's death, Qualifying Disability (as defined in paragraph 7) or Determination of Incompetence (as defined in paragraph 8) will not be limited to the proceeds from the dividend reinvestment plan during the preceding four fiscal quarters, less amounts already used for repurchases during the same period.

d. Repurchase requests for Shares held jointly are not eligible for the special repurchase terms described in this paragraph 6 unless there has been a qualifying death, Qualifying Disability (as defined in paragraph 7) or Determination of Incompetence (as defined in paragraph 8) of all the joint stockholders.

7. Qualifying Disability Determinations. In order for a disability to entitle a stockholder to the special repurchase terms described in paragraph 6 (a "**Qualifying Disability**"), (1) the stockholder must receive a determination of disability based upon a physical or mental condition or impairment arising after the date the stockholder acquired the Shares to be repurchased, and (2) such determination of disability must be made by the governmental agency responsible for reviewing the disability retirement benefits that the stockholder could be eligible to receive (the "**Applicable Government Agency**"). The Applicable Government Agencies are limited to the following:

(i) if the stockholder paid Social Security taxes and, therefore, could be eligible to receive Social Security disability benefits, then the Applicable Governmental Agency is the Social Security Administration or the agency charged with responsibility for administering Social Security disability benefits at that time if other than the Social Security Administration;

(ii) if the stockholder did not pay Social Security taxes and, therefore, could not be eligible to receive Social Security disability benefits, but the stockholder could be eligible to receive disability benefits under the Civil Service Retirement System ("**CSRS**"), then the Applicable Governmental Agency is the U.S. Office of Personnel Management or the agency charged with responsibility for administering CSRS benefits at that time if other than the Office of Personnel Management; or

(iii) if the stockholder did not pay Social Security taxes and, therefore, could not be eligible to receive Social Security benefits but suffered a disability that resulted in the stockholder's discharge from military service under conditions that were other than dishonorable and, therefore, could be eligible to receive military disability benefits, then the Applicable Governmental Agency is the Department of Veterans Affairs or the agency charged with the responsibility for administering military disability benefits at that time if other than the Department of Veterans Affairs.

Disability determinations by governmental agencies for purposes other than those listed above, including but not limited to worker's compensation insurance, administration or enforcement of the Rehabilitation Act or Americans with Disabilities Act, or waiver of insurance premiums will not entitle a stockholder to the special Repurchase terms described in paragraph 6. Repurchase requests following an award by the applicable governmental agency of disability benefits must be accompanied by: (1) the investor's initial application for disability benefits and (2) a Social Security Administration Notice of Award, a U.S. Office of Personnel Management determination of disability under CSRS, a Department of Veterans Affairs record of disability-related discharge or such other documentation issued by the Applicable Governmental Agency that the Company deems acceptable and that demonstrates an award of the disability benefits.

As the following disabilities do not entitle a worker to Social Security disability benefits, they do not qualify for special repurchase terms, except in the limited circumstances when the investor is awarded disability benefits by the other Applicable Governmental Agencies described above:

a. disabilities occurring after the legal retirement age; and

b. disabilities that do not render a worker incapable of performing substantial gainful activity.

8. Determination of Incompetence. In order for a determination of incompetence or incapacitation to entitle a stockholder to the special repurchase terms described in paragraph 6 (a "**Determination of Incompetence**"), a state or federal court located in the United States (a "**U.S. Court**") must declare, determine or find the stockholder to be (i) mentally incompetent to enter into a contract, to prepare a will or to make medical decisions or (ii) mentally incapacitated, in both cases such determination must be made by a U.S. court after the date the stockholder acquired the Shares to be repurchased.

A determination of incompetence or incapacitation by any person or entity other than a U.S. Court, or for any purpose other than those listed above, will not entitle a stockholder to the special repurchase terms described in paragraph 6. Repurchase requests following a Determination of Incompetence by a U.S. Court must be accompanied by the court order, determination or the certificate of the court declaring the stockholder incompetent or incapacitated.

9. Termination, Suspension or Amendment of the SRP by the Company. The Company may amend, suspend or terminate the SRP for any reason upon thirty days notice to the Company's stockholders. The Company may provide notice by including such information (a) in a Current Report on Form 8-K or in its annual or quarterly reports, all publicly filed with the Securities and Exchange Commission, or (b) in a separate mailing to the stockholders.

The SRP provides stockholders a limited ability to repurchase Shares for cash until a secondary market develops for the Shares. If and when such a secondary market develops, the SRP will terminate.

10. Notice of Repurchase Requests. Qualifying Stockholders who desire to have their Shares repurchased must provide written notice to the Company on a form designed for such purpose, which will be provided by the Company upon request.

11. Liability of the Company. The Company shall not be liable for any act done in good faith or for any good faith omission to act.

12. Governing Law. The SRP shall be governed by the laws of the State of Maryland.