

Section 1: 8-K (8-K)

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): November 14, 2018



Phillips Edison Grocery Center REIT II, Inc.

(REIT Merger Sub, LLC, as successor by merger to Phillips Edison Grocery Center REIT II, Inc.)
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction
of incorporation)

000-55438
(Commission
File Number)

61-1714451
(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.

Item 1.02. Termination of a Material Definitive Agreement

Reference is made to that certain Agreement and Plan of Merger, dated July 17, 2018 (the "*Merger Agreement*"), by and among (i) Phillips Edison Grocery Center REIT II, Inc., a Maryland corporation (the "*Company*"), (ii) Phillips Edison Grocery Center Operating Partnership I, L.P., a Delaware limited partnership and subsidiary of the Company ("*PECO OP*"), (iii) REIT Merger Sub, LLC, a Maryland limited liability company and wholly owned subsidiary of the Company ("*REIT Merger Sub*"), (iv) OP Merger Sub, LLC, a Delaware limited liability company and wholly owned subsidiary of PECO OP ("*OP Merger Sub GP*"), (v) OP Merger Sub 2, LLC, a Delaware limited liability company and subsidiary of PECO OP and OP Merger Sub GP ("*OP Merger Sub*"), (vi) Phillips Edison & Company, Inc., a Maryland corporation ("*PECO*"), and (vii) Phillips Edison Grocery Center Operating Partnership II, L.P., a Delaware limited partnership and subsidiary of the Company ("*OP II*") and the consummation by the Company of the transactions contemplated thereby (the "*Transactions*").

On November 16, 2018 (the "*Closing*"), (i) the Company merged with and into REIT Merger Sub (the "*REIT Merger*") and (ii) OP Merger Sub merged with and into OP II (the "*Partnership Merger*" and, together with the REIT Merger, collectively, the "*Mergers*"). In connection with the Mergers and in accordance with the Merger Agreement, each of (i) the Amended and Restated Advisory Agreement, dated as of September 1, 2017 (the "*Advisory Agreement*"), by and among the Company, OP II and Phillips Edison NTR II, LLC, a Delaware limited liability company, (ii) certain Addenda (collectively, the "*Property Management Agreement Addenda*") to the Master Property Management Agreement, dated as of October 4, 2017, by and between OP II and PECO OP, and (iii) certain Addenda (collectively, the "*Services Agreement Addenda*") to the Master Services Agreement, dated as of October 4, 2017, by and between OP II and Phillips Edison & Company, Ltd., an Ohio limited liability company, was terminated effective as of immediately prior to the REIT Merger Effective Time (as defined below). PECO waived any disposition fees that would otherwise have been payable under the Advisory Agreement upon consummation of the Mergers, and no fees were payable to any of the parties as a result of the termination of the Advisory Agreement, Property Management Agreement Addenda or Services Agreement Addenda, other than unpaid fees accrued in the ordinary course prior to the Closing.

Item 2.01. Completion of Acquisition or Disposition of Assets

On November 16, 2018, pursuant to the Merger Agreement, (i) OP Merger Sub merged with and into OP II, the separate limited liability company existence of OP Merger Sub ceased and OP II continued as the surviving entity of the Partnership Merger and (ii) the Company merged with and into REIT Merger Sub, the separate corporate existence of the Company ceased and REIT Merger Sub continued on as the surviving entity of the REIT Merger.

Pursuant to the terms and conditions in the Merger Agreement, at the effective time of the Partnership Merger (the "*Partnership Merger Effective Time*"), each unit of partnership interests in OP II (excluding each Class B unit and the special limited partnership interest, which were canceled in connection with the Partnership Merger) issued and outstanding immediately prior to the Partnership Merger Effective Time held by a limited partner of OP II was canceled and converted into the right to receive 2.04 units in PECO OP ("*OP Units*"), rounded down to the nearest whole unit. The membership interests of OP Merger Sub that were held by OP Merger Sub GP immediately prior to Partnership Merger Effective Time were canceled and converted into a general partner interest in OP II and the membership interests in OP Merger Sub that were held by PECO OP immediately prior to the Partnership Merger Effective Time were canceled and converted into a limited partner interest in OP II.

Pursuant to the terms and conditions in the Merger Agreement, at the effective time of the REIT Merger (the "*REIT Merger Effective Time*"), each share of the Company's common stock, \$0.01 par value per share (the "*Common Stock*"), and each fraction thereof, issued and outstanding immediately prior to the REIT Merger Effective Time (including each restricted share of Common Stock) was canceled and converted into the right to receive 2.04 validly issued, fully paid and nonassessable shares of PECO common stock, \$0.01 par value per share (the "*PECO Common Stock*").

On November 16, 2018, concurrently with the Partnership Merger and immediately prior to the REIT Merger, in connection with the transactions contemplated by the Merger Agreement, OP II contributed to PECO OP all of the issued and outstanding equity interests in (a) Commonwealth Square Station LLC, a Delaware limited liability company, (b) Franklin Station LLC, a Delaware limited liability company, (c) Heritage Plaza Station LLC, a Delaware limited liability company, (d) Montville Station LLC, a Delaware limited liability company, and (e) Normandale Station LLC, a Delaware limited liability company.

The descriptions of the Merger Agreement and the Transactions contained in this Item 2.01 do not purport to be complete and are subject to and qualified in their entirety by reference to the Merger Agreement, a copy of which is filed as Exhibit 2.1 to this Current Report on Form 8-K and incorporated herein by reference.

Item 3.03. Material Modification to Rights of Security Holders

As a result of the REIT Merger and at the REIT Merger Effective Time, holders of Common Stock immediately prior to such time ceased having any rights as stockholders of the Company (other than their right to receive the 2.04 validly issued, fully paid and nonassessable shares of PECO Common Stock per share under the Merger Agreement).

The information set forth in Item 2.01 is incorporated herein by reference.

Item 5.01. Change in Control of Registrant

As a result of the REIT Merger and at the REIT Merger Effective Time, a change in control of the Company occurred and the Company merged with and into REIT Merger Sub and the separate corporate existence of the Company ceased. The aggregate consideration paid in connection with the REIT Merger consisted of approximately 95,452,225.852 shares of PECO common stock.

The information set forth in Item 2.01 is incorporated herein by reference.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers

In connection with the consummation of the Mergers and as of immediately prior to the REIT Merger Effective Time, all of the members of the Company's board of directors resigned from their positions. These resignations were in connection with the Mergers and were not due to disagreement or dispute with the Company on any matter.

The information set forth in Item 2.01 is incorporated herein by reference.

Item 5.07. Submission of Matters to a Vote of Security Holders

On November 14, 2018, the Company held its annual meeting of stockholders in New York, New York. The matters on the agenda for the annual meeting were the (i) approval of the transactions contemplated by the Merger Agreement, (ii) election of three directors to serve until the Company's next annual meeting of stockholders and until their successors are duly elected and qualified, (iii) approval of a non-binding advisory proposal to approve an amendment to PECO's charter, and (iv) approval to adjourn the 2018 annual meeting, if necessary or appropriate to solicit additional proxies.

At the close of business on August 28, 2018, the record date of the annual meeting, there were 46,874,803 shares of Common Stock outstanding and entitled to vote at the annual meeting. Holders of 26,519,161 shares (56.57%) of Common Stock, representing a like number of votes, were present at the annual meeting, either in person or by proxy. Set forth below are the voting results from the annual meeting.

Proposal 1 - Merger Proposal

For	Against	Abstain	Broker Non-Votes
24,657,173	628,282	1,233,706	—

The proposal to approve the transactions contemplated by the Merger Agreement was approved. The votes for the transactions contemplated by the Merger Agreement were as follows: "For" 52.60%, "Against" 1.34%, and "Abstain" 2.63%, in each case, of the shares entitled to vote at the meeting.

Proposal 2 - Election of Directors

The nominees submitted for election as directors of the Company were Jeffrey S. Edison, David W. Garrison, and John A. Strong. The votes for each of the director nominees were as follows:

Nominee	For	Withheld	Broker Non-Votes
Jeffrey S. Edison	25,109,072	1,410,089	—
David W. Garrison	25,161,265	1,357,896	—
John A. Strong	25,181,993	1,337,168	—

All of the nominees were elected to serve as directors until the Company's next annual meeting of stockholders and until their successors are duly elected and qualified.

Proposal 3 - Advisory Vote to Approve Amendment of PECO's Charter

For	Against	Abstain	Broker Non-Votes
24,437,393	666,854	1,414,914	—

The non-binding advisory proposal to approve an amendment to PECO's charter to eliminate the requirement that the Company undertake a liquidity event by February 2019 was approved. The votes for amendment to PECO's charter were as follows: "For" 92.15%, "Against" 2.51%, and "Abstain" 5.34%, in each case, of the votes cast.

Proposal 4 - Adjournment Proposal

For	Against	Abstain	Broker Non-Votes
24,343,850	882,031	1,293,280	—

The proposal to permit the chair of the annual meeting the authority to adjourn the annual meeting, if necessary or appropriate, to solicit additional proxies in favor of proposals 1 or 3 was approved. Such an adjournment was not necessary and thus the annual meeting was not adjourned. The votes to permit the adjournment of the annual meeting were as follows: "For" 91.79%, "Against" 3.33%, and "Abstain" 4.88%, of the votes cast.

Item 7.01. Regulation FD Disclosure.

On November 16, 2018, the Company and PECO issued a joint press release announcing the completion of the Transactions described above under Item 2.01. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
<u>2.1</u>	<u>Agreement and Plan of Merger, dated as of July 18, 2018, by and among Phillips Edison & Company, Inc., Phillips Edison Grocery Center Operating Partnership I, L.P., REIT Merger Sub, LLC, OP Merger Sub, LLC, OP Merger Sub 2, LLC, Phillips Edison Grocery Center REIT II, Inc., and Phillips Edison Grocery Center Operating Partnership II, L.P. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed July 18, 2018)</u>
<u>99.1</u>	<u>Phillips Edison & Company, Inc. and Phillips Edison Grocery Center REIT II, Inc. Joint Press Release, dated as of November 16, 2018</u>

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Merger Sub, as successor in interest by merger to the Company, has caused this report to be signed on its behalf by the undersigned duly authorized person.

REIT MERGER SUB, LLC (as successor by merger to Phillips Edison Grocery Center REIT II, Inc.)

By: Phillips Edison & Company, Inc., its sole member

Dated: November 16, 2018

By: /s/ Devin I. Murphy

Devin I. Murphy

Chief Financial Officer and Treasurer

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Section 2: EX-99.1 (EXHIBIT 99.1)

EXHIBIT 99.1



Phillips Edison & Company and Phillips Edison Grocery Center REIT II Complete Merger

100% stock-for-stock transaction creates a \$6.0 billion internally-managed REIT focused exclusively on grocery-anchored shopping centers

Merger results in larger, more diversified portfolio with increased financial strength

Increases market prominence in grocery-anchored real estate

CINCINNATI - November 16, 2018 - Phillips Edison & Company, Inc. ("PECO"), an internally-managed real estate investment trust ("REIT") and one of the nation's largest owners and operators of grocery-anchored shopping centers, has completed its merger with Phillips Edison Grocery Center REIT II, Inc. ("REIT II"), a public non-traded REIT that was advised and managed by PECO.

The 100% stock-for-stock transaction has created a combined company with a total enterprise value ("TEV") of approximately \$6.0 billion. PECO's merger with REIT II creates a national portfolio with ownership interests in 334 grocery-anchored shopping centers encompassing approximately 37.7 million square feet located across 32 states.

Management Commentary

"This merger creates meaningful benefits for both PECO and REIT II stockholders," said Jeff Edison, Chairman and Chief Executive Officer of PECO. "It creates an internally-managed REIT that owns a high-quality portfolio of grocery-anchored shopping centers with even greater geographic, grocery-anchor, and tenant diversification. The combined entity will have increased access to the capital markets due to its enhanced size, scale and prominence, which we believe improves our position for a liquidity event."

"Having successfully managed grocery-anchored retail centers for over 27 years through numerous market cycles we remain bullish on the fundamentals supporting this asset class and will continue to focus on strategically advancing our growth objectives."

Summary of Strategic Benefits

The merger is expected to create meaningful operational and financial benefits for both PECO and former REIT II stockholders, including:

- **Actively Positions Combined Company for Liquidity:** The merger has created an internally-managed REIT of significant scale, which is another important step towards a full-cycle liquidity event for both PECO and REIT II stockholders.
- **Maintains Exclusive Grocery Focus:** Two complementary portfolios have been combined to create a high-quality portfolio

with ownership interests in 334 wholly-owned grocery-anchored shopping centers encompassing approximately 37.7 million square feet located across 32 states. This portfolio has an emphasis on necessity-based retailers and service providers, which have proven to be internet resistant and recession resilient, and will benefit from greater geographic, grocery-anchor, and tenant diversification.

- **Enhances Potential Public Market Valuation and Increases Size, Scale, and Market Prominence:** REIT II stockholders will benefit from PECO's internally-managed structure, which is likely to receive a better valuation in the public equity markets compared to externally-managed REITs. Additionally, given its enhanced size and scale, the combined company will have improved access to the capital markets, which can be accessed to make strategic investments for future growth.
- **Improves Earnings Quality:** The merger increases the percentage of PECO's earnings from real estate from approximately 92% to approximately 97%. Real estate earnings are more highly valued in the public equity markets than management fee income, given the long-term, recurring nature of owning and operating real estate.
- **Accelerates Strategy to Simplify Business Model:** The combined company is expected to realize the synergies of operating a combined enterprise focused on driving stockholder value and expects to have a seamless integration process, as PECO's management team has managed REIT II since its inception.
- **No Internalization or Disposition Fees Paid; Advisory Fees Terminated:** REIT II did not pay PECO any internalization or disposition fees in connection with the merger. Additionally, the advisory agreement between PECO and REIT II has been terminated to remove fees paid by REIT II, which totaled \$13.9 million in 2017.

Merger Details

In exchange for each share of REIT II common stock, REIT II stockholders received 2.04 shares of PECO common stock, which is equivalent to \$22.54 per share based on PECO's most recent estimated net asset value per share ("EVPS") of \$11.05. The exchange ratio was based on a thorough review of the relative valuation of each entity, including factoring in PECO's growing investment management business as well as each company's transaction costs. Original PECO stockholders own approximately 71% and former REIT II stockholders own approximately 29% of the combined company.

Estimated Value Per Share

PECO's most recent EVPS of \$11.05 was established on May 9, 2018 by its board of directors based on property valuations performed by an independent valuation firm. The combined company expects to perform its next valuation during the Spring of 2019.

Transaction Approval

As part of the merger process, both PECO's board of directors and the special committee of REIT II's board of directors independently retained their own financial and legal advisors. Upon the conclusion of a thorough due diligence and negotiation process, PECO's board of directors and, upon the recommendation of the independent special committee formed by REIT II's board of directors, REIT II's board of directors each unanimously approved the transaction.

At the November 14, 2018 PECO annual meeting of stockholders, the proposals to amend PECO's charter and consummate the merger with REIT II were each approved by at least 92.5% of the votes cast. Of the total shares outstanding, only 1.35% voted unfavorably.

At the November 14, 2018 REIT II annual meeting of stockholders, the proposal to approve the merger with PECO was approved by approximately 93.0% of the votes cast. Of the total shares outstanding, only 1.34% voted unfavorably.

Advisors

BofA Merrill Lynch acted as lead financial advisor to PECO. Citigroup Global Markets Inc. and Goldman Sachs & Co. LLC also acted as financial advisors for PECO. Latham & Watkins LLP acted as exclusive legal advisor to the board of directors of PECO. Morgan Stanley & Co. LLC acted as exclusive financial advisor and Hogan Lovells US LLP acted as exclusive legal advisor to the special committee of the board of directors of REIT II.

Board of Directors

At the closing of the merger, John A. Strong and David W. Garrison were appointed to the combined company's board of directors as independent directors. Following the appointment, the PECO board of directors was increased in size to seven directors, six of whom are independent. Immediately prior to the merger, Strong and Garrison both served as independent directors of the REIT II board of directors.

Distribution Details

PECO

November Distribution: On December 3, 2018, the November 2018 distribution will be made to PECO stockholders of record as of November 15, 2018 at an annualized amount of \$0.67 per share, which is consistent with prior months.

REIT II

November Distribution: On December 3, 2018, the November 2018 distribution will be made to REIT II stockholders of record as of November 15, 2018 at an annualized amount of \$1.625 per share, which is consistent with prior months. In connection with the merger, this distribution is required to be made in cash. For non-custodial held accounts that typically reinvest distributions and do not have electronic deposit instructions on file, a physical check will be mailed to the address of record.

Combined Company

Future Distributions: PECO, as the combined company following the merger, expects to initiate its December 2018 distribution, which will be the first PECO distribution received by former REIT II stockholders after the closing of the merger, on January 2, 2019. The distribution will be made to former REIT II stockholders based on their distribution preference (cash or reinvest) on file.

Share Repurchase Program ("SRP")

In connection with the merger, the combined company is required to reset its share repurchase queue. As a result, all SRP requests currently on file have been canceled effective today. All stockholders wishing to participate in the SRP after the merger must submit a new SRP form to the transfer agent, DST, to be included in the next standard repurchase.

New SRP forms may be submitted starting today and are available for download on the PECO website at www.phillipsedison.com/investors/investor-forms. All standard repurchase requests must be on file and in good order to be included for the next standard repurchase, which is expected to occur in July 2019. At that time, should the demand for standard redemptions exceed the funding available for repurchases, the combined company is expected to make pro-rata redemptions.

Following future standard repurchases, requests that are on file and in good order that have not been fully executed (due to pro-rata redemptions), will remain on file for subsequent redemptions. There will be no need to resubmit paperwork after each redemption.

A letter will be sent to each investor currently in the SRP queue explaining the required changes, and a copy of the

correspondence will be provided to each financial representative via email.

About Phillips Edison & Company, Inc.

Phillips Edison & Company, Inc., an internally-managed REIT, is one of the nation's largest owners and operators of grocery-anchored shopping centers. Its diversified portfolio of well-occupied neighborhood shopping centers has a mix of national and regional retailers selling necessity-based goods and services, in strong demographic markets throughout the United States. Immediately prior to the merger with REIT II, PECO managed 339 shopping centers and owned 218 centers comprising approximately 24.1 million square feet located across 31 states. PECO's proven, vertically-integrated operating platform allows it to effectively and efficiently acquire, lease and manage its properties, resulting in a history of strong operating results and great shopping experiences. For more information, please visit www.phillipsedison.com.

About Phillips Edison Grocery Center REIT II, Inc.

Prior to the merger with PECO, Phillips Edison Grocery Center REIT II, Inc. was a public non-traded REIT that owned well-occupied grocery-anchored neighborhood shopping centers with a mix of national and regional retailers selling necessity-based goods and services, in strong demographic markets throughout the United States. Immediately prior to the merger, REIT II owned an institutional quality retail portfolio consisting of 86 grocery-anchored shopping centers totaling approximately 10.3 million square feet.

Forward-Looking Statements

Certain statements contained in this press release may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including statements regarding the transaction and anticipated earnings, distribution coverage, distributions and other anticipated benefits of the transaction. PECO and REIT II intend for all such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act and Section 21E of the Exchange Act, as applicable. Such statements include, in particular, statements about PECO and REIT II's plans, strategies, liquidity, distributions, and prospects and are subject to certain risks and uncertainties, as well as known and unknown risks, which could cause actual results to differ materially from those projected or anticipated. Therefore, such statements are not intended to be a guarantee of PECO and/or REIT II's performance in future periods. Such forward-looking statements can generally be identified by PECO's or REIT II's, as applicable, use of forward-looking terminology such as "pro forma," "may," "will," "would," "could," "should," "expect," "intend," "anticipate," "estimate," "believe," "continue," or other similar words. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this release. PECO and REIT II make no representation or warranty (express or implied) about the accuracy of any such forward-looking statements contained in this release, and do not intend, and undertake no obligation, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Investor Updates

For investor-related updates on Phillips Edison, please visit <http://www.phillipsedison.com/investors>.

Investors:

Phillips Edison & Company, Inc.
Michael Koehler, 513-338-2743
Director of Investor Relations
InvestorRelations@phillipsedison.com

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ICR

Megan Kivlehan, 646-677-1807
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Source: Phillips Edison & Company, Inc. and Phillips Edison Grocery Center REIT II, Inc.

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