

Phillips Edison & Company Ltd.

Investment Adviser Brochure

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This brochure provides information about the qualifications and business practices of Phillips Edison & Company Ltd. If you have any questions about the contents of this brochure, please contact us at (801) 983-6305 or [sbrennan @phillipsedison.com](mailto:sbrennan@phillipsedison.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Phillips Edison & Company Ltd. is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Summary of Material Changes

Interim Amendment

This section discusses material changes to our Investment Adviser Brochure (“Brochure”) since the filing of the most recent annual update to our Brochure, dated March 28, 2013. The next annual update is expected to occur in March 2014.

Summary of Material Changes

Our current Brochure will be available to our existing and prospective clients 24 hours a day through the SEC’s Investment Adviser Public Disclosure website. We may, at any time, update this Brochure, and if we make any material changes, we will provide you either: (i) a copy of our Brochure that includes or is accompanied by a summary of material changes; or (ii) a summary of material changes that includes an offer to provide a copy of the current Brochure. We urge you to carefully review all subsequent summaries of material changes, as they will contain important information about any significant changes to our advisory services, fee structure, business practices, conflicts of interest, and disciplinary history.

Since the filing of the most recent annual update to our Brochure, dated March 28, 2013, the following sections of this Brochure have been materially revised:

- Cover Page: The Cover Page has been modified to reflect a change in our Chief Compliance Officer and our contact information.
- Item 10: We have provided a further explanation of the relationship between Phillips Edison & Company Ltd. and Phillips Edison NTR LLC.
- Item 11: We have provided disclosure regarding certain provisions in the governing documents of Phillips Edison - ARC Shopping Center REIT Inc. that may be applicable to certain investment opportunities pursued by the Funds.

Item 3 - Table of Contents

Item 1 - Cover Page	1
Item 2 – Summary of Material Changes	2
Item 3 - Table of Contents.....	3
Item 4 - Advisory Business	4
Item 5 - Fees and Compensation	5
Item 6 - Performance-Based Fees and Side-By-Side Management.....	6
Item 7 - Types of Clients	7
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.....	7
Item 9 - Disciplinary Information	17
Item 10 - Other Financial Industry Activities and Affiliations	17
Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	19
Item 12 - Brokerage Practices	21
Item 13 - Review of Accounts.....	21
Item 14 - Client Referrals and Other Compensation	21
Item 15 - Custody	21
Item 16 - Investment Discretion.....	22
Item 17 - Voting Client Securities	22
Item 18 - Financial Information	22
Item 19 – Requirements for State-Registered Advisers	22

Item 4 - Advisory Business

Background and Ownership

Phillips Edison & Company Ltd. (also referred to as “Phillips Edison,” “we,” “it,” “our” or “us”) is organized as an Ohio limited liability company and has been providing real estate related investment advisory services to our affiliated companies since 1999. The principal services provided by Phillips Edison relate to the acquisition, management and disposition of real estate and real estate related assets, as well as the supervision of the development, improvement and property management of real estate assets. We also act as an investment adviser to our clients, which consist exclusively of private, pooled investment vehicles (all of which were structured by us or our affiliates) in which institutions and high net worth individuals may invest (such private, pooled investment vehicles are hereinafter referred to individually as a “Fund,” and collectively as the “Funds”). The Funds invest primarily in real estate and real estate related assets, and our investment advice to the Funds is limited to those types of investments.

Phillips Edison & Company Ltd. is 99.9% owned by Phillips Edison Limited Partnership (“PELP”), and principally owned by Jeffrey S. Edison and Michael C. Phillips through their interests in PELP. Mr. Edison and Mr. Phillips have extensive experience in the real estate industry and have been acquiring and redeveloping shopping centers through PELP and its affiliated and predecessor companies since 1991.

Funds

The principal advisory service provided by Phillips Edison, either directly or through its supervised persons, is the management of the Funds, which include limited partnerships and limited liability companies in which tax exempt entities (like pension and profit-sharing plans and government retirement plans), taxable entities and certain individuals may invest. As a general matter, each Fund is managed in accordance with the investment objectives, strategies and guidelines set forth in the applicable private placement memorandum and constituent documents and is not tailored to the individual needs of any particular investor in the Fund (such investors in the Funds are referred to as “Investors”). Investment in a Fund does not by itself create an advisory relationship between the Investor and Phillips Edison. Therefore, Investors must consider whether the Fund meets their investment objectives and risk tolerance prior to investing in a Fund. Information about each Fund can be found in its confidential private placement memorandum, which is available to current and prospective investors, who are eligible to invest, only through Phillips Edison or another authorized party.

Assets Under Management

Phillips Edison manages approximately \$1.846 billion of client assets, all on a discretionary basis, as of March 31, 2013.

Item 5 - Fees and Compensation

Real Estate Management Fees

Phillips Edison and its affiliates may charge management fees and other fees to its clients. The specific payment terms and other conditions of the management fees and other fees available to Phillips Edison and its affiliates are set forth in the relevant private placement memorandum and constituent documents. To the extent fees payable to Phillips Edison and its affiliates are based on capital gains or capital appreciation, such fees will be effected consistent with the requirements of Section 205 of the Investment Advisers Act of 1940 (“Advisers Act”) and Rule 205-3 thereunder, which permit payment of performance fees by clients that meet certain requirements.

In many cases, Phillips Edison’s fees are based on the performance of the assets held by a Fund. Phillips Edison may have the responsibility for, or have a role in, determining the value of the assets in a Fund. To the extent Phillips Edison’s fees are based on the performance of client assets, Phillips Edison may benefit by receiving a fee based on the increased value of assets in a Fund. When valuing an asset, Phillips Edison attempts, in good faith, to determine the fair value of the asset in question in a manner consistent with Phillips Edison’s then-current valuation policies. Phillips Edison also relies on valuations provided by third-party appraisers.

The timing of fee payments varies among our clients and is set forth in the applicable private placement memorandum. Asset-based fees are calculated based on the amount of committed or invested capital. Performance fees or other performance-based compensation generally are based on exceeding specified yield or total return benchmarks or “hurdles” and are payable as set forth in the applicable private placement memorandum.

Deduction of Fees from Client Accounts

Phillips Edison and its affiliates are authorized to deduct advisory fees from the accounts of the Funds. Phillips Edison may also call unfunded commitments of Investors for the payment of management fees, and in some cases may be permitted to reduce the management fees in exchange for a corresponding allocation of additional income and distributions to Phillips Edison or an affiliated entity.

Client Expenses

Phillips Edison’s Funds bear the costs associated with their investments (including costs related to the establishment and maintenance of investment vehicles) and are required to reimburse Phillips Edison for such costs if incurred by Phillips Edison. Such expenses may include, without limitation, compensation and costs of management and leasing personnel, custodian fees, fees of legal counsel, accountants, outside appraisers and real estate brokers, and fees for architectural, engineering or other studies of proposed or existing investments, fees and expenses of unaffiliated third parties incident to the preparation and distribution of reports, and travel expenses and other out-of-pocket property and portfolio expenses, incurred in connection with the evaluation, negotiation, operations or sale of proposed or existing investments and operations of portfolios. To the extent provided in the private placement memorandum and

constituent documents of each Fund, Phillips Edison's Funds may be required to reimburse Phillips Edison for certain components of its overhead and operating expenses and/or pay property management fees to Phillips Edison or an affiliate (as described below).

Property Management Fees

In addition to the fees described above, Phillips Edison and its affiliates may provide leasing, construction and property management services for which the Funds could otherwise retain third parties. Although the leasing commissions, construction management fees and property management fees will be at market rates, the enforcement of the terms and conditions of the relevant agreements will be determined by Phillips Edison. For example, the determination as to whether an affiliated party is entitled to be indemnified pursuant to any such agreement between a Fund and the service provider, or whether the service provider has performed in compliance with the agreement, will be within Phillips Edison's purview.

Item 6 - Performance-Based Fees and Side-By-Side Management

As described in Item 5 above, Phillips Edison charges fees based on the receipt by Investors in the Funds of a specified return and management fees based on capital commitments. Phillips Edison's clients should be aware that, when Phillips Edison receives performance-based fees, Phillips Edison and/or any personnel who may benefit from such fees may have an incentive to choose investments that are riskier or more speculative than might otherwise be chosen.

In addition, Phillips Edison and its supervised persons may engage in side-by-side management of accounts that pay varying or no performance-based fees that may raise conflicts of interest. Phillips Edison and its affiliates and supervised persons may also have significant financial interests in one or more of the Funds that may raise conflicts of interest. Where the actions taken on behalf of one Fund may impact other Funds, and Phillips Edison and its affiliates or supervised persons have different interests in the Funds, there may be an incentive to favor certain Funds over others that may be less lucrative. Further, Phillips Edison may be incentivized to allocate investment opportunities to Funds that pay higher performance fees (either because of the underlying terms or because the Fund has already achieved performance hurdles) or to Funds whose current performance does not require it to reimburse Investors for losses attributable to prior unprofitable investments before distributing the performance fees.

To mitigate these conflicts, Phillips Edison's policies and procedures provide that investment decisions are made in accordance with the fiduciary duties owed to its clients and without consideration of Phillips Edison's (or its personnel's) pecuniary, investment or other financial interests. In particular, our investment allocation process is described in more detail in Item 11.

Individual compensation of Phillips Edison's supervised persons may be impacted by the receipt of performance-based fees by Phillips Edison.

Item 7 - Types of Clients

Phillips Edison provides investment management services only to the Funds described in this Brochure.

Generally, Investors that participate in the Funds are required to meet certain net worth qualifications, to qualify as “accredited investors” within the meaning of Rule 501 of Regulation D under the Securities Act of 1933, or other suitability or eligibility requirements set forth in the applicable private placement memorandum. Phillips Edison personnel who meet a particular Fund’s investor eligibility criteria, and certain other eligible personnel of Phillips Edison, may also invest in the Funds.

Important Notice

This Brochure may be provided to prospective investors (“Investors”) in a Fund, together with such Fund’s confidential private placement memorandum (“PPM”), constituent documents and other related documents (“Governing Documents”), in connection with an Investor’s consideration of an investment in a Fund. While this Brochure may include information about Phillips Edison or a Fund, it does not represent a complete discussion of the features, risks or conflicts associated with such Fund. More complete information about the Funds is included in the PPM and other Governing Documents for each Fund, and should be reviewed carefully before deciding whether to invest in a Fund.

In no event should this Brochure be considered an offer of interests in any Fund or be relied upon in determining whether to invest in any Fund. It is also not an offer of, or agreement to provide, advisory services directly to any Investor. Rather, this Brochure is designed only to provide information about Phillips Edison to comply with regulatory requirements under the Investment Advisers Act of 1940. Information in this Brochure may differ from the information provided in the relevant PPM. If there is any conflict between the information in this Brochure and similar information in the PPM, Investors should rely on the information in the PPM with respect to their investment in a Fund.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

The following is a summary of the investment strategies and methods of analysis employed by Phillips Edison on behalf of its clients. Specific descriptions of such strategies and methods are included in each Fund’s private placement memorandum, subscription agreement or other Governing Documents. The information in this Item 8 includes a discussion of the primary risks associated with these investment strategies. However, it is not possible to identify all of the risks associated with investing, and the particular risks applicable to a client will depend on the nature of the Fund, its investment strategy or strategies and the types of assets held, among other factors.

The Funds managed by Phillips Edison invest primarily in real estate and real estate related assets and are not intended to provide a complete investment program for an Investor. Investors are responsible for appropriately diversifying their assets to guard against the risk of loss.

Methods of Analysis and Investment Strategies

Phillips Edison's primary investment strategy is to identify retail and/or mixed use real estate opportunities, including, but not limited to, the acquisition of existing stabilized assets and existing underperforming assets, the acquisition of core, value-added, and opportunistic assets, and the development of new single-tenant and multi-tenant retail projects throughout the United States. While the focus of each Fund may vary, Phillips Edison generally (i) seeks to acquire a diversified portfolio of real estate assets that will deliver attractive risk-adjusted returns, (ii) looks for projects with value-added potential or redevelopment challenges that will enable it to enhance existing cash flow, and (iii) takes advantage of its superior national operating platform that allows it to make opportunistic acquisitions in markets throughout the United States while minimizing geographic and anchor tenant concentrations.

Phillips Edison generally oversees the execution of the Funds' investment strategies by (i) identifying unique investment opportunities suitable to the applicable Fund, (ii) executing a comprehensive due diligence process, (iii) structuring investments in an efficient and flexible manner, (iv) implementing the appropriate business plans for each asset, (v) applying strong portfolio management, and (vi) maintaining and aggressively exploiting diverse exit options.

A description of Phillips Edison's investment process is provided below:

- **Investment Sourcing:** Phillips Edison has established critical industry relationships that generate a substantial flow of real estate investment opportunities.
- **Investment Structuring:** Phillips Edison intends to pursue investment opportunities only where it perceives compelling valuations, realistic business plans and can mitigate risk through the proper capital structure, control and asset management. The optimal investment structure is sought to be achieved through rigorous market analysis, the development and comprehensive understanding of a thoughtful business plan, a complete understanding of the assets, financial obligations and capital structure, financial modeling of alternative business strategies and capital structures, and thorough negotiation of project agreements.
- **Investment Underwriting:** The underwriting process is characterized by a series of ongoing collaborative discussions and debates among the members of the Investment Committee and the acquisitions team for the applicable Fund, with a fundamental philosophy of using its superior leasing, market, and operating knowledge to challenge any proposed investment thesis. Phillips Edison's investment team has significant experience in its targeted markets and investment focus and employs a highly analytic, disciplined and value-driven approach.
- **Investment Committee:** The Investment Committee for each Fund is responsible for approving each investment by that Fund and is comprised of senior members of Phillips Edison who each have substantial investment experience.

- **Asset Management:** Phillips Edison is actively engaged in the strategic asset management decisions that drive value, namely operating and business plans and budgets, capital expenditures, leasing, repositioning, financing, refinancing and exit. Phillips Edison institutes a proactive asset management program customized to the nature, structure and characteristics of each investment and the expertise and capabilities of each operating partner or management team. Because the real estate and financial markets are highly volatile, Phillips Edison anticipates variances from such plans as investments mature, and accordingly, asset management programs and exit strategies are flexible and adapted to changing market dynamics, the macro-economic environment, capital markets, and local real estate fundamentals.
- **Exit Options:** Phillips Edison seeks investments with identifiable exit strategies and manages assets with an end goal of maximizing returns.

Risk of Loss

Strategies for Funds managed by Phillips Edison involve a high degree of uncertainty. The possibility of partial or total loss of capital exists in connection with such strategies, and Investors should not invest unless they can readily bear the consequences of such loss.

The following risk factors are generally applicable to Phillips Edison's clients. However, additional risk factors, including risk factors that are specific to a particular Fund's investment strategy, are described in the applicable private placement memorandum.

No Assurance of Investment Returns. There can be no assurance that a Fund will achieve its investment objectives or otherwise be able to successfully carry out its investment program or that the Investors will receive any return on, or the return of, their invested capital. An Investor should only invest in a Fund as part of an overall investment strategy and only if the Investor is able to withstand a total loss of its investment.

Reliance on Senior Management and Key Employees. Phillips Edison relies, to a significant extent, upon the continued services of the senior management team and other key employees. Any of these individuals could be difficult to replace, and the loss of any of them could have a material adverse effect on Phillips Edison's ability to provide its services.

Uncertain Timing for Asset Sales and Financings. The Funds have varying investment horizons. Although it is anticipated that most investments will generate current cash flow, it is possible that cash flow will occur only after the partial or complete financing, refinancing or sale of an investment, delaying the return to the Investors. It is possible that favorable financing, refinancing or sale terms may not be available for an investment, thereby reducing or eliminating any return.

Lack of Diversification. A Fund may be authorized to invest a significant percentage of its assets in any single property, and a limited number of investments increases risk because the aggregate performance of the Fund may be adversely affected by the unfavorable performance of even a single investment. Funds may also focus primarily on a single assets class (i.e., grocery or shopping centers), which may give rise to additional risk as a downward shift in demand for that asset class could negatively impact the aggregate returns of the Fund.

Impact of Market Environment. Real estate has historically experienced significant fluctuations and cycles in value and local market conditions, which may result in reductions in the value of real property interests. All real estate related investments are subject to the risk that a general downturn in the national or local economy will depress real estate prices.

Recent economic developments and the impact upon the real estate market since 2008 have increased the risks associated with investing in real estate. Consequences of the recent economic turmoil that have adversely affected, and may continue to adversely affect, investments in real estate include (i) a significant decline in the value of real estate and securities associated with real estate that have not fully recovered, resulting in an uncertain business environment for investors in real estate related assets, and (ii) any lingering lack of available credit and lack of confidence in the financial sector, resulting in reduced business activity in certain geographic areas or real estate segments.

Risks of Real Estate Investment. Investments in real estate and real estate related entities are subject to various risks, including, for example:

- adverse changes in the national, regional and/or local economic climate;
- adverse changes in local market conditions, including an oversupply of space in a Fund's properties, or a reduction in demand for the properties;
- adverse changes in the attractiveness of a Fund's properties to tenants;
- adverse changes in the financial conditions of tenants (and their ability to pay rent);
- competition from other available properties;
- adverse changes in market rental rates;
- the need to periodically pay for costs to repair, renovate and re-let space;
- increases in operating costs and expenses, including costs for maintenance, insurance, energy and real estate taxes;
- adverse changes in the availability of debt financing;
- increases in interest rates;
- adverse changes in laws and governmental regulations, including environmental laws and regulations, zoning laws and other governmental rules and fiscal policies;
- the fact that the expenses of owning and operating a Fund's properties are not typically reduced when circumstances such as market factors and competition cause a reduction in income from the properties;
- the long-term cyclical trends that give rise to significant volatility in real estate values; and
- risks associated with acts of God, uninsurable losses and other factors beyond the control of Phillips Edison.

Risks of Acquisition Activities. Acquisition of retail properties entails general investment risks associated with any real estate investment, including the risk that investments will fail to perform as expected and that estimates of the cost of improvements to bring an acquired property up to standards established for the intended market position may prove inaccurate. Funds acquiring properties may also be exposed to the following risks:

- the Fund may be unable to acquire a desired property because of competition from other well-capitalized real estate investors, including private investment funds, REITs that are publicly-traded, foreign investors, various types of financial institutions and their affiliates, family groups and wealthy individuals;
- even if a Fund enters into an acquisition agreement for a property, such an agreement would typically be subject to customary conditions to closing, including satisfactory completion of due diligence investigations;
- even if a Fund is able to acquire a desired property, competition from other real estate investors may significantly increase the purchase price paid;
- a Fund may be unable to finance acquisitions on favorable terms;
- once acquired, a property may fail to perform as Phillips Edison projected when analyzing its investments; and
- Phillips Edison's estimates of the costs of repositioning, retenanting or refurbishing acquired properties may be inaccurate.

A Fund may acquire properties subject to known or unknown liabilities and with limited or no recourse. As a result, if liability were asserted against a Fund based upon such properties, the Fund might have to pay substantial sums to dispute or remedy the matter, which could adversely affect the Fund's cash flow and returns. Unknown liabilities with respect to properties acquired could include, for example: liabilities for cleanup of undisclosed environmental contamination; claims by tenants, vendors or other persons relating to the former owners of the properties; liabilities incurred in the ordinary course of business; and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

Risks of Development and Construction. The development and construction of real estate assets is subject to timing, budgeting and other risks that may adversely affect a Fund's operating results. The Funds may acquire newly-developed and redeveloped properties as suitable investment opportunities arise, taking into consideration general economic conditions. Any renovation, redevelopment, development and related construction activities could subject the Funds to a number of risks, including risks associated with:

- construction delays or cost overruns that may increase project costs;
- receipt of zoning, occupancy and other required governmental permits and authorizations;
- development costs incurred for projects that are not pursued to completion;

- acts of God such as earthquakes, hurricanes, floods or fires that could adversely impact a project;
- ability to raise capital; and
- governmental restrictions on the nature or size of a project.

Uncertainty of Financial Projections. Phillips Edison will generally establish the capital structure of an investment based on financial projections, and projected operating results will normally be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse impact on the reliability of such projections.

Environmental Risks. Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real estate may be required to investigate and clean up any hazardous or toxic substances or petroleum product releases at such property and may be liable to a governmental entity or to third parties for property damage and for investigation and cleanup costs incurred by such parties in connection with the contamination. Such laws typically impose cleanup responsibility and liability without regard to whether the owner knew of or caused the presence of the contaminants, and the liability under such laws has been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of responsibility. The cost of investigation, remediation or removal of such substances may be substantial, and the presence of such substances or the failure to properly remediate the contamination on such property may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral. Persons who arrange for the disposal or treatment of hazardous or toxic substances at a disposal or treatment facility may also be liable for the costs of removal or remediation of a release of hazardous or toxic substances at such disposal or treatment facility, whether or not such facility is owned or operated by such person. In certain circumstances, third party lenders which have directed or had an active involvement in the environmental compliance activities or the day-to-day management of a borrower's facilities or which have taken possession of or title to such borrower's collateral may be liable for the costs of removal or remediation of a release of hazardous or toxic substances at the facility. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs it incurs in connection with the contamination. Finally, the owner of a site may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. In connection with its ownership and operation of real estate, a Fund may incur liability for such costs. Certain federal, state and local laws, regulations and ordinances govern the removal, encapsulation or disturbance of asbestos containing materials ("ACMs") when such materials are in poor condition or in the event of construction, remodeling, renovation or demolition of a building. Such laws may impose liability for release of ACMs and may provide for third parties to seek recovery from owners or operators of real property for personal injury associated with ACMs. In connection with its ownership and operation of real estate, a Fund may incur liability for such costs.

Competition for Tenants. A Fund's ability to lease or develop the properties it acquires is subject to competitive pressures. The Funds will face competition in the development, operation and sale of real property from individuals and businesses who own real estate, including private investment funds, REITs that are publicly-traded, foreign investors, various types of financial institutions and their affiliates, family groups and wealthy individuals. Some of these competitors have greater financial resources than the Fund. This factor will result in competition for tenants who lease or consider leasing space in a Fund's properties.

Credit Risk of Tenants; Inability to Collect Rent. Tenant leases generate a significant portion of each Fund's revenue. As a result, the performance of the Funds depends on the ability to collect rent from tenants. In particular, local economic conditions and factors affecting the industries in which the Fund's tenants operate may affect the tenants' ability to make lease payments. At any time, tenants may experience a downturn in their business that may significantly weaken their financial condition. As a result, tenants may delay a number of lease commencements, decline to extend or renew leases upon expiration, fail to make rental payments when due, close stores or declare bankruptcy. Any of the foregoing could result in the termination of the tenant's leases and/or a significant decrease in the Fund's revenues. In addition, lease terminations by an anchor tenant or a failure by that anchor tenant to occupy the premises could result in lease terminations or reductions in rent by other tenants in the same retail shopping centers under the terms of some leases. In that event, the Fund may be unable to re-lease the vacated space at attractive rents or at all. The occurrence of any of the situations described above, particularly if it involves a substantial tenant with leases in multiple locations, could adversely affect the Fund's profitability and its ability to meet its financial obligations.

Tenants who file for bankruptcy protection may not be able to continue to pay rent. A bankruptcy filing by, or relating to, a tenant or a lease guarantor would typically bar all efforts by a Fund to collect pre-bankruptcy debts from the tenant or the lease guarantor, or their property, unless the Fund receives an order permitting it to do so from the bankruptcy court. A tenant or lease guarantor bankruptcy could delay a Fund's efforts to collect past due balances under the relevant leases, and could ultimately preclude collection of these sums. If a lease is assumed by the tenant in bankruptcy, then all pre-bankruptcy balances due under the lease must be paid in full. However, if a lease is rejected by a tenant in bankruptcy, then the Fund would have only a general unsecured claim for damages. Any unsecured claim held by the Fund may be paid only to the extent that funds are available and only in the same percentage as is paid to all other holders of unsecured claims, and there are restrictions under bankruptcy laws which limit the amount of the claim that can be made if a lease is rejected. As a result, it is likely that the Fund would recover substantially less than the full value of any unsecured claims held with respect to a bankrupt tenant.

Lease Restrictions. In many cases, tenant leases contain provisions giving the tenant the exclusive right to sell particular types of merchandise or provide specific types of services within a particular retail shopping center or limit the ability of other tenants within that shopping center to sell that merchandise or provide those services. When a Fund is attempting to re-lease space after a vacancy by one of these tenants, these provisions may limit the number and types of prospective tenants for the vacant space. The failure to re-lease or to re-lease on satisfactory terms could harm the operating results of the Fund.

Property Taxes and Risk of Property Reassessments. Real property owned by a Fund or real property that secures (directly or indirectly) an investment of a Fund will likely be subject to real property taxes and, in some instances, personal property taxes. Such real and personal property taxes may increase as property tax rates change and as the properties are assessed or reassessed by taxing authorities. An increase in property taxes on a Fund's real property could adversely affect the Fund's results from operations and could decrease the value of that real property. Similarly, an increase in property taxes on real property that secures a loan made by a Fund could adversely affect the ability of the borrower to make payments to the Fund, which in turn may also adversely affect the value of the relevant asset securing such a loan.

Litigation at the Property Level. The acquisition, ownership and disposition of real properties carry certain litigation risks, which could result in losses to a Fund. Litigation may be commenced with respect to a property acquired by a Fund in relation to activities that took place prior to the Fund's acquisition of such property. In addition, at the time of disposition of an individual property, a potential buyer may claim that it should have been afforded the opportunity to purchase the asset or alternatively that such buyer should be awarded due diligence expenses incurred or statutory damages for misrepresentation relating to disclosures made, if such buyer is passed over in favor of another as part of the Fund's efforts to maximize sale proceeds. Similarly, successful buyers may later sue the Fund under various damage theories, including those sounding in tort, for losses associated with latent defects or other problems not uncovered in due diligence. A Fund may also be exposed to litigation resulting from the activities of tenants or their customers.

Use of Leverage. Although the use of leverage may increase the return and offer inflation protection, it also creates greater potential for loss. The objectives of a particular Fund and the nature of Phillips Edison's and/or its personnel's interest in the Fund may encourage the use of leverage in structuring transactions. While there may be certain limitations on the use of leverage in the applicable private placement memorandum, in some cases a Fund may incur leverage in excess of such limitations to facilitate transaction closings or refinancings. While Phillips Edison intends to use leverage where it believes it will increase a Fund's return on equity, there can be no assurance that a Fund will be able to incur such leverage from time to time or that the use of leverage will increase the return on the Fund's equity.

Risk of Bridge Financings. Phillips Edison may make an investment with the intent of financing or otherwise reducing a Fund's investment shortly after the closing of such investment. There can be no assurance in such instances that the Fund will be successful in completing such financings or other transactions designed to reduce or leverage the Fund's investment, or that the terms of such financings will be attractive when closed. If the Fund is unable to complete such an anticipated transaction, then its investments will be less diversified than Phillips Edison may have intended.

Interest Rate and Hedging Risks. A fund may incur indebtedness that bears interest at variable interest rates. Variable interest rate debt creates higher debt service requirements if market interest rates increase, which would adversely affect a Fund (for example, borrowing costs may increase but there may not be a corollary increase in tenant rent payments to the Fund). A Fund's performance may be adversely affected by a fluctuation in interest rates if it utilizes variable rate mortgage financing and fails to employ an effective hedging strategy to mitigate such risks,

including engaging in interest rate swaps, caps, floors and other interest rate contracts, and buying and selling interest rate futures and options on such futures. Should a Fund elect to borrow at a variable interest rate and to employ such a hedging strategy (and it will be under no obligation to do so), the use of these instruments to hedge a portfolio carries certain risks, including the risks that losses on a hedge position will reduce a Fund's earnings and funds available for distribution to the Investors and that such losses may exceed the amount invested in such instruments. Even if used, hedges may not perform their intended purpose of minimizing and offsetting losses on an investment.

Uninsured Losses. Phillips Edison generally maintains insurance on each of the properties acquired by the Funds, including liability and fire and extended coverage, in amounts believed sufficient to permit the replacement of the assets in the event of a total loss, subject to applicable deductibles. The Funds endeavor to obtain coverage of the types and in the amounts customarily obtained by owners of similar properties. There are certain types of losses, however, generally of a catastrophic nature, including, without limitation, terrorist strikes, earthquakes, floods, hurricanes and other acts of God, which may be uninsurable or not economically insurable. Inflation, changes in building or zoning codes and ordinances, environmental considerations, and other factors may also make it infeasible to use insurance proceeds to replace an asset if it is damaged or destroyed. Under such circumstances, the insurance proceeds received by a Fund might not be adequate to restore its economic position with respect to the affected asset. Because the Funds are pooled investment funds, all Fund assets may be at risk in the event of an uninsured or underinsured liability.

Compliance with the Americans with Disabilities Act and Other Changes in Governmental Rules and Regulations. Under the Americans with Disabilities Act of 1990 (the "ADA"), all public properties are required to meet certain federal requirements related to access and use by disabled persons. Properties acquired by a Fund may not be in compliance with the ADA. If a property is not in compliance with the ADA, the Fund may be required to make modifications to such property to bring it into compliance, or face the possibility of an imposition of fines or an award of damages to private litigants. In addition, changes in governmental rules and regulations or enforcement policies affecting the use and operation of the Fund's properties, including changes to building codes and fire and life safety codes, may occur.

Investments in Joint Ventures or Other Entities. Phillips Edison may cause a Fund to make investments in which other parties may co-invest, including entities affiliated with Phillips Edison. In such an event, the Fund may not be in a position unilaterally to control such investments or exercise certain rights associated with such investments. In addition, if a co-investing party removes its general partner or manager or terminates prior to the Fund, then the ability of the Fund to exercise certain rights associated with its investments may require the cooperation of a successor general partner or other persons. Furthermore, if the Fund and co-investors have the ability to dispose of their interests in the co-investment separately, a disposition of a large position by a co-investor may depress the market value of the continuing investment of the Fund, may result in the Fund having a partner not originally selected by the Fund, or may reduce the price available to the Fund, which may also be disposing of its investment. The Fund may also be liable for actions of its co-venturers or partners. While Phillips Edison will review the qualifications and previous experience of any proposed co-venturers or

partners, it does not expect in all cases to obtain financial information from, or to undertake private investigations with respect to, prospective co-venturers or partners.

Expedited Investment Decisions. Investment analyses and decisions by Phillips Edison may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to Phillips Edison at the time of making an investment decision may be limited, and Phillips Edison may not have access to complete information regarding the investment, such as physical matters, zoning regulations, required approvals or approval process, or other local conditions affecting an investment. Therefore, no assurance can be given that Phillips Edison will have knowledge of all circumstances that may adversely affect an investment. In addition, Phillips Edison expects to rely upon specialized expert input by various third-party consultants and service providers in connection with its evaluation of proposed investments.

Use of Valuations. Unlike exchange-listed and other readily tradable securities, real estate assets generally cannot be marked to an established market. Instead, a valuation is only an estimate of value and is not a precise measure of realizable value. Real estate valuations are subject to numerous assumptions and limitations. Ultimate realization of the market value of a real estate asset depends to a great extent on economic and other conditions beyond the control of the Fund and Phillips Edison. Further, determined values do not necessarily represent the price at which a real estate investment would sell since market prices of real estate investments can only be determined by negotiation between a willing buyer and seller. Generally, valuations will consider the financial aspects of a property, market transactions and the relative yield for an asset measured against alternative investments. Valuations will generally be based on the discounted cash flows of a Fund's assets. Valuations of real properties should be considered only estimates of value and not measures of realizable value with respect to such properties. As a result, if a Fund were to liquidate a particular real estate investment, the realized value may be more or less than the valuation of such asset.

Disaster Recovery. Phillips Edison has only limited disaster recovery plans for its operations, and will rely on outside parties for some key accounting and operational functions, who in turn may also have limited disaster recovery plans. There is no assurance that any of these disaster recovery plans will be in place or work, which could result in significant losses to the Funds in the event of a disaster.

Risks of Terrorism or Acts of War. Funds may invest in properties located in major urban and port areas that have been, and may be, the subject of acts of terrorism or war. These acts of terrorism or war may disrupt operations or damage assets of the Funds, which could cause the Funds and their Investors to suffer losses.

Default by Limited Partners. Although Phillips Edison believes that all Investors in the Funds will have the financial ability to satisfy their capital commitments, there can be no assurance that all such commitments will be honored. In the event that an Investor defaults on a capital call, it may be difficult for the Fund and its non-defaulting Investors to make up the shortfall from other sources. Notwithstanding the contractual remedies provided in the constituent documents of the applicable Fund, any default by one or more Investors could have a material adverse effect on the Fund. In addition, it may be difficult, or impossible, to obtain or enforce a judgment against certain Investors such as, for example, those affiliated with foreign governments or international

organizations established by treaty that enjoy certain immunities, including immunities from taxation and service of process, for the amount of their capital calls, if a Fund were to have such Investors. The inability of a Fund to enforce certain Investors' obligations to contribute capital to the Fund could impair the Fund's ability to take advantage of investment opportunities.

Risks Related to Multiple Roles and Related Entities. Phillips Edison and its related persons invest in and/or serve as general partner or managing member, or on the board of directors or advisory board, of the Funds and provide services other than investment advice (including, but not limited to, administration, organizing and managing the business affairs, preparing financial statements and providing audit support, preparing tax related schedules or documents, and sales and investor relations support) to such Funds, in some cases for a fee separate and apart from the advisory fee. A Fund may pay or reimburse Phillips Edison or its affiliates for certain organizational and initial offering expenses related to the Fund. In addition, given its relationship to the Funds, Phillips Edison or its affiliates may be in a position to directly access such Funds' accounts.

Risks Related to REITs. Certain of the Funds hold investments through subsidiaries that are real estate investment trusts ("REITs"). Such Funds may be limited in making and structuring their investments in order to maintain REIT status for such subsidiaries.

Risks Related to Private Offering of Securities. Neither the SEC nor any state securities commission has passed upon the merits of participating in a Fund, nor has the SEC or any state securities commission passed upon the adequacy or accuracy of any Fund PPM. Any representation to the contrary is a criminal offense. Phillips Edison anticipates that the offer and sale of the Funds' interests is exempt from registration under the Securities Act of 1933, as amended ("Securities Act"), The Funds, Phillips Edison, and / or their affiliates also intend to rely upon certain exemptions from broker dealer registration in the private offer and sale of securities. If such exemptions are not available under current laws or regulations, or future changes to federal or state securities laws or in their interpretation, it could adversely affect one or more Funds, or its financial condition and result in a negative impact upon any such investment.

Item 9 - Disciplinary Information

There are no legal or disciplinary events required to be disclosed pursuant to this Item 9.

Item 10 - Other Financial Industry Activities and Affiliations

While Phillips Edison & Company Ltd. serves as the "investment adviser" to the affiliated Funds, separately formed entities serve as the general partner or manager, as applicable, to certain of the Funds.

Phillips Edison Limited Partnership owns 99.9% of the membership interests of Phillips Edison & Company Ltd. and is the managing member of Phillips Edison & Company Ltd. Phillips Edison & Company, Inc. is the general partner of Phillips Edison Limited Partnership. Phillips Edison & Company Shopping Center Opportunity Fund Managing Member LLC is the managing member of Phillips Edison & Company Shopping Center Opportunity Fund

LLC. Phillips Edison Limited Partnership is the managing member of Phillips Edison & Company Shopping Center Opportunity Fund II LLC. Phillips Edison Value Added Company LLC is the general partner of Phillips Edison Shopping Center Fund III LP. Phillips Edison Value Added Company IV, L.L.C. is the general partner of Phillips Edison Shopping Center Domestic Fund IV, LP, and the general partner of Phillips Edison Shopping Center Fund IV, LP, and the manager of Phillips Edison Shopping Center Fund IV REIT LLC. Phillips Edison Limited Partnership is the sole member of Phillips Edison NTR LLC. PECO Strategic Investment Manager LLC is the manager of Phillips Edison Strategic Investment Fund LLC. PECO Strategic Investment Fund Manager II LLC is the manager of Phillips Edison Strategic Investment Fund II LLC.

Phillips Edison Limited Partnership ("PELP"), which is the managing member of Phillips Edison & Company Ltd. and owns 99.9% of the membership interests of Phillips Edison & Company Ltd., is a co-sponsor of Phillips Edison - ARC Shopping Center REIT Inc. ("PE - ARC REIT"), a public non-traded REIT (SEC File No. 000-54691 / 333-164313). Pursuant to an Advisory Agreement, American Realty Capital II Advisors, LLC is the advisor to PE - ARC REIT. Pursuant to a Sub-advisory Agreement, Phillips Edison NTR LLC is the sub-advisor to its sole client, PE - ARC REIT. PELP owns 100% of the membership interests of Phillips Edison NTR LLC.

Phillips Edison Arizona LLC is a licensed real estate broker in the State of Arizona formed to comply with licensing requirements related to leasing commercial properties in Arizona. Phillips Edison & Company Ltd. is the sole member and a manager of Phillips Edison Arizona LLC. Phillips Edison Arizona LLC is involved only with the management of third-party-owned properties in Arizona, for which it receives market rate brokerage fees. Phillips Edison Arizona LLC does not participate in any transactions with the Funds, and accordingly we do not believe that this relationship creates any actual or potential conflicts of interest between Phillips Edison and its clients.

Phillips Edison Georgia LLC is a licensed real estate broker in the State of Georgia formed to comply with licensing requirements related to leasing commercial properties in Georgia. Phillips Edison & Company Ltd. is the sole member and a manager of Phillips Edison Georgia LLC. Phillips Edison Georgia LLC is involved only with the management of third-party-owned properties in Georgia, for which it receives market rate brokerage fees. Phillips Edison Georgia LLC does not participate in any transactions with the Funds, and accordingly we do not believe that this relationship creates any actual or potential conflicts of interest between Phillips Edison and its clients.

The Funds include Phillips Edison Limited Partnership, Phillips Edison & Company Shopping Center Opportunity Fund LLC, Phillips Edison & Company Shopping Center Opportunity Fund II LLC, Phillips Edison Shopping Center REIT, Inc., Phillips Edison Shopping Center Fund III LP, Phillips Edison Shopping Center Domestic Fund IV, LP, Phillips Edison Shopping Center Fund IV, LP, Phillips Edison Shopping Center Fund IV REIT LLC, Phillips Edison Strategic Investment Fund LLC, and Phillips Edison Strategic Investment Fund II LLC.

In some cases, these relationships may create a potential conflict of interest, or appearance of a conflict of interest between Phillips Edison and a Phillips Edison client due to the fact that Phillips Edison provides investment management services to more than one client and these clients may have overlapping investment objectives. In such cases, participation in such opportunities will be allocated pursuant to Phillips Edison's allocation policies and procedures discussed in more detail in Item 11.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

Phillips Edison has adopted a Code of Ethics (the "Code") designed to ensure compliance with Rule 204A-1 under the Advisers Act. The Code applies to all members, partners, officers, directors (and any other person occupying a similar status or performing a similar function), and employees of Phillips Edison, and any other person who provides investment advice on behalf of Phillips Edison and is subject to Phillips Edison's supervision and control (each a "Covered Person"). The Code is based on the principle that Phillips Edison and its Covered Persons owe a fiduciary duty to the Funds, and incorporates the following general principles that all Covered Persons are expected to uphold:

- Covered Persons must consistently place the interests of Phillips Edison's clients before their own.
- Covered Persons must conduct all of their investment transactions (including their personal investment transactions) consistent with the Code and in such a manner as to avoid conflicts of interest or any abuse of a position of trust and responsibility.
- Covered Persons must not take inappropriate advantage of their positions for their personal benefit.

In addition, Covered Persons are required to comply with applicable federal securities laws at all times.

Covered Persons are expected to act solely for the benefit of Phillips Edison and its clients and not be influenced by personal interests that may result from other individual or business concerns. No Covered Person may engage in any activities involving a potential conflict of interest unless prior authorization is obtained from the Chief Compliance Officer.

The Code requires that Covered Persons' personal investment activities comply with all applicable laws and regulations. In addition, Access Persons (as defined in the Code) are required to obtain pre-clearance before making certain personal investments in (i) a U.S. initial public offering and (ii) a security sold in the United States in reliance on the private placement exemptions in Section 4(2) of the Securities Act or Regulation D thereunder. The Code provides that post-transaction approval will not be given for a securities transaction completed before approval.

The Code includes policies and procedures concerning “inside information” that are designed to prevent the misuse of material, non-public information. The insider trading policies prohibit Covered Persons from trading for clients or themselves, or recommending trading, in securities of a company while in possession of material non-public information about the company, and from disclosing such information to any person not entitled to receive it.

The Code also includes provisions governing the standard of conduct of Covered Persons, including the provision of the required personal securities reports, and policies regarding gifts and entertainment and political contributions.

Covered Persons are required to certify their compliance with the Code on a periodic basis. A copy of the Code will be provided to any client or prospective client upon request.

Phillips Edison does not invest in any of the Funds. However, Phillips Edison’s principals, officers and employees and certain affiliates of Phillips Edison may have direct and indirect investments of their own capital in the Funds through, for example, direct investments, deferred compensation agreements, performance allocation, carried interest or management fee waiver provisions. The existence of the performance fees with respect to the Funds may create an incentive for Phillips Edison or its personnel to make more speculative investments on behalf of a Fund than they might otherwise make in the absence of such performance-based compensation. The terms of the carried interest or performance fees could give Phillips Edison or its personnel an incentive to make decisions regarding the timing and structure of realization transactions that are not consistent with the interests of Investors.

Phillips Edison seeks to allocate investments among the Funds in accordance with the governing documents of the applicable Funds. In doing so, Phillips Edison may consider Fund investment restrictions, current portfolio composition, size, investment objectives, risk tolerance, return targets and preferred asset classes. Under no circumstances may investments be allocated based on anticipated compensation to Phillips Edison or its affiliates. Each Fund will have its unique investment guidelines and limitations that must be taken into account when making investment allocation decisions. Investment opportunities that meet the unique and specific investment characteristics of a specific Fund will be allocated exclusively to such Fund. To the extent the investment period for a successor Fund commences before the predecessor Fund is fully invested, Phillips Edison will make allocation determinations based on the terms set forth in the governing documents of the predecessor Fund and successor Fund respectively. The Funds may have similar investment strategies, and participation in specific investment opportunities may be appropriate for more than one Fund. In such instances, the allocation of the investment opportunity among the Funds must be documented and approved by the Chief Compliance Officer. Pursuant to certain provisions in the governing documents of Phillips Edison - ARC Shopping Center REIT Inc. (“PE-ARC REIT”), the Funds are restricted from pursuing certain investment opportunities unless and until (i) each such investment opportunity is first presented to PE-ARC REIT, and (ii) PE-ARC REIT elects not to pursue such investment opportunity.

Phillips Edison may engage one or more of its affiliates (referred to in such capacity as a “Servicing Party”) to perform leasing, construction and property management services for which a Fund would otherwise retain third parties. Although leasing commissions, construction management fees and property management fees will be at market rates, the enforcement of the

terms and conditions of the relevant leasing, construction or property management agreement will be determined by Phillips Edison. For example, the determination as to whether a Servicing Party is entitled to be indemnified pursuant to any such agreement between the Fund and such Servicing Party or whether such Servicing Party has satisfactorily performed in compliance with its agreement with the Fund will be within the purview of Phillips Edison.

Item 12 - Brokerage Practices

The vast majority of our clients' transactions are not executed through a securities broker-dealer. However, we have the discretion, under certain circumstances, to make investments in equity interests and debt instruments. In such circumstances, we may execute the transactions on behalf of the applicable Fund through a securities broker-dealer, and our objective will be to seek "best execution" (that is, the most favorable price and trade execution). Our effort to seek best execution on any individual transaction depends substantially on our judgment, knowledge and experience in evaluating the counterparties' and service providers' reliability and capability based on previous and pending transactions effected by the broker-dealer for our clients' accounts. These factors include, among other things, execution quality and capabilities including, with regard to market making, commissions charged by and gross compensation paid to such counterparty and special knowledge of the real estate securities and instruments markets.

Item 13 - Review of Accounts

Phillips Edison engages in ongoing monitoring of each investment. In addition, Phillips Edison conducts periodic reviews of client accounts in order to assess trends that may impact an individual investment's ability to generate cash, profitability, asset values, financing needs, potential liability and ability to service any debts.

Investors in the Funds generally receive a quarterly report, which includes a portfolio summary and unaudited financial statements.

Item 14 - Client Referrals and Other Compensation

Phillips Edison does not receive any economic benefits from non-clients in connection with the provision of investment advice to the Funds.

Phillips Edison may retain placement agents to market interests in the Funds from time to time. Any such placement agent's fee may be based on a percentage of the capital commitments of Investors whom they introduce to the Funds.

Item 15 - Custody

Securities and funds owned by the Funds are held at one or more qualified custodians, which provide each Fund a monthly account statement. However, because the general partners or managers, as applicable, of the Funds are our affiliates, we are deemed to have "custody" within the meaning of SEC Rule 206(4)-2. Each Investor in the Funds is generally provided with the written quarterly reports described above and also will receive audited financial statements for the applicable Fund that comply with U.S. generally accepted accounting principles within 120

days following the Fund's fiscal year end. Investors should carefully review the quarterly reports and annual audited financial statements.

Item 16 - Investment Discretion

Phillips Edison has full discretionary authority with respect to investment decisions, and its advice with respect to clients is provided in accordance with the investment objectives and guidelines as set forth in their respective private placement memoranda and constituent documents. Phillips Edison's investment management agreement or other contractual provisions with the Funds generally place limitations on Phillips Edison's management of the Funds, including (i) the amount of leverage that the Fund may utilize, (ii) maximum single investment concentrations and (iii) the target asset class. These limitations are described in each Fund's PPM.

Item 17 - Voting Client Securities

The Funds do not hold public securities and Phillips Edison does not accept authority to vote proxies on behalf of the Funds.

Item 18 - Financial Information

We are not aware of any financial condition of Phillips Edison that impairs our ability to meet contractual and fiduciary commitments to the Funds or the Investors.

Item 19 – Requirements for State-Registered Advisers

Phillips Edison is not required to complete this Item 19.