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

FORM 8-K/A

CURRENT REPORT

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

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

Phillips Edison Grocery Center REIT I, Inc.
(Exact name of registrant as specified in its charter)

Maryland	000-54691	27-1106076
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

**11501 Northlake Drive
Cincinnati, Ohio 45249**
(Address of principal executive offices, including zip code)

(513) 554-1110
(Registrant’s telephone number, including area code)

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

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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. ☐

EXPLANATORY NOTE

On October 4, 2017, Phillips Edison Grocery Center REIT I, Inc. ("PECO") completed a transaction to acquire certain real estate assets, the captive insurance company, and the third-party asset management business of Phillips Edison Limited Partnership ("PELP") in a stock and cash transaction. The completion of the transaction was originally reported in a Current Report on Form 8-K filed October 11, 2017. Shareholders were asked to vote on the transaction via the Proxy Statement filed June 21, 2017, which included the historical financial statements of PELP required by Item 9.01(a) and the pro forma financial information required by Item 9.01(b).

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The audited combined financial statements of PELP for the years ended December 31, 2016, 2015, and 2014, are filed herewith as Exhibit 99.1 and incorporated in this Item 9.01(a) by reference. The unaudited combined financial statements of PELP for the nine months ended September 30, 2017 and 2016, are filed herewith as Exhibit 99.2 and incorporated in this Item 9.01(a) by reference.

(b) Pro Forma Financial Information.

The unaudited pro forma consolidated financial information of PECO, giving effect to the acquisition of PELP, and the related notes thereto, are filed herewith as Exhibit 99.3 and incorporated in this Item 9.01(b) by reference.

(d) Exhibits.

Exhibit Number	Description of Exhibit
23.1	Consent of independent registered public accounting firm.
99.1	Audited combined financial statements of PELP as of December 31, 2016, 2015, and 2014.
99.2	Unaudited combined financial statements of PELP for the nine months ended September 30, 2017 and 2016.
99.3	Unaudited pro forma consolidated financial information of PECO I.

SIGNATURES

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

	PHILLIPS EDISON GROCERY CENTER REIT I, INC.	
Date: December 15, 2017	By:	*/s/ Jennifer L. Robison*
		Jennifer L. Robison
		Chief Accounting Officer (Principal Accounting Officer)

EXHIBIT INDEX

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Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Registration Statement No. 333-209506 on Form S-3 and Registration Statement No. 333-212876 on Form S-8 of Phillips Edison Grocery Center REIT I, Inc. of our report dated June 20, 2017, with respect to the combined balance sheets of Phillips Edison Limited Partnership as of December 31, 2016 and 2015, and the related combined statements of operations and comprehensive income (loss), statements of deficit, and cash flows for the years ended December 31, 2016, 2015 and 2014, appearing in this Current Report on Form 8-K/A of Phillips Edison Grocery Center REIT I, Inc.

/s/ DELOITTE & TOUCHE LLP

Cincinnati, OH
December 15, 2017

Phillips Edison Limited Partnership

Combined Financial Statements as of December 31, 2016 and 2015, and for the Years Ended December 31, 2016, 2015, and 2014, and
Independent Auditors’ Report

PHILLIPS EDISON LIMITED PARTNERSHIP

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INDEPENDENT AUDITORS' REPORT

To the Partners of
Phillips Edison Limited Partnership
Cincinnati, Ohio

We have audited the accompanying combined financial statements of Phillips Edison Limited Partnership (the "Company"), which is comprised of certain legal entities that hold real estate assets and operations, a real estate management company, and other related legal entities, as defined in Note 1 to the combined financial statements, all of which are under common ownership and common management, which comprise the combined balance sheets as of December 31, 2016 and 2015, and the related combined statements of operations and comprehensive income (loss), statements of deficit and cash flows for each of the three years in the period ended December 31, 2016, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the combined entities of Phillips Edison Limited Partnership as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in accordance with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Cincinnati, Ohio
June 20, 2017

PHILLIPS EDISON LIMITED PARTNERSHIP

COMBINED BALANCE SHEETS
AS OF DECEMBER 31, 2016 AND 2015
(In thousands)

	2016	2015
ASSETS		
Investment in real estate:		
Land and improvements	$ 187,064	$ 192,334
Building and improvements	419,847	446,795
Acquired intangible lease assets	2,164	—
Total investment in real estate assets	609,075	639,129
Accumulated depreciation and amortization	(244,125)	(261,884)
Investment in real estate, net	364,950	377,245
Cash and cash equivalents	13,520	10,912
Restricted cash	15,198	14,540
Accounts receivable, net	7,884	9,712
Accounts receivable - affiliates	11,516	8,607
Notes receivable - affiliates	19,574	8,064
Investment in affiliates	31,115	31,806
Other assets, net	27,377	31,114
Total assets	$ 491,134	$ 492,000
LIABILITIES AND DEFICIT		
Liabilities:		
Mortgages and loans payable, net	$ 493,724	$ 518,327
Deferred income	3,007	6,200
Acquired intangible lease liabilities, net	2,291	—
Accounts payable - affiliates	268	6
Accounts payable and other liabilities	47,577	37,899
Total liabilities	546,867	562,432
Deficit:		
Accumulated other comprehensive income	664	664
Accumulated deficit	(57,092)	(71,193)
Total partnership deficit	(56,428)	(70,529)
Noncontrolling interests	695	97
Total deficit	(55,733)	(70,432)
Total liabilities and deficit	$ 491,134	$ 492,000

See notes to combined financial statements.

PHILLIPS EDISON LIMITED PARTNERSHIP

COMBINED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014
(In thousands)

	2016	2015	2014
REVENUES:			
Rental income	$ 68,768	$ 68,635	$ 66,997
Tenant recovery income	19,850	19,877	19,341
Fees and management income	75,190	51,297	73,569
Other property income	549	961	621
Total revenues	164,357	140,770	160,528
EXPENSES:			
Property operating	36,781	33,992	28,041
Real estate taxes	11,160	11,077	10,859
General and administrative	37,837	52,618	34,131
Acquisition expenses	400	—	—
Impairment of real estate assets	4,044	—	697
Depreciation and amortization	28,389	30,219	30,012
Total expenses	118,611	127,906	103,740
OTHER:			
Interest expense	(19,558)	(22,796)	(25,658)
Gain on disposition of properties	15,233	6,886	—
Loss on or impairment of investment in affiliates	(1,304)	(810)	(19,724)
Distribution income	344	1,254	15,123
Other income, net	1,313	191	995
Income (loss) before discontinued operations	41,774	(2,411)	27,524
DISCONTINUED OPERATIONS:			
Gain on disposition of properties	—	—	5,369
Loss from operations	—	—	(207)
Net income (loss)	41,774	(2,411)	32,686
Net income attributable to noncontrolling interests	(550)	(242)	(315)
Net income (loss) attributable to partners	$ 41,224	$ (2,653)	$ 32,371
COMPREHENSIVE INCOME (LOSS):			
Net income (loss)	$ 41,774	$ (2,411)	$ 32,686
Other comprehensive income:			
Change in unrealized gain on investment	—	664	—
Comprehensive income (loss)	41,774	(1,747)	32,686
Comprehensive income attributable to noncontrolling interests	(550)	(242)	(315)
Comprehensive income (loss) attributable to partners	$ 41,224	$ (1,989)	$ 32,371

See notes to combined financial statements.

PHILLIPS EDISON LIMITED PARTNERSHIP

COMBINED STATEMENTS OF DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014
(In thousands)

	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Partnership Deficit	Noncontrolling Interests	Total Deficit
BALANCE — January 1, 2014	$ —	$ (71,960)	$ (71,960)	$ 4,183	$ (67,777)
Distributions	—	(18,549)	(18,549)	(4)	(18,553)
Redeemed partners	—	(12,055)	(12,055)	—	(12,055)
Acquisition of non-controlling interest	—	(437)	(437)	(154)	(591)
Net income	—	32,371	32,371	315	32,686
BALANCE — December 31, 2014	$ —	$ (70,630)	$ (70,630)	$ 4,340	$ (66,290)
Change in unrealized gain on investments	664	—	664	—	664
Equity-based compensation expense	—	22,385	22,385	—	22,385
Distributions	—	(20,518)	(20,518)	(4,262)	(24,780)
Acquisition of non-controlling interest	—	223	223	(223)	—
Net (loss) income	—	(2,653)	(2,653)	242	(2,411)
BALANCE — December 31, 2015	$ 664	$ (71,193)	$ (70,529)	$ 97	$ (70,432)
Equity-based compensation expense	—	266	266	—	266
Distributions	—	(27,389)	(27,389)	(2)	(27,391)
Contribution from noncontrolling interest	—	—	—	50	50
Net income	—	41,224	41,224	550	41,774
BALANCE — December 31, 2016	$ 664	$ (57,092)	$ (56,428)	$ 695	$ (55,733)

See notes to combined financial statements.

PHILLIPS EDISON LIMITED PARTNERSHIP

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014
(In thousands)

	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 41,774	$ (2,411)	$ 32,686
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	28,608	29,424	29,124
Amortization of deferred financing expense	1,534	1,854	1,894
Gain on vesting of Class B units	—	—	(23,675)
Net gain on sale or disposal of real estate assets	(14,667)	(5,481)	(3,622)
Loss on write-off of unamortized tenant allowances, deferred financing expense,			
and capitalized leasing commissions	431	569	954
Impairment of real estate assets	4,044	—	697
Impairment of investment in affiliates	—	810	19,724
Equity-based compensation	266	22,385	—
Net loss in investment in affiliates	1,304	—	—
Straight-line rent	654	(177)	(172)
Other	43	—	(91)
Changes in operating assets and liabilities:			
Accounts receivable, net	1,828	(1,131)	(1,098)
Accounts receivable - affiliates	(2,909)	(1,760)	(2,294)
Other assets, net	(3,533)	(1,325)	(6,382)
Accounts payable and other liabilities	3,157	(8,878)	13,444
Accounts payable - affiliates	262	(49)	55
Deferred income	(3,193)	1,517	2,070
Net cash provided by operating activities	59,603	35,347	63,314
CASH FLOWS FROM INVESTING ACTIVITIES:			
Real estate acquisitions	(10,175)	—	—
Capital expenditures	(21,088)	(17,696)	(18,196)
Net proceeds from sale or disposal of real estate assets	20,344	552	10,406
Change in restricted cash and investments	2,172	(2,615)	(1,146)
Change in investment in affiliates	(613)	2,033	3,971
Principal disbursements on notes receivable - affiliates	(11,510)	(3,779)	—
Principal receipts on notes receivable - affiliates	—	500	—
Net cash used in investing activities	(20,870)	(21,005)	(4,965)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net change in credit facility borrowings	31,002	—	2,278
Proceeds from mortgages and loans payable	330,000	81,545	74,151
Repayments of mortgages and loans payable	(373,753)	(79,228)	(106,360)
Distributions paid to partners	(19,553)	(20,518)	(18,549)
Redeemed partners	—	—	(12,055)
Payments of deferred financing costs	(3,784)	(438)	(1,028)
Other	(37)	(1,219)	(595)
Net cash used in financing activities	(36,125)	(19,858)	(62,158)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,608	(5,516)	(3,809)
CASH AND CASH EQUIVALENTS:			
Beginning of year	10,912	16,428	20,237
End of year	$ 13,520	$ 10,912	$ 16,428

PHILLIPS EDISON LIMITED PARTNERSHIP

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In thousands)

	2016	2015	2014
SUPPLEMENTAL CASH FLOW DISCLOSURE, INCLUDING NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Cash paid for interest during the year	$ 18,032	$ 19,387	$ 23,856
Capital expenditures in accounts payable	1,129	2,444	2,211
Change in distributions payable	7,836	—	—
Settlement of debt through transfer of real estate assets	—	11,427	—
Distributions to noncontrolling interests through settlement of receivable	—	3,043	—
Receipt of vested shares of affiliate	—	3,440	—
Change in fair value of investment in affiliates	—	664	—
Like-kind exchanges of real estate			
Proceeds from sale of real estate assets	20,204	—	—
Repayment of fees and related debt	(10,211)	—	—
Utilization of funds held for acquisitions	(7,163)	—	—
Net restricted cash activity — like-kind exchanges	$ 2,830	$ —	$ —

See notes to combined financial statements.

(Amounts in thousands)

1. ORGANIZATION

Phillips Edison Limited Partnership ("PELP" or the "Company") is engaged in the business of acquiring, developing, redeveloping, owning, leasing, and managing neighborhood shopping centers. As of December 31, 2016, the Company had a portfolio of 80 shopping centers. The centers are primarily grocery-anchored, and the tenant base consists of national, regional, and local retailers. These centers are usually leased to tenants that provide consumers with convenient access to everyday necessity items, such as food and pharmacy items; therefore, the Company believes that the economic performance of these centers is less affected by downturns compared to other retail property types. The Company's credit risk is concentrated in the retail industry.

2. BASIS OF PRESENTATION

For purposes of these financial statements, PELP does not represent a legal entity but rather a combination of certain legal entities that hold real estate assets and a real estate management company, along with other related legal entities, all of which are under common ownership and common management. Income from noncontrolling interests is allocated to outside shareholders based on ownership. The combined financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America ("GAAP"). As discussed in Note 5, the Company has presented certain operations on a discontinued basis. All intercompany balances and transactions have been eliminated in the combined financial statements. The combined financial statements of PELP include the financial position as of December 31, 2016 and 2015, and results of operations and cash flows for the years ended December 31, 2016, 2015, and 2014, of the following entities:

Entity Name

12 West Station LLC	Melbourne Station LLC
Aegis Realty Operating Partnership, LP and Subsidiaries	Miramar Station LLC(1)
Aegis Waterford, LLC	Monfort Heights Station Ltd.
Amelia Station LLC(2)	Monfort Heights Station II LLC
Ashland Junction LLC	Mountain Park Station LLC
Ashland Junction II LLC	Mountain View Station LLC
B. & O., Ltd.	New Market Station LP
Barclay/Aegis Limited Partnership	Nordan Station LP
Barnwell Station LLC	Northlake Station LLC
Belvedere Station LLC	Northside Station LLC
Birdneck Station LLC	Orchard Plaza Station LLC
Buckingham Station LLC	Page Station LLC
Cactus Station LLC	Palmetto Station LLC
Catawba Station LLC(1)	Park Place Station LLC
Cedar Hills - West LLC	Parkway Station LLC

Cell 2007-6 of Global Re SCC (Captive)	Parsons Village Station LLC
Centre Stage Station LLC	PECO II Inc.
Civic Center Station Ltd.	PECO-Griffin REIT Advisor LLC(4)
Commerce GP LLC	PECO Lassen, Inc.
Commerce Station LP	Phillips Edison & Co NTR LLC
Countryside Station LLC	Phillips Edison & Co NTR II LLC
Crossroads Asheboro Station LLC	Phillips Edison & Co NTR III LLC
Doubleday Station Member LLC	Phillips Edison & Company Shopping Center Opportunity Fund Managing Member LLC and Subsidiary
Dunlop Station LLC	Phillips Edison & Company, Ltd. and Subsidiaries
Dutch Square LLC(1)	Phillips Edison HoldCo LLC
Dutch Square II LLC	Phillips Edison Limited Partnership
East Pointe Station II LLC	Pipestone Station LLC
East Pointe Station LLC	Plaza of the Oaks Station LLC
Eastland Station LLC	Portland Station LLC
Edgecombe Station LLC	Powell Villa Station LLC
Edgewood Station LLC	Promenade Station LLC
Emporia Station LLC	Quail Valley Station LLC
Fairview Station LLC	Quincy Station LLC(1)
Forest Park Station LLC	Renton WA Walgreens
Gateway Station LLC	Rio Rancho Station LLC
Geist Station LLC	Riverplace Station LLC(4)
GlenEagles Station LLC	River Road - Northwest LLC
Goshen Station Ltd	Rolling Hills Station LLC
Governor's Square Station LLC	Rt. 24 & Marketplace LLC
Greenwood Station LLC	SCB II Management CO.
Guadalupe Station LLC	Silver Rock Insurance, Inc.
Heritage Oaks Station L.P.	Smoketown & Veronica LLC
Hickory Station LLC	South Oaks Station LLC
High Point Village Station LLC	Southaven Station LLC(1)
Highland Fair Station LLC	Southgate Partners Limited Partnership
Hillside - West LLC	Stations West - Downtown, LLC
Jackson Junction Ltd.	Stations West - Shelley, LLC(1)
Jasper Station LLC	Stations West Developments LLC
Kokomo Station LLC(1)	Stations West-Saratoga, LLC
Lafayette Station LLC	Summerville Station LLC
Lake Stevens - Northwest LLC	The Phillips Edison Group LLC
Lakeside Center Station LLC(1)	Timberlake Station LLC
Lakeside Square Station LLC	Towne Crossing Station Limited Partnership
Landen Station LLC	Upper Deerfield Station LP
LaPlata IV LLC	Vaughns Station LLC
LaPlata North LLC	Village Mooresville Station LLC

LaPlata Plaza LLC	Western Square Station LLC
LaPlata South LLC	WG Station Holding Company LLC
Lassen Station L.P.	WG Station VI LLC
Lemon Bay Station LLC(2)	WG Station IX LLC
Lilburn Corners Ltd(3)	White Oaks Station LLC
Louisa Junction Ltd(1)	Willowbrook Commons LLC(4)
Marion Station LLC	Windsor Station LLC
Marketplace Station LLC	Winery Square Station L.P.
Mayfair Station LLC	

(1) Entities disposed in 2016
(2) Entities disposed in 2015
(3) Entities disposed in 2014
(4) Entities Acquired or established in 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates — The preparation of the combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenues and expenses during the reporting periods. For example, significant estimates and assumptions have been made with respect to the useful lives of assets, recoverable amounts of receivables, deferred costs, and other fair value measurement assessments required for the preparation of the combined financial statements. Actual results could differ from those estimates.

Credit Risk — The Company operates in one industry, which includes the acquiring, developing, redeveloping, owning, leasing, and managing of real estate. No single tenant accounts for more than 10% of annualized base rent in any of the periods presented. Financial instruments potentially subjecting the Company to concentrations of credit risk consist principally of (1) cash and cash equivalent instruments, which are held at financial institutions of high credit quality, and (2) tenant receivables, whose credit risk is distributed among numerous tenants in different industries and across several geographical areas.

Investment in Real Estate — Real estate assets are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method. The estimated useful lives for computing depreciation are generally 5-7 years for furniture, fixtures, and equipment, 15 years for land improvements, and 30 years for buildings and building improvements. Tenant improvements are amortized over the shorter of the respective lease term or the expected useful life of the asset. Major replacements that extend the useful lives of the assets are capitalized, and maintenance and repair costs are expensed as incurred. For the years ended December 31, 2016, 2015, and 2014, depreciation expense was $21,415, $21,181, and $20,530, amortization expense was $6,227, $6,887, and $6,834, and the loss on write-off of unamortized assets was $747, $2,151, and $2,871, respectively. There was no capitalized interest for the years ended December 31, 2016, 2015, and 2014. Depreciation, amortization and the loss on write-off of unamortized assets related to 2014 discontinued operations was $169, $15, and $39, respectively.

Real estate assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the individual property may not be recoverable, or at least annually. In such an event, a comparison will be made of the projected operating cash flows of each property on an undiscounted basis to the carrying amount of such property. Such carrying amount would be adjusted, if necessary, to estimated fair values to reflect impairment in the value of the asset. The Company recorded an impairment on real estate assets of $4,044 and $697 for the years ended December 31, 2016 and 2014. There was no impairment on real estate assets recorded in 2015.

The results of operations of acquired properties are included in the Company's results of operations from their respective dates of acquisition. The Company assesses the acquisition-date fair values of all tangible assets, identifiable intangibles, and assumed liabilities using methods similar to those used by independent appraisers (e.g., discounted cash flow analysis and replacement cost) and that utilize appropriate discount and/or capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including historical operating results, known and anticipated trends, and market and economic conditions. The fair value of tangible assets of an acquired property considers the value of the property as if it were vacant. Acquisition-related costs are expensed as incurred. The fair values of buildings and improvements are determined on an as-if-vacant basis. The estimated fair value of acquired in-place leases is the cost the Company would have incurred to lease the properties to the occupancy level of the properties at the date of acquisition. Such estimates include leasing commissions, legal costs, and other direct costs that would be incurred to lease the properties to such occupancy levels. Additionally, the Company evaluates the time period over which such occupancy levels would be achieved. Such evaluation includes an estimate of the net market-based rental revenues and net operating costs (primarily consisting of real estate taxes, insurance, and utilities) that would be incurred during the lease-up period. Acquired in-place leases as of the date of acquisition are amortized over the weighted-average remaining lease terms.

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

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

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

Restricted Cash and Investments — Restricted cash and investments primarily consists of cash restricted for the purposes of facilitating Internal Revenue Code §1031 tax-free exchanges ("§1031 exchanges" or "like-kind exchanges"), escrowed tenant improvement funds, real estate taxes, capital improvement funds, insurance premiums, other amounts required to be escrowed pursuant to loan agreements, and other investments.

Accounts Receivable, Net — The Company continuously monitors the collectability of its accounts receivable (billed and unbilled, including straight-line rent) from specific tenants and analyzes historical bad debts, customer creditworthiness, current economic trends, and changes in tenant payment terms when evaluating the adequacy of the allowance for bad debts. When tenants are in bankruptcy, the

Company makes estimates of the expected recovery of pre- and post-petition claims. The period to resolve these claims can exceed one year. Management believes the allowance is adequate to absorb currently estimated bad debts. However, if the Company experiences bad debts in excess of the allowance management has established, its operating income would be reduced. Accounts receivable in the accompanying combined balance sheets are shown net of an allowance for doubtful accounts of $1,061 and $765 as of December 31, 2016 and 2015, respectively.

Investment in Affiliates — The Company accounts for its investments in Phillips Edison Grocery Center REIT I, Inc. (“NTR I”) and Phillips Edison Grocery Center REIT II, Inc. (“NTR II”) as available-for-sale securities. The investments in NTR I and NTR II are adjusted as their share prices are revalued. The Company’s cost basis for these investments as of December 31, 2016 and 2015, was $25,985. The balance in Accumulated Other Comprehensive Income was $664 as of December 31, 2016 and 2015, as a result of an increase in net asset value for NTR I in 2015. The fair value of these investments as of December 31, 2016 and 2015, was $26,649. All other affiliates the Company has investments in are accounted for under the equity method or the cost method of accounting (see Note 11) and their related income (loss) is recorded in Loss on or Impairment of Investment in Affiliates on the Company’s combined statements of operations and comprehensive income (loss).

On a periodic basis, the Company evaluates its investments in affiliates for impairment in accordance with Accounting Standards Codification (“ASC”) Topic 320, *Investments – Debt and Equity Securities*. The Company assesses whether there are any indicators that the value of its investments in affiliates may be impaired. An investment in an affiliate is considered impaired only if the Company determines that its estimated fair value is less than the net carrying value on an other-than-temporary basis. The Company considers various qualitative and quantitative factors to determine if there are indicators of impairment, including, but not limited to, significant deterioration in the operating performance of the investee, significant adverse changes in the operating environment, and losses on sale transactions with respect to underlying assets. The Company considers various qualitative factors to determine if a decrease in the value of its investment is other-than-temporary. These factors include the Company’s intent and ability to retain its investment in the entity as well as financial condition and long-term prospects of the entity. If the Company believes that the decline in the fair value of the investment is temporary, no impairment charge is recorded. If the analysis indicates that there is an other-than-temporary impairment related to the investment in a particular entity, the carrying value of the investment will be adjusted to an amount that reflects the estimated fair value of the investment (see Note 13).

Other Assets, Net — Other Assets, Net consists primarily of prepaid expenses, deposits, deferred financing costs related to the Company’s revolving credit facility, tenant allowance, and leasing costs, which are amortized using the straight-line method over the terms of the respective agreements (see Note 4).

ASU 2015-03, *Interest - Imputation of Interest (Topic 835): Simplifying the Presentation of Debt Issuance Costs*, amended existing guidance to require the presentation of certain debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred charge. ASU 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements*, provided guidance regarding the presentation and subsequent measurement of debt issuance costs related to line-of-credit arrangements. The Company adopted ASU 2015-03 and ASU 2015-15 on January 1, 2016, and retrospectively applied the guidance for all periods presented.

Deferred financing expenses are capitalized and amortized on a straight-line basis over the term of the related financing arrangement, which approximates the effective interest method. Certain unamortized debt issuance costs on the Company’s combined balance sheets as of December 31, 2015, were reclassified from Other Assets, Net to Mortgages and Loans Payable, Net. The adoption did not have an impact on the Company’s results of operations.

Revenue Recognition — The Company commences revenue recognition on its 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. Generally, this occurs on the lease commencement date. The determination of who is the owner of the tenant improvements, for accounting purposes, determines the nature of the leased asset and when revenue recognition under a lease begins. If the Company is the owner of the tenant improvements, for accounting purposes, 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 the Company concludes that it is not the owner of the tenant improvements (the lessee is the owner) for accounting purposes, then the leased asset is the unimproved space and any tenant improvement allowances funded under the lease are treated as lease incentives, which reduce revenue recognized over the term of the lease. In these circumstances, the Company begins revenue recognition when the lessee takes possession of the unimproved space to construct their own improvements. The Company considers a number of different factors in evaluating whether it or the lessee is the owner of the tenant improvements for accounting purposes. These factors include:

- whether the lease stipulates how and on what a tenant improvement allowance may be spent;
- whether the tenant or landlord retains legal title to the improvements;
- the uniqueness of the improvements;
- the expected economic life of the tenant improvements relative to the length of the lease; and
- who constructs or directs the construction of the improvements.

The Company recognizes rental income on a straight-line basis over the term of each lease, including those that include periodic and determinable adjustments to rent. 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. The Company's 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. Percentage revenues were $739, $499, and $443 for the years ended December 31, 2016, 2015, and 2014, respectively.

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

The Company periodically reviews the collectability of outstanding receivables. Allowances will be taken for those balances that it deems to be uncollectible, including any amounts relating to straight-line rent receivables and/or receivables for recoverable expenses. For the years ended December 31, 2016, 2015, and 2014, $951, $722, and $44, respectively, was reserved for uncollectible amounts and is included as a component of Property Operating in the combined statements of operations and comprehensive income (loss). Of the $44 reserved for uncollectible amounts in 2014, $33 related to discontinued operations.

The Company records 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, the Company provides for losses related to unrecovered tenant-specific assets as Depreciation and Amortization in the combined statements of operations and comprehensive income (loss).

Revenues from management, leasing, and other fees charged, based on the various management agreements executed, are recognized in the period in which the services have been provided and the earnings process is complete (see Note 13).

Gain on Disposition of Properties — The Company recognizes sales of assets only upon the closing of the transaction with the purchaser, and if the collectability of the sales price is reasonably assured, it is not obligated to perform any significant activities after the sale to earn the profit, it has received adequate initial investment from the purchaser, and other profit recognition criteria have been satisfied. The Company may defer recognition of gains in whole or in part until: (i) the profit is determinable, meaning that the collectability of the sales price is reasonably assured or the amount that will not be collectible can be estimated; and (ii) the earnings process is virtually complete, meaning that the Company is not obliged to perform any significant activities after the sale to earn the profit.

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

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

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

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

Income Tax — The Company is comprised of partnerships, limited liability companies, and subchapter S corporations, which file tax returns for which the partners/members and shareholders are responsible for their respective shares of entity income.

The Company's captive insurance company, Silver Rock Insurance, Inc., which was formed in December of 2015, is a subchapter C corporation subject to federal income tax on income earned through its business activities. Income taxes have been provided for on the asset and liability method as required by GAAP. Under the asset and liability method, deferred income taxes are recognized for the temporary differences between the financial reporting basis and the tax basis of taxable assets and liabilities.

As of December 31, 2016 and 2015, the Company had net deferred tax assets of $270 and $492, respectively, comprised of differences between the basis of accounting for federal income tax reporting and GAAP reporting on insurance premium income, deductibility of loss reserves, and the amortization of organizational startup costs. In assessing whether the deferred tax assets are realizable, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the projected future taxable income and tax planning strategies in making this assessment. Net deferred tax assets are included in Other Assets, Net on the accompanying combined balance sheets as of December 31, 2016 and 2015.

There are no permanent differences that would cause the 2016, 2015, and 2014 effective tax rate to differ from the U.S. statutory rate of 34%. As of December 31, 2016, 2015, and 2014, there were no significant uncertain tax positions.

Advertising — Costs related to advertising are expensed as incurred. The Company expensed $608, $567, and $542 for the years ended December 31, 2016, 2015, and 2014, respectively, which is included as a component of Property Operating in the combined statements of operations and comprehensive income (loss).

New Accounting Pronouncements — The following table provides a brief description of recent accounting pronouncements that could have a material effect on the Company's financial statements:

Standard	Description	Date of Adoption	Effect on the Financial Statements or Other Significant Matters
ASU 2014-09, Revenue from Contracts with Customers	This update outlines a comprehensive model for entities to use in accounting for revenue arising from contracts with customers. ASU 2014-09 states that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." While ASU 2014-09 specifically references contracts with customers, it may apply to certain other transactions such as the sale of real estate or equipment. In 2015, the FASB provided for a one-year deferral of the effective date for ASU 2014-09, making it effective for annual reporting periods beginning after December 15, 2018.	January 1, 2019, except for Tenant Recovery Income, which will follow the adoption date of ASU 2016-02 on January 1, 2020	Our revenue-producing contracts are primarily leases that are not within the scope of this standard. As a result, we do not expect the adoption of this standard to have a material impact on our rental income. We continue to evaluate the effect of this standard on our other sources of revenue. These include fees and management income and reimbursement amounts we receive from tenants for operating expenses such as real estate taxes, insurance, and other common area maintenance. However, we currently do not believe the adoption of this standard will significantly affect the timing of the recognition of our fees and management income and reimbursement revenue. We currently plan to adopt this guidance on a modified retrospective basis.
ASU 2016-01, Financial Instruments	This update amends existing guidance by measuring equity securities, except those accounted for under the equity method or result in consolidation, at fair value with changes in fair value recognized through net income. It is effective for annual reporting periods beginning after December 15, 2018, but early adoption is permitted.	January 1, 2019	The Company is currently evaluating the impact the adoption of this standard will have on its combined financial statements.
ASU 2016-02, Leases (Topic 842)	This update amends existing guidance by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. It is effective for annual reporting periods beginning after December 15, 2019, but early adoption is permitted.	January 1, 2020	The Company is currently evaluating the impact the adoption of this standard will have on its combined financial statements. The Company has identified areas within its accounting policies it believes could be impacted by the new standard. The Company may have a change in presentation on its combined statement of operations with regards to Tenant Recovery Income, which includes reimbursement amounts it receives from tenants for operating expenses such as real estate taxes, insurance, and other common area maintenance. Additionally, this standard impacts the lessor's ability to capitalize certain costs related to the leasing of vacant space.
ASU 2016-15, Statement of Cash Flows (Topic 230)	This update addresses the presentation of eight specific cash receipts and cash payments on the statement of cash flows. It is effective for annual reporting periods beginning after December 15, 2018, but early adoption is permitted.	January 1, 2018	The Company is currently evaluating the impact the adoption of this standard will have on its combined financial statements. Of the eight specific cash receipts and cash payments listed within this guidance, the Company believes only three would be applicable to its business as it stands currently: debt prepayment or debt extinguishment costs, proceeds from settlement of insurance claims, and distributions received from equity method investees. The Company will continue to evaluate the impact that adoption of the standard will have on its presentation of these and any other applicable cash receipts and cash payments.
ASU 2016-18, Statement of Cash Flows (Topic 230)	This update amends existing guidance in order to clarify the classification and presentation of restricted cash on the statement of cash flows. It is effective for annual reporting periods beginning after December 15, 2018, but early adoption is permitted.	January 1, 2018	Upon adoption, the Company will include amounts generally described as restricted cash within the beginning-of-period, change, and end-of-period total amounts on the statement of cash flows rather than within an activity on the statement of cash flows. The Company anticipates an early adoption as of January 1, 2018.
ASU 2017-01, Business Combinations (Topic 805)	This update amends existing guidance in order to clarify when an integrated set of assets and activities is considered a business. It is effective for annual reporting periods beginning after December 15, 2018, but early adoption is permitted.	January 1, 2017	On January 1, 2017, the Company adopted this standard. The Company expects that most of its acquisition activity will no longer be considered a business combination under the new guidance and will instead be classified as an asset acquisition. As a result, most acquisition-related expenses that would have been recorded on its combined statements of operations and comprehensive income (loss) as Acquisition Expense will be capitalized and amortized over the life of the related assets. This change is only applicable to acquisitions after January 1, 2017.

4. OTHER ASSETS, NET

The summary of Other Assets, Net as of December 31, 2016 and 2015, is as follows:

	2016	2015
Deferred leasing commissions and costs	$ 45,784	$ 42,354
Tenant allowances	12,254	12,953
Deferred financing costs[(1)]	1,005	4,965
Accumulated amortization[(1)]	(41,775)	(39,933)
Net long-term amortizable assets	17,268	20,339
Deferred rent receivable, net	6,668	7,587
Prepaid expenses	2,212	2,890
Deposits and miscellaneous receivables	1,229	298
Total	$ 27,377	$ 31,114

(1) Due to the adoption of ASU 2015-03 and ASU 2015-15, $1,381 of unamortized debt issuance costs, net of $2,588 of accumulated amortization, on the Company's combined balance sheets as of December 31, 2015, was reclassified from Other Assets, Net to Mortgages and Loans Payable, Net.

5. ACQUISITIONS AND DISPOSITIONS

Acquisitions — During the year ended December 31, 2016, the Company acquired two grocery-anchored shopping centers for a combined purchase price of approximately $16,740. During the year ended December 31, 2015, the Company did not have any acquisitions. The following tables present certain additional information regarding the Company's property acquisitions in the aggregate.

For the year ended December 31, 2016, the Company allocated the purchase price of acquisitions to the fair value of the assets acquired and liabilities assumed as follows:

	2016
Land and improvements	$ 6,194
Building and improvements	10,702
Acquired in-place leases	2,094
Acquired above-market leases	70
Acquired below-market leases	(2,320)
Total assets and lease liabilities acquired	$ 16,740

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

	2016
Acquired in-place leases	17
Acquired above-market leases	8
Acquired below-market leases	24

The amounts recognized for revenues, acquisition expenses, and net income recorded during the year of acquisition related to the operating activities of the Company's acquisitions were as follows:

	2016
Revenue	$ 606
Acquisition expenses	157
Net Income	17

Dispositions — During the year ended December 31, 2016, the Company completed the sale of nine operating properties and two non-operating properties (land). During the year ended December 31, 2015, the Company completed the sale of one non-operating property (land). During the year ended December 31, 2014, the Company completed the sale of one operating property and one non-operating property (land). The amounts recognized from the sale of these properties are as follows:

	2016	2015	2014
Operating properties			
Net sales proceeds	$ 38,870	$ —	$ 10,197
Gain on disposition, net[1]	13,075	—	5,369
Non-operating properties			
Net sales proceeds	1,678	606	225
Gain on disposition[2]	588	197	222

(1) The net gain on disposition of operating properties is recorded in Gain on Disposition of Properties and Impairment of Real Estate Assets on the combined statements of operations and comprehensive income (loss). For the year ended December 31, 2014, such gain is recorded in discontinued operations in the combined statements of operations and comprehensive income (loss).

(2) The gain on disposition of non-operating properties is recorded in Other Income, Net on the combined statements of operations and comprehensive income (loss).

For the year ended December 31, 2015, the Company disposed of two operating properties by settling the outstanding mortgage loans secured by each property, conveying ownership of the property to the lender. The gain on disposal was included in Gain on Disposition of Properties in the combined statements of operations and comprehensive income (loss).

	2015
Loan balance at time of settlement	$ 11,427
Net disposal costs	54
Gain on disposal of real estate assets	6,886

Like-Kind Exchanges — Of the nine operating properties sold in 2016, six were part of §1031 exchanges, which entails selling a property and reinvesting the proceeds in one or more properties that are similar in nature, character, or class within 180 days in order to defer the taxable gain on the sold property. As of December 31, 2016, proceeds from four of these properties remained open for future purchases. Subsequent to December 31, 2016, proceeds from three properties were applied to properties purchased in January 2017, and the one remaining property was removed from the §1031 exchange program.

Discontinued Operations — For the year ended December 31, 2014, discontinued operations included the income of the property sold in 2014. A summary of revenues and loss from operations included in discontinued operations is as follows:

	2014
Total revenue	$ 460
Total expenses	(458)
Other expense	(209)
Loss from operations	$ (207)

6. ACQUIRED INTANGIBLE LEASES

There were no acquired intangible leases recorded as of December 31, 2015 and 2014. Acquired intangible leases consisted of the following as of December 31, 2016:

	2016
Acquired in-place leases	$ 2,094
Acquired above-market leases	70
Acquired intangible lease assets	2,164
Accumulated amortization	(43)
Acquired intangible lease assets, net	$ 2,121
Acquired below-market lease liabilities	$ 2,320
Accumulated amortization	(29)
Acquired intangible lease liabilities, net	$ 2,291

Summarized below is the amortization recorded on acquired intangible leases for the year ended December 31, 2016:

	2016
In-place leases	$ 39
Above-market leases	4
Total intangible lease asset amortization	$ 43
Below-market lease liability amortization	$ 29

Estimated future amortization of the respective acquired intangible leases as of December 31, 2016, for each of the next five years is as follows:

	In-Place Leases	Above-Market Leases	Below-Market Leases
2017	$ 125	$ 9	$ 95
2018	125	9	95
2019	125	9	95
2020	125	9	95
2021	125	9	95

7. MORTGAGES AND LOANS PAYABLE

The following is a summary of the outstanding principal balances of the Company's debt obligations as of December 31, 2016 and 2015:

	Interest Rate	2016	2015
Term loans due 2019[1]	2.77%-4.67%	$ 330,000	$ 47,000
Revolving credit facility[1][2]	2.77%	44,791	24,000
Mortgages payable[3]	3.00%-7.21%	122,157	446,259
Note payable		—	2,651
Assumed market debt adjustments, net[4]		(174)	(202)
Deferred financing costs[5]		(3,050)	(1,381)
Total		$ 493,724	$ 518,327

(1) As of December 31, 2016, the LIBOR portion of the interest rate on $315 million of the Company's outstanding variable-rate debt was, effectively, capped at 2.5% by four interest rate cap agreements maturing in July 2018.

(2) The gross borrowings under our revolving credit facility were $140 million and $8 million, and gross payments were $119 million and $18 million during the years ended December 31, 2016 and 2014, respectively. There was no net activity on our revolving credit facility during the year ended December 31, 2015.

(3) Due to the non-recourse nature of the Company's fixed-rate mortgages, the assets and liabilities of the related properties are neither available to pay the debts of the combined property-holding limited liability companies nor constitute obligations of such consolidated limited liability companies as of December 31, 2016.

(4) Net of accumulated amortization of $255 and $226 as of December 31, 2016 and 2015, respectively.

(5) Net of accumulated amortization of $2,210 and $2,588 as of December 31, 2016 and 2015, respectively. Deferred financing costs related to the revolving credit facility are recorded in Other Assets, Net, and were $726 and $514, as of December 31, 2016 and 2015, respectively, which is net of accumulated amortization of $279 and $4,450, respectively.

In March 2016, the Company entered into two loan agreements. The first loan agreement is for a secured senior credit facility in the amount of $420 million, of which $300 million is a term loan and $120 million is a revolving credit facility. The interest rate, currently LIBOR + 2.05%, on the secured credit facility is a variable rate based on the Company's leverage ratio. This loan agreement is secured by equity interest in 61 properties. The second loan agreement is for an unsecured senior term loan credit facility in the amount of $30 million. The interest rate on the unsecured credit facility is variable, based on the prime rate, one-month LIBOR, or the federal funds rate. The maturity date for both agreements is March 9, 2019. As of December 31, 2016 and 2015, the weighted-average interest rate for all of the Company's mortgages and loans payable was 3.46% and 3.75%, respectively.

The allocation of total debt between fixed- and variable-rate as well as between secured and unsecured, excluding market debt adjustments and deferred financing costs, as of December 31, 2016 and 2015, is summarized below:

	2016	2015
As to interest rate:		
Fixed-rate debt	$ 122,157	$ 166,770
Variable-rate debt	374,791	353,140
Total	$ 496,948	$ 519,910
As to collateralization:		
Unsecured debt	$ 30,000	$ 49,651
Secured debt	466,948	470,259
Total	$ 496,948	$ 519,910

Below is a listing of the Company's maturity schedule with the respective principal payment obligations, excluding market debt adjustments and deferred financing costs:

	2017	2018	2019	2020	2021	Thereafter	Total
Term loans(1)	$ —	$ —	$ 330,000	$ —	$ —	$ —	$ 330,000
Revolving credit facility(1)	—	—	44,791	—	—	—	44,791
Mortgages payable	42,686	1,942	3,939	2,055	2,170	69,365	122,157
Total maturing debt	$ 42,686	$ 1,942	$ 378,730	$ 2,055	$ 2,170	$ 69,365	$ 496,948

(1) The unsecured and secured credit facilities have options to extend their maturities to 2020 and 2021, respectively. A maturity date extension for the unsecured credit facility requires the payment of an extension fee of 0.25% of the outstanding principal amount. The secured credit facility may extend for two twelve-month periods, requiring an extension fee of 0.15% of the outstanding principal amount for each extension.

8. LEASES

Approximate future rentals to be received under noncancelable operating leases, assuming no new or renegotiated leases or option extensions on lease agreements, are as follows:

	Totals
2017	$ 65,376
2018	56,484
2019	47,518
2020	38,959
2021	29,405
Thereafter	106,252
Total	$ 343,994

9. COMMITMENTS

Leases — The Company leases office space, equipment, and land under long-term and short-term operating and capital leases. Total rental expense for long-term operating leases was $2,736, $2,263, and $1,829 for the years ended December 31, 2016, 2015, and 2014, respectively and is recorded in General and Administrative, or Property Operating for land leases, in the combined statements of operations and comprehensive income (loss). Minimum rental commitments under noncancelable operating and capital leases as of December 31, 2016, are as follows:

	Totals
2017	$ 1,004
2018	843
2019	554
2020	115
2021	3
Thereafter	—
Total	$ 2,519

Commitments and Contingencies — The Company is subject to numerous federal, state, and local environmental laws and regulations. The Company believes that the ultimate disposition of currently known environmental matters will not have a material effect on financial position, liquidity, or operations; however, the Company can give no assurance that existing environmental studies with respect to the shopping centers have revealed all potential environmental liabilities; that any previous owner, occupant, or tenant did not create any material environmental condition not known to the Company; that the current environmental condition of the shopping centers will not be affected by tenants and occupants, by the condition of nearby properties, or by unrelated third parties; or that changes in applicable environmental laws and regulations or their interpretation will not result in additional environmental liability to the Company.

The Company is subject to legal and other claims incurred in the normal course of business. Based upon reviews and consultation with counsel of such matters known to exist, the Company does not believe that the ultimate outcome of these claims will materially affect the Company's financial position or results of operations or cash flows.

10. DERIVATIVES AND HEDGING ACTIVITIES

Risk Management Objective of Using Derivatives — The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposure to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its debt funding and through the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments 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. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of its known or expected cash receipts and its known or expected cash payments principally related to its investments and borrowings.

Derivatives Not Designated as Hedging Instruments — The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate caps or swaps as part of its interest rate risk management strategy. Interest rate caps effectively place a cap on the LIBOR portion of its interest rate, while interest rate swaps involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreement without exchange of the underlying notional amount. Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to interest rate movements and other identified risks, but do not meet the strict hedge accounting requirements to be classified as hedging instruments. Changes in the fair value of these derivative instruments, as well as any payments, are recorded directly in Other Income, Net and resulted in a loss of $68 and a gain of $91 for the years ended December 31, 2016 and 2014, respectively. The Company was not a party to any derivative contracts for the year ended December 31, 2015.

The following is a summary of the Company's interest rate caps that were not designated as cash flow hedges of interest rate risk as of December 31, 2016:

Count	Notional Amount	LIBOR Cap	Maturity Date
4	$315,000	2.5%	July 1, 2018

11. RELATED-PARTY TRANSACTIONS

Phillips Edison Grocery Center REIT I, Inc. — NTR I is a public non-traded real estate investment trust ("REIT") formed in October 2009, co-sponsored by an affiliate of the Company. NTR I is required by the advisory and property management agreements to pay PELP subsidiaries certain fees related to acquiring, financing, and managing properties for NTR I.

During the year ended December 31, 2014, 2.0 million Class B shares of Phillips Edison Grocery Center Operating Partnership, L.P. ("NTR I OP"), a subsidiary of NTR I owned by a PELP subsidiary, vested as a result of NTR I meeting a market condition and a service condition defined in the limited partnership agreement of NTR I OP. As a result, PELP recognized $23,675 in asset management fee income during the year-ended December 31, 2014.

In October 2015, NTR I entered into an amended advisory agreement to revise its asset management fees to be paid 80% in cash and 20% in Class B units of the Operating Partnership. The cash portion is paid on a monthly basis in arrears, in the amount of 0.06667% multiplied by the cost of NTR I assets as of the last day of the preceding monthly period.

Phillips Edison Grocery Center REIT II, Inc. — NTR II is a public non-traded REIT formed in June 2013, co-sponsored by an affiliate of the Company. NTR II is required by the advisory and property management agreements to pay PELP subsidiaries certain fees related to acquiring, financing, and managing properties for NTR II.

In January 2016, NTR II entered into an amended advisory agreement to revise its asset management fee to be paid 80% in cash and 20% in Class B units of the Operating Partnership. The cash portion of the asset management fee is paid on a monthly basis in arrears at the rate of 0.06667% multiplied by the cost of NTR II assets as of the last day of the preceding monthly period.

Phillips Edison Grocery Center REIT III, Inc. — Phillips Edison Grocery Center REIT III, Inc. ("NTR III") is a nonpublic corporation formed in April 2016, co-sponsored by an affiliate of the Company along with Griffin Capital Corporation ("Griffin Capital"). NTR III is required by the advisory and property management agreements to pay PELP subsidiaries certain fees related to acquiring, financing, and managing properties for NTR III.

In December 2016, PELP and NTR III entered into a bridge loan where PELP loaned NTR III $11,390, with an interest rate of LIBOR + 2.25%, maturing on May 31, 2017. The loan was secured with a mortgage on a property acquired by NTR III. In the first quarter of 2017, the loan maturity date was extended to December 31, 2018. In addition to the loan amount, NTR III owes PELP $12 of interest related to the loan, as well as $300 for the earnest money deposit paid on NTR III's behalf for the property it acquired.

As of December 31, 2016, PELP had incurred $1,709 of organization and offering costs related to NTR III, all of which is recorded in Accounts Receivable - Affiliates on the combined balance sheets. PELP has agreed to only charge NTR III organization and offering costs of up to 1% of the amount NTR III has raised. As such, as of December 31, 2016, PELP has charged $39 to NTR III, and will charge the remaining $1,670 as NTR III continues to raise capital. Part of the receivable from NTR III includes an unpaid amount to Griffin Capital for offering costs of $266.

Phillips Edison Value Added Grocery Venture, LLC — Phillips Edison Value Added Grocery Venture, LLC ("Necessity Retail Partners") was formed in March 2016 between (1) PE OP II Value Added Grocery, LLC, a wholly owned subsidiary of NTR II, (2) a limited partnership affiliated with TPG Real Estate, and (3) PECO Value Added Grocery Manager, LLC ("PECO Member"), a wholly owned subsidiary of PELP. Necessity Retail Partners is managed by the PECO Member and is required to pay certain fees to the PECO Member related to acquiring, financing, and managing properties for Necessity Retail Partners. Phillips Edison HoldCo LLC, a wholly owned subsidiary of PELP, is the guarantor for up to $50,000 of Necessity Retail Partners' debt.

PECO Real Estate Partners and Affiliates — The following related parties are included in PECO Real Estate Partners ("PREP") and Affiliates in the table below.

PECO Real Estate Partners — PREP is a real estate development company. The Company entered into a delayed draw note receivable with PREP in May 2015 for a balance up to $4,500. The loan terms call for seven draws from the Company to PREP in an amount of $500 each through August 4, 2015, and PREP may request up to two additional draws in an amount of no less than $500 each. The delayed draw commitment will expire on September 30, 2017, at which time it will convert into a term loan with a maturity date of December 15, 2017. The outstanding balance incurs interest at a rate of LIBOR + 5.65%, accrued daily. As of December 31, 2016 and 2015, the outstanding loan balance, including accrued interest, was $3,537 and $3,535, respectively.

Phillips Edison Strategic Investment Fund I LLC — Phillips Edison Strategic Investment Fund I LLC ("SIF I") is a limited liability company formed in February 2007. The Company owns 6.90% of SIF I and 23% of PECO Strategic Investment Manager LLC, which manages the SIF I assets. SIF I made a liquidating cash distribution to the common shareholders in December 2013, subject to the retention of appropriate reserves for operating expenses and any contingent liabilities following the termination of the fund. In 2014, after the disposal of the two remaining operating real estate assets, the Company received additional distribution income. Subsequent to December 31, 2016, after SIF I disposed of a land parcel, the Company received its final distribution.

Phillips Edison Strategic Investment Fund II LLC — Phillips Edison Strategic Investment Fund II LLC ("SIF II") is a limited liability company formed in October 2010. The Company owns 8.75% of SIF II and 24% of PECO Strategic Investment Manager II LLC, which manages the SIF II assets.

Phillips Edison Strategic Investment Fund III LP — Phillips Edison Strategic Investment Fund III LP ("SIF III") is a limited partnership formed in October 2010. SIF III is managed by PECO Strategic Investment Fund GP III LLC.

PECO Net Lease Income Fund LLC — PECO Net Lease Income Fund LLC ("NLIF") is a limited liability company that holds net leased assets. The Company owns a 1.26% interest in NLIF, and NLIF is also owned by other PELP partners.

Blue Sky Corporate Ranch — Blue Sky Corporate Ranch is a ranch that is owned by Mike Phillips and Jeff Edison. The Company entered into a note receivable with Blue Sky Corporate Ranch in 2014 in the amount of $5,262, which included $663 of accrued interest through November 30, 2014. The outstanding balance incurs interest at a rate of LIBOR + 5.5%. The terms of the note include payment of $500 due on December 1, 2014, and each year thereafter. The outstanding balance, including accrued interest, as of December 31, 2016 and 2015, was $4,684 and $4,564, respectively.

SCB Air, LLC and SCB Air II, LLC — SCBAir, LLC and SCBAir II, LLC are related-party entities that operate small airplanes. The total paid to SCBAir, LLC and SCBAir II, LLC for the years ended December 31, 2016, 2015, and 2014, was $1,668, $1,273, and $844, respectively, which is reflected in General and Administrative on the combined statements of operations and comprehensive income (loss).

Other Related Parties — The following related parties are included in other related parties in the table below.

Phillips Edison Shopping Center Fund III, L.P. — Phillips Edison Shopping Center Fund III, L.P. *("*Fund III") was organized as a partnership in August 2006 and discontinued operations in December 2015, with three years thereafter to complete its liquidation before it plans to terminate in December 2018. In October 2015, Fund III made a liquidating cash distribution to the common shareholders, subject to the retention of appropriate reserves for operating expenses and any contingent liabilities through December 2018. Fund III was required by the partnership agreement dated August 1, 2006, to pay PELP an asset management fee for asset management services. The final asset management fee paid was in September 2015.

Phillips Edison Shopping Center Fund IV REIT LLC — Phillips Edison Shopping Center Fund IV REIT LLC ("Fund IV") was a limited liability company formed in December 2007 and discontinued operations in October 2014. In December 2014, Fund IV made a liquidating cash distribution to its common shareholders, subject to the retention of appropriate reserves for operating expenses and any contingent liabilities through its termination. In November 2016, Fund IV determined that all contingent liabilities and expenses had been settled, and accordingly made final distributions to its common shareholders. Fund IV was formally terminated on November 30, 2016.

Dutch Square Cinema LLC — Dutch Square Cinema LLC ("Dutch"), which operates a public cinema, was a related-party entity owned by 17 of PELP's partners. It rented its facilities from a PELP subsidiary through December 29, 2016, at which point the subsidiary was sold to a non-related party. The rent paid by Dutch while it was a related-party entity for the years ended December 31, 2016, 2015, and 2014, was $945, $956, and $956, respectively.

Summarized below is the detail of the Company's outstanding receivable balance from related parties as of December 31, 2016:

	2016	2015
NTR I	$ 4,213	$ 4,847
NTR II	2,442	1,579
NTR III	13,504	—
PREP and affiliates	9,271	8,805
SCB Air I & II	1,534	1,413
Necessity Retail Partners	126	—
Other related parties	—	27
Total	$ 31,090	$ 16,671

Summarized below is the detail of the Company's investment in affiliates as of December 31, 2016:

	2016	2015
NTR I	$ 26,449	$ 26,449
NTR II	200	200
NTR III	700	—
PREP and affiliates	3,766	5,157
Total	$ 31,115	$ 31,806

Summarized below are the fees earned by and the expenses reimbursable to the Company from related parties for the year ended December 31, 2016:

	NTR I	NTR II	NTR III	PREP and Affiliates	Necessity Retail Partners	Total
Acquisition fees	$ 1,991	$ 4,281	$ 292	$ —	$ —	$ 6,564
Asset management fee (Class B unit distributions)	2,926	570	—	—	—	3,496
Asset management fees	16,353	8,536	12	—	140	25,041
Development/construction management fees	1,127	1,059	—	—	36	2,222
Disposition fees	633	—	—	—	—	633
Due diligence expenses	464	991	29	—	140	1,624
Insurance premiums (Captive)	663	424	—	—	5	1,092
Leasing commissions	7,724	3,751	—	—	239	11,714
Property management fees	9,929	4,715	—	—	350	14,994
Other fees and reimbursements	5,611	3,530	78	345	222	9,786
Total	$ 47,421	$ 27,857	$ 411	$ 345	$ 1,132	$ 77,166

Summarized below are the fees earned by and the expenses reimbursable to the Company from related parties for the year ended December 31, 2015:

	NTR I	NTR II	PREP and Affiliates	Other Related Parties	Total
Acquisition fees	$ 1,060	$ 5,748	$ —	$ —	$ 6,808
Asset management fee (Class B unit distributions)	2,078	—	—	—	2,078
Asset management fees	3,911	66	381	839	5,197
Development/construction management fees	1,117	377	314	17	1,825
Financing fees	2,757	454	100	—	3,311
Due diligence expenses	195	1,242	—	—	1,437
Insurance premiums (Captive)	737	118	—	324	1,179
Leasing commissions	7,316	1,788	29	205	9,338
Property management fees	9,108	2,085	74	264	11,531
Other fees and reimbursements	2,531	1,412	666	228	4,837
Total	$ 30,810	$ 13,290	$ 1,564	$ 1,877	$ 47,541

Summarized below are the fees earned by and the expenses reimbursable to the Company from related parties for the year ended December 31, 2014:

	NTR I	NTR II	PREP and Affiliates	Other Related Parties	Total
Acquisition fees	$ 7,660	$ 2,495	$ —	$ —	$ 10,155
Asset management fee (Class B unit distributions)	820	—	—	—	820
Asset management fees	23,675	4	1,143	3,577	28,399
Development/construction management fees	692	26	932	417	2,067
Financing fees	3,401	1,335	237	—	4,973
Due diligence expenses	1,074	403	—	—	1,477
Insurance premiums (Captive)	1,374	—	191	1,630	3,195
Leasing commissions	3,570	246	1,309	1,877	7,002
Property management fees	7,245	273	636	2,027	10,181
Other fees and reimbursements	2,348	8,620	748	1,888	13,604
Total	$ 51,859	$ 13,402	$ 5,196	$ 11,416	$ 81,873

12. BENEFIT AND COMPENSATION PLANS

401(k) Plan — A wholly-owned subsidiary of PELP sponsors a 401(k) plan, which provides benefits for qualified employees. The Company's match of the employee contributions is discretionary and has a five-year vesting schedule. The contribution to the plan for the years ended December 31, 2016, 2015, and 2014, was $754, $699, and $644, respectively. All employees who have attained the age of 21 are eligible the first day of the month following their date of hire. Employees are vested immediately with respect to employee contributions.

Deferred Compensation — PELP sponsors a restricted membership plan, which provides for deferred compensation in connection with awards to employees. The awards increase in value in direct relation to the increase in fair value of the Company's equity as defined in the plan document. The fair value of the Company's equity is typically calculated annually by management. The membership units are redeemable in cash at the employee's retirement or disability. The unit holders are entitled to receive distributions that are recorded as expense when declared. In the years ended December 31, 2016, 2015, and 2014, the Company expensed $1,202, $852, and $600, respectively, related to these distributions.

Prior to January 1, 2016, awards granted by PELP under the aforementioned restricted membership plan contained a five-year cliff vesting provision in which all of the units vested for redemption five years after being awarded. After January 1, 2016, awards granted by PELP under the plan contain a four-year graded vesting provision in which 25% of the units in a given award vest at the end of each year over a four-year period. Although units granted subsequent to December 31, 2015, contain the four-year graded vesting provision, those units that were granted through annual awards occurring prior to January 1, 2016, were not modified and will continue to vest on a cliff basis at the end of the applicable five-year period.

The liability for the deferred compensation plan as of December 31, 2016 and 2015, was $12,047 and $7,737, respectively, and is included in Accounts Payable and Other Liabilities in the combined balance sheets. The related expense for the deferred compensation plan was $5,853, $2,934, and $2,747 during the years ended December 31, 2016, 2015, and 2014, respectively.

Equity-Based Compensation — During the year ended December 31, 2015, PELP granted approximately 3,331 profit interest units ("PIUs") to certain executives of PELP as incentive compensation. The PIUs enable the holders to share in the appreciation of the value of PELP's assets subsequent to the grant date.

Of the PIUs granted, 1,000 were classified as Class A PIUs. During the years ended December 31, 2016 and 2015, 20% and 60%, respectively, of the Class A PIUs vested, and the remaining 20% vested in June 2017. These units receive limited distributions based upon a calculation, which takes into account the excess of fair market value of a common unit over a threshold specified in the grant of the agreement. Upon the vesting of the units, there is an implied strike price for each unit of $23.50. PELP has the right, but not the obligation, to repurchase all or any portion of the vested Class A PIUs at a value per unit equivalent to the market value of a common unit, less the implied strike price of $23.50 per unit.

The remaining 2,331 PIUs are classified as Class B PIUs. These units were fully vested on the grant date and participate equally in distributions with common units. The capital account for these units will be adjusted continuously as PELP earns income and makes distributions. Upon a sale or liquidity event for PELP, the holders of the Class B PIUs will receive allocations of sales proceeds until their economic capital account balance is equal to that of the other common unitholders.

In 2015, PELP utilized the assistance of valuation specialists who used a Monte Carlo analysis to determine the fair value of the Class A and Class B PIUs, in accordance with GAAP. Based upon this analysis, PELP determined the fair value of Class A PIUs to be $1.71 per unit, or $1,710 in total. PELP expensed $266 and $1,381 related to the Class A PIUs during the years ended December 31, 2016 and 2015, respectively, in accordance with the vesting schedule of the units as described previously. PELP determined the fair value of Class B PIUs to be $9.01 per unit, or $21,004 in total. Because these units were fully vested upon issuance, PELP recognized 100% of the fair value of these units as expense during the year ended December 31, 2015. In total, PELP recognized $266 and $22,385 in General and Administrative expense related to the Class A and Class B PIUs for the years ended December 31, 2016 and 2015, respectively.

13. FAIR VALUE MEASUREMENTS

GAAP requires disclosure of the fair value of certain financial instruments. For purposes of this disclosure, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value may be based on quoted market prices for the same or similar financial instruments or on valuation techniques, such as the present value of estimated future cash flows using a discount rate commensurate with the risks involved.

The estimates of fair value require the application of broad assumptions and estimates. Accordingly, any actual exchange of such financial instruments could occur at values significantly different from the amounts disclosed.

Cash and Cash Equivalents, Accounts Receivable, and Accounts Payable — The Company considers the carrying value of these financial instruments to approximate fair value because of the short period of time between origination of the instrument and their expected realization based on Level 1 inputs.

Items Measured at Fair Value on a Nonrecurring Basis — The valuation of impaired real estate assets is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows, the income capitalization approach considering prevailing market capitalization rates, analysis of recent comparable sales transactions, actual sales negotiations and bona fide purchase offers received from third parties, and/or consideration of the amount that currently would be required to replace the asset, as adjusted for obsolescence. In general, the Company considers multiple valuation techniques when measuring fair value of an investment. However, in certain circumstances, a single valuation technique may be appropriate. For the years ended December 31, 2016 and 2014, the Company recorded impairments of $4,044 and $697, respectively. The Company recorded no impairments for the year ended December 31, 2015.

During the years ended December 31, 2015 and 2014, the Company identified indicators of other-than-temporary impairment with regard to its investment in Fund III. The Company's determination that the estimated fair value of its investment in Fund III was less than the net carrying value of the investment was based upon Level 3 inputs of future cash flows expected from the disposition of Fund III assets. The Company further determined that this decline in fair value was other-than-temporary, as the dissolution of Fund III was substantially completed during 2015, with no properties held by the fund as of the end of the period. Accordingly, the Company recorded an impairment charge of $810 and $19,724 during the years ended December 31, 2015 and 2014, respectively, which is included in Loss on or Impairment of Investment in Affiliates on the combined statement of operations and reflected in the carrying value of its investments.

Mortgages and Loans Payable — The Company estimates the fair values of the mortgages and notes payable by discounting the future cash flows at rates currently offered for the similar debt instruments of comparable maturities by its lenders using level 3 inputs.

The following is a summary of borrowings as of December 31, 2016 and 2015 (dollars in thousands):

	2016	2015
Fair value	$ 499,594	$ 526,789
Recorded value[1]	496,774	519,708

[1] Recorded value does not include deferred financing costs of $3,050 and $1,381 as of December 31, 2016 and 2015, respectively.

Derivative Instruments — The Company measures all interest rate cap and swap agreements at fair value on a recurring basis. The fair values of the interest rate cap agreements as of December 31, 2016, were based on the estimated amounts the Company would receive or pay to terminate the contracts at the reporting date and were determined using interest rate pricing models and interest rate related observable inputs. Although the Company determined that the significant inputs used to value its derivatives fell within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its counterparties and its own credit risk utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. However, as of December 31, 2016, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

As of December 31, 2016, the Company recorded $17 of derivative assets as Other Assets, Net on its combined balance sheets. The Company did not have any derivative instruments in 2015.

14. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 20, 2017, the date of issuance of these combined financial statements, to determine if either recognition or disclosure of significant events or transactions is required.

Definitive Agreement — On May 18, 2017, upon approval by an independent special committee of the company's board of directors, the Company entered into a definitive agreement to contribute its real estate assets and third-party asset and investment management businesses to NTR I in a stock and cash transaction valued at approximately $1 billion. The transaction is subject to customary closing conditions and is expected to close during the fourth quarter of 2017.

Acquisitions — Subsequent to December 31, 2016, the Company acquired the following properties, which are accounted for as asset acquisitions:

Property Name	Location	Anchor Tenant	Acquisition Date	Purchase Price	Square Footage	Leased % of Rentable Square Feet at Acquisition
Everson Pointe Station	Snellville, GA	Kroger	1/4/2017	$ 12,563	81,428	96.6%
Delafield Station	Delafield, WI	Pick 'n Save	1/24/2017	12,678	81,639	98.4%

Dispositions — On April 4, 2017, the Company sold an outparcel at Civic Center Station containing a 5,500 square foot restaurant for a sales price of $500, and a recognized gain of approximately $240.

Distributions — On January 3, 2017, the Company declared distributions to investors in the amount of $0.3035 per unit. The Company paid $12,593 in distributions in January, which includes $7,836 relating to a one-time, special distribution of $0.50 per unit declared on November 16, 2016. On April 3, 2017, the Company declared distributions to investors in the amount of $0.3035 per unit. The Company paid these distributions in the amount of $4,757 on April 14, 2017.

Debt financing — Subsequent to December 31, 2016, the Company expanded its credit facility by an additional $20 million, which was used to pay down existing mortgage loans maturing in 2017.

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Exhibit 99.2

Phillips Edison Limited Partnership

Combined Financial Statements as of September 30, 2017 and December 31, 2016, and for the Nine Months Ended September 30, 2017 and 2016 (Unaudited)

PHILLIPS EDISON LIMITED PARTNERSHIP

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PHILLIPS EDISON LIMITED PARTNERSHIP

COMBINED BALANCE SHEETS
AS OF SEPTEMBER 30, 2017 AND DECEMBER 31, 2016
(Unaudited)
(In thousands)

	September 30, 2017	December 31, 2016
ASSETS		
Investment in real estate:		
Land and improvements	$ 191,077	$ 187,064
Building and improvements	428,833	419,847
Acquired intangible lease assets	5,261	2,164
Total investment in real estate assets	625,171	609,075
Accumulated depreciation and amortization	(249,904)	(244,125)
Total investment in real estate assets, net	375,267	364,950
Cash and cash equivalents	32,052	13,520
Restricted cash	11,078	15,198
Accounts receivable, net	7,357	7,884
Accounts receivable - affiliates	13,717	11,516
Notes receivable - affiliates	7,838	19,574
Investment in affiliates	31,062	31,115
Other assets, net	26,011	27,377
Real estate investment and other assets held for sale	5,802	—
Total assets	$ 510,184	$ 491,134
LIABILITIES AND DEFICIT		
Liabilities:		
Mortgages and loans payable, net	$ 503,847	$ 493,724
Deferred income	2,965	3,007
Acquired intangible lease liabilities, net	3,625	2,291
Accounts payable - affiliates	1,138	268
Accounts payable and other liabilities	43,723	47,577
Liabilities of real estate investment held for sale	8,194	—
Total liabilities	563,492	546,867
Deficit:		
Accumulated other comprehensive income	666	664
Accumulated deficit	(54,949)	(57,092)
Total partnership deficit	(54,283)	(56,428)
Noncontrolling interests	975	695
Total deficit	(53,308)	(55,733)
Total liabilities and deficit	$ 510,184	$ 491,134

See notes to combined financial statements.

PHILLIPS EDISON LIMITED PARTNERSHIP

COMBINED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(Unaudited)
(In thousands)

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
REVENUES:		
Rental income	$ 50,178	$ 52,245
Tenant recovery income	13,263	15,323
Fees and management income	59,176	54,588
Other property income	918	288
Total revenues	123,535	122,444
EXPENSES:		
Property operating	27,406	27,760
Real estate taxes	8,460	8,527
General and administrative	27,992	27,705
Acquisition expenses	—	104
Impairment of real estate assets	4,588	—
Depreciation and amortization	22,344	20,780
Total expenses	90,790	84,876
OTHER:		
Interest expense	(14,850)	(14,982)
Transaction expenses	(3,911)	—
Other income, net	4,835	10,104
Total other expense, net	(13,926)	(4,878)
Net income	18,819	32,690
Net income attributable to noncontrolling interests	(283)	(409)
Net income attributable to partners	$ 18,536	$ 32,281
COMPREHENSIVE INCOME:		
Net income	$ 18,819	$ 32,690
Other comprehensive income:		
Change in unrealized gain on investment	2	—
Comprehensive income	18,821	32,690
Comprehensive income attributable to noncontrolling interests	(283)	(409)
Comprehensive income attributable to partners	$ 18,538	$ 32,281

See notes to combined financial statements.

PHILLIPS EDISON LIMITED PARTNERSHIP

COMBINED STATEMENTS OF DEFICIT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(Unaudited)
(In thousands)

	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Partnership Deficit	Noncontrolling Interests	Total Deficit
BALANCE — January 1, 2016	$ 664	$ (71,193)	$ (70,529)	$ 97	$ (70,432)
Equity-based compensation expense	—	339	339	—	339
Distributions	—	(14,658)	(14,658)	(3)	(14,661)
Contributions from noncontrolling interests	—	—	—	50	50
Net income	—	32,281	32,281	409	32,690
BALANCE — September 30, 2016	$ 664	$ (53,231)	$ (52,567)	$ 553	$ (52,014)
BALANCE — January 1, 2017	$ 664	$ (57,092)	$ (56,428)	$ 695	$ (55,733)
Change in unrealized gain on investments	2	—	2	—	2
Equity-based compensation expense	—	63	63	—	63
Distributions	—	(16,242)	(16,242)	(3)	(16,245)
Redeemed partners	—	(214)	(214)	—	(214)
Net income	—	18,536	18,536	283	18,819
BALANCE — September 30, 2017	$ 666	$ (54,949)	$ (54,283)	$ 975	$ (53,308)

See notes to combined financial statements.

PHILLIPS EDISON LIMITED PARTNERSHIP

COMBINED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(Unaudited)
(In thousands)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 18,819	$ 32,690
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	21,657	21,318
Net amortization of above- and below-market leases	(102)	(14)
Amortization of deferred financing expense	1,127	1,139
Gain on disposal of real estate assets	(2,199)	(9,345)
Loss on write-off of deferred financing expense, capitalized leasing commissions, and tenant allowance	246	382
Impairment of real estate assets	4,588	—
Change in fair value of derivative	17	71
Equity-based compensation	63	339
Straight-line rent	(357)	198
Other	(134)	—
Changes in operating assets and liabilities:		
Accounts receivable, net	432	2,025
Accounts receivable - affiliates	(2,201)	(2,434)
Other assets, net	(4,283)	(2,672)
Accounts payable and other liabilities	5,296	2,545
Accounts payable - affiliates	870	(3)
Deferred income	(33)	(2,887)
Net cash provided by operating activities	43,806	43,352
CASH FLOWS FROM INVESTING ACTIVITIES:		
Real estate acquisitions	(23,210)	(7,510)
Capital expenditures	(16,889)	(14,753)
Net proceeds from sale or disposal of real estate assets	7,758	6,912
Change in restricted cash	2,199	3,216
Distributions from affiliates	55	60
Principal disbursements on notes receivable - affiliates	—	(236)
Principal receipts on notes receivable - affiliates	11,890	—
Net cash used in investing activities	(18,197)	(12,311)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in credit facility borrowings	1,400	25,643
Proceeds from mortgages and loans payable	19,992	330,000
Repayments of mortgages and loans payable	(4,030)	(369,933)
Distributions paid to partners	(24,078)	(14,658)
Redeemed partners	(214)	—
Payments of deferred financing expense	(144)	(3,787)
Other	(3)	(38)
Net cash used in financing activities	(7,077)	(32,773)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18,532	(1,732)
CASH AND CASH EQUIVALENTS:		
Beginning of period	13,520	10,912
End of period	$ 32,052	$ 9,180

	2017	2016
SUPPLEMENTAL CASH FLOW DISCLOSURE, INCLUDING NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Cash paid for interest during the year	$ 13,417	$ 13,750
Capital expenditures in accounts payable	—	228
Change in distributions payable	(7,836)	—
Like-kind exchange of real estate		
Proceeds from sale of real estate assets	$ —	$ 10,924
Repayment of fees and related debt	—	(3,711)
Utilization of funds held for acquisitions	(1,541)	(1,588)
Net restricted cash activity — non-cash	$ (1,541)	$ 5,625

See notes to combined financial statements.

PHILLIPS EDISON LIMITED PARTNERSHIP

NOTES TO COMBINED FINANCIAL STATEMENTS
(Unaudited)
(Amounts in thousands)

1. ORGANIZATION

Phillips Edison Limited Partnership ("PELP" or the "Company") is engaged in the business of acquiring, developing, redeveloping, owning, leasing, and managing neighborhood shopping centers. As of September 30, 2017, the Company had a portfolio of 81 shopping centers. The centers are primarily grocery-anchored, and the tenant base consists of national, regional, and local retailers. These centers are usually leased to tenants that provide consumers with convenient access to everyday necessity items, such as food and pharmacy items; therefore, the Company believes that the economic performance of these centers is less affected by downturns compared to other retail property types. The Company's credit risk is concentrated in the retail industry.

On October 4, 2017, the Company completed a transaction to sell certain real estate assets, its captive insurance company, and its third party asset management business to Phillips Edison Grocery Center REIT I, Inc. ("PECO") in a stock and cash transaction ("PECO transaction"). For a more detailed discussion, see Note 14. Upon completion of the PECO transaction, the Company's remaining portfolio consisted of five shopping centers.

2. BASIS OF PRESENTATION

For purpose of the combined financial statements, PELP does not represent a legal entity but rather a combination of certain legal entities that hold real estate assets and a real estate management company, along with other related legal entities, all of which are under common ownership and common management. Income from noncontrolling interests is allocated to outside shareholders based on ownership. The combined financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All intercompany balances and transactions have been eliminated in the combined financial statements. PELP's results of operations for the nine months ended September 30, 2017, are not necessarily indicative of the operating results expected for the full year. The combined financial statements of PELP include the financial position, results of operations, and cash flows for the nine months ended September 30, 2017 and 2016, of the following entities:

Entity Name	
12 West Station LLC	Mayfair Station LLC
Aegis Realty Operating Partnership, LP	Melbourne Station LLC
Aegis Waterford, LLC	Miramar Station LLC(1)
Ashland Junction LLC	Monfort Heights Station LLC
Ashland Junction II LLC	Monfort Heights Station II LLC(4)
B. & O., Ltd.	Mountain Park Station LLC
Barclay Station LLC(5)	Mountain View Station LLC(4)
Barnwell Station LLC	New Market Station LLC
Belvedere Station LLC	Nordan Station LLC
Birdneck Station LLC	Northlake Station LLC
Buckingham Station LLC	Northside Station LLC
Cactus Station LLC	Orchard Plaza Station LLC

Catawba Station LLC[(1)]	Page Station LLC
Cedar Hills - West LLC	Palmetto Station LLC
Cell 2007-6 of Global Re SCC (Captive)[(1)]	Park Place Station LLC
Centre Stage Station LLC	Parkway Station LLC
Civic Center Station Ltd.	Parsons Village Station LLC
Commerce GP LLC	PECO II Inc.
Commerce Station LP	PECO-Griffin REIT Advisor LLC[(2)]
Countryside Station LLC	PECO Heritage LLC
Crossroads Asheboro Station LLC	PECO Lassen LLC[(4)]
Delafield Station LLC[(3)]	PECO Winery LLC[(5)]
Doubleday Station Member LLC	Phillips Edison & Co NTR LLC
Dunlop Station LLC	Phillips Edison & Co NTR II LLC
Dutch Square II LLC[(1)]	Phillips Edison & Co NTR III LLC
Dutch Square LLC[(1)]	Phillips Edison & Company, Ltd. and Subsidiaries
East Pointe Station II LLC	Phillips Edison HoldCo LLC
East Pointe Station LLC	Phillips Edison Limited Partnership
Eastland Station LLC	Pipestone Station LLC
Edgecombe Station LLC	Plaza of the Oaks Station LLC
Edgewood Station LLC	Portland Station LLC
Emporia Station LLC	Powell Villa Station LLC
Everson Station LLC[(3)]	Promenade Station LLC
Fairview Station LLC	Quail Valley Station LLC
Forest Park Station LLC	Quincy Station LLC[(1)]
Forest Park Station II LLC	Rio Rancho Station LLC
Gateway Station LLC	Riverplace Station LLC[(2)]
Geist Station LLC	Rolling Hills Station LLC
GlenEagles Station LLC	Rt. 24 & Marketplace LLC
Goshen Station Ltd	SCB II Management CO.
Governor's Square Station LLC	Silver Rock Insurance, Inc.
Greenwood Station LLC	Smoketown & Veronica LLC
Guadalupe Station LLC	South Oaks Station LLC
Heritage Oaks Station L.P.	Southaven Station LLC[(1)]
Hickory Station LLC	Southgate (Ohio) Station LLC[(5)]
High Point Village Station LLC	Stations West - Shelley, LLC[(1)]
Highland Fair Station LLC	Stations West Developments LLC[(1)]
Hillside - West LLC	Stations West-Saratoga, LLC
Jackson Junction Ltd.	Summerville Station LLC
Jasper Station LLC	The Phillips Edison Group LLC
Kokomo Station LLC[(1)]	Timberlake Station LLC
Lafayette Station LLC	Towne Crossing Station Limited Partnership
Lakeside Center Station LLC[(1)]	Upper Deerfield Station LP
Lakeside Square Station LLC[(1)]	Vaughns Station LLC
Landen Station LLC	Village Mooresville Station LLC

LaPlata IV LLC	Western Square Station LLC
LaPlata North LLC	WG Station Holding Company LLC
LaPlata Plaza LLC	WG Station IX LLC
LaPlata South LLC	WG Station VI LLC
Lassen Station L.P.[(4)]	White Oaks Station LLC
Lilburn Corners Ltd	Willowbrook Commons LLC[(2)]
Louisa Junction Ltd.[(1)]	Windsor Station LLC
Marion Station LLC	Winery Square Station L.P.
Marketplace Station LLC	

(1) Entities disposed or terminated in 2016
(2) Entities acquired or established in 2016
(3) Entities acquired in 2017
(4) Entity disposed in 2017
(5) Entity structure changed in 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Certain of the Company’s accounting estimates are particularly important for an understanding of its 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; initial valuations of tangible and intangible assets and liabilities and related amortization periods of deferred costs and intangibles, particularly with respect to property acquisitions; and other fair value measurement assessments required for the preparation of the combined financial statements. As a result, these estimates are subject to a degree of uncertainty.

Set forth below is a summary of the significant accounting estimates and policies that management believes are important to the preparation of the Company’s combined interim financial statements.

Use of Estimates — The preparation of the combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenues and expenses during the reporting periods. For example, significant estimates and assumptions have been made with respect to the useful lives of assets, recoverable amounts of receivables, deferred costs, and other fair value measurement assessments required for the preparation of the combined financial statements. Actual results could differ from those estimates.

Credit Risk — The Company operates in one industry, which includes the acquiring, developing, redeveloping, owning, leasing, and managing of real estate. No single tenant accounts for more than 10% of annualized base rent in any of the periods presented. Financial instruments potentially subjecting the Company to concentrations of credit risk consist principally of (1) cash and cash equivalent instruments, which are held at financial institutions of high credit quality, and (2) tenant receivables, whose credit risk is distributed among numerous tenants in different industries and across several geographical areas.

Held for Sale Entities — The Company considers assets to be held for sale when management believes that a sale is probable within a year. This generally occurs when a sales contract is executed with no substantive contingencies and the prospective buyer has significant funds at risk. Assets that are classified as held for sale are recorded at the lower of their carrying amount or fair value less cost to sell. Amounts recorded on the combined balance sheets, except for cash and cash equivalents, exclude amounts held for sale.

Investment in Real Estate — Real estate assets are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method. The estimated useful lives for computing depreciation are generally 5-7 years for furniture, fixtures, and equipment, 15 years for land improvements, and 30 years for buildings and building improvements. Tenant improvements are amortized over the shorter of the respective lease term or the expected useful life of the assets. Major replacements that extend the useful lives of the assets are capitalized, and maintenance and repair costs are expensed as incurred. For the nine months ended September 30, 2017 and 2016, depreciation expense was $16,634 and $15,861, amortization expense was $4,435 and $4,722, and the loss on write-off of unamortized assets was $1,275 and $197, respectively. There was no capitalized interest for the nine months ended September 30, 2017 and 2016.

Real estate assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the individual property may not be recoverable, or at least annually. In such an event, a comparison will be made of the projected operating cash flows of each property on an undiscounted basis to the carrying amount of such property. Such carrying amount would be adjusted, if necessary, to estimated fair values to reflect impairment in the value of the asset. The Company recorded an impairment of $4,588 for the nine months ended September 30, 2017. No impairment on real estate assets was recorded for the nine months ended September 30, 2016.

The results of operations of acquired properties are included in the Company's results of operations from their respective dates of acquisition. The Company assesses the acquisition-date fair values of all tangible assets, identifiable intangibles, and assumed liabilities using methods (e.g., discounted cash flow analysis and replacement cost) that utilize appropriate discount and/or capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including historical operating results, known and anticipated trends, and market and economic conditions. The fair value of tangible assets of an acquired property considers the value of the property as if it were vacant. Certain acquisition-related costs are capitalized and allocated to the tangible and identifiable intangible assets based on their respective acquisition-date fair values, and amortized over the same useful lives of the respective tangible and identifiable intangible assets. The fair values of buildings and improvements are determined on an as-if-vacant basis. The estimated fair value of acquired in-place leases is the cost the Company would have incurred to lease the properties to the occupancy level of the properties at the date of acquisition. Such estimates include leasing commissions, legal costs, and other direct costs that would be incurred to lease the properties to such occupancy levels. Additionally, the Company evaluates the time period over which such occupancy levels would be achieved. Such evaluation includes an estimate of the net market-based rental revenues and net operating costs (primarily consisting of real estate taxes, insurance, and utilities) that would be incurred during the lease-up period. Acquired in-place leases as of the date of acquisition are amortized over the weighted-average remaining lease terms.

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

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

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

Restricted Cash — Restricted cash and investments primarily consists of cash restricted for the purposes of facilitating an Internal Revenue Code §1031 tax-free exchange ("§1031 exchange"), escrowed tenant improvement funds, real estate taxes, capital improvement funds, insurance premiums, other amounts required to be escrowed pursuant to loan agreements, and other investments.

Accounts Receivable, Net — The Company continuously monitors the collectibility of its accounts receivable (billed and unbilled, including straight-line rent) from specific tenants and analyzes historical bad debts, customer creditworthiness, current economic trends, and changes in tenant payment terms when evaluating the adequacy of the allowance for bad debts. When tenants are in bankruptcy, the Company makes estimates of the expected recovery of pre- and post-petition claims. The period to resolve these claims can exceed one year. Management believes the allowance is adequate to absorb currently estimated bad debts. However, if the Company experiences bad debts in excess of the allowance management has established, its operating income would be reduced. Accounts receivable in the accompanying combined balance sheets are shown net of an allowance for doubtful accounts of $759 and $1,061 as of September 30, 2017 and December 31, 2016, respectively.

Investment in Affiliates — The Company accounts for its investments in PECO and Phillips Edison Grocery Center REIT II, Inc. ("NTR II") as available-for-sale securities. The investments in PECO and NTR II are adjusted as their share prices are revalued. The Company's cost basis for these investments as of September 30, 2017 and December 31, 2016, was $25,986. The balance in Accumulated Other Comprehensive Income was $666 and $664 as of September 30, 2017 and December 31, 2016, respectively. The fair value of these investments as of September 30, 2017 and December 31, 2016, was $26,652 and $26,649, respectively. All other affiliates the Company has investments in are accounted for under the equity method or the cost method of accounting (see Note 11) and their related income (loss) is recorded in Other Income, Net on the Company's combined statements of income.

On a periodic basis, the Company evaluates its investments in affiliates for impairment in accordance with Accounting Standards Codification ("ASC") Topic 320, *Investments – Debt and Equity Securities*. The Company assesses whether there are any indicators that the value of its investments in affiliates may be impaired. An investment in an affiliate is considered impaired only if the Company determines that its estimated fair value is less than the net carrying value on an other-than-temporary basis. The Company considers various qualitative and quantitative factors to determine if there are indicators of impairment, including, but not limited to, significant deterioration in the operating performance of the investee, significant adverse changes in the operating environment, and losses on sale transactions with respect to underlying assets. The Company considers various qualitative factors to determine if a decrease in the value of its investment is other-than-temporary. These factors include the Company's intent and ability to retain its investment in the entity as well as financial condition and long-term prospects of the entity. If the Company believes that the decline in the fair value of the investment is temporary, no impairment charge is recorded. If the analysis indicates that there is an other-than-temporary impairment related to the investment in a particular entity, the carrying value of the investment will be adjusted to an amount that reflects the estimated fair value of the investment (see Note 13**)**.

During the nine months ended September 30, 2017 and 2016, the Company did not identify indicators of other-than-temporary impairment that would require recording an impairment charge.

Other Assets, Net — Other Assets, Net consists primarily of prepaid expenses, deposits, deferred financing expense, tenant allowance, and leasing costs, which are amortized using the straight-line method over the terms of the respective agreements (see Note 4). Deferred financing expenses are capitalized and amortized on a straight-line basis over the term of the related financing arrangement, which approximates the effective interest method.

Revenue Recognition — The Company commences revenue recognition on its 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. Generally, this occurs on the lease commencement date. The determination of who is the owner of the tenant improvements, for accounting purposes, determines the nature of the leased asset and when revenue recognition under a lease begins. If the Company is the owner of the tenant improvements, for accounting purposes, 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 the Company concludes that it is not the owner of the tenant improvements (the lessee is the owner), for accounting purposes, then the leased asset is the unimproved space and any tenant improvement allowances funded under the lease are treated as lease incentives, which reduce revenue recognized over the term of the lease. In these circumstances, the Company begins revenue recognition when the lessee takes possession of the unimproved space to construct their own improvements. The Company considers a number of different factors in evaluating whether it or the lessee is the owner of the tenant improvements for accounting purposes. These factors include:

- whether the lease stipulates how and on what a tenant improvement allowance may be spent;
- whether the tenant or landlord retains legal title to the improvements;
- the uniqueness of the improvements;
- the expected economic life of the tenant improvements relative to the length of the lease; and
- who constructs or directs the construction of the improvements.

The Company recognizes rental income on a straight-line basis over the term of each lease, including those that include periodic and determinable adjustments to rent. 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. For percentage rental income, the Company defers recognition of contingent rental income until the specified target (i.e. breakpoint) that triggers the contingent rental income is achieved. Percentage revenues were $446 and $412 for the nine months ended September 30, 2017 and 2016, respectively.

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

The Company periodically reviews the collectability of outstanding receivables. Allowances will be taken for those balances that it deems to be uncollectible, including any amounts relating to straight-line rent receivables and/or receivables for recoverable expenses. For the nine months ended September 30, 2017 and 2016, $779 and $392, respectively, of bad debt expense was recorded and included as a component of Property Operating in the combined statements of income.

The Company records 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, the Company provides for losses related to unrecovered tenant-specific intangibles and other assets.

Revenues from management, leasing, and other fees charged, based on the various management agreements executed, are recognized in the period in which the services have been provided and the earnings process is complete (See Note 11).

Gain on Disposition of Property — The Company recognizes sales of assets only upon the closing of the transaction with the purchaser, and if the collectibility of the sales price is reasonably assured, it is not obligated to perform any significant activities after the sale to earn the profit, it has received adequate initial investment from the purchaser, and other profit recognition criteria have been satisfied. The Company may defer recognition of gains in whole or in part until: (i) the profit is determinable, meaning that the collectibility of the sales price is reasonably assured or the amount that will not be collectible can be estimated; and (ii) the earnings process is virtually complete, meaning that the Company is not obliged to perform any significant activities after the sale to earn the profit.

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

> Level 1—Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market is defined as a market in which transactions for the assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
>
> Level 2—Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active (markets with few transactions), inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data correlation or other means (market corroborated inputs).
>
> Level 3—Unobservable inputs, only used to the extent that observable inputs are not available, reflect the Company's assumptions about the pricing of an asset or liability.

Income Tax — The Company is comprised of partnerships, limited liability companies, and subchapter S corporations, which file tax returns for which the partners/members and shareholders are responsible for their respective shares of entity income.

The Company's captive insurance company, Silver Rock Insurance, Inc., which was formed in December of 2015, is a subchapter C corporation subject to federal income tax on income earned through its business activities. Income taxes have been provided for on the asset and liability method as required by GAAP. Under the asset and liability method, deferred income taxes are recognized for the temporary differences between the financial reporting basis and the tax basis of taxable assets and liabilities.

As of September 30, 2017 and December 31, 2016, the Company had net deferred tax assets of $231 and $270, respectively, comprised of differences between the basis of accounting for federal income tax reporting and GAAP reporting on insurance premium income, deductibility of loss reserves, and the amortization of organizational startup costs. In assessing whether the deferred tax assets are realizable, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the projected future taxable income and tax planning strategies in making this assessment. Deferred tax assets and deferred tax liabilities are included in Other Assets, Net on the accompanying combined balance sheets as of September 30, 2017 and December 31, 2016.

As of September 30, 2017 and 2016, there were no permanent differences that would cause the effective tax rate to differ from the U.S. statutory rate of 34%. As of September 30, 2017 and December 31, 2016, there were no significant uncertain tax positions.

Newly Adopted and Recently Issued Accounting Pronouncements — The Company adopted Accounting Standards Update ("ASU") 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business,* on January 1, 2017, and applied it prospectively. For a more detailed discussion of this adoption, see Note 5.

The following table provides a brief description of recent accounting pronouncements that could have a material effect on the Company's financial statements:

Standard	Description	Date of Adoption	Effect on the Financial Statements or Other Significant Matters
ASU 2017-05, Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20)	This update amends existing guidance in order to provide consistency in accounting for the derecognition of a business or nonprofit activity. It is effective for annual reporting periods beginning after December 15, 2018, but early adoption is permitted.	January 1, 2019	The Company will adopt this standard concurrently with ASU 2014-09, listed below. The Company expects the adoption will impact its transactions that are subject to the amendments, which, although expected to be infrequent, would include a partial sale of real estate or contribution of a nonfinancial asset to form a joint venture.
ASU 2016-18, Statement of Cash Flows (Topic 230)	This update amends existing guidance in order to clarify the classification and presentation of restricted cash on the statement of cash flows. It is effective for annual reporting periods beginning after December 15, 2018, but early adoption is permitted.	January 1, 2018	Upon adoption, the Company will include amounts generally described as restricted cash within the beginning-of-period and end-of-period total amounts on the statement of cash flows rather than within an activity on the statement of cash flows.
ASU 2016-15, Statement of Cash Flows (Topic 230)	This update addresses the presentation of eight specific cash receipts and cash payments on the statement of cash flows. It is effective for annual reporting periods beginning after December 15, 2018, but early adoption is permitted.	January 1, 2018	The Company is currently evaluating the impact the adoption of this standard will have on its combined financial statements. The Company anticipates an early adoption as of January 1, 2018.
ASU 2016-02, Leases (Topic 842)	This update amends existing guidance by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. It is effective for annual reporting periods beginning after December 15, 2019, but early adoption is permitted.	January 1, 2020	The Company is currently evaluating the impact the adoption of this standard will have on its combined financial statements.
ASU 2016-01, Financial Instruments	This update amends existing guidance by measuring equity securities, except those accounted for under the equity method or result in consolidation, at fair value with changes in fair value recognized through net income. It is effective for annual reporting periods beginning after December 15, 2018, but early adoption is permitted.	January 1, 2019	The Company is currently evaluating the impact the adoption of this standard will have on its combined financial statements.
ASU 2014-09, Revenue from Contracts with Customers	This update outlines a comprehensive model for entities to use in accounting for revenue arising from contracts with customers. ASU 2014-09 states that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." While ASU 2014-09 specifically references contracts with customers, it may apply to certain other transactions such as the sale of real estate or equipment. In 2015, the FASB provided for a one-year deferral of the effective date for ASU 2014-09, making it effective for annual reporting periods beginning after December 15, 2018.	January 1, 2019, except for Tenant Recovery Income, which will follow the adoption date of ASU 2016-02 on January 1, 2020	The Company's revenue-producing contracts are primarily leases that are not within the scope of this standard. As a result, the Company does not expect the adoption of this standard to have a material impact on its rental income. The Company continues to evaluate the effect of this standard on its other sources of revenue. These include fees and management income and reimbursement amounts it receives from tenants for operating expenses such as real estate taxes, insurance, and other common area maintenance. However, the Company currently does not believe the adoption of this standard will significantly affect the timing of the recognition of its fees and management income and reimbursement revenue. The Company currently plans to adopt this guidance on a modified retrospective basis.

4. OTHER ASSETS, NET

The summary of Other Assets, Net as of September 30, 2017 and December 31, 2016, is as follows:

	September 30, 2017	December 31, 2016
Deferred leasing commissions and costs	$ 48,917	$ 45,784
Tenant allowances	11,334	12,254
Deferred financing costs	1,005	1,005
Accumulated amortization	(45,343)	(41,775)
Net long-term amortizable assets	15,913	17,268
Deferred rent receivable, net	6,915	6,668
Prepaid expenses	2,997	2,212
Deposits and miscellaneous receivables	186	1,229
Total	$ 26,011	$ 27,377

5. ACQUISITIONS AND DISPOSITIONS

Acquisitions — In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. This update amends existing guidance in order to clarify when an integrated set of assets and activities is considered a business. The Company adopted ASU 2017-01 on January 1, 2017, and applied it prospectively. Under this new guidance, most of the Company's real estate acquisition activity will no longer be considered a business combination and will instead be classified as an asset acquisition. As a result, most acquisition-related costs that would have been recorded on the Company's combined statements of income as Acquisition Expense have been capitalized and will be amortized over the life of the related assets. Costs incurred related to properties that were not ultimately acquired are recorded as Acquisition Expenses on the Company’s combined statements of income. As of September 30, 2017, none of the Company's real estate acquisitions in 2017 met the definition of a business; therefore, the Company accounted for all as asset acquisitions.

During the nine months ended September 30, 2017, the Company acquired two grocery-anchored shopping centers. During the nine months ended September 30, 2016, the Company acquired one grocery-anchored shopping center.

For the nine months ended September 30, 2017 and 2016, the Company allocated the purchase price of acquisitions to the fair value of the assets acquired and liabilities assumed as follows:

	2017	2016
Land and improvements	$ 10,073	$ 2,569
Building and improvements	13,631	6,760
Acquired in-place leases	3,063	1,174
Acquired above-market leases	33	70
Acquired below-market leases	(1,450)	(1,423)
Total assets and lease liabilities acquired	$ 25,350	$ 9,150

The weighted-average amortization periods for in-place, above-market, and below-market lease intangibles acquired during the nine months ended September 30, 2017 and 2016, are as follows (in years):

	2017	2016
Acquired in-place leases	18	15
Acquired above-market leases	3	8
Acquired below-market leases	24	25

Dispositions — During each of the nine months ended September 30, 2017 and 2016, the Company completed the sale of one operating property and one outparcel. The amounts recognized from the sale of these properties are as follows:

	2017	2016
Operating properties		
Net sales proceeds	$ 7,500	$ 5,710
Gain on disposition(1)	3,132	2,842
Outparcels		
Net sales proceeds	$ 500	$ 1,529
Gain on disposition(1)	209	425

(1) The gain on dispositions of properties is recorded in Other Income, Net on the combined statements of income.

Property Held for Sale — As of September 30, 2017, one property was classified as held for sale as it was under contract to sell, with no substantive contingencies, and the prospective buyer had significant funds at risk. On October 6, 2017, the Company sold this property for $9,300, for a net gain of $2,770. A summary of assets and liabilities for the property held for sale as of September 30, 2017, is below:

	September 30, 2017
ASSETS	
Total investment in real estate assets, net	$ 5,282
Restricted cash	380
Accounts receivable, net	95
Other assets, net	
Deferred rent receivable, net	28
Deposits and miscellaneous receivables	10
Prepaid expenses	7
Real estate investment and other assets held for sale	$ 5,802
LIABILITIES	
Liabilities:	
Mortgages and loans payable, net	$ 8,000
Deferred income	9
Accounts payable and other liabilities	185
Liabilities of real estate investment held for sale	$ 8,194

Like-Kind Exchanges — As of December 31, 2016, proceeds from four sold properties were held in escrow for future acquisitions as part of §1031 exchanges, which entails selling a property and reinvesting the proceeds in one or more properties that are similar in nature, character, or class within 180 days. Proceeds from three of these properties were applied to the two properties purchased in the nine months ended September 30, 2017. The one remaining property was removed from the §1031 exchange program and the funds were released from escrow to the Company.

6. ACQUIRED INTANGIBLE LEASES

Acquired intangible leases consisted of the following as of September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016
Acquired in-place leases	$ 5,158	$ 2,094
Acquired above-market leases	103	70
Acquired intangible lease assets	5,261	2,164
Accumulated amortization	(275)	(43)
Acquired intangible lease assets, net	$ 4,986	$ 2,121
Acquired below-market lease liabilities	$ 3,770	$ 2,320
Accumulated amortization	(145)	(29)
Acquired intangible lease liabilities, net	$ 3,625	$ 2,291

Summarized below is the amortization recorded on acquired intangible leases for the nine months ended September 30, 2017 and 2016:

	2017	2016
In-place leases	$ 217	$ 22
Above-market leases	15	2
Total intangible lease asset amortization	$ 232	$ 24
Below-market lease liability amortization	$ 116	$ 16

7. MORTGAGES AND LOANS PAYABLE

The following is a summary of the outstanding principal balances of the Company's debt obligations as of September 30, 2017 and December 31, 2016:

	Interest Rate	September 30, 2017	December 31, 2016
Term loans due 2019[1]	3.29%-5.19%	$ 345,000	$ 330,000
Revolving credit facility[1][2]	3.29%	87,091	44,791
Mortgages payable[3]	4.16%-7.21%	71,863	122,157
Note payable due 2018	2.87%	2,269	—
Assumed market debt adjustments, net[4]		(152)	(174)
Deferred financing costs[5]		(2,224)	(3,050)
Total		$ 503,847	$ 493,724

(1) As of September 30, 2017, the LIBOR portion of the interest rate on $315,000 of the Company's outstanding variable-rate debt was, effectively, capped at 2.5% by four interest rate cap agreements maturing in July 2018.

(2) The gross borrowings under the Company's revolving credit facility were $64,500 and $96,341, and gross payments were $63,100 and $74,409 during the nine months ended September 30, 2017 and 2016, respectively.

(3) Due to the non-recourse nature of the Company's fixed-rate mortgages, the assets and liabilities of the related properties are neither available to pay the debts of the combined property-holding limited liability companies nor constitute obligations of such combined limited liability companies as of September 30, 2017.

(4) Net of accumulated amortization of $276 and $255 as of September 30, 2017 and December 31, 2016, respectively.

(5) Net of accumulated amortization of $2,498 and $2,210 as of September 30, 2017 and December 31, 2016, respectively. Deferred financing costs related to the revolving credit facility are recorded in Other Assets, Net, and

were $475 and $726, as of September 30, 2017 and December 31, 2016, respectively, which is net of accumulated amortization of $530 and $279, respectively.

The allocation of total debt between fixed- and variable-rate as well as between secured and unsecured, excluding market debt adjustments and deferred financing costs, as of September 30, 2017 and December 31, 2016, is summarized below:

	September 30, 2017	December 31, 2016
As to interest rate:		
Fixed-rate debt	$ 74,132	$ 122,157
Variable-rate debt	432,091	374,791
Total	$ 506,223	$ 496,948
As to collateralization:		
Unsecured debt	$ 32,269	$ 30,000
Secured debt	473,954	466,948
Total	$ 506,223	$ 496,948

Below is a listing of the Company's maturity schedule with the respective principal payment obligations, excluding market debt adjustments and deferred financing costs as of September 30, 2017:

	2017	2018	2019	2020	2021	Thereafter	Total
Term loans(1)	$ —	$ —	$ 345,000	$ —	$ —	$ —	$ 345,000
Revolving credit facility(1)	—	—	87,091	—	—	—	87,091
Mortgages payable	439	1,763	3,747	1,862	1,967	62,085	71,863
Note payable	1,361	908	—	—	—	—	2,269
Total maturing debt	$ 1,800	$ 2,671	$ 435,838	$ 1,862	$ 1,967	$ 62,085	$ 506,223

(1) The unsecured $30 million term loan and secured credit facilities, which includes the $315 million term loan and the revolving credit facility, have options to extend their maturities to 2020 and 2021, respectively. A maturity date extension for the unsecured term loan facility requires the payment of an extension fee of 0.25% of the outstanding principal amount. The secured credit facility may extend for two twelve-month periods, requiring an extension fee of 0.15% of the outstanding principal amount for each extension.

8. LEASES

Approximate future rental income to be received under noncancelable operating leases, assuming no new or renegotiated leases or option extensions on lease agreements, is as follows:

Year	Amount
Remaining 2017	$ 17,973
2018	61,799
2019	54,052
2020	45,684
2021	36,577
Thereafter	122,419
Total	$ 338,504

9. COMMITMENTS AND CONTINGENCIES

Leases — The Company leases office space and equipment under long-term and short-term operating and capital leases. Total rental expense for long-term operating leases was $2,159 and $2,078 for the nine months ended September 30, 2017 and 2016, respectively. Minimum rental commitments under noncancelable operating and capital leases as of September 30, 2017, are as follows:

Year	Amount
Remaining 2017	$ 230
2018	813
2019	524
2020	85
2021	—
Thereafter	—
Total	$ 1,652

Commitments and Contingencies — The Company is subject to numerous federal, state, and local environmental laws and regulations. The Company believes that the ultimate disposition of currently known environmental matters will not have a material effect on financial position, liquidity, or operations; however, the Company can give no assurance that existing environmental studies with respect to the shopping centers have revealed all potential environmental liabilities; that any previous owner, occupant, or tenant did not create any material environmental condition not known to the Company; that the current environmental condition of the shopping centers will not be affected by tenants and occupants, by the condition of nearby properties, or by unrelated third parties; or that changes in applicable environmental laws and regulations or their interpretation will not result in additional environmental liability to the Company.

The Company is subject to legal and other claims incurred in the normal course of business. Based upon reviews and consultation with counsel of such matters known to exist, the Company does not believe that the ultimate outcome of these claims will materially affect the Company’s financial position or results of operations or cash flows.

10. DERIVATIVES AND HEDGING ACTIVITIES

Risk Management Objective of Using Derivatives — The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposure to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its debt funding and through the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments 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. The Company’s derivative financial instruments are used to manage differences in the amount, timing, and duration of its known or expected cash receipts and its known or expected cash payments principally related to its investments and borrowings.

Derivatives Not Designated as Hedging Instruments — The Company’s objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate caps, which effectively place a cap on the LIBOR portion of its interest rate. Derivatives not designated as hedges are not speculative and are used to manage the Company’s exposure to interest rate movements and other identified risks, but do not meet the strict hedge accounting requirements to be classified as hedging instruments. Changes in the fair value of these derivative instruments, as well as any payments, are recorded directly in Other Income, Net and resulted in a loss of $17 and $71 for the nine months ended September 30, 2017 and 2016, respectively.

The following is a summary of the Company's interest rate caps that were not designated as cash flow hedges of interest rate risk as of September 30, 2017:

Count	Notional Amount	LIBOR Cap	Maturity Date
4	$315,000	2.5%	July 1, 2018

11. RELATED-PARTY TRANSACTIONS

Phillips Edison Grocery Center REIT I, Inc. — PECO is a public non-traded real estate investment trust ("REIT") formed in October 2009, co-sponsored by an affiliate of the Company. During the nine months ended September 30, 2017 and 2016, PECO was required by advisory and property management agreements to pay PELP subsidiaries certain fees related to acquiring and managing properties for PECO. Upon completion of the PECO transaction on October 4, 2017, the advisory and property management agreements were terminated.

Phillips Edison Grocery Center REIT II, Inc. — NTR II is a public non-traded REIT formed in June 2013, co-sponsored by an affiliate of the Company. NTR II is required by advisory and property management agreements to pay PELP subsidiaries certain fees related to acquiring and managing properties for NTR II.

Phillips Edison Grocery Center REIT III, Inc. — Phillips Edison Grocery Center REIT III, Inc. ("NTR III") is a nonpublic non-traded REIT formed in April 2016, co-sponsored by an affiliate of the Company along with Griffin Capital Corporation ("Griffin Capital"). NTR III is required by advisory and property management agreements to pay PELP subsidiaries certain fees related to acquiring and managing properties for NTR III.

In December 2016, PELP and NTR III entered into a bridge loan where PELP loaned NTR III $11,390, with an interest rate of LIBOR + 2.25%, maturing on December 31, 2018. The loan was secured with a mortgage on a property acquired by NTR III. As of December 31, 2016, NTR III owed PELP $12 of interest related to the loan. In August 2017 the principal balance and all outstanding interest were paid back in full.

As of September 30, 2017 and December 31 2016, PELP had incurred $3,904 and $1,709, respectively, of organizational and offering costs related to NTR III, all of which is recorded in Accounts Receivable - Affiliates on the combined balance sheets. Since NTR III's initial public offering has not commenced, PELP has only charged NTR III organizational and offering costs related to its private placement. As such, as of September 30, 2017 and December 31, 2016, PELP has charged organizational and offering costs of $2,000 and $39, respectively, to NTR III. Part of the receivable from NTR III includes an unpaid amount to Griffin Capital for offering costs of $1,138 and $266 as of September 30, 2017 and December 31 2016, respectively.

Phillips Edison Value Added Grocery Venture, LLC — Phillips Edison Value Added Grocery Venture, LLC ("Necessity Retail Partners") was formed in March 2016 between (1) PE OP II Value Added Grocery, LLC, a wholly owned subsidiary of NTR II, (2) a limited partnership affiliated with TPG Real Estate, and (3) PECO Value Added Grocery Manager, LLC ("PECO Member"), a wholly-owned subsidiary of PELP. Necessity Retail Partners is managed by the PECO Member and is required to pay certain fees to the PECO Member related to acquiring and managing properties for Necessity Retail Partners. As of September 30, 2017 and December 31, 2016, Phillips Edison HoldCo LLC, a wholly owned subsidiary of PELP, was the guarantor for up to $50,000 of Necessity Retail Partners' debt. Upon completion of the PECO transaction on October 4, 2017, PECO replaced Phillips Edison HoldCo LLC as the guarantor for that debt.

PECO Real Estate Partners and Affiliates — The following related parties are included in PECO Real Estate Partners ("PREP") and Affiliates in the table below.

PECO Real Estate Partners — PREP is a real estate development company. The Company entered into a delayed draw note receivable with PREP in May 2015 for a balance up to $4,500. The loan terms call for seven draws from the Company to PREP in an amount of $500 each through August 4, 2015, and

PREP may request up to two additional draws in an amount of no less than $500 each. The delayed draw commitment expired on September 30, 2017, at which time it converted into a term loan with a maturity date of December 15, 2017. The outstanding balance incurs interest at a rate of LIBOR + 5.65%, accrued daily. As of September 30, 2017 and December 31, 2016, the outstanding loan balance, including accrued interest, was $3,541 and $3,537, respectively.

Phillips Edison Strategic Investment Fund I LLC — Phillips Edison Strategic Investment Fund I LLC ("SIF I") is a limited liability company formed in February 2007. The Company owns 6.94% of SIF I and 23% of PECO Strategic Investment Manager LLC, which manages the SIF I assets. SIF I made a liquidating cash distribution to the common shareholders in December 2013, subject to the retention of appropriate reserves for operating expenses and any contingent liabilities following the termination of the fund. In 2014, after the disposal of the two remaining operating real estate assets, the Company received additional distribution income. In the second quarter of 2017, after SIF I disposed of a land parcel, the Company received its final distribution.

Phillips Edison Strategic Investment Fund II LLC — Phillips Edison Strategic Investment Fund II LLC ("SIF II") is a limited liability company formed in October 2010. The Company owns 8.75% of SIF II and 24% of PECO Strategic Investment Manager II LLC, which manages the SIF II assets.

Phillips Edison Strategic Investment Fund III LP — Phillips Edison Strategic Investment Fund III LP ("SIF III") is a limited partnership formed in October 2010. SIF III is managed by PECO Strategic Investment Fund GP III LLC.

PECO Net Lease Income Fund LLC — PECO Net Lease Income Fund LLC ("NLIF") is a limited liability company that holds net leased assets. The Company owns a 1.26% interest in NLIF, and NLIF is also owned by other PELP partners.

Blue Sky Corporate Ranch — Blue Sky Corporate Ranch is a ranch that is owned by Mike Phillips and Jeff Edison. The Company entered into a note receivable with Blue Sky Corporate Ranch in 2014 in the amount of $5,262, which included $663 of accrued interest through November 30, 2014. The outstanding balance incurs interest at a rate of LIBOR + 5.5%. The payment terms of the note include payment of $500 due on December 1, 2014, and each year thereafter. The outstanding balance, including accrued interest, as of September 30, 2017 and December 31, 2016, was $4,338 and $4,684, respectively.

SCB Air, LLC and SCB Air II, LLC — SCBAir, LLC and SCBAir II, LLC are related-party entities that operate small airplanes. The total paid to SCBAir, LLC and SCBAir II, LLC for the nine months ended September 30, 2017 and 2016, was $1,373 and $1,294, respectively, which is reflected in General and Administrative on the combined statements of income.

Dutch Square Cinema LLC — Dutch Square Cinema LLC ("Dutch"), which operates a public cinema, was a related-party entity owned by 17 of PELP's partners. Dutch rented its facilities from a PELP subsidiary through December 29, 2016, at which point the subsidiary was sold to a non-related party. The rent paid by Dutch while it was a related-party entity for the nine months ended September 30, 2016, was $478.

Summarized below is the detail of the Company's outstanding receivable balance from related parties as of September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016
PECO	$ 4,336	$ 4,213
NTR II	2,444	2,442
NTR III	3,932	13,504
PREP and affiliates	9,118	9,271
SCB Air I & II	1,538	1,534
Necessity Retail Partners	187	126
Total	$ 21,555	$ 31,090

Summarized below is the detail of the Company's investment in affiliates as of September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016
PECO	$ 26,449	$ 26,449
NTR II	202	200
NTR III	700	700
PREP and affiliates	3,711	3,766
Total	$ 31,062	$ 31,115

Summarized below are the fees earned by and the expenses reimbursable to the Company from related parties for the nine months ended September 30, 2017:

	PECO	NTR II	NTR III	PREP and Affiliates	Necessity Retail Partners	Total
Acquisition fees	$ 1,186	$ 1,479	$ —	$ —	$ —	$ 2,665
Asset management fee (Class B unit distributions)	2,392	458	—	—	—	2,850
Asset management fees	13,310	7,953	110	—	286	21,659
Development/construction management fees	1,367	577	—	—	85	2,029
Due diligence expenses	568	412	—	—	120	1,100
Insurance premiums	405	241	—	—	—	646
Leasing commissions	6,231	2,546	5	—	586	9,368
Property management fees	7,986	4,356	37	—	656	13,035
Other fees and reimbursements	6,047	2,631	373	203	289	9,543
Total	$ 39,492	$ 20,653	$ 525	$ 203	$ 2,022	$ 62,895

Summarized below are the fees earned by and the expenses reimbursable to the Company from related parties for the nine months ended September 30, 2016:

	PECO	NTR II	PREP and Affiliates	Necessity Retail Partners	Total
Acquisition fees	$ 1,111	$ 3,435	$ —	$ —	$ 4,546
Asset management fee (Class B unit distributions)	2,160	430	—	—	2,590
Asset management fees	12,054	6,173	—	87	18,314
Development/construction management fees	664	676	—	14	1,354
Due diligence expenses	268	722	—	25	1,015
Insurance premiums	559	359	—	—	918
Leasing commissions	5,586	2,778	—	213	8,577
Property management fees	7,456	3,484	—	197	11,137
Other fees and reimbursements	4,050	3,217	303	94	7,664
Total	$ 33,908	$ 21,274	$ 303	$ 630	$ 56,115

12. BENEFIT AND COMPENSATION PLANS

401(k) Plan — A wholly-owned subsidiary of PELP sponsors a 401(k) plan, which provides benefits for qualified employees. The Company's match of the employee contributions is discretionary and has a five-year vesting schedule. The contribution to the plan for the nine months ended September 30, 2017 and 2016, was $662 and $615, respectively. All employees who have attained the age of 21 are eligible the first day of the month following their date of hire. Employees are vested immediately with respect to employee contributions.

Deferred Compensation — PELP sponsors a restricted membership plan, which provides for deferred compensation in connection with awards to employees. The awards increase in value in direct relation to the increase in fair value of the Company's equity as defined in the plan document. The fair value of the Company's equity is typically calculated annually by management. The membership units are redeemable in cash at the employee's retirement or disability. The unit holders are entitled to receive distributions that are recorded as expense when declared. In the nine months ended September 30, 2017 and 2016, the Company expensed $759 and $675, respectively, related to these distributions.

Prior to January 1, 2016, awards granted by PELP under the aforementioned restricted membership plan contained a five-year cliff vesting provision in which all of the units vested for redemption five years after being awarded. As of January 1, 2016, awards granted by PELP under the plan contain a four-year graded vesting provision in which 25% of the units in a given award vest at the end of each year over a four-year period. Although units granted subsequent to December 31, 2015, contain the four-year graded vesting provision, those units that were granted through annual awards occurring prior to January 1, 2016, were not modified and will continue to vest on a cliff basis at the end of the applicable five-year period.

The liability for the deferred compensation plan as of September 30, 2017 and December 31, 2016, was $14,366 and $12,047, respectively, and is included in Accounts Payable and Other Liabilities in the combined balance sheets. The related expense for the deferred compensation plan was $6,441 and $4,460 during the nine months ended September 30, 2017 and 2016, respectively.

Equity-Based Compensation — On March 15, 2015, PELP granted 1,000 Class A profit interest units ("Class A PIUs") to certain executives of PELP as incentive compensation. The PIUs enable the holders to share in the appreciation of the value of PELP's assets subsequent to the grant date. As of September 30, 2017 and December 31, 2016, 100% and 80% of the Class A PIUs had vested, respectively. These units receive limited distributions based upon a calculation, which takes into account the excess of fair market value of a common unit over a threshold specified in the grant of the agreement. Upon the vesting of the units, there is an implied strike price for each unit of $23.50. PELP has the right, but not the obligation, to repurchase all or any portion of the vested Class A PIUs at a value per unit equivalent to the market value of a common unit, less the implied strike price of $23.50 per unit.

In 2016, PELP utilized the assistance of valuation specialists who used a Monte Carlo analysis to determine the fair value of the Class A PIUs, in accordance with GAAP. Based upon this analysis, PELP determined the fair value of Class A PIUs to be $1.71 per unit, or $1,710 in total. PELP expensed $63 and $339 related to the Class A PIUs during the nine months ended September 30, 2017 and 2016, respectively, in accordance with the vesting schedule of the units.

13. FAIR VALUE MEASUREMENTS

GAAP requires disclosure of the fair value of certain financial instruments. For purposes of this disclosure, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value may be based on quoted market prices for the same or similar financial instruments or on valuation techniques, such as the present value of estimated future cash flows using a discount rate commensurate with the risks involved.

The estimates of fair value require the application of broad assumptions and estimates. Accordingly, any actual exchange of such financial instruments could occur at values significantly different from the amounts disclosed.

Cash and Cash Equivalents, Accounts Receivable, and Accounts Payable — The Company considers the carrying value of these financial instruments to approximate fair value because of the short period of time between origination of the instrument and their expected realization based on Level 1 inputs.

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.

The Company recorded an impairment of $4,588 for the nine months ended September 30, 2017 on certain real estate assets, which have an updated carrying value of $7,008 as of September 30, 2017. The fair value of these real estate assets was measured on a nonrecurring basis using widely accepted valuation techniques including analysis of recent comparable sales transactions, actual sales negotiations, and bona fide purchase offers received from third parties less expected costs to sell. As such, the Company has determined that its valuations of impaired real estate assets are classified in Level 3 of the fair value hierarchy. No impairment on real estate assets was recorded for the nine months ended September 30, 2016.

Investments in Affiliates — On a periodic basis, the Company evaluates its investments in affiliates for impairment in accordance with ASC Topic 320, *Investments – Debt and Equity Securities*. The Company assesses whether there are any indicators that the value of its investments in affiliates may be impaired. An investment in an affiliate is considered impaired only if the Company determines that its estimated fair value is less than the net carrying value on an other-than-temporary basis. The Company considers various qualitative and quantitative factors to determine if there are indicators of impairment, including, but not limited to, significant deterioration in the operating performance of the investee, significant adverse changes in operating environment, and losses on sale transactions with respect to underlying assets. The Company considers various qualitative factors to determine if a decrease in the value of its investment is other-than-temporary. These factors include the Company’s intent and ability to retain its investment in the entity as well as financial condition and long-term prospects of the entity. If the Company believes that the decline in the fair value of the investment is temporary, no impairment charge is recorded. If the analysis indicates that there is an other-than-temporary impairment related to the investment in a particular entity, the carrying value of the investment will be adjusted to an amount that reflects the estimated fair value of the investment.

During the nine months ended September 30, 2017 and 2016, the Company did not identify indicators of other-than-temporary impairment that would require recording an impairment charge.

Mortgages and Loans Payable — The Company estimates the fair values of the mortgages and notes payable by discounting the future cash flows at rates currently offered for the similar debt instruments of comparable maturities by its lenders using level 3 inputs.

The following is a summary of borrowings as of September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016
Fair value	$ 507,687	$ 499,594
Recorded value[1]	506,071	496,774

[1] Recorded value does not include deferred financing costs of $2,224 and $3,050 as of September 30, 2017 and December 31, 2016, respectively.

Derivative Instruments — The Company measures all interest rate cap agreements at fair value on a recurring basis. The fair values of the interest rate cap agreements as of September 30, 2017 and December 31, 2016, were based on the estimated amounts the Company would receive or pay to terminate the contracts at the reporting date and were determined using interest rate pricing models and interest rate related observable inputs. Although the Company determined that the significant inputs used to value its derivatives fell within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its counterparties and its own credit risk utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. However, as of September 30, 2017 and December 31, 2016, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

As of September 30, 2017 and December 31, 2016, the Company's derivative assets balance was immaterial to the combined financial statements.

14. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through December 15, 2017, the date of issuance of these combined financial statements, to determine if either recognition or disclosure of significant events or transactions is required.

PECO Transaction — On October 4, 2017, the Company completed the PECO transaction. Under the terms of this transaction the following consideration was received in exchange for the Company's ownership interests in 76 shopping centers, its captive insurance company, and its third-party asset management business:

	Amount
Value of Operating Partnership units ("OP units") received	$ 402,258
Debt assumed by PECO:[1]	
Corporate debt	432,091
Mortgages and notes payable	70,837
Cash payments	25,000
Total estimated consideration	$ 930,186

[1] The amounts related to debt assumed by PECO are shown at face value, but the final amounts will be recorded by PECO at fair value.

Immediately following the closing of the PECO transaction, the Company’s shareholders owned approximately 19.4% and and PECO shareholders owned approximately 80.6% of the combined company.

The terms of the transaction also include an earn-out structure with an opportunity for an additional 12.5 million OP units to be issued to PELP if certain milestones are achieved related to a liquidity event for PECO shareholders and reaching certain fundraising targets in NTR III. The fundraising targets include funds raised through both the private offering currently taking place, as well as an initial public offering.

The PECO transaction was approved by the independent special committee of PECO’s board of directors, which had retained independent financial and legal advisors. It was also approved by the Company’s shareholders, as well as PECO’s shareholders.

Dispositions — The Company sold the following properties subsequent to September 30, 2017:

Property Name	Location	Disposition Date	GLA	Consideration	Gain/(Loss)
Mountain View Station LLC	Snellville, GA	10/6/2017	99,908	$ 9,300	$ 2,770
Cedar Hills - West LLC	Cedar Hills, UT	10/27/2017	N/A	300	—
New Market Station LLC	Madison, NC	11/21/2017	172,353	1,850	(165)
				$ 11,450	$ 2,605

Equity-Based Compensation — The vested Class A PIUs were converted to common units, and the unit holders received OP units in conjunction with the PECO transaction.

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Exhibit 99.3

PHILLIPS EDISON GROCERY CENTER REIT I, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of and For the Nine Months Ended September 30, 2017 and For the Year Ended December 31, 2016

On October 4, 2017, Phillips Edison Grocery Center REIT I, Inc. ("PECO," the "Company," "we," "our," or "us") acquired certain real estate assets and the third-party asset management business of its sponsor and external advisor, Phillips Edison Limited Partnership ("PELP"), in a stock and cash transaction (the "PELP Transaction"). Under the terms of the PELP Transaction, PELP received (i) approximately 39.4 million operating partnership units ("OP units") in our operating partnership, Phillips Edison Grocery Center Operating Partnership I, L.P. ("PECO OP"), excluding the 5.1 million vested and unvested Class B units in PECO OP already outstanding, (ii) $25 million in cash, and (iii) the right to receive up to approximately 12.49 million OP units if certain milestones are achieved, in exchange for the contribution of PELP's ownership interests in 76 shopping centers, its third-party asset management business, and its captive insurance company.

The following unaudited pro forma condensed consolidated financial information sets forth:

- The historical consolidated financial information as of and for the nine months ended September 30, 2017, derived from our unaudited consolidated financial statements, and the historical consolidated statement of operations for the year ended December 31, 2016, derived from our audited consolidated financial statements;
- Pro forma adjustments to give effect to our acquisitions during 2016 and through September 30, 2017, and other investments, dispositions and significant debt activity on our consolidated statement of operations for the nine months ended September 30, 2017 and the year ended December 31, 2016, as if these transactions occurred on January 1, 2016;
- The historical financial information of PELP as of and for the nine months ended September 30, 2017, derived from PELP's unaudited combined financial statements, and the historical combined statement of income for the year ended December 31, 2016, derived from PELP's audited combined financial statements;
- Pro forma adjustments to give effect to PELP's acquisitions during 2016 and through September 30, 2017, and other investments, dispositions, and significant debt activity on PELP's combined statements of income for the nine months ended September 30, 2017 and for the year ended December 31, 2016, as if these transactions occurred on January 1, 2016;
- Pro forma adjustments to give effect to our acquisition of PELP on our consolidated balance sheet as of September 30, 2017, as if the acquisition closed on September 30, 2017; and
- Pro forma adjustments to give effect to our acquisition of PELP on our consolidated statements of income for the nine months ended September 30, 2017 and for the year ended December 31, 2016, as if the acquisition closed on January 1, 2016.

Certain assets and liabilities of PELP included in the historical combined financial information, consisting primarily of certain working capital, investment in real estate assets, and investments in subsidiaries were not acquired and have been so reflected in the pro forma adjustments. Also, intercompany activity between PELP and us has been eliminated in the pro forma adjustments.

These unaudited pro forma condensed consolidated financial statements are prepared for informational purposes only and are based on assumptions and estimates considered appropriate by our management; however, they are not necessarily indicative of what our consolidated financial condition or results of operations actually would have been assuming the PELP Transaction had been consummated as of the dates previously indicated, nor do they purport to represent the consolidated financial position or results of operations for future periods. These unaudited pro forma condensed consolidated financial statements do not include the impact of any synergies that may be achieved through the PELP Transaction nor any strategies that management may consider in order to continue to efficiently manage our operations. This pro forma condensed consolidated financial information should be read in conjunction with:

- Our unaudited consolidated financial statements and the related notes thereto as of and for the nine months ended September 30, 2017 included in our Quarterly Report on Form 10-Q for the quarter then ended, filed with the Securities and Exchange Commission ("SEC") on November 9, 2017;
- Our audited consolidated financial statements and the related notes thereto as of and for the year ended December 31, 2016 included in our Annual Report on Form 10-K for the year then ended, filed with the SEC on March 9, 2017;
- PELP's unaudited combined financial statements and the related notes thereto as of and for the nine months ended September 30, 2017 included herein; and

- PELP’s audited combined financial statements and the related notes thereto for the year ended December 31, 2016 included herein.

The PELP Transaction will be accounted for as a business combination under Accounting Standards Codification 805 - Business Combinations. The total purchase price will be allocated to the identifiable tangible and intangible assets acquired and liabilities assumed based upon their respective fair values. The allocations of the purchase prices reflected in these unaudited pro forma condensed consolidated financial statements have not been finalized and are based upon preliminary estimates of these fair values, which is the best available information at the current time. A final determination of the fair values of the assets and liabilities will be based on the actual valuations of the tangible and intangible assets and liabilities that exist as of the dates of completion of the acquisitions. Consequently, amounts preliminarily allocated to identifiable tangible and intangible assets and liabilities could change significantly from those used in the unaudited pro forma condensed consolidated financial statements and could result in a material change in depreciation and amortization of tangible and intangible assets and liabilities.

The completion of the valuations, the impact of ongoing integration activities, and other changes in tangible and intangible assets and liabilities that occur could cause material differences in the information presented.

PHILLIPS EDISON GROCERY CENTER REIT I, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEETS
As of September 30, 2017
(In thousands)

	PECO Historical	PELP Historical (A)	PELP Adjustments (B)	PELP Pro Forma as Adjusted	PECO and PELP Transaction Adjustments (C)		Total Pro Forma
ASSETS							
Total investment in real estate assets, net	$ 2,328,640	$ 375,267	$ (20,869)	$ 354,398	$ 551,011	(D)	$ 3,234,049
Cash and cash equivalents	7,189	32,052	—	32,052	—		39,241
Restricted cash	6,025	11,078	(502)	10,576	—		16,601
Other assets, net	102,541	85,985	(7,576)	78,409	56,905	(E)	237,855
Real estate investments and other assets held for sale	4,863	5,802	(5,802)	—	—		4,863
Total assets	$ 2,449,258	$ 510,184	$ (34,749)	$ 475,435	$ 607,916		$ 3,532,609
LIABILITIES AND EQUITY							
Liabilities:							
Mortgages and loans payable, net	$ 1,224,779	$ 503,847	$ (2,821)	$ 501,026	$ 44,747	(F)	$ 1,770,552
Acquired below-market lease intangibles, net	42,080	3,625	—	3,625	48,410	(D)	94,115
Accounts payable – affiliates	4,567	1,138	(26)	1,112	(4,336)	(G)	1,343
Accounts payable and other liabilities	69,007	46,688	(3,926)	42,762	40,628	(H)	152,397
Liabilities of real estate investments held for sale	233	8,194	(8,194)	—	—		233
Total liabilities	1,340,666	563,492	(14,967)	548,525	129,449		2,018,640
Equity:							
Total stockholders’ equity	1,090,893	(54,283)	(19,782)	(74,065)	7,476	(I)	1,024,304
Noncontrolling interests	17,699	975	—	975	470,991	(J)	489,665
Total equity	1,108,592	(53,308)	(19,782)	(73,090)	478,467		1,513,969
Total liabilities and equity	$ 2,449,258	$ 510,184	$ (34,749)	$ 475,435	$ 607,916		$ 3,532,609

See accompanying notes to unaudited pro forma condensed consolidated financial statements.

PHILLIPS EDISON GROCERY CENTER REIT I, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
For the nine months ended September 30, 2017
(In thousands, except per share amounts)

	PECO Historical	PECO Adjustments (K)	PECO Pro Forma as Adjusted	PELP Historical (L)	PELP Adjustments (M)	PELP Pro Forma as Adjusted	PECO and PELP Transaction Adjustments (N)		Total Pro Forma
Revenues:									
Rental income	$ 157,425	$ 3,199	$ 160,624	$ 50,178	$ (3,318)	$ 46,860	$ 2,961	(O)	$ 210,445
Tenant recovery income	50,442	2,083	52,525	13,263	(716)	12,547	—		65,072
Fees and management income	—	—	—	59,176	(619)	58,557	(35,702)	(P)	22,855
Other property income	911	(60)	851	918	(8)	910	—		1,761
Total revenues	208,778	5,222	214,000	123,535	(4,661)	118,874	(32,741)		300,133
Expenses:									
Property operating	32,611	635	33,246	27,406	(458)	26,948	(11,317)	(Q)	48,877
Real estate taxes	31,136	868	32,004	8,460	(543)	7,917	—		39,921
General and administrative	25,438	(12)	25,426	27,992	(2,766)	25,226	(16,382)	(R)	34,270
Termination of affiliate arrangements	5,454	—	5,454	—	—	—	(5,454)	(S)	—
Acquisition expenses	466	(16)	450	—	—	—	—		450
Impairment of real estate assets	—	—	—	4,588	(4,588)	—	—		—
Depreciation and amortization	84,481	1,983	86,464	22,344	(1,807)	20,537	25,845	(T)	132,846
Total expenses	179,586	3,458	183,044	90,790	(10,162)	80,628	(7,308)		256,364
Other:									
Interest expense, net	(28,537)	556	(27,981)	(14,850)	600	(14,250)	(30)	(U)	(42,261)
Transaction expenses	(9,760)	—	(9,760)	(3,911)	15	(3,896)	13,656	(V)	—
Other (expense) income, net	642	—	642	4,835	(4,150)	685	(270)	(V)	1,057
Net (loss) income	(8,463)	2,320	(6,143)	18,819	1,966	20,785	(12,077)		2,565
Net loss (income) attributable to noncontrolling interests	144	(52)	92	(283)	(30)	(313)	(281)	(W)	(502)
Net (loss) income attributable to stockholders	$ (8,319)	$ 2,268	$ (6,051)	$ 18,536	$ 1,936	$ 20,472	$ (12,358)		$ 2,063
Earnings per common share:									
Basic	$ (0.05)	n/a	$ (0.03)	n/a	n/a	n/a	n/a		$ 0.01
Diluted	$ (0.05)	n/a	$ (0.03)	n/a	n/a	n/a	n/a		$ 0.01
Weighted-average common shares outstanding:									
Basic	183,402	n/a	183,402	n/a	n/a	n/a	n/a		183,402
Diluted	183,402	n/a	183,402	n/a	n/a	n/a	44,515	(X)	227,917

See accompanying notes to unaudited pro forma condensed consolidated financial statements.

PHILLIPS EDISON GROCERY CENTER REIT I, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2016
(In thousands, except per share amounts)

	PECO Historical	PECO Adjustments (K)	PECO Pro Forma as Adjusted	PELP Historical (L)	PELP Adjustments (M)	PELP Pro Forma as Adjusted	PECO and PELP Transaction Adjustments (N)		Total Pro Forma
Revenues:									
Rental income	$ 193,561	$ 18,600	$ 212,161	$ 68,768	$ (6,869)	$ 61,899	$ 4,586	(O)	$ 278,646
Tenant recovery income	63,131	8,065	71,196	19,850	(1,934)	17,916	—		89,112
Fees and management income	—	—	—	75,190	(1,196)	73,994	(42,996)	(P)	30,998
Other property income	1,038	(121)	917	549	(133)	416	—		1,333
Total revenues	257,730	26,544	284,274	164,357	(10,132)	154,225	(38,410)		400,089
Expenses:									
Property operating	41,890	5,308	47,198	36,781	(2,596)	34,185	(13,887)	(Q)	67,496
Real estate taxes	36,627	4,505	41,132	11,160	(983)	10,177	—		51,309
General and administrative	31,804	197	32,001	37,837	(3,893)	33,944	(20,263)	(R)	45,682
Acquisition expenses	5,803	(1,490)	4,313	400	(156)	244	(4,381)	(V)	176
Impairment of real estate assets	—	—	—	4,044	(4,044)	—	—		—
Depreciation and amortization	106,095	12,049	118,144	28,389	(3,465)	24,924	35,769	(T)	178,837
Total expenses	222,219	20,569	242,788	118,611	(15,137)	103,474	(2,762)		343,500
Other:									
Interest expense, net	(32,458)	(4,657)	(37,115)	(19,558)	1,603	(17,955)	(6,722)	(U)	(61,792)
Gain on disposition of properties	4,732	(4,732)	—	15,233	(15,233)	—	—		—
Other income (expense), net	1,258	—	1,258	353	(978)	(625)	(344)	(V)	289
Net income (loss)	9,043	(3,414)	5,629	41,774	(9,603)	32,171	(42,714)		(4,914)
Net (income) loss attributable to noncontrolling interests	(111)	27	(84)	(550)	67	(483)	1,525	(W)	958
Net income (loss) attributable to stockholders	$ 8,932	$ (3,387)	$ 5,545	$ 41,224	$ (9,536)	$ 31,688	$ (41,189)		$ (3,956)
Earnings per common share:									
Basic	$ 0.05	n/a	$ 0.03	n/a	n/a	n/a	n/a		$ (0.02)
Diluted	$ 0.05	n/a	$ 0.03	n/a	n/a	n/a	n/a		$ (0.02)
Weighted-average common shares outstanding:									
Basic	183,876	n/a	183,876	n/a	n/a	n/a	n/a		183,876
Diluted	186,665	n/a	186,665	n/a	n/a	n/a	41,726	(X)	228,391

See accompanying notes to unaudited pro forma condensed consolidated financial statements.

PHILLIPS EDISON GROCERY CENTER REIT I, INC.
NOTES AND MANAGEMENT'S ASSUMPTIONS TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 — BASIS OF PRO FORMA PRESENTATION

Phillips Edison Grocery Center REIT I, Inc. ("PECO," the "Company," "we," "our," or "us") is a real estate investment trust ("REIT") that invests primarily in well-occupied, grocery-anchored, neighborhood and community shopping centers that have a mix of creditworthy national and regional retailers that sell necessity-based goods and services in diversified markets throughout the United States.

On October 4, 2017, we completed our acquisition of certain real estate assets, the third party asset management business, and the captive insurance company of our sponsor and external advisor, Phillips Edison Limited Partnership ("PELP") in a stock and cash transaction valued at approximately $930 million. Under the terms of the agreement, PELP received approximately 39.4 million operating partnership units ("OP units") in our operating partnership, Phillips Edison Grocery Center Operating Partnership I, L.P. ("PECO OP"), excluding the 5.1 million OP units and Class B units of PECO OP already outstanding, and $25 million in cash in exchange for the contribution of PELP's ownership interests in 76 shopping centers, its third party asset management business, and its captive insurance company.

NOTE 2 — ADJUSTMENTS TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEETS

(A) Represents the historical financial condition as reflected in the combined financial statements of PELP as of September 30, 2017.

(B) Adjustments reflect the exclusion of certain PELP properties, investments in certain entities, and working capital, including cash, that were not acquired in the PELP Transaction.

(C) Represents adjustments to record the acquisition of PELP by us based upon the purchase price of approximately $930 million, excluding a $43 million earn-out liability (see item H). Additionally, intercompany activity between PELP and us has been eliminated. The calculation of the purchase price to be allocated is as follows (in thousands, except per share amounts):

Value of OP units issued[(1)]	$	402,258
Debt assumed:		
Corporate debt		432,091
Mortgages and notes payable		70,837
Cash payments		25,000
Total consideration	$	930,186

(1) Includes the issuance of 39.4 million OP units, excluding 5.1 million OP units and Class B units outstanding prior to the acquisition date, with an established value per unit of $10.20.

(D) Reflects adjustments to record the estimated increase over PELP's historical investment in real estate, as reflected in the PELP pro forma as adjusted column of the unaudited pro forma condensed consolidated balance sheet, based upon the preliminary estimated fair value for the tangible and intangible real estate assets and liabilities acquired. These preliminary estimated fair values are as follows (in thousands):

Land and improvements	$	265,219
Buildings and improvements		548,364
Acquired in-place lease assets		80,594
Acquired above-market lease assets		11,232
Total investment in real estate assets	$	905,409
Acquired below-market lease liabilities		(52,035)
Estimated fair value of net real estate investments	$	853,374

(E) Reflects the (i) recording of acquired intangible assets, including approximately $60 million of management contracts and $65 million of goodwill, (ii) elimination of approximately $46 million of intercompany activity between PELP and us, (iii) write-off of approximately $15 million of PELP’s prepaid commissions and tenant allowance, and (iv) reduction to PELP’s straight line rent receivable of approximately $7 million.

(F) Represents the following adjustments (in thousands):

New PECO debt acquired:[(1)(2)]		
4.5-year unsecured term loan	$	310,000
7-year unsecured term loan		175,000
Draw on PECO unsecured revolving credit facility to pay for PELP Transaction closing costs[(3)]		50,001
PELP debt refinanced as part of the acquisition:[(1)]		
Unsecured term loans		(345,000)
Unsecured revolver		(87,091)
Paydown on PECO unsecured revolving credit facility[(3)]		(2,908)
Closing costs paid related to the PELP Transaction		(50,001)
Other:		
Write-off of unamortized deferred financing expense and market debt adjustment related to PELP debt assumed		2,225
Deferred financing expense associated with new PECO debt		(9,403)
Fair value adjustment of PELP debt assumed by PECO		1,924
Pro forma adjustment to debt	$	44,747

(1) Upon completion of the PELP Transaction, PELP’s debt, except for the mortgages assumed by us, was refinanced with new, long-term debt instruments under current market conditions. Therefore, similar assumptions were made in regards to these pro forma consolidated financial statements.

(2) Aside from refinancing PELP’s corporate-level debt outstanding at September 30, 2017, new debt was used to fund cash requirements associated with the acquisition.

(3) Upon completion of the PELP Transaction, we extended the maturity on our revolving credit facility to October 2021, with additional options to extend the maturity to October 2022.

(G) Reflects the elimination of intercompany activity between PELP and us.

(H) Represents the addition of an estimated $43 million earn-out liability, recorded at fair value, which is payable to PELP shareholders contingent upon achieving certain milestones related to a liquidity event for our shareholders and reaching certain fundraising targets in Phillips Edison Grocery Center REIT III, Inc., of which PELP was a co-sponsor. The maximum payout is approximately 12.49 million OP units, or $137.4 million at an estimated value of $11.00 per share, and the liability will be adjusted quarterly through earnings. Additional adjustments include a $2.9 million increase in the value of Restricted Membership Units (“RMUs”), which are issued as part of a phantom equity compensation plan for employees, partially offset by a $5.1 million adjustment to remove our accrued expenses related to the PELP Transaction and a $0.2 million adjustment to remove PELP’s historical straight-line rent liability.

(I) Represents the write-off of PELP’s historical equity, with various adjustments to reflect the purchase price allocation as well as the adjustments to PELP’s debt assumed in the PELP Transaction.

(J) Reflects the adjustment to record the 39.4 million OP units issued to PELP, in addition to the vesting of the unvested Class B units currently outstanding, which are considered noncontrolling interests, as consideration for the transaction.

NOTE 3 — ADJUSTMENTS TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(K) Reflects adjustments for properties acquired and sold by us during the nine months ended September 30, 2017, and the year ended December 31, 2016, to reflect their results as if they had been acquired or sold on January 1, 2016.

(L) Reflects the historical results of operations of PELP for the nine months ended September 30, 2017, or for the year ended December 31, 2016.

(M) Adjustments reflect the exclusion of PELP properties that (i) are not being acquired in the PELP Transaction or (ii) were disposed of prior to September 30, 2017. Additionally, adjustments were made for properties acquired during the nine months ended September 30, 2017, and throughout the year ended December 31, 2016, to reflect their results as if they had been acquired on January 1, 2016.

(N) Represents adjustments related to the acquisition of PELP as though the PELP Transaction had occurred as of January 1, 2016. Additionally, intercompany activity between PELP and us has been eliminated.

(O) Represents the following adjustments (in thousands):

	For the Nine Months Ended September 30, 2017	For the Year Ended December 31, 2016
Net increase in above- and below-market lease amortization[1]	$ 1,129	$ 1,568
Increase in straight-line rent	1,355	2,136
Write off of PELP's tenant allowance adjustments	477	882
Pro forma adjustment to rental income	$ 2,961	$ 4,586

(1) Based on the preliminary purchase price allocation, $11 million has been allocated to above-market leases and $52 million to below-market leases. The adjustment to rental income is calculated on a straight-line basis based on a five-year useful life for above-market leases and a 14-year useful life for below-market leases.

(P) Reflects adjustments to eliminate PELP's fees and management income earned from us, which are reflected in PELP's historical combined financial statements.

(Q) Represents the following adjustments (in thousands):

	For the Nine Months Ended September 30, 2017	For the Year Ended December 31, 2016
Eliminate PECO expenses paid to PELP	$ (9,759)	$ (12,452)
Capitalization of PECO leasing costs	(1,922)	(2,229)
Revalue PELP's RMUs	426	835
Write off PELP's straight-line rent bad debt	(62)	(41)
Pro forma adjustment to property operating	$ (11,317)	$ (13,887)

(R) Primarily reflects adjustments to eliminate intercompany activity between us and PELP and our former advisor, in the amounts of $16.3 million and $19.4 million for the nine months ended September 30, 2017, and the year ended December 31, 2016, respectively. The remaining adjustment reflects straight-line rent adjustments related to PELP's office leases, as well as RMU and incentive compensation adjustments in the amount of $0.1 million and $0.9 million for the nine months ended September 30, 2017, and the year ended December 31, 2016, respectively.

(S) Adjustment reflects the removal of the costs associated with the termination of our relationship with American Realty Capital II Advisors, LLC ("ARC"). This was directly attributable to the PELP Transaction and terminated all remaining contractual and economic relationships between us and ARC.

(T) Adjustment reflects the difference between PELP historical depreciation and amortization and the estimated depreciation and amortization for real estate investments, in-place leases, and other assets. Based on the preliminary purchase price allocation, $195 million has been allocated to land and $618 million to buildings and improvements. Depreciation expense is calculated on a straight-line basis based on our purchase price allocation and using a 28-year life for buildings, a four-year life for tenant improvements, and a seven-year life for land improvements. Additionally, our purchase price allocation includes $81 million of acquired in-place lease intangibles and $60 million of acquired management contract intangibles, which will be amortized using a six-year life and seven-year life, respectively.

The table below reflects the adjustments that were made to depreciation and amortization (in thousands):

	For the Nine Months Ended September 30, 2017	For the Year Ended December 31, 2016
Depreciation of buildings and improvements	$ 11,999	$ 18,446
Amortization of in-place leases	10,455	14,026
Amortization of management contracts	6,429	8,571
Amortization of other assets	(3,038)	(5,274)
Pro forma adjustment to depreciation and amortization	$ 25,845	$ 35,769

(U) Represents the following adjustments (in thousands):

	For the Nine Months Ended September 30, 2017		For the Year Ended December 31, 2016	
Interest expense eliminated on PELP debt refinanced as part of the acquisition[1]	$	10,642	$	14,777
Interest expense charged on new debt as part of refinancing[1][2]		(10,246)		(19,629)
Change in interest on unsecured revolving credit facility borrowings		(619)		(2,306)
Amortization expense eliminated on financing costs associated with PELP debt refinanced as part of the acquisition		1,120		1,675
Amortization expense charged on financing costs associated with new debt as part of refinancing		(1,279)		(1,710)
Amortization expense on the fair value adjustment of PELP debt assumed by PECO		352		471
Pro forma adjustment to interest	$	(30)	$	(6,722)

(1) Upon completion of the PELP Transaction, PELP's debt, except for the mortgages assumed by us, was refinanced with new, long-term debt instruments under current market conditions. Therefore, similar assumptions were made in regards to these pro forma consolidated financial statements.

(1) As of September 30, 2017 and December 31, 2016, the weighted-average interest rate on the new debt instruments was 2.8% and 3.0%, respectively.

Of the total pro forma mortgages and loans payable, we assumed that approximately $524.1 million of our unsecured debt was not fixed through derivative financial instruments, and as a result, we are subject to the potential impact of rising interest rates. The impact of a 0.125% increase in our projected interest rates for the nine months ended September 30, 2017, and the year ended December 31, 2016, would result in approximately $1.7 million and $2.2 million of additional interest expense, respectively.

(V) Reflects the (i) removal of historical expenses related to the PELP Transaction, (ii) elimination of intercompany acquisition expenses, and (iii) removal of distribution income to PELP from us and from other PELP investments that are not being acquired.

(W) Reflects the adjustment to income attributable to noncontrolling interests related to the 39.4 million OP units issued to PELP as consideration for the transaction in addition to the 5.1 million OP units and Class B units previously issued.

(X) Reflects the increase in weighted-average dilutive shares related to the issuance of 39.4 million OP units and vesting of the unvested Class B units, assuming the PELP Transaction closed on January 1, 2016.

NOTE 4 — FUNDS FROM OPERATIONS (UNAUDITED)

Our historical and pro forma funds from operations ("FFO") for the nine months ended September 30, 2017 are summarized as follows (in thousands, except per share amounts):

	PECO Historical	PECO Adjustments (K)	PECO Pro Forma as Adjusted	PELP Historical (L)	PELP Adjustments (M)	PELP Pro Forma as Adjusted	PECO and PELP Transaction Adjustments (N)	Total Pro Forma
Net (loss) income	$ (8,463)	$ 2,320	$ (6,143)	$ 18,819	$ 1,966	$ 20,785	$ (12,077)	$ 2,565
Adjustments:								
Depreciation and amortization of real estate assets	84,481	1,983	86,464	22,344	(1,807)	20,537	19,416	126,417
Impairment of real estate assets	—	—	—	4,588	(4,588)	—	—	—
Gain on sale of property	—	—	—	(3,170)	3,170	—	—	—
FFO	$ 76,018	$ 4,303	$ 80,321	$ 42,581	$ (1,259)	$ 41,322	$ 7,339	$ 128,982
Weighted-average common shares outstanding:								
Diluted	186,150	n/a	186,150	n/a	n/a	n/a	41,767	227,917
Earnings per common share:								
Net (loss) income per share - diluted	$ (0.05)	n/a	$ (0.03)	n/a	n/a	n/a	n/a	$ 0.01
FFO per share - diluted	$ 0.41	n/a	$ 0.43	n/a	n/a	n/a	n/a	$ 0.57

Our historical and pro forma FFO for the year ended December 31, 2016 are summarized as follows (in thousands, except per share amounts):

	PECO Historical	PECO Adjustments (K)	PECO Pro Forma as Adjusted	PELP Historical (L)	PELP Adjustments (M)	PELP Pro Forma as Adjusted	PECO and PELP Transaction Adjustments (N)	Total Pro Forma
Net income (loss)	$ 9,043	$ (3,414)	$ 5,629	$ 41,774	$ (9,603)	$ 32,171	$ (42,714)	$ (4,914)
Adjustments:								
Depreciation and amortization of real estate assets	106,095	12,049	118,144	28,389	(3,465)	24,924	27,198	170,266
Impairment of real estate assets	—	—	—	4,044	(4,044)	—	—	—
Gain on sale of property	(4,732)	4,732	—	(15,233)	15,233	—	—	—
FFO	$ 110,406	$ 13,367	$ 123,773	$ 58,974	$ (1,879)	$ 57,095	$ (15,516)	$ 165,352
Weighted-average common shares outstanding:								
Diluted	186,665	n/a	186,665	n/a	n/a	n/a	41,726	228,391
Earnings per common share:								
Net income (loss) per share - diluted	$ 0.05	n/a	$ 0.03	n/a	n/a	n/a	n/a	$ (0.02)
FFO per share - diluted	$ 0.59	n/a	$ 0.66	n/a	n/a	n/a	n/a	$ 0.72

Pro forma FFO is presented for informational purposes only, and is based on available information and assumptions that our management believes to be reasonable; however, it is not necessarily indicative of what our FFO actually would have been assuming the PELP Transaction had occurred as of the dates indicated.

Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values, instead, have historically risen or fallen with market conditions, many industry investors have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. To overcome this problem, we consider FFO an appropriate measure of operating performance of an equity REIT. We use the National Association of Real Estate Investment Trusts ("NAREIT") definition of FFO. NAREIT defines FFO as to be net income (loss), computed in accordance with GAAP excluding extraordinary items, as defined by GAAP, and gains (or losses) from sales of depreciable real estate property (including deemed sales and settlements of pre-existing relationships), plus depreciation and amortization on real estate assets and impairment charges, and after related adjustments for unconsolidated partnerships, joint ventures, and noncontrolling interests. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect FFO on the same basis.

FFO presented herein is not necessarily identical to FFO presented by other real estate companies due to the fact that not all real estate companies use the same definitions. FFO should not be considered as an alternative to net income (determined in accordance with GAAP), as an indicator of our financial performance or as an alternative to cash flow from operating activities (determined in accordance with GAAP), as measures of our liquidity, nor is FFO necessarily indicative of sufficient cash flow to fund all of our needs. We believe that in order to facilitate a clear understanding of our consolidated historical operating results, FFO should be examined in conjunction with net income as presented in the unaudited pro forma condensed consolidated financial statements.