

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

Phillips Edison - ARC Shopping Center REIT Inc.

CIK: [1476204](#) | IRS No.: [271106076](#) | State of Incorporation: **MD** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: [000-54691](#) | Film No.: [13527543](#)
SIC: **6798** Real estate investment trusts

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 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): January 7, 2013

PHILLIPS EDISON – ARC SHOPPING CENTER REIT INC.
(Exact name of registrant specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

000-54691
(Commission File Number)

27-1106076
IRS Employer
Identification No.

11501 Northlake Drive
Cincinnati, Ohio 45249
(Address of principal executive offices)

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

Not Applicable
(Former name or former address, if changed since last report)

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))
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Item 8.01. Other Events

Elimination of Asset Management Fees During Offering Period

On January 7, 2013, the board of directors of Phillips Edison – ARC Shopping Center REIT Inc., a Maryland corporation (the “Company”), approved changes to the compensation structure contemplated in the advisory agreement between the Company and its advisor, American Realty Capital II Advisors, LLC (the “Advisor”), for the asset management services provided by the Advisor. These changes provide that the asset management compensation structure contemplated in the current advisory agreement between the Company and the Advisor will be eliminated effective October 1, 2012.

Instead, the Company expects to issue to the Advisor on a quarterly basis performance-based restricted partnership units of the Company’s operating partnership, Phillips Edison – ARC Shopping Center Operating Partnership, L.P. (the “Operating Partnership”), designated as “Class B units.” The Class B units will vest, and will no longer be subject to forfeiture, at such time as: (x) the value of the Operating Partnership’s assets plus all distributions made equals or exceeds the total amount of capital contributed by investors plus a 6% cumulative, pre-tax, non-compounded annual return thereon (the “economic hurdle”); (y) any one of the following occurs: (1) the termination of the Advisory Agreement by an affirmative vote of a majority of the Conflicts Committee without cause; (2) a listing event; or (3) another liquidity event; and (z) the Advisor is still providing advisory services to the Company (the “performance condition”). Such Class B units will be forfeited immediately if: (a) the advisory agreement is terminated other than by an affirmative vote of a majority of the Company's independent directors without cause; or (b) the advisory agreement is terminated by an affirmative vote of a majority of the Company’s independent directors without cause before the economic hurdle has been met.

Press Release

On January 14, 2013, Phillips Edison – ARC Shopping Center REIT Inc., a Maryland corporation (the “Company”), issued a press release to announce the changes to the asset management compensation structure discussed above.

Item 9.01. Financial Statements and Exhibits

(c) Exhibits

99.1 Press Release dated January 14, 2013

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 – ARC SHOPPING CENTER REIT INC.

Dated: January 14, 2013

By: /s/ R. Mark Addy
R. Mark Addy
Chief Operating Officer

EXHIBIT INDEX

Exhibit No.

Description

Ex. 99.1

Press Release dated January 14, 2013

PHILLIPS EDISON | ARC
SHOPPING CENTER REIT

CONTACTS

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FOR IMMEDIATE RELEASE

**Phillips Edison – ARC Shopping Center REIT Inc.
Eliminates Payment of Asset Management Fees in Cash**

Cincinnati, Ohio, January 14, 2013 Phillips Edison – ARC Shopping Center REIT Inc. (the “Company”) announced today that, its board of directors and management mutually agreed to eliminate the payment of asset management fees to its advisor. Instead of cash or restricted stock as previously approved, effective for the fourth quarter 2012, the Company’s advisor will receive Class B operating partnership units (“Class B units”), which will constitute profits interest and will be forfeited unless a performance hurdle is met. Going forward, the Class B units would be issued on a quarterly basis, subject to periodic approval by the board of directors.

The Class B units will only vest to the extent 100% of shareholder capital is returned plus payment to investors of an annual 6% cumulative, pre-tax, non-compounded return on the capital contributed by investors.

“We believe that making advisor compensation for asset management services subject to a performance hurdle and shareholder return aligns our interest with those of our shareholders,” stated Jeff Edison, Co-Chairman and Chief Executive Officer of the Company. “Further, this aligns our practices with those of American Realty Capital, who continues the implementation of institutional standards and best practices in the non-traded REIT industry. We believe it is critical that, during the Company’s life as a non-traded REIT, it utilize available cash to acquire assets, pay distributions and for general working capital purposes rather than to pay out asset management fees to the advisor.”

About Phillips Edison – ARC Shopping Center REIT Inc.

Phillips Edison-ARC Shopping Center REIT Inc. is a public non-traded REIT that seeks to acquire and manage well-occupied grocery-anchored neighborhood shopping centers having a mix of national and regional retailers selling necessity-based goods and services, in strong demographic markets throughout the United States. The REIT is co-sponsored by two industry leaders: Phillips Edison & Company, who has acquired over \$1.8 billion in shopping centers throughout the United States, and AR Capital, LLC, a real estate investment program sponsor dedicated to governance best practices. As of January 14, 2013, Phillips Edison-ARC owned, directly or indirectly through a joint venture in which it has a controlling interest, and managed an institutional quality retail portfolio consisting of 26 grocery-anchored shopping centers totaling 2,490,177 square feet. For more information on the company, please visit the website at www.phillipsedison-arc.com.

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