As filed with the Securities and Exchange Commission on April 9, 2010

Registration No. 333-164313

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

AMENDMENT NO. 2 TO
FORM S-11
REGISTRATION STATEMENT

Under
THE SECURITIES ACT OF 1933

Phillips Edison – ARC Shopping Center REIT Inc.
(Exact name of registrant as specified in its charter)

Maryland	6798	27-1106076
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. employer identification number)

11501 Northlake Drive
Cincinnati, Ohio 45249
(513) 554-1110

(Address, including zip code, and telephone number, including area code, of the registrant's principal executive offices)

Jeffrey S. Edison
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(513) 554-1110

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to public: As soon as practicable after the effectiveness of the registration statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box: ☒

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. ☐

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check One):

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if smaller reporting company)	Smaller Reporting Company ☒

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment that specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, nor is it a solicitation of an offer to buy these securities, in any state where an offer or sale of the securities is not permitted.

SUBJECT TO COMPLETION, DATED , 2010

Phillips Edison – ARC Shopping Center REIT Inc.

Maximum Offering of 180,000,000 Shares of Common Stock
Minimum Offering of 250,000 Shares of Common Stock

Phillips Edison – ARC Shopping Center REIT Inc. is a newly organized Maryland corporation that will invest primarily in necessity-based neighborhood and community shopping centers throughout the United States with a focus on well-located grocery anchored shopping centers that are well occupied at the time of purchase. In addition, we may invest in other retail properties including power and lifestyle shopping centers, multi-tenant shopping centers, free standing single-tenant retail properties, and other real estate and real estate-related loans and securities depending on real estate market conditions and investment opportunities that our board of directors determines are in the best interests of our stockholders. We intend to elect to qualify and be taxed as a real estate investment trust for U.S. federal income tax purposes, or REIT, commencing with our taxable year ending December 31, 2010, although such election may be postponed to our taxable year ending December 31, 2011.

We are offering up to 150,000,000 shares of our common stock at a price of $10.00 per share on a "best efforts" basis through Realty Capital Securities, LLC, our dealer manager. "Best efforts" means that our dealer manager is not obligated to purchase any specific number or dollar amount of shares. We also are offering up to 30,000,000 shares of our common stock pursuant to our dividend reinvestment plan at $9.50 per share. We reserve the right to reallocate the shares of common stock we are offering between the primary offering and our dividend reinvestment plan.

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 27 to read about risks you should consider before buying shares of our common stock. These risks include the following:

- We are a "blind pool" offering because we do not currently own any investments and have not identified any investments to acquire.
- No public market currently exists for our common stock, and we have no plans to list our shares on an exchange. If you are able to sell your shares, you would likely have to sell them at a substantial discount or loss.
- No one may own more than 9.8% of our aggregate outstanding stock unless exempted by our board and we may prohibit transfers of our shares to ensure our qualification as a REIT. See "Description of Shares—Restriction on Ownership of Shares" beginning on page 200.
- This price is arbitrary and unrelated to the book or net value of our assets or to our expected operating income.
- We depend on our advisor to conduct our operations. Our advisor has no operating history and limited experience operating a public company.
- We have no operating history, and our total assets consist, as of the date of this prospectus, of $200,000 cash and $1,167,820 of deferred offering costs.
- All of our executive officers and some of our directors are also officers, managers, directors and/or holders of a controlling interest in our advisor, sub-advisor, dealer manager and other affiliates of our sponsors. As a result, they will face conflicts of interest, including significant conflicts created by our advisor's compensation arrangements with us and other sponsor-advised programs.
- If we raise substantially less than the maximum offering, we may not be able to invest in a diverse portfolio of real estate assets and the value of your investment may vary more widely with the performance of specific assets.
- We will pay substantial fees and expenses to our advisor, our sub-advisor and their respective affiliates and broker-dealers. These fees increase your risk of loss.
- Although our distribution policy is not to use the proceeds of this offering to make distributions, our organizational documents permit us to pay distributions from any source without limit, including offering proceeds. Until the proceeds from this offering are fully invested and from time to time during our operational stage, we expect to use proceeds from financings to fund distributions in anticipation of cash flow to be received in later periods. We may also fund such distributions from advances from our advisor or sponsors or from our advisor's deferral of its fees.
- We may incur debt exceeding 75.0% of the cost of our tangible assets with the approval of the conflicts committee. During the early stages of this offering, we expect that our conflicts committee will approve debt in excess of this limit. Higher debt levels increase the risk of your investment.

Neither the U.S. Securities and Exchange Commission, or SEC, the Attorney General of the State of New York nor any other state securities regulator has approved or disapproved of our common stock, determined if this prospectus is truthful or complete or passed on or endorsed the merits of this offering. Any representation to the contrary is a criminal offense.

This investment involves a high degree of risk. You should purchase these securities only if you can afford a complete loss of your investment. The use of projections or forecasts in this offering is prohibited. No one is permitted to make any oral or written predictions about the cash benefits or tax consequences you will receive from your investment.

	Price to Public	Selling Commissions	Dealer Manager Fee	Net Proceeds (Before Expenses)
Primary Offering				
Per Share	$ 10.00*	$ 0.70*	$ 0.30*	$ 9.00
Total Minimum	$ 2,500,000.00*	$ 175,000.00*	$ 75,000.00*	$ 2,250,000.00
Total Maximum	$ 1,500,000,000.00*	$ 105,000,000.00*	$ 45,000,000.00*	$ 1,350,000,000.00
Dividend Reinvestment Plan				
Per Share	$ 9.50	$ 0.00	$ 0.00	$ 9.50
Total Maximum	$ 285,000,000.00	$ 0.00	$ 0.00	$ 285,000,000.00

* Discounts are available for some categories of investors. Reductions in commissions and fees will result in corresponding reductions in the purchase price.

We will not sell any shares unless we raise gross offering proceeds of $2,500,000 from persons who are not affiliated with us or our sponsors by , 2011. Pending satisfaction of this condition, all subscription payments will be placed in an account held by the escrow agent, Wells Fargo, NA, in trust for our subscribers' benefit, pending release to us. You are entitled to receive the interest earned on your subscription payment while it is held in the escrow account. Once we have raised the minimum offering amount and instructed the escrow agent to disburse the funds in the account, funds representing the gross purchase price for the shares will be distributed to us and the escrow agent will disburse directly to you any interest earned on your subscription payment while it was held in the escrow account. If we do not raise gross offering proceeds of $2,500,000 by __________, 2011, we will promptly return all funds in the escrow account (including interest), and we will stop selling shares. We will not deduct any fees if we return funds from the escrow account.

We expect to sell the 150,000,000 shares offered in our primary offering over a two-year period, or by __________, 2012. If we have not sold all of the shares within two years, we may continue the primary offering for an additional year until __________, 2013. If we decided to continue our primary offering beyond two years from the date of this prospectus, we will provide that information in a prospectus supplement. This offering must be registered in every state in which we offer or sell shares. Generally, such registrations are for a period of one year. Thus, we may have to stop selling shares in any state in which our registration is not renewed or otherwise extended annually.

We will not sell any shares to Pennsylvania investors unless we raise $50.0 million in gross offering proceeds (including sales made to residents of other jurisdictions) from persons not affiliated with us or our sponsors. If we do not raise this amount by __________, 2012, we will promptly return all funds held in escrow for the benefit of Pennsylvania investors.

The date of this prospectus is , 2010.

INVESTOR SUITABILITY STANDARDS

An investment in our common stock involves significant risk and is suitable only for persons who have adequate financial means, desire a relatively long-term investment and who will not need immediate liquidity from their investment. Persons who meet this standard and seek to diversify their personal portfolios with a finite-life, real estate-based investment, which among its benefits hedges against inflation and the volatility of the stock market, seek to receive current income, seek to preserve capital, wish to obtain the benefits of potential long-term capital appreciation and who are able to hold their investment for a time period consistent with our liquidity plans are most likely to benefit from an investment in our company. On the other hand, we caution persons who require immediate liquidity or guaranteed income, or who seek a short-term investment not to consider an investment in our common stock as meeting these needs. Notwithstanding these investor suitability standards, potential investors should note that investing in shares of our common stock involves a high degree of risk and should consider all the information contained in this prospectus, including the "Risk Factors" section contained herein, in determining whether an investment in our common stock is appropriate.

In order to purchase shares in this offering, you must:

- meet the applicable financial suitability standards as described below; and
- purchase at least the minimum number of shares as described below.

We have established suitability standards for initial stockholders and subsequent purchasers of shares from our stockholders. These suitability standards require that a purchaser of shares have, excluding the value of a purchaser's home, home furnishings and automobiles, either:

- minimum net worth of at least $250,000; or
- minimum annual gross income of at least $70,000 and a minimum net worth of at least $70,000.

The minimum purchase is 250 shares ($2,500). You may not transfer fewer shares than the minimum purchase requirement. In addition, you may not transfer, fractionalize or subdivide your shares so as to retain less than the number of shares required for the minimum purchase. In order to satisfy the minimum purchase requirements for individual retirement accounts, or IRAs, unless otherwise prohibited by state law, a husband and wife may jointly contribute funds from their separate IRAs, provided that each such contribution is made in increments of $100. You should note that an investment in shares of our common stock will not, in itself, create a retirement plan and that, in order to create a retirement plan, you must comply with all applicable provisions of the Internal Revenue Code.

Several states have established suitability requirements that are more stringent than the standards that we have established and described above. Shares will be sold to investors in these states only if they meet the special suitability standards set forth below. In each case, these special suitability standards exclude from the calculation of net worth the value of the investor's home, home furnishings and automobiles.

General Standards for all Investors

- Investors must have either (a) a net worth of at least $250,000 or (b) an annual gross income of $70,000 and a minimum net worth of $70,000.

Kentucky

- Investors must have either (a) a net worth of $250,000 or (b) a gross annual income of at least $70,000 and a net worth of at least $70,000, with the amount invested in this offering not to exceed 10% of the Kentucky investor’s liquid net worth.

Massachusetts, Michigan, Ohio, Iowa, Oregon, Pennsylvania and Washington

- Investors must have either (a) a minimum net worth of at least $250,000 or (b) an annual gross income of at least $70,000 and a net worth of at least $70,000. The investor’s maximum investment in the issuer and its affiliates cannot exceed 10.0% of the Massachusetts, Michigan, Ohio, Iowa, Oregon, Pennsylvania or Washington resident’s net worth.

Tennessee

- In addition to the general suitability requirements described above, investors’ maximum investment in our shares and our affiliates shall not exceed 10.0% of the resident’s net worth.

Kansas

- In addition to the general suitability requirements described above, it is recommended that investors should invest no more than 10.0% of their liquid net worth in our shares and securities of other real estate investment trusts. “Liquid net worth” is defined as that portion of net worth (total assets minus total liabilities) that is comprised of cash, cash equivalents and readily marketable securities.

Missouri

- In addition to the general suitability requirements described above, no more than 10.0% of any one Missouri investor’s liquid net worth shall be invested in the securities registered by us for this offering with the Securities Division.

California

- In addition to the general suitability requirements described above, investors’ maximum investment in our shares will be limited to 10.0% of the investor’s net worth (exclusive of home, home furnishings and automobile).

Alabama and Mississippi

- In addition to the general suitability requirements described above, shares will only be sold to Alabama and Mississippi residents that represent that they have a liquid net worth of at least 10 times the amount of their investment in this real estate investment program and other similar programs.

In addition, because the minimum offering amount is less than $100 million, Pennsylvania investors are cautioned to carefully evaluate our ability to fully accomplish our stated objectives and to inquire as to the current dollar volume of subscriptions proceeds. Further, the minimum aggregate closing amount for Pennsylvania investors is $50,000,000.

In the case of sales to fiduciary accounts (such as an IRA, Keogh Plan or pension or profit-sharing plan), these minimum suitability standards must be satisfied by the beneficiary, the fiduciary account, or by the donor or grantor who directly or indirectly supplies the funds to purchase our common stock if the donor or the grantor is the fiduciary. Prospective investors with investment discretion over the assets of an individual retirement account, employee benefit plan or other retirement plan or arrangement that is covered by the Employee Retirement Income Security Act of 1974, as amended, or ERISA, or Section 4975 of the Internal Revenue Code should carefully review the information in the section of this prospectus entitled "ERISA Considerations." Any such prospective investors are required to consult their own legal and tax advisors on these matters.

In the case of gifts to minors, the minimum suitability standards must be met by the custodian of the account or by the donor.

In order to ensure adherence to the suitability standards described above, requisite criteria must be met, as set forth in the subscription agreement in the form attached hereto as Appendix B. In addition, our sponsors, our dealer manager and the soliciting dealers, as our agents, must make every reasonable effort to determine that the purchase of our shares is a suitable and appropriate investment for an investor. In making this determination, the soliciting dealers will rely on relevant information provided by the investor in the investor's subscription agreement, including information regarding the investor's age, investment objectives, investment experience, income, net worth, financial situation, other investments, and any other pertinent information. Executed subscription agreements will be maintained in our records for six years. See "Plan of Distribution—Suitability Standards" for a detailed discussion of the determinations regarding suitability that we require.

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PROSPECTUS SUMMARY

As used herein and unless otherwise required by context, the term "prospectus" refers to this prospectus as amended and supplemented. This prospectus summary highlights material information contained elsewhere in this prospectus. Because it is a summary, it may not contain all of the information that is important to you. To understand this offering fully, you should read the entire prospectus carefully, including the "Risk Factors" section and the financial statements, before making a decision to invest in our common stock. In this prospectus, references to "Phillips Edison – ARC Shopping Center REIT Inc.," "our company," "the company," "we," "us" and "our" mean Phillips Edison – ARC Shopping Center REIT Inc., a Maryland corporation, and Phillips Edison – ARC Shopping Center Operating Partnership, L.P., a Delaware limited partnership and the subsidiary through which we will conduct substantially all of our business and which we refer to as "our operating partnership," except where it is clear from the context that the term only means the issuer of the common stock in this offering, Phillips Edison – ARC Shopping Center REIT Inc. When we refer to our "charter" in this prospectus, we are referring to our charter as it will be amended and restated prior to the commencement of this offering.

As described in more detail throughout this prospectus, we have entered into a contractual relationship with our advisor. In exchange for services provided to us, we will pay our advisor certain fees and reimburse certain expenses. Our advisor has entered into a contractual relationship with a sub-advisor that provides some of these services to us on behalf of the advisor. Any fees that we pay to our advisor may be assigned by our advisor to the sub-advisor according to the terms of the agreement between those parties. Any references in this prospectus to fees or expenses that we pay or reimburse to "our sub-advisor" or its affiliates are actually fees or expenses paid or reimbursed to our advisor that are then paid or assigned to the sub-advisor by our advisor pursuant to the terms of agreement between those parties.

What is Phillips Edison – ARC Shopping Center REIT Inc.?

Phillips Edison – ARC Shopping Center REIT will invest primarily in necessity-based neighborhood and community shopping centers throughout the United States with a focus on well-located grocery anchored shopping centers that are well occupied at the time of purchase and typically cost less than $20.0 million per property. The shopping centers will have a mix of national, regional, and local retailers who sell essential goods and services to customers who live in the neighborhood. We expect to build a high quality portfolio with the following characteristics:

- **Necessity Based Retail** – We expect to acquire well-occupied shopping centers that focus on serving the day-to-day shopping needs of the community in the surrounding trade area (e.g. grocery stores, general merchandise stores, discount stores, drug stores, restaurants, and neighborhood service providers);

- **Diversified Portfolio** – Once we have substantially invested all of the proceeds of this offering, we expect to acquire a well diversified portfolio based on geography, anchor tenant diversity, tenant mix, lease expirations, and other factors;

- **Infill Locations** – We will target properties in more densely populated locations with higher barriers to entry which limits additional competition;
- **Growth Markets** – Our properties will be located in established or growing markets based on trends in population growth, employment, household income, employment diversification, and other key demographic factors; and
- **Discount To Replacement Cost** – In the current acquisition environment, we expect to acquire properties at values based on current rents and at a substantial discount to replacement cost.

We will focus on maximizing stockholder value and some of the key elements of our financial strategy include:

- **Institutional Seasoned Management** – We will acquire and manage the portfolio through our advisor and sub-advisor and their affiliates, including Phillips Edison sponsor's seasoned team of professional managers with over 180 years of combined operating history and extensive knowledge and expertise in the retail sector;
- **National Platform** – We will provide reliable execution of the investment and operating strategies through our advisor and sub-advisor and their affiliates who have a fully integrated, scalable, national operating platform with extensive knowledge of the retail marketplace and established national tenant relationships;
- **Property Focus** – We will utilize a property-specific focus that combines intensive leasing and merchandising plans with cost containment measures and delivers a more solid and stable income stream;
- **Stable Dividend** – We expect to pay monthly distributions to our stockholders that will be covered by funds from operations (FFO);
- **Low Leverage** – We will target a prudent leverage strategy with no more than a 50.0% loan to value ratio on our portfolio (calculated once we have invested substantially all of the offering proceeds);
- **Upside Potential** – We expect our portfolio to have upside potential from a combination of lease-up, rent growth, cost containment and increased cash flow; and
- **Exit Strategy** – We expect to sell our assets, sell or merge our company, or list our company within three to five years after the end of this offering.

We were incorporated in the State of Maryland on October 13, 2009 and we currently do not own any real estate assets. Because we have not yet identified any specific assets to acquire, we are considered to be a blind pool.

Our external advisor and sub-advisor, American Realty Capital II Advisors, LLC ("ARC Advisor" or "our advisor") and Phillips Edison NTR LLC (the "Phillips Edison Sub-Advisor" or "our sub-advisor"), respectively, will conduct our operations and manage our portfolio of real estate investments. We have no paid employees.

Our office is located at 11501 Northlake Drive, Cincinnati, Ohio 45249. Our telephone number is (513) 554-1110. Our fax number is (513) 554-1820, and our web site address is.

What is a REIT?

In general, a REIT is an entity that:

- combines the capital of many investors to acquire or provide financing for real estate investments;
- allows individual investors to invest in a professionally managed, large-scale, diversified portfolio of real estate assets;
- pays distributions to investors of at least 90.0% of its annual REIT taxable income (computed without regard to the dividends paid deduction and excluding net capital gain); and
- avoids the "double taxation" treatment of income that normally results from investments in a corporation because a REIT is not generally subject to U.S. federal corporate income taxes on that portion of its income distributed to its stockholders, provided certain U.S. federal income tax requirements are satisfied.

However, under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), REITs are subject to numerous organizational and operational requirements. If we fail to qualify for taxation as a REIT in any year after electing REIT status, our income will be taxed at regular corporate rates, and we may be precluded from qualifying for treatment as a REIT for the four-year period following our failure to qualify. Even if we qualify as a REIT for U.S. federal income tax purposes, we may still be subject to state and local taxes on our income and property and to federal income and excise taxes on our undistributed income.

What are your investment objectives?

Our primary investment objectives are:

- to provide you with stable cash distributions;
- to preserve and protect your capital contribution;
- to realize growth in the value of our assets upon the sale of such assets; and
- to provide you with the potential for future liquidity through the sale of our assets, a sale or merger of our company, a listing of our common stock on a national securities exchange, or other similar transaction. See "—What are your exit strategies?"

We may return all or a portion of your capital contribution in connection with the sale of the company or the assets we will acquire or upon maturity or payoff of debt investments we may make. Alternatively, you may be able to obtain a return of all or a portion of your capital contribution in connection with the sale of your shares.

Are there any risks involved in an investment in your shares?

Investing in our common stock involves a high degree of risk. You should carefully review the “Risk Factors” section of this prospectus beginning on page 27, which contains a detailed discussion of the material risks that you should consider before you invest in our common stock. Some of the more significant risks relating to an investment in our shares include:

- No public market currently exists for our shares of common stock, and we currently have no plans to list our shares on a national securities exchange. Our shares cannot be readily sold and, if you are able to sell your shares, you would likely have to sell them at a substantial discount from their public offering price.

- Our charter prohibits the ownership of more than 9.8% in value of our aggregate outstanding stock or more than 9.8% in value or number of shares, whichever is more restrictive, of our aggregate outstanding common stock, unless exempted by our board of directors, which may inhibit large investors from purchasing your shares.

- The offering price of our shares may not be indicative of the price at which our shares would trade if they were listed on an exchange or actively traded, and this price bears no relationship to the book or net value of our assets or to our expected operating income.

- We are dependent on our advisor to select investments and conduct our operations. Our advisor has no operating history and limited experience operating a public company. This inexperience makes our future performance difficult to predict.

- We have no operating history and, as of the date of this prospectus, our total assets consist, as of the date of this prospectus, of $200,000 cash and $1,167,820 deferred offering costs. Because we have not identified any real estate properties to acquire or real estate-related assets to acquire or originate with proceeds from this offering, you will not have an opportunity to evaluate our investments before we make them, making an investment in us more speculative.

- All of our executive officers and some of our directors and other key real estate professionals are also officers, directors, managers, key professionals and/or holders of a direct or indirect controlling interest in our advisor, sub-advisor, dealer manager and other sponsor-affiliated entities. As a result, our executive officers, some of our directors, some of our key real estate professionals, our advisor and sub-advisor and their respective affiliates will face conflicts of interest, including significant conflicts created by our advisor’s compensation arrangements with us and other programs and investors advised by our sponsors and their respective affiliates and conflicts in allocating time among us and these other programs and investors. These conflicts could result in action or inaction that is not in the best interests of our stockholders.

- Affiliates of our sponsors will receive fees in connection with transactions involving the purchase of our investments. These fees, at least initially, will be based on the cost of the investment, and not based on the quality of the investment or the quality of the services rendered to us. This may influence our advisor to recommend riskier transactions to us.

- We may also pay significant fees in connection with a liquidity event. Although most of the fees payable in connection with a liquidity event are contingent on our investors first receiving agreed-upon investment returns, affiliates of our sponsors could also receive significant payments even without our reaching the investment-return thresholds should we seek to become self-managed.

- If we raise substantially less than the maximum offering, we may not be able to invest in a diverse portfolio of real estate properties and real estate-related assets and the value of your investment may vary more widely with the performance of specific assets.

- We will pay substantial fees to and expenses of our sponsors, our advisor, our sub-advisor and their respective affiliates and participating broker-dealers, which payments increase the risk that you will not earn a profit on your investment.

- Our organizational documents permit us to pay distributions from any source without limit, including offering proceeds. Until the proceeds from this offering are fully invested and from time to time during our operational stage, we expect to use proceeds from financings to fund distributions in anticipation of cash flow to be received in later periods. We may also fund such distributions from advances from our advisor or sponsors or from our advisor's deferral of its fees.

- Our policies do not limit us from incurring debt until our borrowings would exceed 75.0% of the cost (before deducting depreciation or other non-cash reserves) of our tangible assets, and we may exceed this limit with the approval of the conflicts committee of our board of directors. During the early stages of this offering and to the extent financing in excess of this limit is available on attractive terms, we expect that our conflicts committee will approve debt in excess of this limit. High debt levels could limit the amount of cash we have available to distribute and could result in a decline in the value of your investment.

- We depend on tenants for our revenue and, accordingly, our revenue is dependent upon the success and economic viability of our tenants.

- Our current and future investments in real estate properties and real estate-related loans and securities may be affected by unfavorable real estate market and general economic conditions, which could decrease the value of those assets and reduce the investment return to you.

- Continued disruptions in the financial markets and challenging economic conditions could adversely affect our ability to obtain financing on favorable terms, if at all.

What is the role of the board of directors?

We operate under the direction of our board of directors, the members of which are accountable to us and our stockholders as fiduciaries. We will have seven members of our board of directors, four of which will be independent of our sponsors and their respective affiliates. Our charter requires that a majority of our directors be independent of our sponsors and creates a committee of our board consisting solely of all of our independent directors. This committee, which we call the conflicts committee, is responsible for reviewing the performance of ARC

Advisor and must approve other matters set forth in our charter. Our directors are elected annually by the stockholders.

Who is your advisor and sub-advisor and what will they do?

American Realty Capital II Advisors, LLC, an affiliate of American Realty Capital II, LLC, one of our sponsors, is our advisor. As our advisor, ARC Advisor will be responsible for coordinating the management of our day-to-day operations and for identifying and making investments in real estate properties on our behalf, subject to the supervision of our board of directors. Subject to the terms of the advisory agreement between ARC Advisor and us, ARC Advisor will delegate certain duties, including the management of our day-to-day operations and our portfolio of real estate assets, to Phillips Edison Sub-Advisor, which is indirectly wholly-owned by Phillips Edison Limited Partnership, our other sponsor, and which we generally refer to throughout this prospectus as the "sub-advisor." Notwithstanding such delegation to the sub-advisor, ARC Advisor retains ultimate responsibility for the performance of all the matters entrusted to it under the advisory agreement.

Because our advisor is owned by affiliates of American Realty Capital II, LLC and because our sub-advisor is owned by affiliates of Phillips Edison Limited Partnership, we consider ourselves to be co-sponsored by the individuals who own and control those entities. Unless the context dictates otherwise, throughout this prospectus we generally refer collectively to Phillips Edison Limited Partnership and the individuals who own and control it, as our "Phillips Edison sponsors." We generally refer collectively to American Realty Capital II, LLC and the individuals who own and control it, as our "ARC sponsors."

ARC Advisor and Phillips Edison Sub-Advisor will make most of the decisions regarding the selection and the negotiation of real estate investments. ARC Advisor or Phillips Edison Sub-Advisor will then make recommendations on all investments to our board of directors and the independent directors that constitute our conflicts committee will have the right to approve or reject all proposed investments. ARC Advisor and Phillips Edison Sub-Advisor will also provide asset-management, marketing, investor-relations and other administrative services on our behalf with the goal of maximizing our operating cash flow.

What is the experience of your advisor?

ARC Advisor is a recently organized limited liability company that was formed in the State of Delaware on December 28, 2009. Our advisor has no operating history and limited experience managing a public company.

What is the experience of your Phillips Edison sponsors?

Formed in 1991, Phillips Edison is a fully-integrated, real estate operating company that acquires and repositions underperforming (primarily anchored) neighborhood retail shopping centers throughout the United States. Since its inception, Phillips Edison has operated with financial partners through both property-specific joint ventures and multi-asset discretionary private equity funds. Phillips Edison and its affiliates have acquired and currently manage assets having an aggregate value of approximately $1.8 billion, providing its investors with a vehicle through which they could invest in a carefully selected and professionally managed portfolio of operating assets and development opportunities which have produced a track record of strong financial results. Phillips Edison and its affiliates have over 3,000 tenants and long standing relationships with national and regional companies with high credit ratings.

Michael C. Phillips, Co-Chairman of the Board, has served as a principal of Phillips Edison since 1991. Jeffrey S. Edison, Co-Chairman of the Board and our Chief Executive Officer, has served as a principal of Phillips Edison since 1995. We consider Messrs. Phillips and Edison to be our individual Phillips Edison sponsors. They have significant experience in real estate acquisitions, repositionings, financings and dispositions, as well as property management, project development and leasing. Messrs. Phillips and Edison have invested in commercial real estate through all economic cycles and together have more than 50 years of experience in the real estate industry.

What is the experience of your ARC sponsors?

American Realty Capital II, LLC, our ARC sponsor, is owned by Nicholas S. Schorsch, William M. Kahane, one of our directors, Peter M. Budko, Brian S. Block and Michael Weil. Each of these individuals is an executive officer of American Realty Capital Trust, Inc., a non-traded public REIT that focuses on acquiring a diversified portfolio of freestanding, single-tenant retail and commercial properties that are net leased to investment grade and other creditworthy tenants.

Nicholas S. Schorsch is the Chairman and Chief Executive Officer of American Realty Capital New York Recovery REIT, Inc. Mr. Schorsch has also been the Chief Executive Officer of American Realty Capital Trust, Inc., American Realty Capital Properties, LLC, and American Realty Capital Advisors, LLC. Mr. Schorsch has executed in excess of 1,000 acquisitions with an aggregate purchase price of acquired properties in excess of approximately $5.0 billion. William M. Kahane is the President, Chief Operating Officer and Treasurer of American Realty Capital Trust, Inc., American Realty Capital Properties, LLC and American Realty Capital Advisors, LLC and has been active in the structuring and financial management of commercial real estate investments for over 25 years. We consider Messrs. Schorsch and Kahane to be our individual ARC sponsors.

How do you expect your portfolio to be allocated between real estate properties and real estate-related loans and securities?

We intend to acquire and manage a diverse portfolio of real estate properties and real estate-related loans and securities. We plan to diversify our portfolio by geographic region, tenant mix, investment size and investment risk with the goal of attaining a portfolio of income-producing real estate properties and real estate-related assets that provide stable returns to our investors. We intend to allocate approximately 90.0% of our portfolio to investments in necessity-based neighborhood and community shopping centers throughout the United States with a focus on well-located grocery anchored shopping centers that are well occupied at the time of purchase and typically cost less than $20.0 million per property. We intend to allocate approximately 10.0% of our portfolio to other real estate properties, real estate-related loans and securities and the equity securities of other REITs and real estate companies, assuming we sell the maximum offering amount.

How will you select potential properties for acquisition?

To find properties that best meet our criteria for investment, our advisor and sub-advisor have developed a disciplined investment approach that combines the experience of their teams of real estate professionals with a structure that emphasizes thorough market research, stringent underwriting standards and an extensive down-side analysis of the risks of each investment.

What types of debt-related investments do you expect to make?

Assuming that we sell the maximum offering amount, we expect that our real estate-related investments will constitute no more than 10.0% of our portfolio or to represent a substantial portion of our assets at any one time. With respect to our investments in such assets, we will primarily focus on investments in first mortgages. The other debt-related investments in which we may invest include mortgage, mezzanine, bridge and other loans; debt and derivative securities related to real estate assets, including mortgage-backed securities; collateralized debt obligations; debt securities issued by real estate companies; and credit default swaps.

What types of investments will you make in the equity securities of other companies?

We expect to make equity investments in REITs and other real estate companies. We may purchase the common or preferred stock of these entities or options to acquire their stock. We do not expect our non-controlling equity investments in other public companies to exceed 5.0% of the proceeds of this offering, assuming we sell the maximum offering amount, or to represent a substantial portion of our assets at any one time. In addition, we do not expect our non-controlling equity investments in other public companies combined with our investments in real estate properties outside of our target shopping center investments and other real estate-related investments to exceed 10.0% of our portfolio, assuming we sell the maximum offering amount.

Will you use leverage?

Yes. We expect that once we have fully invested the proceeds of this offering, assuming we sell the maximum amount, our debt financing will be approximately 50.0% of the value of our real estate investments (calculated after the close of this offering) plus the value of our other assets, but may be as high as 65.0%. There is no limitation on the amount we may borrow for the purchase of any single asset. Our charter limits our borrowings to 75.0% of the cost (before deducting depreciation or other non-cash reserves) of our tangible assets; however, we may exceed that limit if a majority of the conflicts committee approves each borrowing in excess of our charter limitation and we disclose such borrowing to our stockholders in our next quarterly report with an explanation from the conflicts committee of the justification for the excess borrowing. In all events, we expect that our secured and unsecured borrowings will be reasonable in relation to the net value of our assets and will be reviewed by our board of directors at least quarterly.

We do not intend to exceed the leverage limit in our charter except in the early stages of our development when the costs of our investments are most likely to exceed our net offering proceeds. Careful use of debt will help us to achieve our diversification goals because we will have more funds available for investment. However, high levels of debt could cause us to incur higher interest charges and higher debt service payments, which would decrease the amount of cash available for distribution to our investors.

How will you structure the ownership and operation of your assets?

We plan to own substantially all of our assets and conduct our operations through Phillips Edison – ARC Shopping Center Operating Partnership, L.P., which we refer to as our operating partnership in this prospectus. Because we plan to conduct substantially all of our operations through the operating partnership, we are considered an UPREIT. UPREIT stands for “Umbrella Partnership Real Estate Investment Trust.” Using an UPREIT structure may give us an

advantage in acquiring properties from persons who may not otherwise sell their properties because of certain unfavorable U.S. federal income tax consequences.

What conflicts of interest will your sponsors face?

Each of our Phillips Edison and ARC sponsors, and their respective affiliates and personnel, will experience conflicts of interest in connection with the management of our business. Some of the material conflicts that our sponsors and their respective affiliates will face include the following:

- Our Phillips Edison sponsor and its affiliates must determine which investment opportunities to recommend to us and to two other operating private Phillips Edison-sponsored programs for which the offering proceeds have not been fully invested, as well as any programs Phillips Edison affiliates may sponsor in the future;

- Our ARC sponsor and its affiliates must determine which investment opportunities to recommend to us and to other ARC-sponsored programs, as well as any programs ARC affiliates may sponsor in the future;

- Because our ARC sponsor is a sponsor of two other public offerings concurrently with this offering, we will have to compete with other programs sponsored by our ARC sponsor for the same investors when raising capital;

- ARC Advisor and its affiliates may structure the terms of joint ventures between us and other Phillips Edison- or ARC-sponsored programs or Phillips Edison- or ARC-advised entities;

- Our sponsors and their respective affiliates will have to allocate their time between us and other real estate programs and activities in which they are involved;

- Our sponsors and their respective affiliates will receive fees in connection with transactions involving the purchase, origination, management and sale of our assets regardless of the quality of the asset acquired or the services provided to us;

- Our dealer manager, Realty Capital Securities, LLC, is an affiliate of ARC Advisor and will receive fees in connection with our public offerings of equity securities;

- We may only terminate our dealer manager in limited circumstances and, except under certain conditions, will be obligated to use our dealer manager in future offerings;

- ARC Advisor may terminate the advisory agreement without penalty upon 60 days’ written notice and, upon termination of the advisory agreement, ARC Advisor may be entitled to a termination fee if (based upon an independent appraised value of the portfolio) it would have been entitled to a subordinated share of cash flows had the portfolio been liquidated on the termination date, which fee ARC Advisor may choose to defer until such time as we list our shares on a national securities exchange, if ever, or until such time as we liquidate substantially all of our assets; and

- We may seek stockholder approval to internalize our management by acquiring assets and personnel from our advisor for consideration that would be negotiated at that time. The payment of such consideration could result in dilution to your interest in us and may provide incentives to our advisor or its management to pursue an internalization transaction rather than an alternative strategy, even if such alternative strategy might otherwise be in our stockholders' best interests.

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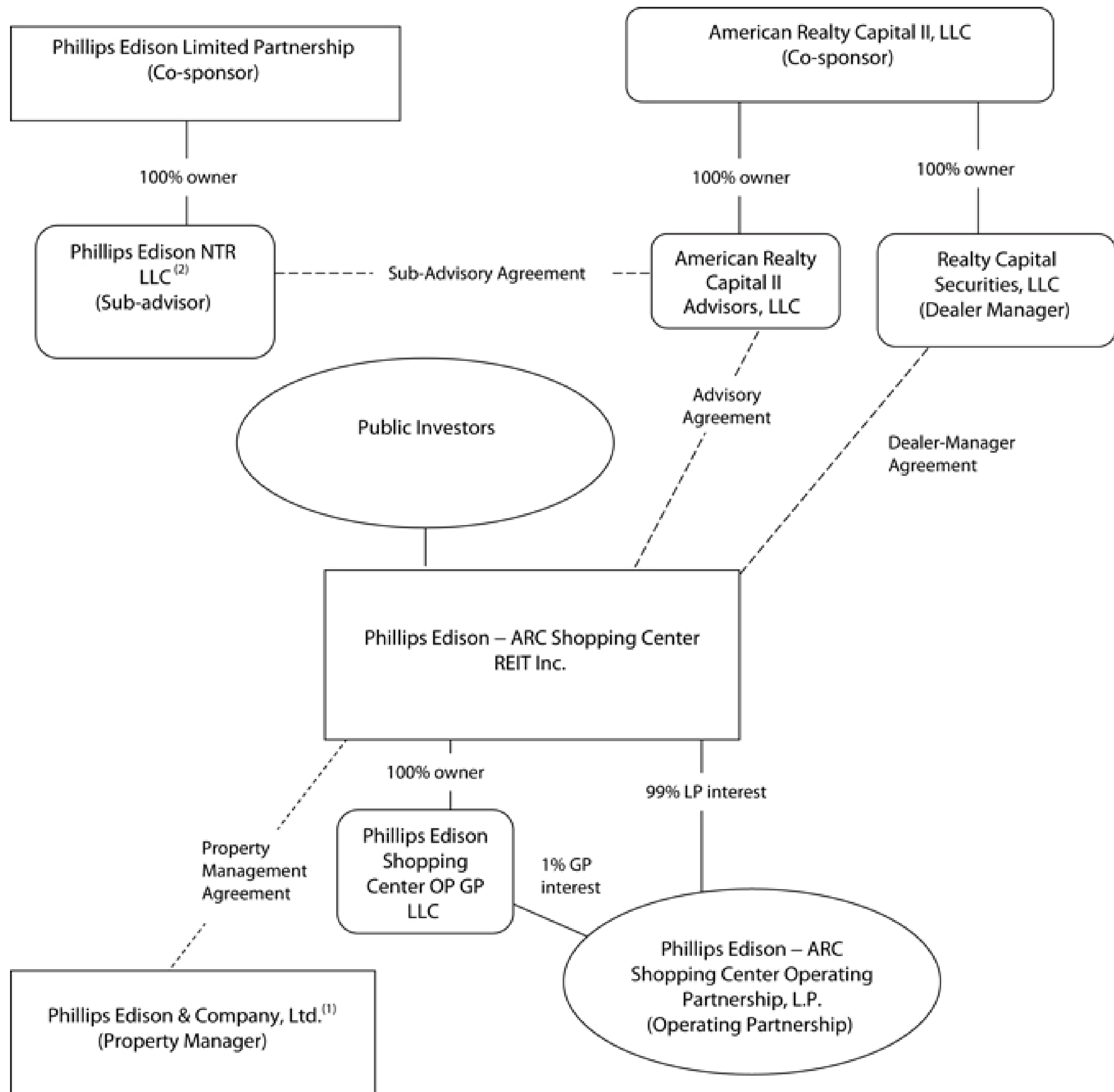
What is the ownership structure of the company and the entities that perform services for you?

The following chart shows the ownership structure of the various entities that perform or are likely to perform important services for us.



(1) Wholly-owned subsidiary of Phillips Edison Limited Partnership.
(2) Currently owns 20,000 of our shares.

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What are the fees that you will pay to the advisor, its affiliates, the dealer manager and your directors?

ARC Advisor and its affiliates will receive compensation and reimbursement for services relating to this offering and the investment and management of our assets. We will also compensate the dealer manager and our independent directors for their service to us. The most significant items of compensation are included in the table below. Unless otherwise noted, the fees to be paid and expenses to be reimbursed described below will be paid or reimbursed to our advisor, an affiliate of our ARC sponsor. ARC Advisor may then assign such fees or expense reimbursements to our sub-advisor, an affiliate of our Phillips Edison sponsor, in whole or in proportion to the amount of services provided or expenses incurred on our behalf (collectively the advisor and sub-advisor, the "Advisor Entities") pursuant to the terms of the sub-advisory agreement between those parties. Selling commissions and dealer manager fees may vary for different categories of purchasers. This table assumes that we sell all shares at the highest possible selling commissions and dealer manager fees (with no discounts to any categories of purchasers) and assumes a $9.50 price for each share sold through our dividend reinvestment plan. No selling commissions or dealer manager fees are payable on shares sold through our dividend reinvestment plan or the "friends and family" program.

Form of Compensation and Recipient	***Determination of Amount***	***Estimated Amount for Minimum Offering/ Maximum Offering***
	Organization and Offering Stage	
Selling Commissions – Dealer Manager	7.0% of gross offering proceeds before reallowance of commissions earned by participating broker-dealers, except no selling commissions are payable on shares sold under the dividend reinvestment plan or our "friends and family" program. We expect that the dealer manager will reallow 100% of commissions earned to participating broker-dealers.	$175,000/$105,000,000
Dealer Manager Fee – Dealer Manager	3.0% of gross offering proceeds, except no dealer manager fee is payable on shares sold under the dividend reinvestment plan or our "friends and family" program. The dealer manager may reallow all or a portion of its dealer manager fees to participating broker-dealers.	$75,000/$45,000,000
Other Organization and Offering Expenses	To date, the sub-advisor has paid organization and offering expenses on our behalf. We will reimburse on a monthly basis the sub-advisor for these costs and future organization and offering costs it, our advisor or their respective affiliates may incur on our behalf (including reimbursements for other organization and offering expenses up to 0.5% of the gross offering proceeds for third party due diligence fees included in detailed and intemized invoices) but only to the extent that the reimbursement would not exceed 1.5% of gross offering proceeds over the life of the offering or cause the selling commissions, the dealer manager fee and such other organization and offering expenses borne by us to exceed 15.0% of gross offering proceeds as of the date of the reimbursement.	$37,500/$22,500,000

Form of Compensation and Recipient	*Determination of Amount*	*Estimated Amount for Minimum Offering/ Maximum Offering*
	Acquisition and Development Stage	
Acquisition Fees	We will pay to our Advisor Entities 1.0% of the contract purchase price of each property acquired (including our pro rata share of debt attributable to such property) and 1.0% of the amount advanced for a loan or other investment (including our pro rata share of debt attributable to such investment). For purposes of this prospectus, "contract purchase price" means the amount actually paid or allocated in respect of the purchase, development, construction or improvement of a property or the amount actually paid or allocated in respect of the purchase of loans or other real-estate related assets, in each case exclusive of acquisition fees and acquisition expenses, but in each case including any indebtedness assumed or incurred in respect of such investment.	$22,125 (minimum offering and no debt)/$13,275,000 (maximum offering and no debt)/$26,550,000 (maximum offering and target leverage of 50.0% of the cost of our investments)/$53,100,000 (maximum offering, assuming levarage of 75.0% of the cost of our investments (which is the maximum leverage permitted under our charter, unless a majority of our conflicts committee approves additional borrowings))
Acquisition Expenses	We will reimburse our Advisor Entities for expenses actually incurred (including personnel costs) related to selecting, evaluating and acquiring assets on our behalf, regardless of whether we actually acquire the related assets. In addition, we also will pay third parties, or reimburse the advisor or its affiliates, for any investment-related expenses due to third parties, including, but not limited to, legal fees and expenses, travel and communications expenses, costs of appraisals, accounting fees and expenses, third-party brokerage or finders fees, title insurance expenses, survey expenses, property inspection expenses and other closing costs regardless of whether we acquire the related assets. We expect these expenses to be approximately 0.5% of the purchase price of each property (including our pro rata share of debt attributable to such property) and 0.5% of the amount advanced for a loan or other investment (including our pro rata share of debt attributable to such investment). In no event will the total of all acquisition fees and acquisition expenses payable with respect to a particular investment exceed 6.0% of the contract purchase price of each property (including our pro rata share of debt attributable to such property) or 6.0% of the amount advanced for a loan or other investment (including our pro rata share of debt attributable to such investment).	$11,063/$6,637,500

Form of Compensation and Recipient	*Determination of Amount*	*Estimated Amount for Minimum Offering/ Maximum Offering*
Development Fee	If we engage an affiliate of one of our sponsors to provide development services with respect to a particular property, we will pay a development fee in an amount that is usual and customary for comparable services rendered to similar projects in the geographic market of the project.	We cannot determine these amounts at the present time.
	Operational Stage	
Asset Management Fee	We will pay our advisor a quarterly fee of 0.25% of the sum of the cost of all real estate and real estate-related investments we own and of our investments in joint ventures, including acquisition fees, acquisition and origination expenses and any debt attributable to such investments. This fee will be payable quarterly in advance, on January 1, March 1, July 1 and October 1 based on assets held by us during the previous quarter, adjusted for appropriate closing dates for individual property acquisitions.	The actual amounts depend on the total equity and debt capital we raise and the results of our operations; we cannot determine these amounts at the present time.
Financing Fee	We will pay our advisor a financing fee equal to 0.75% of all amounts made available under any loan or line of credit.	The actual amounts depend on the total debt capital made available to us; we cannot determine these amounts at the present time.
Leasing Fee – Property Manager	If we engage an affiliate of one of our sponsors to provide leasing services with respect to a particular property, we will pay a leasing fee in an amount that is usual and customary for comparable services rendered in the geographic market of the property.	We cannot determine these amounts at the present time.
Construction Oversight Fee	If we engage an affiliate of one of our sponsors to provide construction oversight services with respect to a particular property, we will pay a construction oversight fee in an amount that is usual and customary for comparable services rendered to similar projects in the geographic market of the property.	We cannot determine these amounts at the present time.
Other Operating Expenses	We will reimburse the expenses incurred by our Advisor Entities in connection with their provision of services to us, including our allocable share of our Advisor Entities' overhead, such as rent, personnel costs, utilities and IT costs. Though our Advisor Entities have contractual rights to seek reimbursement for personnel costs, our Advisor Entities do not intend	Actual amounts depend on the results of our operations; we cannot determine these amounts at the present time.

Form of Compensation and Recipient	*Determination of Amount*	*Estimated Amount for Minimum Offering/ Maximum Offering*
	to do so at this time. If our Advisor Entities do decide to seek reimbursement for personnel costs, such costs include salaries and benefits, but do not include bonuses. Personnel costs are allocated to programs for reimbursement based on the percentage of time devoted by personnel to the program, except that we do not reimburse for the personnel costs of acquisition, financing or disposition personnel. We will also reimburse our Advisor Entities and their respective affiliates for expenses paid on our behalf in connection with investigating and acquiring assets, regardless of whether we acquire the assets. We may not, however, reimburse expenses that exceed the greater of 6.0% of the contract price of any real estate asset or, in the case of a loan, 6.0% of the funds advanced. Reimbursable expenses include items such as property appraisals, environmental surveys, property audit fees, legal fees, asset due diligence review and business travel, such as airfare, hotel, meal and phone charges.	

Form of Compensation and Recipient	*Determination of Amount*	*Estimated Amount for Minimum Offering/ Maximum Offering*
Property Management Fees –Property Manager	Property management fees equal to 4.5% of the annualized gross revenues of the properties managed by Phillips Edison Property Manager, our property manager, will be payable monthly. In the event that we contract directly with a non-affiliated third-party property manager in respect of a property, we will pay the property manager an oversight fee equal to 1.0% of the annualized gross revenues of the property managed payable monthly. In no event will we pay both a property management fee and an oversight fee to an affiliated property manager with respect to any particular property. In addition to the property management fee or oversight fee, if our property manager provides leasing services with respect to a property, we will pay our property manager leasing fees in an amount equal to the leasing fees charged by unaffiliated persons rendering comparable services in the same geographic location of the applicable property. Our property manager may subcontract the performance of its property management and leasing duties to third parties, and our property manager may pay a portion of its property management or leasing fees to the third parties with whom it subcontracts for these services. We will reimburse the costs and expenses incurred by our property manager on our behalf, including legal, travel and other out-of-pocket expenses that are directly related to the management of specific properties, as well as fees and expenses of third-party accountants. We will not, however, reimburse our property manager for the wages and salaries and other employee-related expenses of on-site employees of our property manager or its subcontractors who are engaged in the operation, management, maintenance or access control of our properties (including taxes, insurance and benefits relating to such employees).	Actual amounts depend on gross revenues of specific properties and actual management fees or property management fees and customary leasing fees and therefore cannot be determined at the present time.
Independent Director Compensation	We will pay each of our independent directors an annual retainer of $30,000. We will also pay our independent directors for attending meetings as follows: (1) $1,000 for each board meeting attended in person or telephonically and (2) $1,000 for each committee meeting attended in person or telephonically. The audit committee chair will also receive an annual retainer of $5,000 and the conflicts committee chair an annual retainer of $3,000. We expect to grant our independent directors an annual award of 2,500 shares of restricted stock. All directors will receive reimbursement of reasonable out-of-pocket expenses incurred in connection with attendance at meetings of the board of directors.	Actual amounts depend on the total number of board and committee meetings that each independent director attends; we cannot determine these amounts at the present time.

Form of Compensation and Recipient	*Determination of Amount*	*Estimated Amount for Minimum Offering/ Maximum Offering*
	Liquidation/Listing Stage	
Disposition Fees	For substantial assistance in connection with the sale of properties or other investments, we will pay our Advisor Entities or their respective affiliates 2.0% of the contract sales price of each property or other investment sold; provided, however, in no event may the disposition fees paid to our Advisor Entities, their respective affiliates and unaffiliated third parties exceed 6.0% of the contract sales price. The conflicts committee will determine whether our Advisor Entities or their affiliates have provided substantial assistance to us in connection with the sale of an asset. Substantial assistance in connection with the sale of a property includes our advisor's or sub-advisor's preparation of an investment package for the property (including an investment analysis, rent rolls, tenant information regarding credit, a property title report, an environmental report, a structural report and exhibits) or such other substantial services performed by the advisor or sub-advisor in connection with a sale. We do not intend to sell properties or other assets to affiliates. However, if we do sell an asset to an affiliate, our organizational documents would not prohibit us from paying our advisor or sub-advisor a disposition fee. Before we sold an asset to an affiliate, the charter would require that a majority of our board of directors, including a majority of our conflicts committee, conclude that the transaction is fair and reasonable to us and on terms and conditions no less favorable to us than those available from third parties.	Actual amounts depend on the results of our operations; we cannot determine these amounts at the present time.
Subordinated Share of Cash Flows	Our Advisor Entities will receive 15.0% of remaining net cash flows after return of capital contributions plus payment to investors of a 7.0% cumulative, pre-tax, non-compounded return on the capital contributed by investors. We cannot assure you that we will provide this 7.0% return, which we have disclosed solely as a measure for our Advisor Entities' and their respective affiliates' incentive compensation.	Actual amounts depend on the results of our operations; we cannot determine these amounts at the present time.
Subordinated Incentive Fee	Our Advisor Entities will receive 15.0% of the amount by which the sum of our adjusted market value plus distributions exceeds the sum of the aggregate capital contributed by investors plus an amount equal to a 7.0% cumulative, pre-tax, non-compounded annual return to investors. We cannot assure you that we will provide this 7.0% return, which we have disclosed solely as a measure for our Advisor Entities' and their respective affiliates' incentive compensation.	Actual amounts depend on the results of our operations; we cannot determine these amounts at the present time.

Form of Compensation and Recipient	*Determination of Amount*	*Estimated Amount for Minimum Offering/ Maximum Offering*
Termination Fee	Upon termination or non-renewal of the advisory agreement, our advisor shall be entitled to a subordinated termination fee. In addition, our advisor may elect to defer its right to receive a subordinated termination fee until either a listing on a national securities exchange or other liquidity event occurs.	Not determinable at this time. There is no maximum amount of this fee.

How many real estate investments do you currently own?

We currently do not own any properties or other real estate investments. Because we have not yet identified any specific assets to acquire, we are considered to be a blind pool. As property acquisitions become probable, we will supplement this prospectus to provide information regarding the likely acquisition to the extent material to an investment decision with respect to our common stock. We will also describe material changes to our portfolio, including the closing of property acquisitions, by means of a supplement to this prospectus.

Will you acquire properties or other assets in joint ventures?

Possibly. Among other reasons, joint venture investments permit us to own interests in large assets without unduly restricting the diversity of our portfolio. We may also want to acquire properties and other investments through joint ventures in order to diversify our portfolio by investment size or investment risk. In determining whether to invest in a particular joint venture, ARC Advisor will evaluate the real estate assets that such joint venture owns or is being formed to own under the same criteria as our other investments.

If I buy shares, will I receive distributions and how often?

In order that investors may generally begin earning distributions immediately upon our acceptance of their subscription, we expect to authorize and declare daily distributions that will be paid on a monthly basis beginning no later than the first calendar month after the calendar month in which we make our first real estate investment. Once we commence paying distributions, we expect to pay distributions monthly and continue paying distributions monthly unless our results of operations, our general financial condition, general economic conditions or other factors make it imprudent to do so. The timing and amount of distributions will be determined by our board, in its sole discretion, may vary from time to time, and will be influenced in part by its intention to comply with REIT requirements of the Internal Revenue Code.

We expect to have little, if any, funds from operations available for distribution until we make substantial investments. Further, because we may receive income from interest or rents at various times during our fiscal year and because we may need funds from operations during a particular period to fund capital expenditures and other expenses, we expect that at least during the early stages of our development and from time to time during our operational stage, we will declare distributions in anticipation of funds that we expect to receive during a later period and we will pay these distributions in advance of our actual receipt of these funds. In these instances, we expect to look to third-party borrowings to fund our distributions. We may also fund such distributions from advances from our advisor or sponsors or from our advisor’s deferral of its fees.

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Our distribution policy is not to use the proceeds of this offering to pay distributions. However, our board has the authority under our organizational documents, to the extent permitted by Maryland law, to pay distributions from any source without limit, including proceeds from this offering or the proceeds from the issuance of securities in the future.

To maintain our qualification as a REIT, we must make aggregate annual distributions to our stockholders of at least 90.0% of our REIT taxable income (which is computed without regard to the dividends paid deduction or net capital gain and which does not necessarily equal net income as calculated in accordance with GAAP). If we meet the REIT qualification requirements, we generally will not be subject to U.S. federal income tax on the income that we distribute to our stockholders each year. See "Certain Material U.S. Federal Income Tax Considerations—Taxation of Phillips Edison – ARC Shopping Center REIT Inc.—Annual Distribution Requirements." Our board of directors may authorize distributions in excess of those required for us to maintain REIT status depending on our financial condition and such other factors as our board of directors deems relevant.

We have not established a minimum distribution level, and our charter does not require that we make distributions to our stockholders.

May I reinvest my distributions in shares of Phillips Edison – ARC Shopping Center REIT Inc.?

Yes. You may participate in our dividend reinvestment plan by checking the appropriate box on the subscription agreement or by filling out an enrollment form we will provide to you at your request. The purchase price for shares purchased under the dividend reinvestment plan will initially be $9.50. Once we establish an estimated value per share that is not based on the price to acquire a share in our primary offering or a follow-on public offering, shares issued pursuant to our dividend reinvestment plan will be priced at the estimated value per share of our common stock, as determined by our advisor or another firm chosen for that purpose. We expect to establish an estimated value per share not based on the price to acquire a share in the primary offering or a follow-on public offering after the completion of our offering stage. We will consider our offering stage complete when we are no longer offering equity securities — whether through this offering or follow-on public offerings — and have not done so for 18 months. No selling commissions or dealer manager fees will be payable on shares sold under our dividend reinvestment plan. We may amend, suspend or terminate the dividend reinvestment plan for any reason at any time upon 10 days' notice to the participants. We may provide notice by including such information (1) in a current report on Form 8-K or in our annual or quarterly reports, all publicly filed with the SEC or (2) in a separate mailing to the participants.

Will the distributions I receive be taxable as ordinary income?

Yes and no. Distributions that you receive (not designated as capital gain dividends), including distributions reinvested pursuant to our distribution reinvestment plan, will be taxed as ordinary income to the extent they are paid from our earnings and profits (as determined for U.S. federal income tax purposes). However, distributions that we designate as capital gain dividends generally will be taxable as long-term capital gain to the extent they do not exceed our actual net capital gain for the taxable year. Some portion of your distributions may not be subject to tax in the year in which they are received because depreciation expense reduces the amount of taxable income, but does not reduce cash available for distribution. The portion of your distribution which is not designated as a capital gain dividend and is in excess of our current and accumulated earnings and profits is considered a return of capital for U.S. federal income tax purposes and will

reduce the tax basis of your investment, deferring such portion of your tax until your investment is sold or our company is liquidated, at which time you will be taxed at capital gains rates. Please note that each investor's tax considerations are different, therefore, you should consult with your tax advisor prior to making an investment in our shares.

How will you use the proceeds raised in this offering?

We expect to invest primarily in necessity-based neighborhood and community shopping centers throughout the United States with a focus on well-located grocery anchored shopping centers that are well occupied at the time of purchase and typically cost less than $20.0 million per property. The shopping centers will have a mix of national, regional, and local retailers who sell essential goods and services to customers who live in the neighborhood. We also expect to invest in other real estate properties and real estate-related loans and securities. Depending primarily upon the number of shares we sell in this offering and assuming a $10.00 purchase price for shares sold in the primary offering, we estimate that we will use approximately 87.20% of the gross proceeds to make investments in real estate properties and other real estate-related loans and securities. We will use the remainder of the offering proceeds to pay the costs of the offering, including selling commissions and the dealer manager fee, and to pay a fee to our advisor for its services in connection with the selection and acquisition of properties. We expect to use substantially all of the net proceeds from the sale of shares under our dividend reinvestment plan to repurchase shares under our share repurchase program.

Until we invest the proceeds of this offering in real estate investments, we may invest in short-term, highly liquid or other authorized investments. Such short-term investments will not earn as high of a return as we expect to earn on our real estate investments, and we may not be able to invest the proceeds in real estate promptly.

	250,000 Shares		180,000,000 Shares			
	Minimum Offering ($10.00/share)		Primary Offering (150,000,000 shares) ($10.00/share)		Div. Reinv. Plan (30,000,000 shares) ($9.50/share)	
	$	%	$	%	$	%
Gross Offering Proceeds	2,500,000	100.00%	1,500,000,000	100.00%	285,000,000	100.00%
Selling Commissions	175,000	7.00%	105,000,000	7.00%	0	0.00%
Dealer Manager Fee	75,000	3.00%	45,000,000	3.00%	0	0.00%
Other Organization and Offering Expenses	37,500	1.50%	22,500,000	1.50%	427,500	0.15%
Amount available for investment	2,212,500	88.50%	1,327,500,000	88.50%	284,572,500	99.85%
Acquisition Fees [(1)]	22,125	0.90%	13,275,000[(2)]	0.90%	0	0.00%
Acquisition Expenses	11,063	0.40%	6,637,500	0.40%	0	0.00%
Amount Invested in Properties[(3)]	$2,179,313	87.20%	$1,307,587,500	87.20%	$284,572,500	99.85%

(1) For purposes of this table, we have assumed approximately 90.0% of our portfolio are necessity-based neighborhood and community shopping centers throughout the United States with a focus on well-located grocery anchored shopping centers that are well occupied at the time of purchase and approximately 10.0% of our investments are other real estate and real estate-related loans and securities.

(2) If we raise the maximum offering amount and our debt financing is equal to 65.0% of the value of our real estate investments, then acquisition fees would be approximately $37.9 million. If we raise the maximum offering amount and our debt financing is equal to 75.0% of the cost of our real estate investments, then acquisition fees would be approximately $53.1 million.

(3) We expect any working capital reserves to be maintained at the property level.

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What kind of offering is this?

We are offering up to 180,000,000 shares of common stock on a "best efforts" basis. We are offering 150,000,000 of these shares in our primary offering at $10.00 per share, with volume discounts available to investors who purchase more than $1,000,000 in shares through the same participating broker-dealer. Discounts are also available for investors who purchase shares through certain distribution channels. We are offering up to 30,000,000 shares pursuant to our dividend reinvestment plan at a purchase price initially equal to $9.50 per share. We reserve the right to reallocate the shares of common stock we are offering between the primary offering and our dividend reinvestment plan.

How does a "best efforts" offering work? What happens if you don't raise at least $2.5 million in gross offering proceeds?

When shares are offered on a "best efforts" basis, the dealer manager will be required to use only its best efforts to sell the shares and it has no firm commitment or obligation to purchase any of the shares. Therefore, we may sell substantially less than what we are offering.

How long will this offering last?

We expect to sell the 150,000,000 shares offered in our primary offering over a two-year period, or by   , 2012. If we have not sold all of the shares within two years, we may continue the primary offering for an additional year until   , 2013. If we decided to continue our primary offering beyond two years from the date of this prospectus, we will provide that information in a prospectus supplement. At the discretion of our board of directors, we may elect to extend the termination date of our offering of shares reserved for issuance pursuant to our distribution reinvestment plan until we have sold all shares allocated to such plan through the reinvestment of distributions, in which case participants in the plan will be notified. This offering must be registered in every state in which we offer or sell shares. Generally, such registrations are for a period of one year. Thus, we may have to stop selling shares in any state in which our registration is not renewed or otherwise extended annually.

Who can buy shares?

An investment in our shares is only suitable for persons who have adequate financial means and who will not need immediate liquidity from their investment. Residents of most states can buy shares in this offering provided that they have either (1) a net worth of at least $70,000 and an annual gross income of at least $70,000 or (2) a net worth of at least $250,000. For the purpose of determining suitability, net worth does not include an investor's home, home furnishings or personal automobiles. The minimum suitability standards are more stringent for investors in Alabama, California, Iowa, Kansas, Kentucky, Massachusetts, Michigan, Missouri, Mississippi, Ohio, Oregon, Pennsylvania, Tennessee and Washington.

Who might benefit from an investment in our shares?

An investment in our shares may be beneficial for you if you meet the minimum suitability standards described in this prospectus, seek to diversify your personal portfolio with a real estate-based investment, seek to receive current income, seek to preserve capital, seek to obtain the benefits of potential long-term capital appreciation and are able to hold your investment for a time period consistent with our liquidity strategy. On the other hand, we caution

persons who require immediate liquidity or guaranteed income, or who seek a short-term investment, that an investment in our shares will not meet those needs.

Is there any minimum investment required?

Yes. We require a minimum investment of $2,500. After you have satisfied the minimum investment requirement, any additional purchases must be in increments of at least $100. The investment minimum for subsequent purchases does not apply to shares purchased pursuant to our dividend reinvestment plan.

Are there any special restrictions on the ownership or transfer of shares?

Yes. Our charter contains restrictions on the ownership of our shares that prevent any one person from owning more than 9.8% in value of our aggregate outstanding stock or more than 9.8% in value or number of shares, whichever is more restrictive, of our aggregate outstanding common stock unless exempted by our board of directors. These restrictions are designed to enable us to comply with ownership restrictions imposed on REITs by the Internal Revenue Code. Our charter also limits your ability to sell your shares unless: (1) the prospective purchaser meets the suitability standards regarding income or net worth and (2) the transfer complies with the minimum purchase requirements.

Are there any special considerations that apply to employee benefit plans subject to ERISA or other retirement plans that are investing in shares?

Yes. The section of this prospectus entitled "ERISA Considerations" describes the effect the purchase of shares will have on individual retirement accounts (each an "IRA") and retirement plans subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), and/or the Internal Revenue Code. ERISA is a federal law that regulates the operation of certain tax-advantaged retirement plans. Any retirement plan trustee or individual considering purchasing shares for a retirement plan or an individual retirement account should carefully read this section of the prospectus. Prospective investors with investment discretion over the assets of an IRA, employee benefit plan or other retirement plan or arrangement that is covered by ERISA or Section 4975 of the Internal Revenue Code should carefully review the information in the section of this prospectus entitled "ERISA Considerations." Any such prospective investors are required to consult their own legal and tax advisors on these matters.

We may make some investments that generate "excess inclusion income" which, when passed through to our tax-exempt stockholders, can be taxed as unrelated business taxable income (UBTI) or, in certain circumstances, can result in a tax being imposed on us. Although we do not expect the amount of such income to be significant, there can be no assurance in this regard.

May I make an investment through my IRA, SEP or other tax-deferred account?

Yes. You may make an investment through your IRA, a simplified employee pension ("SEP") plan or other tax-deferred account. In making these investment decisions, you should consider, at a minimum: (1) whether the investment is in accordance with the documents and instruments governing your IRA, plan or other account, (2) whether the investment satisfies the fiduciary requirements associated with your IRA, plan or other account, (3) whether the investment will generate UBTI to your IRA, plan or other account, (4) whether there is sufficient liquidity for such investment under your IRA, plan or other account, (5) the need to value the assets of your IRA, plan or other account annually or more frequently and (6) whether the

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investment would constitute a prohibited transaction under applicable law. Prospective investors with investment discretion over the assets of an IRA, employee benefit plan or other retirement plan or arrangement that is covered by ERISA or Section 4975 of the Internal Revenue Code should carefully review the information in the section of this prospectus entitled “ERISA Considerations.” Any such prospective investors are required to consult their own legal and tax advisors on these matters.

How do I subscribe for shares?

If you choose to purchase shares in this offering, you will need to complete and sign a subscription agreement (in the form attached to this prospectus as Appendix B) for a specific number of shares and pay for the shares at the time of your subscription.

If I buy shares in this offering, how may I later sell them?

At the time you purchase the shares, they will not be listed for trading on any securities exchange or over-the-counter market. In fact, we expect that there will not be any public market for the shares when you purchase them, and we cannot be sure if one will ever develop. In addition, our charter imposes restrictions on the ownership of our common stock that will apply to potential purchasers of your shares. As a result, if you wish to sell your shares, you may not be able to do so promptly or at all, or you may only be able to sell them at a substantial discount from the price you paid.

After you have held your shares for at least one year, you may be able to have your shares repurchased by us pursuant to our share repurchase program. We will repurchase shares on the last business day of each month (and in all events on a date other than a dividend payment date). The prices at which we will initially repurchase shares are as follows:

- The lower of $9.25 or 92.5% of the price paid to acquire the shares from us for stockholders who have held their shares for at least one year;
- The lower of $9.50 or 95.0% of the price paid to acquire the shares from us for stockholders who have held their shares for at least two years;
- The lower of $9.75 or 97.5% of the price paid to acquire the shares from us for stockholders who have held their shares for at least three years; and
- The lower of $10.00 or 100% of the price paid to acquire the shares from us for stockholders who have held their shares for at least four years.

Notwithstanding the above, once we establish an estimated value per share of our common stock that is not based on the price to acquire a share in our primary offering or a follow-on public offering, the repurchase price per share for all stockholders would be equal to the estimated value per share, as determined by our advisor or another firm chosen for that purpose. We expect to establish an estimated value per share after the completion of our offering stage. We will consider our offering stage complete when we are no longer offering equity securities – whether through this offering or follow-on public offerings – and have not done so for 18 months.

The terms of our share repurchase program are more generous with respect to repurchases sought upon a stockholder’s death or qualifying disability:

- There is no one-year holding requirement;
- Until we establish an estimated value per share, which we expect to be no later than three years after the completion of our offering stage, the repurchase price is the amount paid to acquire the shares from us; and
- Once we have established an estimated value per share, the repurchase price would be the estimated value of the shares, as determined by our advisor or another firm chosen for that purpose.

The share repurchase program also contains numerous restrictions on your ability to sell your shares to us. The decision to accept repurchase requests will be made by our board of directors after consideration of a number of factors including the amount of net proceeds from the sale of shares under our dividend reinvestment plan during the prior calendar year and the amount of our revenues and expenses generally. Further, during any calendar year, we may repurchase no more than 5.0% of the weighted average number of shares outstanding during the prior calendar year. We also have no obligation to repurchase shares if the repurchase would violate the restrictions on distributions under Maryland law, which prohibits distributions that would cause a corporation to fail to meet statutory tests of solvency. We may amend, suspend or terminate the program at any time upon 30 days' notice.

What are your exit strategies?

It is our intention to begin the process of achieving a Liquidity Event not later than three to five years after the termination of this primary offering. A "Liquidity Event" could include a sale of our assets, a sale or merger of our company, a listing of our common stock on a national securities exchange, or other similar transaction.

If we do not begin the process of achieving a Liquidity Event by the fifth anniversary of the termination of this offering, our charter requires either (1) an amendment to our charter to extend the deadline to begin the process of achieving a Liquidity Event or (2) the holding of a stockholders meeting to vote on a proposal for an orderly liquidation of our portfolio.

If we sought and failed to obtain stockholder approval of a charter amendment extending the deadline with respect to a Liquidity Event, our charter requires us to submit a plan of liquidation for the approval of our stockholder, and vice versa. If we sought and failed to obtain stockholder approval of both the charter amendment and our liquidation, we would continue our business. If we sought and obtained stockholder approval of our liquidation, we would begin an orderly sale of our properties and other assets. The precise timing of such sales would take account of the prevailing real estate and financial markets, the economic conditions in the submarkets where our properties are located and the U.S. federal income tax consequences to our stockholders. In making the decision to apply for listing of our shares, our directors will try to determine whether listing our shares or liquidating our assets will result in greater value for stockholders.

One of the factors our board of directors will consider when making this determination is the liquidity needs of our stockholders. In assessing whether to list or liquidate, our board of directors would likely solicit input from financial advisors as to the likely demand for our shares upon listing. If, after listing, the board believed that it would be difficult for stockholders to dispose of their shares, then that factor would weigh against listing. However, this would not be the only factor considered by the board. If listing still appeared to be in the best long-term

interests of our stockholders, despite the prospects of a relatively small market for our shares upon the initial listing, the board may still opt to list our shares of common stock in keeping with its obligations under Maryland law. The board would also likely consider whether there was a large pent-up demand to sell our shares when making decisions regarding listing or liquidation. The degree of participation in our dividend reinvestment plan and the number of requests for repurchases under the share repurchase program at this time could be an indicator of stockholder demand to liquidate their investment.

Will I be notified of how my investment is doing?

Yes, we will provide you with periodic updates on the performance of your investment in us, including:

- detailed quarterly dividend reports;
- an annual report;
- supplements to the prospectus, provided quarterly during the primary offering; and
- three quarterly financial reports.

We will provide this information to you via one or more of the following methods, in our discretion and with your consent, if necessary:

- U.S. mail or other courier;
- facsimile;
- electronic delivery; or
- posting on our web site at .

To assist the Financial Industry Regulatory Authority ("FINRA") members and their associated persons that participate in this offering, pursuant to FINRA Conduct Rule 5110, we disclose in each annual report distributed to stockholders a per share estimated value of our shares, the method by which it was developed, and the date of the data used to develop the estimated value. In addition, ARC Advisor, our advisor, prepares annual statements of estimated share values to assist fiduciaries of retirement plans subject to the annual reporting requirements of ERISA in the preparation of their reports relating to an investment in our shares. Our advisor has indicated that it intends to use the most recent price paid to acquire a share in this offering (ignoring purchase price discounts for certain categories of purchasers) or a follow-on public offering as its estimated per share value of our shares until we have completed our offering stage. We will consider our offering stage complete when we are no longer publicly offering equity securities – whether through this offering or follow-on public offerings – and have not done so for 18 months. If our board of directors determines that it is in our best interest, we may conduct follow-on offerings upon the termination of this offering. Our charter does not restrict our ability to conduct offerings in the future. (For purposes of this definition, we do not consider a "public equity offering" to include offerings on behalf of selling stockholders or offerings related to a dividend reinvestment plan, employee benefit plan or the redemption of interests in our operating partnership.)

Although this initial estimated value represents the most recent price at which most investors are willing to purchase shares in this primary offering, this reported value is likely to differ from the price at which a stockholder could resell his or her shares because: (1) there is no public trading market for the shares at this time; (2) the estimated value does not reflect, and is not derived from, the fair market value of our properties and other assets, nor does it represent the amount of net proceeds that would result from an immediate liquidation of those assets, because the amount of proceeds available for investment from our primary public offering is net of selling commissions, dealer manager fees, other organization and offering costs and acquisition fees and expenses; (3) the estimated value does not take into account how market fluctuations affect the value of our investments, including how the current disruptions in the financial and real estate markets may affect the values of our investments; and (4) the estimated value does not take into account how developments related to individual assets may have increased or decreased the value of our portfolio.

When will I get my detailed tax information?

We intend to issue and mail your Form 1099-DIV tax information, or such other successor form, by January 31 of each year.

Who can help answer my questions about the offering?

If you have more questions about the offering, or if you would like additional copies of this prospectus, you should contact your registered representative or contact:

Realty Capital Securities, LLC
Three Copley Place
Suite 3300
Boston, MA 02116
1-877-373-2522
www.americanrealtycap.com

Who is the transfer agent?

The name and address of our transfer agent is as follows:

DST Systems, Inc.
430 W 7th St
Kansas City, MO 64105-1407
Phone (866) 771-2088
Fax (877) 694-1113

To ensure that any account changes are made promptly and accurately, all changes (including your address, ownership type and distribution mailing address) should be directed to the transfer agent.

RISK FACTORS

An investment in our common stock involves various risks and uncertainties. You should carefully consider the following risk factors in conjunction with the other information contained in this prospectus before purchasing our common stock. The risks discussed in this prospectus could adversely affect our business, operating results, prospects and financial condition. This could cause the value of our common stock to decline and could cause you to lose all or part of your investment. The risks and uncertainties described below are not the only ones we face but do represent those risks and uncertainties that we believe are material to us. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also harm our business.

Risks Related to an Investment in Us

Because no public trading market for our shares currently exists, it will be difficult for our stockholders to sell their shares and, if our stockholders are able to sell their shares, it will likely be at a substantial discount to the public offering price.

Our charter does not require our directors to seek stockholder approval to liquidate our assets by a specified date, nor does our charter require our directors to list our shares for trading on a national securities exchange by a specified date. There is no public market for our shares and we currently have no plans to list our shares on a national securities exchange. Until our shares are listed, if ever, stockholders may not sell their shares unless the buyer meets the applicable suitability and minimum purchase standards and the sale does not violate state securities laws. In addition, our charter prohibits the ownership of more than 9.8% in value of our aggregate outstanding stock or more than 9.8% in value or number of shares, whichever is more restrictive, of our aggregate outstanding common stock, unless exempted by our board of directors, which may inhibit large investors from purchasing your shares. In its sole discretion, our board of directors could amend, suspend or terminate our share repurchase program upon 30 days' notice. Further, the share repurchase program includes numerous restrictions that would limit a stockholder's ability to sell his or her shares. We describe these restrictions in more detail under "Description of Shares—Share Repurchase Program." Therefore, it will be difficult for our stockholders to sell their shares promptly or at all. If a stockholder is able to sell his or her shares, it would likely be at a substantial discount to the public offering price. It is also likely that our shares would not be accepted as the primary collateral for a loan. Because of the illiquid nature of our shares, investors should purchase our shares only as a long-term investment and be prepared to hold them for an indefinite period of time.

We are a recently formed company with no operating history and our advisor has no operating history and limited experience operating a public company, which makes our future performance difficult to predict.

We are a recently formed company and have no operating history. We were incorporated in the State of Maryland on October 13, 2009. As of the date of this prospectus, we have not made any investments, and our total assets consist of $200,000 cash and $1,167,820 deferred offering costs. Our stockholders should not assume that our performance will be similar to the past performance of other real estate investment programs sponsored by affiliates of our advisor.

Our advisor was formed on December 28, 2009 and has had no operations as of the date of this prospectus. Because the previous Phillips Edison-sponsored programs were conducted through privately held entities, they were not subject to the up-front commissions, fees and expenses associated with a public offering nor all of the laws and regulations that will apply to us. Our ARC sponsor and its affiliates have experience with only four similar public programs, whose offerings are ongoing. Our executive officers and directors have limited experience managing public companies. For all of these reasons, our stockholders should be especially cautious when drawing conclusions about our future performance and you should not assume that it will be similar to the prior performance of other Phillips Edison- or ARC-sponsored programs. Our lack of an operating history, our advisor's limited experience operating a public company and the differences between us and the private Phillips Edison-sponsored programs significantly increase the risk and uncertainty our stockholders face in making an investment in our shares.

Our dealer manager, Realty Capital Securities, LLC, has a limited operating history and our ability to implement our investment strategy is dependent, in part, upon the ability of our dealer manager to successfully conduct this offering, which makes an investment in us more speculative.

We have retained Realty Capital Securities, LLC, an affiliate of our advisor, to conduct this offering. Realty Capital Securities, LLC has a limited operating history. This offering is the fourth public offering conducted by our dealer manager. The success of this offering, and our ability to implement our business strategy, is dependent upon the ability of Realty Capital Securities, LLC to build and maintain a network of broker-dealers to sell our shares to their clients. These broker-dealers may also be engaged by other REITs and they may choose to emphasize the sale of those REITs' shares over the sale of our shares. If Realty Capital Securities, LLC is not successful in establishing, operating and managing this network of broker-dealers, our ability to raise proceeds through this offering will be limited and we may not have adequate capital to implement our investment strategy. If we are unsuccessful in implementing our investment strategy, our stockholders could lose all or a part of their investment.

If our dealer manager terminates its dealer manager relationship with us, our ability to successfully complete this offering and implement our investment strategy would be significantly impaired.

We have retained Realty Capital Securities, LLC, an affiliate of our advisor, to conduct this offering. Realty Capital Securities, LLC has the right to terminate its relationship with us if, among other things, any of the following occur: (1) our voluntary or involuntary bankruptcy; (2) we materially change our business; (3) we become subject to a material action, suit, proceeding or investigation; (4) we materially reduce the rate of any dividend we may pay in the future without its prior written consent; (5) we suspend or terminate our share repurchase program without its prior written consent; (6) the value of our common shares materially adversely changes, (7) a material breach of the dealer manager agreement by us (which breach has not been cured within the required timeframe), (8) our willful misconduct or a willful or grossly negligent breach of our obligations under the dealer manager agreement, (9) the issuance of a stop order suspending the effectiveness of the registration statement by the SEC and not rescinded within 10 business days of its issuance, (10) the occurrence of any event materially adverse to us and our prospects or our ability to perform our obligations under the dealer manager agreement. If our dealer manager elects to terminate its relationship with us our ability to complete this offering and implement our investment strategy would be significantly impaired and would increase the likelihood that our stockholders could lose all or a part of their investment.

If we are unable to find suitable investments, we may not be able to achieve our investment objectives or pay distributions.

Our ability to achieve our investment objectives and to pay distributions depends upon the performance of ARC Advisor, our advisor, in the acquisition of our investments, including the determination of any financing arrangements, and the ability of our advisor to source loan origination opportunities for us. Competition from competing entities may reduce the number of suitable investment opportunities offered to us or increase the bargaining power of property owners seeking to sell. Additionally, disruptions and dislocations in the credit markets have materially impacted the cost and availability of debt to finance real estate acquisitions, which is a key component of our acquisition strategy. This lack of available debt could result in a further reduction of suitable investment opportunities and create a competitive advantage to other entities that have greater financial resources than we do. We will also depend upon the performance of our property managers in the selection of tenants and negotiation of leasing arrangements. Rising vacancies across commercial real estate have resulted in increased pressure on real estate investors and their property managers to find new tenants and keep existing tenants. In order to do so, we may have to offer inducements, such as free rent and tenant improvements, to compete for attractive tenants. We are also subject to competition in seeking to acquire real estate-related investments. The more shares we sell in this offering, the greater our challenge will be to invest all of the net offering proceeds on attractive terms. Our investors must rely entirely on the management abilities of ARC Advisor and Phillips Edison Sub-Advisor, the property managers our advisor selects and the oversight of our board of directors. We can give no assurance that our advisor will be successful in obtaining suitable investments on financially attractive terms or that, if our advisor makes investments on our behalf, our objectives will be achieved. If we, through our sub-advisor, are unable to find suitable investments promptly, we will hold the proceeds from this offering in an interest-bearing account or invest the proceeds in short-term assets. If we would continue to be unsuccessful in locating suitable investments, we may ultimately decide to liquidate. In the event we are unable to timely locate suitable investments, we may be unable or limited in our ability to pay distributions and we may not be able to meet our investment objectives.

Continued disruptions in the financial markets and challenging economic conditions could adversely impact the commercial mortgage market as well as the market for real estate-related debt investments generally, which could hinder our ability to implement our business strategy and generate returns to our stockholders.

We intend to allocate a small percentage of our portfolio to real estate-related investments such as mortgage, mezzanine, bridge and other loans; debt and derivative securities related to real estate assets, including mortgage-backed securities; and the equity securities of other REITs and real estate companies. The returns available to investors in these investments are determined by: (1) the supply and demand for such investments, (2) the performance of the assets underlying the investments and (3) the existence of a market for such investments, which includes the ability to sell or finance such investments.

During periods of volatility, the number of investors participating in the market may change at an accelerated pace. As liquidity or “demand” increases the returns available to investors on new investments will decrease. Conversely, a lack of liquidity will cause the returns available to investors on new investments to increase.

For nearly two years, concerns pertaining to the deterioration of credit in the residential mortgage market have expanded to almost all areas of the debt capital markets including

corporate bonds, asset-backed securities and commercial real estate bonds and loans. We cannot foresee when these markets will stabilize. This instability may interfere with the successful implementation of our business strategy.

Continued disruptions in the financial markets and challenging economic conditions could adversely affect our ability secure debt financing on attractive terms, our ability to service any future indebtedness that we may incur and the values of our investments.

The capital and credit markets have been experiencing extreme volatility and disruption for nearly two years. Liquidity in the global credit market has been severely contracted by these market disruptions, making it costly to obtain new lines of credit. We will rely on debt financing to finance our properties and possibly other real estate-related investments. As a result of the ongoing credit market turmoil, we may not be able to obtain additional debt financing on attractive terms. As such, we may be forced to use a greater proportion of our offering proceeds to finance our acquisitions, reducing the number of acquisitions we would otherwise make, and/or to dispose of some of our assets. If the current debt market environment persists we may modify our investment strategy in order to optimize our portfolio performance. Our options would include limiting or eliminating the use of debt and focusing on those higher yielding investments that do not require the use of leverage to meet our portfolio goals.

The continued disruptions in the financial markets and challenging economic conditions could adversely affect the values of investments we will acquire. Turmoil in the capital markets has constrained equity and debt capital available for investment in commercial real estate, resulting in fewer buyers seeking to acquire commercial properties and possible increases in capitalization rates and lower property values. Furthermore, these challenging economic conditions could negatively impact commercial real estate fundamentals and result in lower occupancy, lower rental rates and declining values of real estate properties and in the collateral securing any loan investments we may make. These could have the following negative effects on us:

- the values of our investments in commercial properties could decrease below the amounts we will pay for such investments;
- the value of collateral securing any loan investment that we may make could decrease below the outstanding principal amounts of such loans;
- revenues from properties we acquire could decrease due to fewer tenants and/or lower rental rates, making it more difficult for us to pay dividends or meet our debt service obligations on future debt financings; and/or
- revenues on the properties and other assets underlying any loan investments we may make could decrease, making it more difficult for the borrower to meet its payment obligations to us, which could in turn make it more difficult for us to pay dividends or meet our debt service obligations on future debt financings.

All of these factors could impair our ability to make distributions to our investors and decrease the value of an investment in us.

Because this is a blind-pool offering, our stockholders will not have the opportunity to evaluate our investments before we make them, which makes our stockholders' investment more speculative.

Because we have not yet acquired or identified any investments that we may make, we are not able to provide our stockholders with any information to assist you in evaluating the merits of any specific properties or other investments that we may acquire, except for investments that may be described in one or more supplements to this prospectus. We will seek to invest substantially all of the net proceeds from the primary offering, after the payment of fees and expenses, in the acquisition of or investment in interests in real estate properties and real estate-related assets. However, because our stockholders will be unable to evaluate the economic merit of specific real estate projects before we invest in them, our stockholders will have to rely entirely on the ability of our advisor to select suitable and successful investment opportunities. Furthermore, our board of directors will have broad discretion in implementing policies regarding tenant or mortgagor creditworthiness and our stockholders will not have the opportunity to evaluate potential tenants, managers or borrowers. These factors increase the risk that our stockholders' investment may not generate returns consistent with their expectations.

We may suffer from delays in locating suitable investments, which could limit our ability to make distributions and lower the overall return on your investment.

We rely upon our sponsors and the real estate professionals affiliated with our sponsors to identify suitable investments. The private Phillips Edison-sponsored programs, especially those for which the offering proceeds have not been fully invested, rely on our Phillips Edison sponsors for investment opportunities. Similarly, the ARC-sponsored programs rely on our ARC sponsors for investment opportunities. To the extent that our sponsors and the other real estate professionals employed by our advisor face competing demands upon their time at times when we have capital ready for investment, we may face delays in locating suitable investments. Further, the more money we raise in this offering, the more difficult it will be to invest the net offering proceeds promptly and on attractive terms. Therefore, the large size of this offering and the continuing high demand for the types of properties and other investments we desire to purchase increase the risk of delays in investing our net offering proceeds. Delays we encounter in the selection and acquisition or origination of income-producing assets would likely limit our ability to pay distributions to our stockholders and lower their overall returns. Further, if we acquire properties prior to the start of construction or during the early stages of construction, it will typically take several months to complete construction and rent available space. Therefore, our stockholders could suffer delays in the distribution of cash distributions attributable to those particular properties. Our stockholders should expect to wait at least several months after the closing of a property acquisition before receiving cash distributions attributable to that property.

We may change our targeted investments without stockholder consent.

We expect to allocate approximately 90.0% of our portfolio to investments in necessity-based neighborhood and community shopping centers throughout the United States with a focus on well-located grocery anchored shopping centers that are well occupied at the time of purchase and typically cost less than $20.0 million per property. We intend to allocate approximately 10.0% of our portfolio to other real estate properties and real estate-related loans and securities such as mortgage, mezzanine, bridge and other loans; debt and derivative securities related to real estate assets, including mortgage-backed securities; and the equity securities of other REITs and real estate companies. We do not expect our non-controlling equity investments in other public companies to exceed 5.0% of the proceeds of this offering, assuming we sell the maximum

offering amount, or to represent a substantial portion of our assets at any one time. Though this is our current target portfolio, we may make adjustments to our target portfolio based on real estate market conditions and investment opportunities, and we may change our targeted investments and investment guidelines at any time without the consent of our stockholders, which could result in our making investments that are different from, and possibly riskier than, the investments described in this prospectus. A change in our targeted investments or investment guidelines may increase our exposure to interest rate risk, default risk and real estate market fluctuations, all of which could adversely affect the value of our common stock and our ability to make distributions to our stockholders.

If we are unable to raise substantial funds, we will be limited in the number and type of investments we make and the value of our stockholders' investment in us will fluctuate with the performance of the specific assets we acquire.

This offering is being made on a "best efforts" basis, meaning that the dealer manager is only required to use its best efforts to sell our shares and has no firm commitment or obligation to purchase any of the shares. As a result, the amount of proceeds we raise in this offering may be substantially less than the amount we would need to achieve a diversified portfolio of investments. We may be unable to raise even the minimum offering amount. If we are unable to raise substantially more than the minimum offering amount, we will make fewer investments resulting in less diversification in terms of the type, number and size of investments that we make. In that case, the likelihood that any single asset's performance would adversely affect our profitability will increase. Additionally, we are not limited in the number or size of our investments or the percentage of net proceeds we may dedicate to a single investment. Our stockholders' investment in our shares will be subject to greater risk to the extent that we lack a diversified portfolio of investments. Further, we will have certain fixed operating expenses, including certain expenses as a publicly offered REIT, regardless of whether we are able to raise substantial funds in this offering. Our inability to raise substantial funds would increase our fixed operating expenses as a percentage of gross income, reducing our net income and cash flow and limiting our ability to make distributions.

Because we are dependent upon our advisor and its affiliates to conduct our operations, any adverse changes in the financial health of our advisor or its affiliates or our relationship with them could hinder our operating performance and the return on our stockholders' investment.

We are dependent on ARC Advisor to manage our operations and our portfolio of real estate assets. Our advisor has no operating history and it will depend upon the fees and other compensation that it will receive from us in connection with the purchase, management and sale of assets to conduct its operations. Any adverse changes in the financial condition of our advisor or our relationship with our advisor could hinder its ability to successfully manage our operations and our portfolio of investments.

The loss of or the inability to obtain key real estate professionals at our advisor, sub-advisor or our dealer manager could delay or hinder implementation of our investment strategies, which could limit our ability to make distributions and decrease the value of your investment.

Our success depends to a significant degree upon the contributions of Messrs. Schorsch and Kahane at our advisor and dealer manager, and Messrs. Phillips and Edison, John Bessey, our President, and Richard J. Smith, our Chief Financial Officer, at our sub-advisor. Neither we nor our affiliates have employment agreements with these individuals and they may not remain associated with us. If any of these persons were to cease their association with us, our operating

results could suffer. We do not intend to maintain key person life insurance on any person. We believe that our future success depends, in large part, upon our advisor's and its affiliates' ability to hire and retain highly skilled managerial, operational and marketing professionals. Competition for such professionals is intense, and our advisor and its affiliates may be unsuccessful in attracting and retaining such skilled individuals. Further, we intend to establish strategic relationships with firms, as needed, that have special expertise in certain services or detailed knowledge regarding real properties in certain geographic regions. Maintaining such relationships will be important for us to effectively compete with other investors for properties and tenants in such regions. We may be unsuccessful in establishing and retaining such relationships. If we lose or are unable to obtain the services of highly skilled professionals or do not establish or maintain appropriate strategic relationships, our ability to implement our investment strategies could be delayed or hindered, and the value of our stockholders' investment may decline.

If we pay distributions from sources other than our funds from operations, we will have less funds available for investment in properties and other assets and our stockholders' overall return may be reduced.

Our organizational documents permit us to pay distributions from any source without limit. If we fund distributions from financings, the net proceeds from this offering or other sources, we will have less funds available for investment in real estate properties and other real estate-related assets and our stockholders' overall return may be reduced. We expect to have little, if any, funds from operations available for distribution until we make substantial investments. Further, because we may receive income from interest or rents at various times during our fiscal year and because we may need funds from operations during a particular period to fund capital expenditures and other expenses, we expect that at least during the early stages of our development and from time to time during our operational stage, we will declare distributions in anticipation of funds that we expect to receive during a later period and we will pay these distributions in advance of our actual receipt of these funds. In these instances, we expect to use third-party borrowings to fund our distributions. At times, we may be forced to borrow funds to pay distributions during unfavorable market conditions, which could increase our operating costs. We may also fund such distributions from advances from our advisor, sub-advisor or sponsors or from our advisor's or sub-advisor's deferral of their fees. To the extent distributions exceed our current and accumulated earnings and profits, a stockholder's tax basis in our stock will be reduced and, to the extent distributions exceed a stockholder's tax basis, the stockholder may recognize capital gain.

Our rights and the rights of our stockholders to recover claims against our independent directors are limited, which could reduce our stockholders' and our recovery against them if they negligently cause us to incur losses.

Maryland law provides that a director has no liability in that capacity if he performs his duties in good faith, in a manner he reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Our charter generally provides that no independent director shall be liable to us or our stockholders for monetary damages and that we will indemnify them for losses unless they are grossly negligent or engage in willful misconduct. As a result, our stockholders and we may have more limited rights against our independent directors than might otherwise exist under common law, which could reduce our stockholders' and our recovery from these persons if they act in a negligent manner. In addition, we may be obligated to fund the defense costs incurred by our independent directors (as well as by our other directors, officers, employees (if we ever have

employees) and agents) in some cases, which would decrease the cash otherwise available for distribution to our stockholders.

Risks Related to Conflicts of Interest

Our sponsors and their respective affiliates, including all of our executive officers, some of our directors and other key real estate professionals, will face conflicts of interest caused by their compensation arrangements with us, which could result in actions that are not in the long-term best interests of our stockholders.

Our advisor and sub-advisor and their respective affiliates will receive substantial fees from us. These fees could influence our advisor's and sub-advisor's advice to us as well as their judgment with respect to:

- the continuation, renewal or enforcement of our agreements with affiliates of our ARC sponsor, including the advisory agreement and the dealer-manager agreement;
- the continuation, renewal or enforcement of our agreements with Phillips Edison and its affiliates, including the sub-advisory agreement and the property management agreement;
- public offerings of equity by us, which will likely entitle our advisor to increased acquisition and asset-management fees;
- sales of properties and other investments, which entitle our advisor to disposition fees and possible subordinated incentive fees;
- acquisitions of properties and other investments from other Phillips Edison- or ARC-sponsored programs, might entitle affiliates of ARC or Phillips Edison to disposition fees and possible subordinated incentive fees in connection with its services for the seller;
- acquisitions of properties and other investments from third parties, which entitle our advisor to acquisition and asset-management fees, including acquisition fees related to loan originations;
- borrowings to acquire properties and other investments and to originate loans, which borrowings will increase the acquisition, and asset-management fees payable to our advisor;
- whether and when we seek to list our common stock on a national securities exchange, which listing could entitle our advisor to a subordinated incentive fee;
- whether we seek stockholder approval to internalize our management, which decision could lead to our acquisition of entities affiliated with our advisor or sub-advisor at a price resulting in substantial compensation to our advisor; and
- whether and when we seek to sell the company or its assets, which sale could entitle our advisor to a subordinated incentive fee.

The fees our advisor receives in connection with transactions involving the acquisition of assets are based initially on the cost of the investment, including costs related to loan originations, and are not based on the quality of the investment or the quality of the services rendered to us. This may influence our advisor to recommend riskier transactions to us. In addition, because the fees are based on the cost of the investment, it may create an incentive for our advisor to recommend that we purchase assets at higher prices.

Because other real estate programs sponsored by our sponsors and offered through our dealer manager may conduct offerings concurrently with our offering, our sponsors and our dealer manager will face potential conflicts of interest arising from competition among us and these other programs for investors and investment capital, and such conflicts may not be resolved in our favor.

An affiliate of our advisor is also the advisor of American Realty Capital Trust, Inc., which is raising capital in an ongoing public offering of its common stock. An affiliate of our advisor is also the advisor of American Realty Capital New York Recovery REIT, Inc., which is a non-traded REIT in registration with the SEC but which has not yet commenced operations. Our dealer manager, Realty Capital Securities, LLC, an affiliate of our ARC sponsors, is the dealer manager or is named in the registration statement as the dealer manager in five offerings, including two offerings in which American Realty Capital is the sole sponsor, that are either effective or in registration. In addition, our sponsors may decide to sponsor future programs that would seek to raise capital through public offerings conducted concurrently with our offering. As a result, our sponsors and our dealer manager may face conflicts of interest arising from potential competition with these other programs for investors and investment capital. Our sponsors generally seek to avoid simultaneous public offerings by programs that have a substantially similar mix of investment characteristics, including targeted investment types and key investment objectives. Nevertheless, there may be periods during which one or more programs sponsored by our sponsors will be raising capital and which might compete with us for investment capital. Such conflicts may not be resolved in our favor and you will not have the opportunity to evaluate the manner in which these conflicts of interest are resolved before or after making your investment.

Our sponsors will face conflicts of interest relating to the acquisition of assets and leasing of properties and such conflicts may not be resolved in our favor, meaning that we could invest in less attractive assets and obtain less creditworthy tenants, which could limit our ability to make distributions and reduce our stockholders' overall investment return.

We rely on our sponsors and the executive officers and other key real estate professionals at our advisor and sub-advisor to identify suitable investment opportunities for us. Our individual ARC and Phillips Edison sponsors and several of the other key real estate professionals of our advisor and sub-advisor are also the key real estate professionals at our sponsor and their other public and private programs. Many investment opportunities that are suitable for us may also be suitable for other Phillips Edison- or ARC-sponsored programs. Generally, our advisor and sub-advisor will not pursue any opportunity to acquire any real estate properties or real estate-related loans and securities that are directly competitive with our investment strategies, unless and until the opportunity is first presented to us. See "Conflicts of Interest—Certain Conflict Resolution Measures—Restrictions on Competing Business Activities of Our Sponsors." For so long as we are externally advised, our charter provides that it shall not be a proper purpose of the corporation for us to purchase real estate or any significant asset related to real estate unless the advisor has recommended the investment to us. Thus, the executive officers and real estate professionals of our advisor and sub-advisor could direct attractive investment opportunities to other entities or investors. Such events could result in us investing in properties that provide less attractive

returns, which may reduce our ability to make distributions we may be able to pay to our stockholders.

We and other Phillips Edison- and ARC-sponsored programs also rely on these real estate professionals to supervise the property management and leasing of properties. If our advisor or sub-advisor directs creditworthy prospective tenants to properties owned by another Phillips Edison- or ARC-sponsored program when they could direct such tenants to our properties, our tenant base may have more inherent risk than might otherwise be the case. Further, existing and future Phillips Edison- and ARC-sponsored programs our executive officers and key real estate professionals are not prohibited from engaging, directly or indirectly, in any business or from possessing interests in any other business venture or ventures, including businesses and ventures involved in the acquisition, development, ownership, leasing or sale of real estate investments. For a detailed description of the conflicts of interest that our sponsors and their respective affiliates will face, see "Conflicts of Interest."

Our advisor and sub-advisor will face conflicts of interest relating to joint ventures that we may form with affiliates of our sponsors, which conflicts could result in a disproportionate benefit to the other venture partners at our expense.

If approved by a majority of our board of directors, including a majority of our independent directors, not otherwise interested in the transaction, we may enter into joint venture agreements with other sponsor-affiliated programs or entities for the acquisition, development or improvement of properties or other investments. All of our executive officers, some of our directors and the key real estate professionals assembled by our advisor and sub-advisor are also executive officers, directors, managers, key professionals and/or holders of a direct or indirect controlling interest in our advisor, our sub-advisor, our dealer manager and other sponsor-affiliated entities. These persons will face conflicts of interest in determining which sponsor-affiliated program should enter into any particular joint venture agreement. These persons may also face a conflict in structuring the terms of the relationship between our interests and the interests of the sponsor-affiliated co-venturer and in managing the joint venture. Any joint venture agreement or transaction between us and a sponsor-affiliated co-venturer will not have the benefit of arm's-length negotiation of the type normally conducted between unrelated co-venturers. The sponsor -affiliated co-venturer may have economic or business interests or goals that are or may become inconsistent with our business interests or goals. These co-venturers may thus benefit to our and your detriment.

Our sponsors, our officers, our advisor and our sub-advisor, and the real estate professionals assembled by our advisor and sub-advisor, will face competing demands relating to their time and this may cause our operations and our stockholders' investment to suffer.

We rely on our sponsors, our officers, our advisor and our sub-advisor, and the real estate professionals assembled by our advisor and sub-advisor for the day-to-day operation of our business. Messrs. Phillips and Edison are principals of Phillips Edison and its affiliates that manage the assets of the other Phillips Edison-sponsored programs. Similarly, our individual ARC sponsors are key executives in other ARC-sponsored programs. As a result of their interests in other Phillips Edison- or ARC-sponsored programs, respectively, their obligations to other investors and the fact that they engage in and they will continue to engage in other business activities, these individuals will face conflicts of interest in allocating their time among us, ARC Advisor, Phillips Edison Sub-Advisor and other Phillips Edison- or ARC-sponsored programs and other business activities in which they are involved. During times of intense activity in other programs and ventures, these individuals may devote less time and fewer resources to our business than are necessary or appropriate to manage our business. If this occurs, the returns on our investments, and the value of our stockholders' investment, may decline.

All of our executive officers and some of our directors and the key real estate professionals assembled by our advisor, sub-advisor and dealer manager face conflicts of interest related to their positions and/or interests in its affiliates of our sponsors that could hinder our ability to implement our business strategy and to generate returns to our stockholders.

All of our executive officers, some of our directors and the key real estate professionals assembled by our advisor are also executive officers, directors, managers, key professionals and/or holders of a direct or indirect controlling interest in our advisor, the sub-advisor, our dealer manager and other sponsor-affiliated entities. Through our ARC sponsor’s affiliates, some of these persons work on behalf of American Realty Capital Trust, Inc., American Realty Capital New York Recovery REIT, Inc., which is currently in registration with the SEC and has not yet commenced operations, and other ARC-sponsored programs. Through our Phillips Edison sponsor’s affiliates, some of these persons work on behalf of other Phillips Edison-sponsored programs. As a result, they owe fiduciary duties to each of these entities, their members and limited partners and these investors, which fiduciary duties may from time to time conflict with the duties that they owe to us and our stockholders. Their loyalties to these other entities and investors could result in action or inaction that is detrimental to our business, which could harm the implementation of our business strategy and our investment and leasing opportunities. Conflicts with our business and interests are most likely to arise from involvement in activities related to (a) allocation of new investments and management time and services between us and the other entities, (b) our purchase of properties from, or sale of properties, to affiliated entities, (c) the timing and terms of the investment in or sale of an asset, (d) development of our properties by affiliates, (e) investments with affiliates of our advisor or sub-advisor, (f) compensation to our advisor or sub-advisor, and (g) our relationship with our dealer manager and property manager. If we do not successfully implement our business strategy, we may be unable to generate the cash needed to make distributions to our stockholders and to maintain or increase the value of our assets.

Risks Related to This Offering and Our Corporate Structure

The offering price of our shares was not established on an independent basis; the actual value of your investment may be substantially less than what you pay. We may use the most recent price paid to acquire a share in our offering or a follow-on public offering as the estimated value of our shares until we have completed our offering stage. Even when our advisor begins to use other valuation methods to estimate the value of our shares, the value of our shares will be based upon a number of assumptions that may not be accurate or complete.

We established the offering price of our shares on an arbitrary basis. The selling price of our shares bears no relationship to our book or asset values or to any other established criteria for valuing shares. Because the offering price is not based upon any independent valuation, the offering price may not be indicative of the proceeds that you would receive upon liquidation. Further, the offering price may be significantly more than the price at which the shares would trade if they were to be listed on an exchange or actively traded by broker-dealers.

To assist FINRA members and their associated persons that participate in this public offering of common stock, pursuant to FINRA Conduct Rule 5110, we intend to disclose in each annual report distributed to stockholders a per share estimated value of the shares, the method by which it was developed, and the date of the data used to develop the estimated value. In addition, ARC Advisor, our advisor, will prepare annual statements of estimated share values to assist fiduciaries of retirement plans subject to the annual reporting requirements of ERISA in the preparation of their reports relating to an investment in our shares. Our advisor has indicated that

it intends to use the most recent price paid to acquire a share in this offering (ignoring purchase price discounts for certain categories of purchasers) or a follow-on public offering as its estimated per share value of our shares until we have completed our offering stage. We will consider our offering stage complete when we are no longer offering equity securities – whether through this offering or follow-on public offerings – and have not done so for 18 months. If our board of directors determines that it is in our best interest, we may conduct follow-on offerings upon the termination of this offering. (For purposes of this definition, we will not consider an “equity offering” to include offerings on behalf of selling stockholders or offerings related to a dividend reinvestment plan, employee benefit plan or the redemption of interests in our operating partnership.) Our charter does not restrict our ability to conduct offerings in the future.

Although this initial estimated value will represent the most recent price at which most investors will purchase shares in an offering, this reported value will likely differ from the price at which a stockholder could resell his or her shares because: (1) there is no public trading market for the shares at this time; (2) the estimated value will not reflect, and will not be derived from, the fair value of our properties and other assets, nor will it represent the amount of net proceeds that would result from an immediate liquidation of those assets, because the amount of proceeds available for investment from an offering will be net of selling commissions, dealer manager fees, other organization and offering costs and acquisition fees and expenses; (3) the estimated value will not take into account how market fluctuations affect the value of our investments, including how the current disruptions in the financial and real estate markets may affect the values of our investments; and (4) the estimated value will not take into account how developments related to individual assets may increase or decrease the value of our portfolio.

When determining the estimated value of our shares by methods other than the last price paid to acquire a share in an offering, our advisor, or another firm we choose for that purpose, will estimate the value of our shares based upon a number of assumptions that may not be accurate or complete. Accordingly, these estimates may not be an accurate reflection of the fair market value of our investments and will not likely represent the amount of net proceeds that would result from an immediate sale of our assets.

Because the dealer manager is an affiliate of our ARC sponsor, you will not have the benefit of an independent due diligence review of us, which is customarily performed in underwritten offerings; the absence of an independent due diligence review increases the risks and uncertainty you face as a stockholder.

Our dealer manager, Realty Capital Securities, LLC, is an affiliate of our ARC sponsor. Because Realty Capital Securities, LLC is an affiliate of our ARC sponsor, its due diligence review and investigation of us and the prospectus cannot be considered to be an independent review. Therefore, you do not have the benefit of an independent review and investigation of this offering of the type normally performed by an unaffiliated, independent underwriter in a public securities offering.

Our stockholders may be more likely to sustain a loss on their investment because our sponsors do not have as strong an economic incentive to avoid losses as do sponsors who have made significant equity investments in their companies.

Our sponsors have initially invested only $200,000 in us through the purchase of 20,000 shares of our common stock at $10.00 per share. Therefore, if we are successful in raising enough proceeds to reimburse our sponsors for our significant organization and offering expenses, our sponsors will have little exposure to loss in the value of our shares.

Without this exposure, our investors may be at a greater risk of loss because our sponsors do not have as much to lose from a decrease in the value of our shares as do those sponsors who make more significant equity investments in their companies.

Our charter limits the number of shares a person may own, which may discourage a takeover that could otherwise result in a premium price to our stockholders.

Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT. To help us comply with the REIT ownership requirements of the Internal Revenue Code, among other purposes, our charter prohibits a person from directly or constructively owning more than 9.8% in value of our aggregate outstanding stock or more than 9.8% in value or number of shares, whichever is more restrictive, of our aggregate outstanding common stock, unless exempted by our board of directors. This restriction may have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price for holders of our common stock.

Our charter permits our board of directors to issue stock with terms that may subordinate the rights of our common stockholders or discourage a third party from acquiring us in a manner that could result in a premium price to our stockholders.

Our board of directors may classify or reclassify any unissued common stock or preferred stock and establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms or conditions of redemption of any such stock. Thus, our board of directors could authorize the issuance of preferred stock with priority as to distributions and amounts payable upon liquidation over the rights of the holders of our common stock. Such preferred stock could also have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price to holders of our common stock.

Because Maryland law permits our board to adopt certain anti-takeover measures without stockholder approval, investors may be less likely to receive a "control premium" for their shares.

In 1999, the State of Maryland enacted legislation that enhances the power of Maryland corporations to protect themselves from unsolicited takeovers. Among other things, the legislation permits our board, without stockholder approval, to amend our charter to:

- stagger our board of directors into three classes;
- require a two-thirds stockholder vote for removal of directors;
- provide that only the board can fix the size of the board;
- provide that all vacancies on the board, however created, may be filled only by the affirmative vote of a majority of the remaining directors in office; and

- require that special stockholder meetings may only be called by holders of a majority of the voting shares entitled to be cast at the meeting.

Under Maryland law, a corporation can opt to be governed by some or all of these provisions if it has a class of equity securities registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and has at least three independent directors. Our charter provides that we will be governed by the fourth bullet above with respect to vacancies on the board as soon as we are eligible, which we expect will occur as early as April 2011. Although our board has no current intention to opt in to any of the other above provisions permitted under Maryland law, our charter does not prohibit our board from doing so. Becoming governed by any of these provisions could discourage an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price for holders of our securities.

Our stockholders will have limited control over changes in our policies and operations, which increases the uncertainty and risks our stockholders face.

Our board of directors determines our major policies, including our policies regarding financing, growth, debt capitalization, REIT qualification and distributions. Our board of directors may amend or revise these and other policies without a vote of the stockholders. Under the Maryland General Corporation Law and our charter, our stockholders have a right to vote only on limited matters. Our board's broad discretion in setting policies and our stockholders' inability to exert control over those policies increases the uncertainty and risks our stockholders face.

Our stockholders may not be able to sell their shares under our share repurchase program and, if they are able to sell their shares under the program, they may not be able to recover the amount of their investment in our shares.

Our share repurchase program includes numerous restrictions that limit our stockholders' ability to sell their shares. Our stockholders must hold their shares for at least one year in order to participate in the share repurchase program, except for repurchases sought upon a stockholder's death or "qualifying disability." The decision to accept repurchase requests will be made by our board of directors after consideration of a number of factors including the amount of net proceeds from the sale of shares under our dividend reinvestment plan during the prior calendar year and the amount of our revenues and expenses generally. In addition, we will limit the number of shares repurchased pursuant to the share repurchase program to no more than 5.0% of the weighted-average number of shares outstanding during the prior calendar year. Further, we have no obligation to repurchase shares if the repurchase would violate the restrictions on distributions under Maryland law, which prohibits distributions that would cause a corporation to fail to meet statutory tests of solvency. These limits may prevent us from accommodating all repurchase requests made in any year. Our board would be free to amend, suspend or terminate the share repurchase program upon 30 days' notice.

The prices at which we will initially repurchase shares under the program are as follows:

- The lower of $9.25 or 92.5% of the price paid to acquire the shares from us for stockholders who have held their shares for at least one year;

- The lower of $9.50 or 95.0% of the price paid to acquire the shares from us for stockholders who have held their shares for at least two years;

- The lower of $9.75 or 97.5% of the price paid to acquire the shares from us for stockholders who have held their shares for at least three years; and

- The lower of $10.00 or 100% of the price paid to acquire the shares from us for stockholders who have held their shares for at least four years.

Notwithstanding the above, once we establish an estimated value per share of our common stock that is not based on the price to acquire a share in our primary offering or a follow-on public offering, the repurchase price per share for all stockholders would be equal to the estimated value per share, as determined by our advisor or another firm chosen for that purpose. We expect to establish an estimated value per share after the completion of our offering stage. We will consider our offering stage complete when we are no longer offering equity securities – whether through this offering or follow-on public offerings – and have not done so for 18 months. See "Description of Shares—Share Repurchase Program" for more information about the program. These restrictions would severely limit your ability to sell your shares should you require liquidity and would limit your ability to recover the value you invested.

Our stockholders' interests in us will be diluted if we issue additional shares, which could reduce the overall value of our stockholders' investment.

Our common stockholders do not have preemptive rights to any shares we issue in the future. Our charter authorizes us to issue 1,010,000,000 shares of capital stock, of which 1,000,000,000 shares are designated as common stock and 10,000,000 shares are designated as

preferred stock. Our board of directors may amend our charter to increase or decrease the number of authorized shares of capital stock or the number of shares of stock of any class or series that we have authority to issue without stockholder approval. After our investors purchase shares in this offering, our board may elect to (1) sell additional shares in this or future public offerings, (2) issue equity interests in private offerings, (3) adopt a stock-award plan (with stockholder approval and subject to the limitations set forth in our charter) and issue share-based awards to our independent directors, (4) issue shares to our advisor or sub-advisor, or its successors or assigns, in payment of an outstanding fee obligation or (5) issue shares of our common stock to sellers of properties or assets we acquire in connection with an exchange of limited partnership interests of the operating partnership. To the extent we issue additional equity interests after our investors purchase shares in this offering, their percentage ownership interest in us will be diluted. In addition, depending upon the terms and pricing of any additional offerings and the value of our real estate investments, our investors may also experience dilution in the book value and fair value of their shares.

Payment of fees to our advisor, our sub-advisor and their respective affiliates will reduce cash available for investment and distribution and increases the risk that our stockholders will not be able to recover the amount of their investment in our shares.

Our advisor, our sub-advisor and their respective affiliates will perform services for us in connection with the selection and acquisition of our investments, the management and leasing of our properties and the administration of our other investments. We will pay them substantial fees for these services, which will result in immediate dilution to the value of our stockholders' investment and will reduce the amount of cash available for investment or distribution to stockholders. Depending primarily upon the number of shares we sell in this offering and assuming a $10.00 purchase price for shares sold in the primary offering and a $9.50 purchase price for shares sold under the dividend reinvestment plan, we estimate that we will use approximately 87.2% of the gross proceeds to make investments in real estate properties and other real estate-related loans and securities. We will use the remainder of the offering proceeds to pay the costs of the offering, including selling commissions and the dealer manager fee, and to pay a fee to our advisor for its services in connection with the selection and acquisition of properties, and to repurchase shares of our common stock under our share repurchase program.

We may also pay significant fees during our listing/liquidation stage. Although most of the fees payable during our listing/liquidation stage are contingent on our investors first receiving agreed-upon investment returns, affiliates of our advisor and sub-advisor could also receive significant payments even without our reaching the investment-return thresholds should we seek to become self-managed. Due to the apparent preference of the public markets for self-managed companies, a decision to list our shares on a national securities exchange might be preceded by a decision to become self-managed. Given our advisor's and sub-advisor's familiarity with our assets and operations, we might prefer to become self-managed by acquiring entities affiliated with our advisor and sub-advisor. Such an internalization transaction could result in significant payments to affiliates of our advisor or sub-advisor irrespective of whether our stockholders received the returns on which we have conditioned other incentive compensation.

Therefore, these fees increase the risk that the amount available for distribution to common stockholders upon a liquidation of our portfolio would be less than stockholders paid for our shares. These substantial fees and other payments also increase the risk that our stockholders will not be able to resell their shares at a profit, even if our shares are listed on a national securities exchange.

If we are unable to obtain funding for future capital needs, cash distributions to our stockholders and the value of our investments could decline.

When tenants do not renew their leases or otherwise vacate their space, we will often need to expend substantial funds for improvements to the vacated space in order to attract replacement tenants. Even when tenants do renew their leases we may agree to make improvements to their space as part of our negotiation. If we need additional capital in the future to improve or maintain our properties or for any other reason, we may have to obtain financing from sources, beyond our funds from operations, such as borrowings or future equity offerings. These sources of funding may not be available on attractive terms or at all. If we cannot procure additional funding for capital improvements, our investments may generate lower cash flows or decline in value, or both, which would limit our ability to make distributions to our stockholders and could reduce the value of your investment.

Although we will not currently be afforded the protection of the Maryland General Corporation Law relating to deterring or defending hostile takeovers, our board of directors could opt into these provisions of Maryland law in the future, which may discourage others from trying to acquire control of us and may prevent our stockholders from receiving a premium price for their stock in connection with a business combination.

Under Maryland law, “business combinations” between a Maryland corporation and certain interested stockholders or affiliates of interested stockholders are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. Also under Maryland law, control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by stockholders by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquirer, an officer of the corporation or an employee of the corporation who is also a director of the corporation are excluded from the vote on whether to accord voting rights to the control shares. Should our board opt into these provisions of Maryland law, it may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer. Similarly, provisions of Title 3, Subtitle 8 of the Maryland General Corporation Law could provide similar anti-takeover protection. For more information about the business combination, control share acquisition and Subtitle 8 provisions of Maryland law, see “Description of Shares—Business Combinations,” “Description of Shares—Control Share Acquisitions” and “Description of Shares—Subtitle 8.”

General Risks Related to Investments in Real Estate

Economic and regulatory changes that impact the real estate market generally may decrease the value of our investments and weaken our operating results.

Our properties and their performance will be subject to the risks typically associated with real estate, including:

- downturns in national, regional and local economic conditions;

- increased competition for real estate assets targeted by our investment strategy;
- adverse local conditions, such as oversupply or reduction in demand for similar properties in an area and changes in real estate zoning laws that may reduce the desirability of real estate in an area;
- vacancies, changes in market rental rates and the need to periodically repair, renovate and re-let space;
- changes in interest rates and the availability of permanent mortgage financing, which may render the sale of a property or loan difficult or unattractive;
- changes in tax, real estate, environmental and zoning laws;
- periods of high interest rates and tight money supply; and
- the illiquidity of real estate investments generally.

Any of the above factors, or a combination thereof, could result in a decrease in the value of our investments, which would have an adverse effect on our operations, on our ability to pay distributions to our stockholders and on the value of our stockholders' investment.

We will depend on our tenants for revenue, and, accordingly, our revenue and our ability to make distributions to our stockholders is dependent upon the success and economic viability of our tenants.

A property may incur vacancies either by the expiration of a tenant lease, the continued default of a tenant under its lease or the early termination of a lease by a tenant. If vacancies continue for a long period of time, we may suffer reduced revenues resulting in less cash available to distribute to stockholders. In addition, if we are unable to attract additional or replacement tenants, the resale value of the property could be diminished, even below our cost to acquire the property, because the market value of a particular property depends principally upon the value of the cash flow generated by the leases associated with that property. Such a reduction on the resale value of a property could also reduce the value of our stockholders' investment.

Retail conditions may adversely affect our base rent and subsequently, our income.

Some of our leases may provide for base rent plus contractual base rent increases. A number of our retail leases may also include a percentage rent clause for additional rent above the base amount based upon a specified percentage of the sales our tenants generate. Under those leases which contain percentage rent clauses, our revenue from tenants may increase as the sales of our tenants increase. Generally, retailers face declining revenues during downturns in the economy. As a result, the portion of our revenue which we may derive from percentage rent leases could decline upon a general economic downturn.

Our revenue will be impacted by the success and economic viability of our anchor retail tenants. Our reliance on single or significant tenants in certain buildings may decrease our ability to lease vacated space and adversely affect the returns on our stockholders' investment.

In the retail sector, a tenant occupying all or a large portion of the gross leasable area of a retail center, commonly referred to as an anchor tenant, may become insolvent, may suffer a downturn in business, or may decide not to renew its lease. Any of these events would result in a reduction or cessation in rental payments to us and would adversely affect our financial condition. A lease termination by an anchor tenant could result in lease terminations or reductions in rent by other tenants whose leases may permit cancellation or rent reduction if another tenant's lease is terminated. In such event, we may be unable to re-lease the vacated space. Similarly, the leases of some anchor tenants may permit the anchor tenant to transfer its lease to another retailer. The transfer to a new anchor tenant could cause customer traffic in the retail center to decrease and thereby reduce the income generated by that retail center. A lease transfer to a new anchor tenant could also allow other tenants to make reduced rental payments or to terminate their leases. In the event that we are unable to re-lease the vacated space to a new anchor tenant, we may incur additional expenses in order to re-model the space to be able to re-lease the space to more than one tenant.

Dislocations in the credit markets and real estate markets could have a material adverse effect on our results of operations, financial condition and ability to pay distributions to our stockholders.

Domestic and international credit markets currently are experiencing significant disruptions and dislocations which have been brought about in large part by failures in the U.S. banking system. These disruptions and dislocations have materially impacted the cost and availability of debt to finance real estate acquisitions, which is a key component of our acquisition strategy. If the lack of available debt persists, our ability to borrow monies to finance the purchase of, or other activities related to, real estate assets will be negatively impacted. This lack of available debt could result in a reduction of suitable investment opportunities and create a competitive advantage for other entities that have greater financial resources than we do. In addition, if we pay fees to lock in a favorable interest rate, falling interest rates or other factors could require us to forfeit these fees. If we acquire properties and other investments at higher prices and/or by using less-than-ideal capital structures, our returns will be lower and the value of our assets may not appreciate or may decrease significantly below the amount we paid for such assets. All of these events would have a material adverse effect on our results of operations, financial condition and ability to pay distributions.

The continued economic downturn in the United States has had, and may continue to have, an adverse impact on the retail industry generally. Slow or negative growth in the retail industry could result in defaults by retail tenants which could have an adverse impact on our financial operations.

The current economic downturn in the United States has had an adverse impact on the retail industry generally. As a result, the retail industry is facing reductions in sales revenues and increased bankruptcies throughout the United States. The continuation of adverse economic conditions may result in an increase in distressed or bankrupt retail companies, which in turn would result in an increase in defaults by tenants at our commercial properties. Additionally, slow economic growth is likely to hinder new entrants into the retail market which may make it difficult for us to fully lease the real properties that we plan to acquire. Tenant defaults and

decreased demand for retail space would have an adverse impact on the value of the retail properties that we plan to acquire and our results of operations.

We anticipate that our properties will consist primarily of retail properties. Our performance, therefore, is linked to the market for retail space generally.

The market for retail space has been and could be adversely affected by weaknesses in the national, regional and local economies, the adverse financial condition of some large retailing companies, the ongoing consolidation in the retail sector, excess amounts of retail space in a number of markets and competition for tenants with other shopping centers in our markets. Customer traffic to these shopping areas may be adversely affected by the closing of stores in the same shopping center, or by a reduction in traffic to such stores resulting from a regional economic downturn, a general downturn in the local area where our store is located, or a decline in the desirability of the shopping environment of a particular shopping center. Such a reduction in customer traffic could have a material adverse effect on our business, financial condition and results of operations.

A high concentration of our properties in a particular geographic area, or with tenants in a similar industry, would magnify the effects of downturns in that geographic area or industry.

We expect that our properties will be diverse according to geographic area and industry of our tenants. However, in the event that we have a concentration of properties in any particular geographic area, any adverse situation that disproportionately effects that geographic area would have a magnified adverse effect on our portfolio. Similarly, if tenants of our properties are concentrated in a certain industry or retail category, any adverse effect to that industry generally would have a disproportionately adverse effect on our portfolio.

Our retail tenants will face competition from numerous retail channels, which may reduce our profitability and ability to pay distributions.

Retailers at our properties will face continued competition from discount or value retailers, factory outlet centers, wholesale clubs, mail order catalogues and operators, television shopping networks and shopping via the Internet. Such competition could adversely affect our tenants and, consequently, our revenues and funds available for distribution.

If we enter into long-term leases with retail tenants, those leases may not result in fair value over time.

Long-term leases do not allow for significant changes in rental payments and do not expire in the near term. If we do not accurately judge the potential for increases in market rental rates when negotiating these long-term leases, significant increases in future property operating costs could result in receiving less than fair value from these leases. Such circumstances would adversely affect our revenues and funds available for distribution.

The bankruptcy or insolvency of a major tenant may adversely impact our operations and our ability to pay distributions to stockholders.

The bankruptcy or insolvency of a significant tenant or a number of smaller tenants may have an adverse impact on financial condition and our ability to pay distributions to our stockholders. Generally, under bankruptcy law, a debtor tenant has 120 days to exercise the option of assuming or rejecting the obligations under any unexpired lease for nonresidential real

property, which period may be extended once by the bankruptcy court. If the tenant assumes its lease, the tenant must cure all defaults under the lease and may be required to provide adequate assurance of its future performance under the lease. If the tenant rejects the lease, we will have a claim against the tenant's bankruptcy estate. Although rent owing for the period between filing for bankruptcy and rejection of the lease may be afforded administrative expense priority and paid in full, pre-bankruptcy arrears and amounts owing under the remaining term of the lease will be afforded general unsecured claim status (absent collateral securing the claim). Moreover, amounts owing under the remaining term of the lease will be capped. Other than equity and subordinated claims, general unsecured claims are the last claims paid in a bankruptcy and therefore funds may not be available to pay such claims in full.

If a sale-leaseback transaction is re-characterized in a tenant's bankruptcy proceeding, our financial condition could be adversely affected.

We may enter into sale-leaseback transactions, whereby we would purchase a property and then lease the same property back to the person from whom we purchased it. In the event of the bankruptcy of a tenant, a transaction structured as a sale-leaseback may be re-characterized as either a financing or a joint venture, either of which outcomes could adversely affect our financial condition, cash flow and the amount available for distributions to our stockholders.

If the sale-leaseback were re-characterized as a financing, we might not be considered the owner of the property, and as a result would have the status of a creditor in relation to the tenant. In that event, we would no longer have the right to sell or encumber our ownership interest in the property. Instead, we would have a claim against the tenant for the amounts owed under the lease, with the claim arguably secured by the property. The tenant/debtor might have the ability to propose a plan restructuring the term, interest rate and amortization schedule of its outstanding balance. If confirmed by the bankruptcy court, we could be bound by the new terms, and prevented from foreclosing our lien on the property. If the sale-leaseback were re-characterized as a joint venture, our lessee and we could be treated as co-venturers with regard to the property. As a result, we could be held liable, under some circumstances, for debts incurred by the lessee relating to the property.

Competition with third parties in acquiring properties and other investments may reduce our profitability and the return on our stockholders' investment.

We will face competition from various entities for investment opportunities in retail properties, including other REITs, pension funds, insurance companies, investment funds and companies, partnerships, and developers. Many of these entities have substantially greater financial resources than we do and may be able to accept more risk than we can prudently manage, including risks with respect to the creditworthiness of a tenant or the geographic location of its investments. Competition from these entities may reduce the number of suitable investment opportunities offered to us or increase the bargaining power of property owners seeking to sell.

Properties that have significant vacancies could be difficult to sell, which could diminish the return on these properties.

A property may incur vacancies either by the expiration of a tenant lease, the continued default of a tenant under its lease or the early termination of a lease by a tenant. If vacancies continue for a long period of time, we may suffer reduced revenues resulting in less cash available to distribute to stockholders. In addition, the resale value of the property could be diminished because the market value of a particular property depends principally upon the value

of the cash flow generated by the leases associated with that property. Such a reduction on the resale value of a property could also reduce the value of our stockholders' investment.

Changes in supply of or demand for similar real properties in a particular area may increase the price of real properties we seek to purchase and decrease the price of real properties when we seek to sell them.

The real estate industry is subject to market forces. We are unable to predict certain market changes including changes in supply of, or demand for, similar real properties in a particular area. Any potential purchase of an overpriced asset could decrease our rate of return on these investments and result in lower operating results and overall returns to our stockholders.

We may be unable to adjust our portfolio in response to changes in economic or other conditions or sell a property if or when we decide to do so, limiting our ability to pay cash distributions to our stockholders.

Many factors that are beyond our control affect the real estate market and could affect our ability to sell properties for the price, on the terms or within the time frame that we desire. These factors include general economic conditions, the availability of financing, interest rates and other factors, including supply and demand. Because real estate investments are relatively illiquid, we have a limited ability to vary our portfolio in response to changes in economic or other conditions. Further, before we can sell a property on the terms we want, it may be necessary to expend funds to correct defects or to make improvements. However, we can give no assurance that we will have the funds available to correct such defects or to make such improvements. We may be unable to sell our properties at a profit. Our inability to sell properties at the time and on the terms we want could reduce our cash flow and limit our ability to make distributions to our stockholders and could reduce the value of our stockholders' investment. Moreover, in acquiring a property, we may agree to restrictions that prohibit the sale of that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. We cannot predict the length of time needed to find a willing purchaser and to close the sale of a property. Our inability to sell a property when we desire to do so may cause us to reduce our selling price for the property. Any delay in our receipt of proceeds, or diminishment of proceeds, from the sale of a property could adversely impact our ability to pay distributions to our stockholders.

We may acquire or finance properties with lock-out provisions, which may prohibit us from selling a property, or may require us to maintain specified debt levels for a period of years on some properties.

A lock-out provision is a provision that prohibits the prepayment of a loan during a specified period of time. Lock-out provisions may include terms that provide strong financial disincentives for borrowers to prepay their outstanding loan balance and exist in order to protect the yield expectations of investors. We expect that many of our properties will be subject to lock-out provisions. Lock-out provisions could materially restrict us from selling or otherwise disposing of or refinancing properties when we may desire to do so. Lock-out provisions may prohibit us from reducing the outstanding indebtedness with respect to any properties, refinancing such indebtedness on a non-recourse basis at maturity, or increasing the amount of indebtedness with respect to such properties. Lock-out provisions could impair our ability to take other actions during the lock-out period that could be in the best interests of our stockholders and, therefore, may have an adverse impact on the value of our shares relative to the value that would result if the lock-out provisions did not exist. In particular, lock-out provisions could preclude us from

participating in major transactions that could result in a disposition of our assets or a change in control even though that disposition or change in control might be in the best interests of our stockholders.

If we sell a property by providing financing to the purchaser, we will bear the risk of default by the purchaser, which could delay or reduce the distributions available to our stockholders.

If we decide to sell any of our properties, we intend to use our best efforts to sell them for cash; however, in some instances, we may sell our properties by providing financing to purchasers. When we provide financing to a purchaser, we will bear the risk that the purchaser may default, which could reduce our cash distributions to stockholders. Even in the absence of a purchaser default, the distribution of the proceeds of the sale to our stockholders, or the reinvestment of the proceeds in other assets, will be delayed until the promissory notes or other property we may accept upon a sale are actually paid, sold, refinanced or otherwise disposed. In some cases, we may receive initial down payments in cash and other property in the year of sale in an amount less than the selling price, and subsequent payments will be spread over a number of years. If any purchaser defaults under a financing arrangement with us, it could negatively impact our ability to pay cash distributions to our stockholders.

Potential development and construction delays and resultant increased costs and risks may hinder our operating results and decrease our net income.

Although we expect that we will invest primarily in properties that have operating histories or whose construction is complete, from time to time we may acquire unimproved real property or properties that are under development or construction. Investments in such properties will be subject to the uncertainties associated with the development and construction of real property, including those related to re-zoning land for development, environmental concerns of governmental entities and/or community groups and our builders' ability to build in conformity with plans, specifications, budgeted costs and timetables. If a builder fails to perform, we may resort to legal action to rescind the purchase or the construction contract or to compel performance. A builder's performance may also be affected or delayed by conditions beyond the builder's control. Delays in completing construction could also give tenants the right to terminate preconstruction leases. We may incur additional risks when we make periodic progress payments or other advances to builders before they complete construction. These and other factors can result in increased costs of a project or loss of our investment. In addition, we will be subject to normal lease-up risks relating to newly constructed projects. We also must rely on rental income and expense projections and estimates of the fair market value of property upon completion of construction when agreeing upon a purchase price at the time we acquire the property. If our projections are inaccurate, we may pay too much for a property, and the return on our investment could suffer.

If we contract with a development company for newly developed property, our earnest money deposit made to the development company may not be fully refunded.

We may enter into one or more contracts, either directly or indirectly through joint ventures with affiliates or others, to acquire real property from a development company that is engaged in construction and development of commercial real properties. Properties acquired from a development company may be either existing income-producing properties, properties to be developed or properties under development. We anticipate that we will be obligated to pay a substantial earnest money deposit at the time of contracting to acquire such properties. In the case of properties to be developed by a development company, we anticipate that we will be

required to close the purchase of the property upon completion of the development of the property. At the time of contracting and the payment of the earnest money deposit by us, the development company typically will not have acquired title to any real property. Typically, the development company will only have a contract to acquire land, a development agreement to develop a building on the land and an agreement with one or more tenants to lease all or part of the property upon its completion. We may enter into such a contract with the development company even if at the time we enter into the contract, we have not yet raised sufficient proceeds in our offering to enable us to close the purchase of such property. However, we may not be required to close a purchase from the development company, and may be entitled to a refund of our earnest money, in the following circumstances:

- the development company fails to develop the property;
- all or a specified portion of the pre-leased tenants fail to take possession under their leases for any reason; or
- we are unable to raise sufficient proceeds from our offering to pay the purchase price at closing.

The obligation of the development company to refund our earnest money will be unsecured, and we may not be able to obtain a refund of such earnest money deposit from it under these circumstances since the development company may be an entity without substantial assets or operations.

Our joint venture partners could take actions that decrease the value of an investment to us and lower our stockholders' overall return.

We may enter into joint ventures with third parties, including entities that are affiliated with our Advisor, to acquire properties and other assets. We may also purchase and develop properties in joint ventures or in partnerships, co-tenancies or other co-ownership arrangements with the sellers of the properties, affiliates of the sellers, developers or other persons. Such investments may involve risks not otherwise present with other methods of investment, including, for example, the following risks:

- that our co-venturer, co-tenant or partner in an investment could become insolvent or bankrupt;
- that such co-venturer, co-tenant or partner may at any time have economic or business interests or goals that are or that become inconsistent with our business interests or goals;
- that such co-venturer, co-tenant or partner may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives;
- the possibility that we may incur liabilities as a result of an action taken by such co-venturer, co-tenant or partner;
- that disputes between us and a co-venturer, co-tenant or partner may result in litigation or arbitration that would increase our expenses and prevent our officers and directors from focusing their time and effort on our business;

- the possibility that if we have a right of first refusal or buy/sell right to buy out a co-venturer, co-owner or partner, we may be unable to finance such a buy-out if it becomes exercisable or we may be required to purchase such interest at a time when it would not otherwise be in our best interest to do so; or

- the possibility that we may not be able to sell our interest in the joint venture if we desire to exit the joint venture.

Under certain joint venture arrangements, neither venture partner may have the power to control the venture and an impasse could be reached, which might have a negative influence on the joint venture and decrease potential returns to our stockholders. In addition, to the extent that our venture partner or co-tenant is an affiliate of our Advisor, certain conflicts of interest will exist. Any of the above might subject a property to liabilities in excess of those contemplated and thus reduce our returns on that investment and the value of our stockholders' investment.

We may obtain only limited warranties when we purchase a property and would have only limited recourse in the event our due diligence did not identify any issues that lower the value of our property.

The seller of a property often sells such property in its "as is" condition on a "where is" basis and "with all faults," without any warranties of merchantability or fitness for a particular use or purpose. In addition, purchase agreements may contain only limited warranties, representations and indemnifications that will only survive for a limited period after the closing. The purchase of properties with limited warranties increases the risk that we may lose some or all of our invested capital in the property, as well as the loss of rental income from that property.

CC&Rs may restrict our ability to operate a property.

We expect that some of our properties will be contiguous to other parcels of real property, comprising part of the same retail center. In connection with such properties, we will be subject to significant covenants, conditions and restrictions, known as "CC&Rs," restricting the operation of such properties and any improvements on such properties, and related to granting easements on such properties. Moreover, the operation and management of the contiguous properties may impact such properties. Compliance with CC&Rs may adversely affect our operating costs and reduce the amount of funds that we have available to pay distributions to our stockholders.

If we set aside insufficient capital reserves, we may be required to defer necessary capital improvements.

If we do not have enough reserves for capital to supply needed funds for capital improvements throughout the life of the investment in a property and there is insufficient cash available from our operations, we may be required to defer necessary improvements to a property, which may cause that property to suffer from a greater risk of obsolescence or a decline in value, or a greater risk of decreased cash flow as a result of fewer potential tenants being attracted to the property. If this happens, we may not be able to maintain projected rental rates for affected properties, and our results of operations may be negatively impacted.

Our operating expenses may increase in the future and, to the extent such increases cannot be passed on to tenants, our cash flow and our operating results would decrease.

Operating expenses, such as expenses for fuel, utilities, labor and insurance, are not fixed and may increase in the future. There is no guarantee that we will be able to pass such increases on to our tenants. To the extent such increases cannot be passed on to tenants, any such increase would cause our cash flow and our operating results to decrease.

Our real properties will be subject to property taxes that may increase in the future, which could adversely affect our cash flow.

Our real properties will be subject to real property taxes that may increase as tax rates change and as the real properties are assessed or reassessed by taxing authorities. We anticipate that certain of our leases will generally provide that the property taxes, or increases therein, are charged to the lessees as an expense related to the real properties that they occupy, while other leases will generally provide that we are responsible for such taxes. In any case, as the owner of the properties, we are ultimately responsible for payment of the taxes to the applicable government authorities. If real property taxes increase, our tenants may be unable to make the required tax payments, ultimately requiring us to pay the taxes even if otherwise stated under the terms of the lease. If we fail to pay any such taxes, the applicable taxing authority may place a lien on the real property and the real property may be subject to a tax sale. In addition, we will generally be responsible for real property taxes related to any vacant space.

Uninsured losses relating to real property or excessively expensive premiums for insurance coverage could reduce our cash flows and the return on our stockholders' investment.

We will attempt to adequately insure all of our real properties against casualty losses. There are types of losses, generally catastrophic in nature, such as losses due to wars, acts of terrorism, earthquakes, floods, hurricanes, pollution or environmental matters, that are uninsurable or not economically insurable, or may be insured subject to limitations, such as large deductibles or co-payments. Insurance risks associated with potential acts of terrorism could sharply increase the premiums we pay for coverage against property and casualty claims. Additionally, mortgage lenders in some cases have begun to insist that commercial property owners purchase coverage against terrorism as a condition for providing mortgage loans. Such insurance policies may not be available at reasonable costs, if at all, which could inhibit our ability to finance or refinance our properties. In such instances, we may be required to provide other financial support, either through financial assurances or self-insurance, to cover potential losses. We may not have adequate, or any, coverage for such losses. Changes in the cost or availability of insurance could expose us to uninsured casualty losses. If any of our properties incurs a casualty loss that is not fully insured, the value of our assets will be reduced by any such uninsured loss, which may reduce the value of our stockholders' investment. In addition, other than any working capital reserve or other reserves we may establish, we have no source of funding to repair or reconstruct any uninsured property. Also, to the extent we must pay unexpectedly large amounts for insurance, we could suffer reduced earnings that would result in lower distributions to stockholders. The Terrorism Risk Insurance Act of 2002 is designed for a sharing of terrorism losses between insurance companies and the federal government. We cannot be certain how this act will impact us or what additional cost to us, if any, could result.

Terrorist attacks and other acts of violence or war may affect the markets in which we plan to operate, which could delay or hinder our ability to meet our investment objectives and reduce our stockholders' overall return.

Terrorist attacks or armed conflicts may directly impact the value of our properties through damage, destruction, loss or increased security costs. We expect that we will invest in major metropolitan areas. We may not be able to obtain insurance against the risk of terrorism because it may not be available or may not be available on terms that are economically feasible. The terrorism insurance that we obtain may not be sufficient to cover loss for damages to our properties as a result of terrorist attacks. The inability to obtain sufficient terrorism insurance or any terrorism insurance at all could limit our investment options as some mortgage lenders have begun to insist that specific coverage against terrorism be purchased by commercial owners as a condition of providing loans.

Costs of complying with governmental laws and regulations related to environmental protection and human health and safety may reduce our net income and the cash available for distributions to our stockholders.

Real property and the operations conducted on real property are subject to federal, state and local laws and regulations relating to protection of the environment and human health. We could be subject to liability in the form of fines, penalties or damages for noncompliance with these laws and regulations. These laws and regulations generally govern wastewater discharges, air emissions, the operation and removal of underground and above-ground storage tanks, the use, storage, treatment, transportation and disposal of solid and hazardous materials, the remediation of contamination associated with the release or disposal of solid and hazardous materials, the presence of toxic building materials, and other health and safety-related concerns.

Some of these laws and regulations may impose joint and several liability on the tenants, owners or operators of real property for the costs to investigate or remediate contaminated properties, regardless of fault, whether the contamination occurred prior to purchase, or whether the acts causing the contamination were legal. Our tenants' operations, the condition of properties at the time we buy them, operations in the vicinity of our properties, such as the presence of underground storage tanks, or activities of unrelated third parties may affect our properties.

The presence of hazardous substances, or the failure to properly manage or remediate these substances, may hinder our ability to sell, rent or pledge such property as collateral for future borrowings. Environmental laws also may impose liens on property or restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures or prevent us from entering into leases with prospective tenants that may be impacted by such laws. Some of these laws and regulations have been amended so as to require compliance with new or more stringent standards as of future dates. Compliance with new or more stringent laws or regulations or stricter interpretation of existing laws may require us to incur material expenditures. Future laws, ordinances or regulations may impose material environmental liability. Any material expenditures, fines, penalties, or damages we must pay will reduce our ability to make distributions and may reduce the value of our stockholders' investment.

The costs of defending against claims of environmental liability or of paying personal injury claims could reduce the amounts available for distribution to our stockholders.

Environmental laws provide for sanctions for noncompliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Certain environmental laws and common law principles could be used to impose liability for the release of and exposure to hazardous substances, including asbestos-containing materials and lead-based paint. Third parties may seek recovery from real property owners or operators for personal injury or property damage associated with exposure to released hazardous substances. The costs of defending against claims of environmental liability or of paying personal injury claims could reduce the amounts available for distribution to our stockholders. Generally, we expect that the real estate properties that we will acquire will have been subject to Phase I environmental assessments at the time they were acquired. A Phase I environmental assessment or site assessment is an initial environmental investigation to identify potential environmental liabilities associated with the current and past uses of a given property.

Costs associated with complying with the Americans with Disabilities Act may decrease cash available for distributions.

Our properties may be subject to the Americans with Disabilities Act of 1990, as amended. Under the Disabilities Act, all places of public accommodation are required to comply with federal requirements related to access and use by disabled persons. We are committed to complying with the act to the extent to which it applies. The Disabilities Act has separate compliance requirements for “public accommodations” and “commercial facilities” that generally require that buildings and services be made accessible and available to people with disabilities. The Disabilities Act’s requirements could require removal of access barriers and could result in the imposition of injunctive relief, monetary penalties or, in some cases, an award of damages. We will attempt to acquire properties that comply with the ADA or place the burden on the seller or other third party, such as a tenant, to ensure compliance with the ADA. We cannot assure our stockholders that we will be able to acquire properties or allocate responsibilities in this manner. Any funds used for Disabilities Act compliance will reduce our net income and the amount of cash available for distributions to our stockholders.

The failure of any bank in which we deposit our funds could reduce the amount of cash we have available to pay distributions and make additional investments.

We intend to diversify our cash and cash equivalents among several banking institutions in an attempt to minimize exposure to any one of these entities. However, the Federal Deposit Insurance Corporation, or “FDIC,” only insures amounts up to $250,000 per depositor per insured bank. We expect that we will have cash and cash equivalents and restricted cash deposited in certain financial institutions in excess of federally insured levels. If any of the banking institutions in which we have deposited funds ultimately fails, we may lose our deposits over $250,000. The loss of our deposits could reduce the amount of cash we have available to distribute or invest and could result in a decline in the value of our stockholders’ investments.

Risks Related to Real Estate-Related Investments

Our investments in mortgage, mezzanine, bridge and other loans as well as our investments in mortgage-backed securities, collateralized debt obligations and other debt may be affected by unfavorable real estate market conditions, which could decrease the value of those assets and the return on your investment.

If we make or invest in mortgage, mezzanine or other real estate-related loans, we will be at risk of defaults by the borrowers on those loans. These defaults may be caused by many conditions beyond our control, including interest rate levels and local and other economic conditions affecting real estate values. We will not know whether the values of the properties ultimately securing our loans will remain at the levels existing on the dates of origination of those loans. If the values of the underlying properties drop, our risk will increase because of the lower value of the security associated with such loans. Our investments in mortgage-backed securities, collateralized debt obligations and other real estate-related debt will be similarly affected by real estate market conditions.

If we make or invest in mortgage, mezzanine, bridge or other real estate-related loans, our loans will be subject to interest rate fluctuations that will affect our returns as compared to market interest rates; accordingly, the value of your investment would be subject to fluctuations in interest rates.

If we make or invest in fixed-rate, long-term loans and interest rates rise, the loans could yield a return that is lower than then-current market rates. If interest rates decrease, we will be adversely affected to the extent that loans are prepaid because we may not be able to make new loans at the higher interest rate. If we invest in variable-rate loans and interest rates decrease, our revenues will also decrease. For these reasons, if we invest in mortgage, mezzanine, bridge or other real estate-related loans, our returns on those loans and the value of your investment will be subject to fluctuations in interest rates.

We have not established investment criteria limiting geographical concentration of our mortgage investments or requiring a minimum credit quality of borrowers.

We have not established any limit upon the geographic concentration of properties securing mortgage loans acquired or originated by us or the credit quality of borrowers of uninsured mortgage assets acquired or originated by us. As a result, properties securing our mortgage loans may be overly concentrated in certain geographic areas and the underlying borrowers of our uninsured mortgage assets may have low credit quality. We may experience losses due to geographic concentration or low credit quality.

Mortgage investments that are not United States government insured and non-investment grade mortgage assets involve risk of loss.

We may originate and acquire real estate related uninsured and non-investment grade mortgage loans and mortgage assets, including mezzanine loans, as part of our investment strategy. While holding these interests, we will be subject to risks of borrower defaults, bankruptcies, fraud and losses and special hazard losses that are not covered by standard hazard insurance. Also, the costs of financing the mortgage loans could exceed the return on the mortgage loans. In the event of any default under mortgage loans held by us, we will bear the risk of loss of principal and non-payment of interest and fees to the extent of any deficiency between the value of the mortgage collateral and the principal amount of the mortgage loan. To

the extent we suffer such losses with respect to our investments in mortgage loans, the value of our stockholders' investments may be adversely affected.

We may invest in non-recourse loans, which will limit our recovery to the value of the mortgaged property.

Our mortgage loan assets may be non-recourse loans. With respect to our non-recourse mortgage loan assets, in the event of a borrower default, the specific mortgaged property and other assets, if any, pledged to secure the relevant mortgage loan, may be less than the amount owed under the mortgage loan. As to those mortgage loan assets that provide for recourse against the borrower and its assets generally, we cannot assure our stockholders that the recourse will provide a recovery in respect of a defaulted mortgage loan greater than the liquidation value of the mortgaged property securing that mortgage loan.

Interest rate fluctuations will affect the value of our mortgage assets, net income and common stock.

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. Interest rate fluctuations can adversely affect our income in many ways and present a variety of risks including the risk of variances in the yield curve, a mismatch between asset yields and borrowing rates, and changing prepayment rates.

Variances in the yield curve may reduce our net income. The relationship between short-term and longer-term interest rates is often referred to as the "yield curve." Short-term interest rates are ordinarily lower than longer-term interest rates. If short-term interest rates rise disproportionately relative to longer-term interest rates (a flattening of the yield curve), our borrowing costs may increase more rapidly than the interest income earned on our assets. Because our assets may bear interest based on longer-term rates than our borrowings, a flattening of the yield curve would tend to decrease our net income and the market value of our mortgage loan assets. Additionally, to the extent cash flows from investments that return scheduled and unscheduled principal are reinvested in mortgage loans, the spread between the yields of the new investments and available borrowing rates may decline, which would likely decrease our net income. It is also possible that short-term interest rates may exceed longer-term interest rates (a yield curve inversion), in which event our borrowing costs may exceed our interest income and we could incur operating losses.

Prepayment rates on our mortgage loans may adversely affect our yields.

The value of our mortgage loan assets may be affected by prepayment rates on investments. Prepayment rates are influenced by changes in current interest rates and a variety of economic, geographic and other factors beyond our control, and consequently, such prepayment rates cannot be predicted with certainty. To the extent we originate mortgage loans, we expect that such mortgage loans will have a measure of protection from prepayment in the form of prepayment lock-out periods or prepayment penalties. However, this protection may not be available with respect to investments that we acquire but do not originate. In periods of declining mortgage interest rates, prepayments on mortgages generally increase. If general interest rates decline as well, the proceeds of such prepayments received during such periods are likely to be reinvested by us in assets yielding less than the yields on the investments that were prepaid. In addition, the market value of mortgage investments may, because of the risk of prepayment, benefit less from declining interest rates than from other fixed-income securities. Conversely, in

periods of rising interest rates, prepayments on mortgages generally decrease, in which case we would not have the prepayment proceeds available to invest in assets with higher yields. Under certain interest rate and prepayment scenarios we may fail to fully recoup our cost of acquisition of certain investments.

Before making any investment, we will consider the expected yield of the investment and the factors that may influence the yield actually obtained on such investment. These considerations will affect our decision whether to originate or purchase such an investment and the price offered for such an investment. No assurances can be given that we can make an accurate assessment of the yield to be produced by an investment. Many factors beyond our control are likely to influence the yield on the investments, including, but not limited to, competitive conditions in the local real estate market, local and general economic conditions and the quality of management of the underlying property. Our inability to accurately assess investment yields may result in our purchasing assets that do not perform as well as expected, which may adversely affect the value of our stockholders' investments.

Volatility of values of mortgaged properties may adversely affect our mortgage loans.

Real estate property values and net operating income derived from real estate properties are subject to volatility and may be affected adversely by a number of factors, including the risk factors described in this prospectus relating to general economic conditions and owning real estate investments. In the event its net operating income decreases, a borrower may have difficulty paying our mortgage loan, which could result in losses to us. In addition, decreases in property values reduce the value of the collateral and the potential proceeds available to a borrower to repay our mortgage loans, which could also cause us to suffer losses.

Mezzanine loans involve greater risks of loss than senior loans secured by income producing properties.

We may make and acquire mezzanine loans. These types of mortgage loans are considered to involve a higher degree of risk than long-term senior mortgage lending secured by income-producing real property due to a variety of factors, including the loan being entirely unsecured or, if secured, becoming unsecured as a result of foreclosure by the senior lender. We may not recover some or all of our investment in these loans. In addition, mezzanine loans may have higher loan-to-value ratios than conventional mortgage loans resulting in less equity in the property and increasing the risk of loss of principal.

Our investments in subordinated loans and subordinated mortgage-backed securities may be subject to losses.

We intend to acquire or originate subordinated loans and invest in subordinated mortgage-backed securities. In the event a borrower defaults on a subordinated loan and lacks sufficient assets to satisfy our loan, we may suffer a loss of principal or interest. In the event a borrower declares bankruptcy, we may not have full recourse to the assets of the borrower, or the assets of the borrower may not be sufficient to satisfy the loan. If a borrower defaults on our loan or on debt senior to our loan, or in the event of a borrower bankruptcy, our loan will be satisfied only after the senior debt is paid in full. Where debt senior to our loan exists, the presence of intercreditor arrangements may limit our ability to amend our loan documents, assign our loans, accept prepayments, exercise our remedies (through "standstill periods"), and control decisions made in bankruptcy proceedings relating to borrowers.

The CMBS in which we may invest are subject to all of the risks of the underlying mortgage loans and the risks of the securitization process.

CMBS, or commercial mortgage-backed securities, are securities that evidence interests in, or are secured by, a single commercial mortgage loan or a pool of commercial mortgage loans. Accordingly, these securities are subject to all of the risks of the underlying mortgage loans.

In a rising interest rate environment, the value of CMBS may be adversely affected when payments on underlying mortgages do not occur as anticipated, resulting in the extension of the security's effective maturity and the related increase in interest rate sensitivity of a longer-term instrument. The value of CMBS may also change due to shifts in the market's perception of issuers and regulatory or tax changes adversely affecting the mortgage securities market as a whole. In addition, CMBS are subject to the credit risk associated with the performance of the underlying mortgage properties. In certain instances, third-party guarantees or other forms of credit support can reduce the credit risk.

CMBS are also subject to several risks created through the securitization process. Subordinate CMBS are paid interest only to the extent that there are funds available to make payments. To the extent the collateral pool includes delinquent loans, there is a risk that the interest payment on subordinate CMBS will not be fully paid. Subordinate CMBS are also subject to greater credit risk than those CMBS that are more highly rated.

Our investments in real estate-related common equity securities will be subject to specific risks relating to the particular issuer of the securities and may be subject to the general risks of investing in subordinated real estate securities, which may result in losses to us.

We expect to make equity investments in other REITs and other real estate companies. We will target a public company that owns commercial real estate or real estate-related assets when we believe its stock is trading at a discount to that company's net asset value. We may eventually seek to acquire or gain a controlling interest in the companies that we target. We do not expect our non-controlling equity investments in other public companies to exceed 5.0% of the proceeds of this offering, assuming we sell the maximum offering amount, or to represent a substantial portion of our assets at any one time. Our investments in real estate-related common equity securities will involve special risks relating to the particular issuer of the equity securities, including the financial condition and business outlook of the issuer. Issuers of real estate-related common equity securities generally invest in real estate or real estate-related assets and are subject to the inherent risks associated with real estate-related investments discussed in this prospectus.

Real estate-related common equity securities are generally unsecured and may also be subordinated to other obligations of the issuer. As a result, investments in real estate-related common equity securities are subject to risks of: (1) limited liquidity in the secondary trading market, (2) substantial market price volatility resulting from changes in prevailing interest rates, (3) subordination to the prior claims of banks and other senior lenders to the issuer, (4) the operation of mandatory sinking fund or call/redemption provisions during periods of declining interest rates that could cause the issuer to reinvest redemption proceeds in lower yielding assets, (5) the possibility that earnings of the issuer may be insufficient to meet its debt service and distribution obligations and (6) the declining creditworthiness and potential for insolvency of the issuer during periods of rising interest rates and economic downturn. These risks may adversely affect the value of outstanding real estate-related common equity securities and the ability of the issuers thereof to make distribution payments.

Risks Associated with Debt Financing

Continued disruptions in the financial markets and deteriorating economic conditions could also adversely affect our ability to secure debt financing on attractive terms and the values of investments we make.

The capital and credit markets have been experiencing extreme volatility and disruption for more than 18 months. Liquidity in the global credit market has been severely contracted by these market disruptions, making it costly to obtain new lines of credit or refinance existing debt. We expect to finance our investments in part with debt. As a result of the ongoing credit market turmoil, we may not be able to obtain debt financing on attractive terms, if at all. As such, we may be forced to use a greater proportion of our offering proceeds to finance our acquisitions and originations, reducing the number of investments we would otherwise make. If the current debt market environment persists, we may modify our investment strategy in order to optimize our portfolio performance. Our options would include limiting or eliminating the use of debt and focusing on those investments that do not require the use of leverage to meet our portfolio goals.

We will incur mortgage indebtedness and other borrowings, which increases our risk of loss due to foreclosure.

We may obtain lines of credit and long-term financing that may be secured by our properties and other assets. Under our charter, we have a limitation on borrowing which precludes us from borrowing in excess of 300% of the value of our net assets. Net assets for purposes of this calculation are defined to be our total assets (other than intangibles), valued at cost prior to deducting depreciation or other non-cash reserves, less total liabilities. Generally speaking, the preceding calculation is expected to approximate 75.0% of the aggregate cost of our investments before non-cash reserves and depreciation. We may temporarily borrow in excess of these amounts if such excess is approved by a majority of the independent directors and is disclosed to stockholders in our next quarterly report, along with justification for such excess. In some instances, we may acquire real properties by financing a portion of the price of the properties and mortgaging or pledging some or all of the properties purchased as security for that debt. We may also incur mortgage debt on properties that we already own in order to obtain funds to acquire additional properties. In addition, we may borrow as necessary or advisable to ensure that we maintain our qualification as a REIT for U.S. federal income tax purposes, including borrowings to satisfy the REIT requirement that we distribute at least 90.0% of our annual REIT taxable income to our stockholders (computed without regard to the dividends-paid deduction and excluding net capital gain). We, however, can give our stockholders no assurance that we will be able to obtain such borrowings on satisfactory terms.

High debt levels will cause us to incur higher interest charges, which would result in higher debt service payments and could be accompanied by restrictive covenants. If we do mortgage a property and there is a shortfall between the cash flow from that property and the cash flow needed to service mortgage debt on that property, then the amount of cash available for distributions to stockholders may be reduced. In addition, incurring mortgage debt increases the risk of loss of a property since defaults on indebtedness secured by a property may result in lenders initiating foreclosure actions. In that case, we could lose the property securing the loan that is in default, reducing the value of our stockholders' investment. For tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure even though we would not necessarily receive any cash proceeds.

We may give full or partial guaranties to lenders of mortgage debt on behalf of the entities that own our properties. When we give a guaranty on behalf of an entity that owns one of our properties, we will be responsible to the lender for satisfaction of the debt if it is not paid by such entity. If any mortgages contain cross-collateralization or cross-default provisions, a default on a single property could affect multiple properties.

We may also obtain recourse debt to finance our acquisitions and meet our REIT distribution requirements. If we have insufficient income to service our recourse debt obligations, our lenders could institute proceedings against us to foreclose upon our assets. If a lender successfully forecloses upon any of our assets, our ability to pay cash distributions to our stockholders will be limited and our stockholders could lose all or part of their investment.

High mortgage rates may make it difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire, our cash flows from operations and the amount of cash distributions we can make.

If mortgage debt is unavailable at reasonable rates, we may not be able to finance the purchase of properties. If we place mortgage debt on properties, we run the risk of being unable to refinance the properties when the debt becomes due or of being unable to refinance on favorable terms. If interest rates are higher when we refinance the properties, our income could be reduced. We may be unable to refinance properties. If any of these events occurs, our cash flow would be reduced. This, in turn, would reduce cash available for distribution to our stockholders and may hinder our ability to raise capital by issuing more stock or borrowing more money.

We expect to use leverage in connection with our investments in real estate-related assets, which increases the risk of loss associated with this type of investment.

We may finance the acquisition and origination of certain real estate-related investments with warehouse lines of credit and repurchase agreements. In addition, we may engage in various types of securitizations in order to finance our loan originations. Although the use of leverage may enhance returns and increase the number of investments that we can make, it may also substantially increase the risk of loss. There can be no assurance that leveraged financing will be available to us on favorable terms or that, among other factors, the terms of such financing will parallel the maturities of the underlying assets acquired. If alternative financing is not available, we may have to liquidate assets at unfavorable prices to pay off such financing. Our return on our investments and cash available for distribution to our stockholders may be reduced to the extent that changes in market conditions cause the cost of our financing to increase relative to the income that we can derive from the assets we acquire.

Our debt service payments will reduce our cash flow available for distributions. We may not be able to meet our debt service obligations and, to the extent that we cannot, we risk the loss of some or all of our assets to foreclosure or sale to satisfy our debt obligations. We may utilize repurchase agreements as a component of our financing strategy. Repurchase agreements economically resemble short-term, variable-rate financing and usually require the maintenance of specific loan-to-collateral value ratios. If the market value of the assets subject to a repurchase agreement decline, we may be required to provide additional collateral or make cash payments to maintain the loan-to-collateral value ratio. If we are unable to provide such collateral or cash repayments, we may lose our economic interest in the underlying assets. Further, credit facility providers and warehouse facility providers may require us to maintain a certain amount of cash reserves or to set aside unleveraged assets sufficient to maintain a specified liquidity position that

would allow us to satisfy our collateral obligations. As a result, we may not be able to leverage our assets as fully as we would choose, which could reduce our return on assets. In the event that we are unable to meet these collateral obligations, our financial condition could deteriorate rapidly.

We may not be able to access financing sources on attractive terms, which could adversely affect our ability to execute our business plan.

We may finance our assets over the long-term through a variety of means, including repurchase agreements, credit facilities, issuance of commercial mortgage-backed securities, collateralized debt obligations and other structured financings. Our ability to execute this strategy will depend on various conditions in the markets for financing in this manner that are beyond our control, including lack of liquidity and greater credit spreads. We cannot be certain that these markets will remain an efficient source of long-term financing for our assets. If our strategy is not viable, we will have to find alternative forms of long-term financing for our assets, as secured revolving credit facilities and repurchase facilities may not accommodate long-term financing. This could subject us to more recourse indebtedness and the risk that debt service on less efficient forms of financing would require a larger portion of our cash flows, thereby reducing cash available for distribution to our stockholders and funds available for operations as well as for future business opportunities.

Lenders may require us to enter into restrictive covenants relating to our operations, which could limit our ability to make distributions to our stockholders.

When providing financing, a lender may impose restrictions on us that affect our distribution and operating policies and our ability to incur additional debt. Loan agreements we enter may contain covenants that limit our ability to further mortgage a property, discontinue insurance coverage or replace our advisor. In addition, loan documents may limit our ability to replace a property's property manager or terminate certain operating or lease agreements related to a property. These or other limitations would decrease our operating flexibility and our ability to achieve our operating objectives.

Increases in interest rates could increase the amount of our debt payments and limit our ability to pay distributions to our stockholders.

We expect that we will incur additional debt in the future and increases in interest rates will increase the cost of that debt, which could reduce the cash we have available for distributions. Additionally, if we incur variable rate debt, increases in interest rates would increase our interest costs, which would reduce our cash flows and our ability to pay distributions to our stockholders. In addition, if we need to repay existing debt during periods of rising interest rates, we could be required to liquidate one or more of our investments at times that may not permit realization of the maximum return on such investments.

Our derivative financial instruments that we may use to hedge against interest rate fluctuations may not be successful in mitigating our risks associated with interest rates and could reduce the overall returns on our stockholders' investment.

We may use derivative financial instruments to hedge exposures to changes in interest rates on loans secured by our assets, but no hedging strategy can protect us completely. We cannot assure our stockholders that our hedging strategy and the derivatives that we use will adequately offset the risk of interest rate volatility or that our hedging transactions will not result

in losses. In addition, the use of such instruments may reduce the overall return on our investments. These instruments may also generate income that may not be treated as qualifying REIT income for purposes of the 75.0% or 95.0% REIT income test. See “Certain Material U.S. Federal Income Tax Considerations—Taxation of Phillips Edison – ARC Shopping Center REIT, Inc.—Income Tests.”

Interest-only indebtedness may increase our risk of default and ultimately may reduce our funds available for distribution to our stockholders.

We may finance our property acquisitions using interest-only mortgage indebtedness. During the interest-only period, the amount of each scheduled payment will be less than that of a traditional amortizing mortgage loan. The principal balance of the mortgage loan will not be reduced (except in the case of prepayments) because there are no scheduled monthly payments of principal during this period. After the interest-only period, we will be required either to make scheduled payments of amortized principal and interest or to make a lump-sum or “balloon” payment at maturity. These required principal or balloon payments will increase the amount of our scheduled payments and may increase our risk of default under the related mortgage loan. If the mortgage loan has an adjustable interest rate, the amount of our scheduled payments also may increase at a time of rising interest rates. Increased payments and substantial principal or balloon maturity payments will reduce the funds available for distribution to our stockholders because cash otherwise available for distribution will be required to pay principal and interest associated with these mortgage loans.

If we enter into financing arrangements involving balloon payment obligations, it may adversely affect our ability to make distributions to our stockholders.

Some of our financing arrangements may require us to make a lump-sum or “balloon” payment at maturity. Our ability to make a balloon payment at maturity is uncertain and may depend upon our ability to obtain additional financing or our ability to sell the property. At the time the balloon payment is due, we may or may not be able to refinance the balloon payment on terms as favorable as the original loan or sell the property at a price sufficient to make the balloon payment. The effect of a refinancing or sale could affect the rate of return to stockholders and the projected time of disposition of our assets. In addition, payments of principal and interest made to service our debts may leave us with insufficient cash to pay the distributions that we are required to pay to maintain our qualification as a REIT. Any of these results would have a significant, negative impact on our stockholders’ investment.

We have broad authority to incur debt and high debt levels could hinder our ability to make distributions and decrease the value of your investment.

Our policies do not limit us from incurring debt until our borrowings would exceed 75.0% of the cost (before deducting depreciation or other non-cash reserves) of our tangible assets, and we may exceed this limit with the approval of the conflicts committee of our board of directors. During the early stages of this offering, we expect that our conflicts committee will approve debt in excess of this limit. See “Investment Objectives and Criteria—Borrowing Policies.” High debt levels would cause us to incur higher interest charges and higher debt service payments and could also be accompanied by restrictive covenants. These factors could limit the amount of cash we have available to distribute and could result in a decline in the value of your investment.

U.S. Federal Income Tax Risks

Failure to qualify as a REIT would reduce our net earnings available for investment or distribution.

Prior to the commencement of our offering we expect DLA Piper LLP (US) to render an opinion to us that we will be organized in conformity with the requirements for qualification and taxation as a REIT under the Internal Revenue Code for our taxable year ending December 31, 2010 (or ending December 31, 2011 if our REIT election is postponed to our taxable year ending December 31, 2011) and that our proposed method of operations will enable us to meet the requirements for qualification and taxation as a REIT beginning with our taxable year ending December 31, 2010 (or ending December 31, 2011 if our REIT election is postponed to our taxable year ending December 31, 2011). This opinion will be based upon, among other things, our representations as to the manner in which we are and will be owned and the manner in which we will invest in and operate assets. However, our qualification as a REIT will depend upon our ability to meet requirements regarding our organization and ownership, distributions of our income, the nature and diversification of our income and assets and other tests imposed by the Internal Revenue Code. DLA Piper LLP (US) will not review our compliance with the REIT qualification standards on an ongoing basis, and we may fail to satisfy the REIT requirements in the future. Also, this opinion will represent the legal judgment of DLA Piper LLP (US) based on the law in effect as of the date of the opinion. The opinion of DLA Piper LLP (US) will not be binding on the Internal Revenue Service or the courts. Future legislative, judicial or administrative changes to the U.S. federal income tax laws could be applied retroactively, which could result in our disqualification as a REIT.

If we fail to qualify as a REIT for any taxable year after electing REIT status, we will be subject to U.S. federal income tax on our taxable income at corporate rates. In addition, we would generally be disqualified from treatment as a REIT for the four taxable years following the year of losing our REIT status. Losing our REIT status would reduce our net earnings available for investment or distribution to stockholders because of the additional tax liability. In addition, distributions to stockholders would no longer qualify for the dividends paid deduction and we would no longer be required to make distributions. If this occurs, we might be required to borrow funds or liquidate some investments in order to pay the applicable tax. For a discussion of the REIT qualification tests and other considerations relating to our election to be taxed as REIT, see “Certain Material U.S. Federal Income Tax Considerations.”

Our stockholders may have current tax liability on distributions they elect to reinvest in our common stock.

If our stockholders participate in our dividend reinvestment plan, they will be deemed to have received, and for U.S. federal income tax purposes will be taxed on, the amount reinvested in shares of our common stock to the extent the amount reinvested was not a tax-free return of capital. In addition, our stockholders will be treated for tax purposes as having received an additional distribution to the extent the shares are purchased at a discount to fair market value. As a result, unless our stockholders are a tax-exempt entity, they may have to use funds from other sources to pay their tax liability on the value of the shares of common stock received. See “Description of Shares—Dividend Reinvestment Plan—U.S. Federal Income Tax Consequences of Participation.”

There is a risk that you may receive shares of our common stock as dividends.

We have the ability to declare a large portion of a dividend for the purpose of fulfilling our REIT distribution requirements in shares of our common stock instead of in cash. As long as a portion of such dividend is paid in cash and certain requirements are met, the entire distribution may be treated as a dividend for U.S. federal income tax purposes. As a result, a stockholder would be taxed on 100% of the dividend in the same manner as a cash dividend, even though most of the dividend was paid in shares of our common stock. Stockholders who elect cash may experience greater dilution than other stockholders if we elect to distribute our common stock as a dividend.

Failure to qualify as a REIT would subject us to U.S. federal income tax, which would reduce the cash available for distribution to our stockholders.

We expect to operate in a manner that is intended to cause us to qualify as a REIT for U.S. federal income tax purposes commencing with our taxable year ending on December 31, 2010, although such election may be postponed to our taxable year ending December 31, 2011. However, the U.S. federal income tax laws governing REITs are extremely complex, and interpretations of the U.S. federal income tax laws governing qualification as a REIT are limited. Qualifying as a REIT requires us to meet various tests regarding the nature of our assets and our income, the ownership of our outstanding stock, and the amount of our distributions on an ongoing basis. While we intend to operate so that we will qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, including the tax treatment of certain investments we may make, and the possibility of future changes in our circumstances, no assurance can be given that we will so qualify for any particular year. If we fail to qualify as a REIT in any calendar year and we do not qualify for certain statutory relief provisions, we would be required to pay U.S. federal income tax on our taxable income. We might need to borrow money or sell assets to pay that tax. Our payment of U.S. federal income tax would decrease the amount of our income available for distribution to our stockholders. Furthermore, if we fail to maintain our qualification as a REIT and we do not qualify for certain statutory relief provisions, we no longer would be required to distribute substantially all of our REIT taxable income to our stockholders. Unless our failure to qualify as a REIT were excused under federal tax laws, we would be disqualified from taxation as a REIT for the four taxable years following the year during which qualification was lost.

Even if we qualify as a REIT for U.S. federal income tax purposes, we may be subject to other tax liabilities that reduce our cash flow and our ability to make distributions to our stockholders.

Even if we qualify as a REIT for U.S. federal income tax purposes, we may be subject to some federal, state and local taxes on our income or property. For example:

- In order to qualify as a REIT, we must distribute annually at least 90.0% of our REIT taxable income to our stockholders (which is determined without regard to the dividends paid deduction or net capital gain). To the extent that we satisfy the distribution requirement but distribute less than 100% of our REIT taxable income, we will be subject to U.S. federal corporate income tax on the undistributed income.

- We will be subject to a 4.0% nondeductible excise tax on the amount, if any, by which distributions we pay in any calendar year are less than the sum of 85.0% of our

ordinary income, 95.0% of our capital gain net income and 100% of our undistributed income from prior years.

- If we have net income from the sale of foreclosure property that we hold primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, we must pay a tax on that income at the highest U.S. federal corporate income tax rate.

- If we sell an asset, other than foreclosure property, that we hold primarily for sale to customers in the ordinary course of business, our gain would be subject to the 100% “prohibited transaction” tax unless such sale were made by one of our taxable REIT subsidiaries or the sale met certain “safe harbor” requirements under the Internal Revenue Code.

Our investments in debt instruments may cause us to recognize “phantom income” for U.S. federal income tax purposes even though no cash payments have been received on the debt instruments.

It is expected that we may acquire debt instruments in the secondary market for less than their face amount. The amount of such discount will generally be treated as “market discount” for U.S. federal income tax purposes. Moreover, pursuant to our involvement in public-private joint ventures, other similar programs recently announced by the federal government, or otherwise, we may acquire distressed debt investments that are subsequently modified by agreement with the borrower. If the amendments to the outstanding debt are “significant modifications” under the applicable regulations promulgated by the U.S. Treasury Department (the “Treasury Regulations”), the modified debt may be considered to have been reissued to us in a debt-for-debt exchange with the borrower. This deemed reissuance may prevent the modified debt from qualifying as a good REIT asset if the underlying security has declined in value.

In general, we will be required to accrue original issue discount on a debt instrument as taxable income in accordance with applicable U.S. federal income tax rules even though no cash payments may be received on such debt instrument.

In the event a borrower with respect to a particular debt instrument encounters financial difficulty rendering it unable to pay stated interest as due, we may nonetheless be required to continue to recognize the unpaid interest as taxable income. Similarly, we may be required to accrue interest income with respect to subordinate mortgage-backed securities at the stated rate regardless of when their corresponding cash payments are received.

As a result of these factors, there is a significant risk that we may recognize substantial taxable income in excess of cash available for distribution. In that event, we may need to borrow funds or take other action to satisfy the REIT distribution requirements for the taxable year in which this “phantom income” is recognized.

REIT distribution requirements could adversely affect our ability to execute our business plan.

We generally must distribute annually at least 90.0% of our REIT taxable income, subject to certain adjustments and excluding any net capital gain, in order for U.S. federal corporate income tax not to apply to earnings that we distribute. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our REIT taxable income, we will be subject to U.S. federal corporate income tax on our undistributed REIT taxable income. In

addition, we will be subject to a 4.0% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under federal tax laws. We intend to make distributions to our stockholders to comply with the REIT requirements of the Internal Revenue Code.

From time to time, we may generate taxable income greater than our taxable income for financial reporting purposes, or our taxable income may be greater than our cash flow available for distribution to stockholders (for example, where a borrower defers the payment of interest in cash pursuant to a contractual right or otherwise). If we do not have other funds available in these situations we could be required to borrow funds, sell investments at disadvantageous prices or find another alternative source of funds to make distributions sufficient to enable us to pay out enough of our taxable income to satisfy the REIT distribution requirement and to avoid U.S. federal corporate income tax and the 4.0% excise tax in a particular year. These alternatives could increase our costs or reduce our equity. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

To maintain our REIT status, we may be forced to forego otherwise attractive opportunities, which may delay or hinder our ability to meet our investment objectives and reduce our stockholders' overall return.

To qualify as a REIT, we must satisfy certain tests on an ongoing basis concerning, among other things, the sources of our income, nature of our assets and the amounts we distribute to our stockholders. We may be required to make distributions to stockholders at times when it would be more advantageous to reinvest cash in our business or when we do not have funds readily available for distribution. Compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits and the value of our stockholders' investment.

The "taxable mortgage pool" rules may increase the taxes that we or our stockholders incur and may limit the manner in which we conduct securitizations.

We may be deemed to be ourselves, or make investments in entities that own or are themselves deemed to be taxable mortgage pools. Similarly, certain of our securitizations or other borrowings could be considered to result in the creation of a taxable mortgage pool for U.S. federal income tax purposes. As a REIT, provided that we own 100% of the equity interests in a taxable mortgage pool, we generally would not be adversely affected by the characterization of the securitization as a taxable mortgage pool. Certain categories of stockholders, however, such as foreign stockholders eligible for treaty or other benefits, stockholders with net operating losses, and certain tax-exempt stockholders that are subject to unrelated business income tax, could be subject to increased taxes on a portion of their dividend income from us that is attributable to the taxable mortgage pool. In addition, to the extent that our stock is owned by tax-exempt "disqualified organizations," such as certain government-related entities that are not subject to tax on unrelated business income, we will incur a corporate-level tax on a portion of our income from the taxable mortgage pool. In that case, we are authorized to reduce and intend to reduce the amount of our distributions to any disqualified organization whose stock ownership gave rise to the tax by the amount of such tax paid by us that is attributable to such stockholder's ownership. Moreover, we would generally be precluded from selling equity interests in these securitizations to outside investors, or selling any debt securities issued in connection with these securitizations that might be considered to be equity interests for U.S. federal income tax purposes. These limitations may prevent us from using certain techniques to maximize our returns from securitization transactions or other financing arrangements.

Potential characterization of distributions or gain on sale may be treated as unrelated business taxable income to tax-exempt investors.

If (1) all or a portion of our assets are subject to the rules relating to taxable mortgage pools, (2) we are a "pension-held REIT," (3) a tax-exempt stockholder has incurred debt to purchase or hold our common stock or (4) the residual interests in any real estate mortgage investment conduits ("REMICs"), we acquire (if any) generate "excess inclusion income," then a portion of the distributions to and, in the case of a stockholder described in clause (3), gains realized on the sale of common stock by such tax-exempt stockholder may be subject to U.S. federal income tax as unrelated business taxable income under the Internal Revenue Code. See "Certain Material U.S. Federal Income Tax Considerations—Taxation of Phillips Edison – ARC Shopping Center REIT Inc.—Taxable Mortgage Pools and Excess Inclusion Income."

Complying with REIT requirements may force us to liquidate otherwise attractive investments.

To qualify as a REIT, we must ensure that at the end of each calendar quarter, at least 75.0% of the value of our assets consists of cash, cash items, government securities and qualified REIT real estate assets, including certain mortgage loans and mortgage-backed securities. The remainder of our investment in securities (other than government securities and qualified real estate assets) generally cannot include more than 10.0% of the outstanding voting securities of any one issuer or more than 10.0% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5.0% of the value of our assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer, and no more than 25.0% of the value of our total assets can be represented by securities of one or more taxable REIT subsidiaries. See "Certain Material U.S. Federal Income Tax Considerations—Taxation of Phillips Edison – ARC Shopping Center REIT Inc." If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate from our portfolio otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

Liquidation of assets may jeopardize our REIT qualification.

To qualify as a REIT, we must comply with requirements regarding our assets and our sources of income. If we are compelled to liquidate our investments to repay obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, or we may be subject to a 100% tax on any resultant gain if we sell assets that are treated as dealer property or inventory.

Characterization of any repurchase agreements we enter into to finance our investments as sales for tax purposes rather than as secured lending transactions would adversely affect our ability to qualify as a REIT.

We may enter into repurchase agreements with a variety of counterparties to achieve our desired amount of leverage for the assets in which we invest. When we enter into a repurchase agreement, we generally sell assets to our counterparty to the agreement and receive cash from the counterparty. The counterparty is obligated to resell the assets back to us at the end of the term of the transaction. We believe that for U.S. federal income tax purposes we will be treated as the owner of the assets that are the subject of repurchase agreements and that the repurchase

agreements will be treated as secured lending transactions notwithstanding that such agreement may transfer record ownership of the assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could successfully assert that we did not own these assets during the term of the repurchase agreements, in which case we could fail to qualify as a REIT if tax ownership of these assets was necessary for us to meet the income and/or asset tests discussed in “Certain Material U.S. Federal Income Tax Considerations—Taxation of Phillips Edison – ARC Shopping Center REIT Inc.”

Complying with REIT requirements may limit our ability to hedge effectively.

The REIT provisions of the Internal Revenue Code may limit our ability to hedge our assets and operations. Under these provisions, any income that we generate from transactions intended to hedge our interest rate, inflation and/or currency risks will be excluded from gross income for purposes of the REIT 75.0% and 95.0% gross income tests if the instrument hedges (1) interest rate risk on liabilities incurred to carry or acquire real estate or (2) risk of currency fluctuations with respect to any item of income or gain that would be qualifying income under the REIT 75.0% or 95.0% gross income tests, and such instrument is properly identified under applicable Treasury Regulations. Income from hedging transactions that do not meet these requirements will generally constitute nonqualifying income for purposes of both the REIT 75.0% and 95.0% gross income tests. See “Certain Material U.S. Federal Income Tax Considerations—Taxation of Phillips Edison ? ARC Shopping Center REIT Inc.—Derivatives and Hedging Transactions.” As a result of these rules, we may have to limit our use of hedging techniques that might otherwise be advantageous, which could result in greater risks associated with interest rate or other changes than we would otherwise incur.

Ownership limitations may restrict change of control or business combination opportunities in which our stockholders might receive a premium for their shares.

In order for us to qualify as a REIT for each taxable year after 2010 (or 2011, if our REIT election is postponed to our taxable year ending December 31, 2011), no more than 50.0% in value of our outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals during the last half of any calendar year. “Individuals” for this purpose include natural persons, and certain other entities including private foundations. To preserve our REIT qualification, among other purposes, our charter generally prohibits any person from directly or indirectly owning more than 9.8% in value of the aggregate outstanding shares of our capital stock or more than 9.8% in value or number of shares, whichever is more restrictive, of the aggregate outstanding shares of our common stock. This ownership limit shall be applicable beginning the year after our initial REIT election. This ownership limitation could have the effect of discouraging a takeover or other transaction in which holders of our common stock might receive a premium for their shares over the then prevailing market price or which holders might believe to be otherwise in their best interests.

Our ownership of and relationship with our taxable REIT subsidiaries will be limited and a failure to comply with the limits would jeopardize our REIT status and may result in the application of a 100% excise tax.

A REIT may own up to 100% of the stock of one or more taxable REIT subsidiaries. A taxable REIT subsidiary may earn income that would not be qualifying income if earned directly by the parent REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a taxable REIT subsidiary. A corporation of which a taxable REIT subsidiary directly or indirectly owns more than 35.0% of the voting power or value of the stock will automatically be

treated as a taxable REIT subsidiary. Overall, no more than 25.0% of the value of a REIT's assets may consist of stock or securities of one or more taxable REIT subsidiaries. A domestic taxable REIT subsidiary will pay U.S. federal, state and local income tax at regular corporate rates on any income that it earns. In addition, the taxable REIT subsidiary rules limit the deductibility of interest paid or accrued by a taxable REIT subsidiary to its parent REIT to assure that the taxable REIT subsidiary is subject to an appropriate level of corporate taxation. The rules also impose a 100% excise tax on certain transactions between a taxable REIT subsidiary and its parent REIT that are not conducted on an arm's-length basis. We cannot assure our stockholders that we will be able to comply with the 25.0% value limitation on ownership of taxable REIT subsidiary stock and securities on an ongoing basis so as to maintain REIT status or to avoid application of the 100% excise tax imposed on certain non-arm's length transactions.

We may be subject to adverse legislative or regulatory tax changes.

At any time, the U.S. federal income tax laws or regulations governing REITs or the administrative interpretations of those laws or regulations may be amended. We cannot predict when or if any new U.S. federal income tax law, regulation or administrative interpretation, or any amendment to any existing U.S. federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation or interpretation may take effect retroactively. We and our stockholders could be adversely affected by any such change in, or any new, U.S. federal income tax law, regulation or administrative interpretation.

Dividends payable by REITs do not qualify for the reduced tax rates.

Legislation enacted in 2003 and modified in 2005 generally reduces the maximum tax rate for dividends payable to domestic stockholders that are individuals, trusts and estates to 15.0% (through 2010). Dividends payable by REITs, however, are generally not eligible for the reduced rates. Although this legislation does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable rates applicable to regular corporate dividends could cause investors who are individuals, trusts and estates, to perceive investments in REITs to be relatively less attractive than investments in stock of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our common stock.

If the operating partnership fails to maintain its status as a partnership, its income may be subject to taxation.

We intend to maintain the status of the operating partnership as a disregarded entity or partnership for U.S. federal income tax purposes. However, if the IRS were to successfully challenge the status of the operating partnership as a disregarded entity or partnership, it would be taxable as a corporation. In such event, this would reduce the amount of distributions that the operating partnership could make to us. This would also result in our losing REIT status, and becoming subject to a corporate level tax on our own income. This would substantially reduce our cash available to pay distributions and the yield on your investment. In addition, if any of the partnerships or limited liability companies through which the operating partnership owns its properties, in whole or in part, loses its characterization as a partnership for U.S. federal income tax purposes, it would be subject to taxation as a corporation, thereby reducing distributions to the operating partnership. Such a recharacterization of an underlying property owner could also threaten our ability to maintain REIT status.

Distributions to foreign investors may be treated as an ordinary income distribution to the extent that it is made out of current or accumulated earnings and profits.

In general, foreign investors will be subject to regular U.S. federal income tax with respect to their investment in our stock if the income derived therefrom is "effectively connected" with the foreign investor's conduct of a trade or business in the United States. A distribution to a foreign investor that is not attributable to gain realized by us from the sale or exchange of a "U.S. real property interest" within the meaning of the Foreign Investment in Real Property Tax Act of 1980, as amended ("FIRPTA"), and that we do not designate as a capital gain distribution, will be treated as an ordinary income distribution to the extent that it is made out of current or accumulated earnings and profits. Generally, any ordinary income distribution will be subject to a U.S. federal income tax equal to 30% of the gross amount of the distribution, unless this tax is reduced by the provisions of an applicable treaty. See "Certain Material U.S. Federal Income Tax Considerations—Taxation of Stockholders—Taxation of Foreign Stockholders."

Foreign investors may be subject to FIRPTA tax upon the sale of their shares of our stock.

A foreign investor disposing of a U.S. real property interest, including shares of stock of a U.S. corporation whose assets consist principally of U.S. real property interests, is generally subject to FIRPTA, on the gain recognized on the disposition. Such FIRPTA tax does not apply, however, to the disposition of stock in a REIT if the REIT is "domestically controlled." A REIT is "domestically controlled" if less than 50.0% of the REIT's stock, by value, has been owned directly or indirectly by persons who are not qualifying U.S. persons during a continuous five-year period ending on the date of disposition or, if shorter, during the entire period of the REIT's existence. While we intend to qualify as a "domestically controlled" REIT we cannot assure you that we will. If we were to fail to so qualify, gain realized by foreign investors on a sale of shares of our stock would be subject to FIRPTA tax, unless the shares of our stock were traded on an established securities market and the foreign investor did not at any time during a specified testing period directly or indirectly own more than 5.0% of the value of our outstanding common stock. See "Certain Material U.S. Federal Income Tax Considerations—Taxation of Stockholders—Taxation of Foreign Stockholders."

Foreign investors may be subject to FIRPTA tax upon the payment of a capital gains dividend.

A capital gains dividend paid to foreign investors, if attributable to gain from sales or exchanges of U.S. real property interests, would not be exempt from FIRPTA and would be subject to FIRPTA tax. See "Certain Material U.S. Federal Income Tax Considerations—Taxation of Stockholders—Taxation of Foreign Stockholders."

We encourage you to consult your own tax advisor to determine the tax consequences applicable to you if you are a foreign investor.

Retirement Plan Risks

If the fiduciary of an employee pension benefit plan subject to ERISA (such as profit sharing, Section 401(k) or pension plan) or any other retirement plan or account fails to meet the fiduciary and other standards under ERISA or the Internal Revenue Code as a result of an investment in our stock, the fiduciary could be subject to criminal and civil penalties.

There are special considerations that apply to employee benefit plans subject to ERISA (such as profit sharing, Section 401(k) or pension plans) and other retirement plans or accounts

subject to Section 4975 of the Internal Revenue Code (such as an IRA) that are investing in our shares. Fiduciaries investing the assets of such a plan or account in our common stock should satisfy themselves that:

- the investment is consistent with their fiduciary obligations under ERISA and the Internal Revenue Code;
- the investment is made in accordance with the documents and instruments governing the plan or IRA, including the plan's or account's investment policy;
- the investment satisfies the prudence and diversification requirements of Sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA and other applicable provisions of ERISA and the Internal Revenue Code;
- the investment will not impair the liquidity of the plan or IRA;
- the investment will not produce an unacceptable amount of "unrelated business taxable income" for the plan or IRA;
- the value of the assets of the plan can be established annually in accordance with ERISA requirements and applicable provisions of the plan or IRA; and
- the investment will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Internal Revenue Code.

Failure to satisfy the fiduciary standards of conduct and other applicable requirements of ERISA and the Internal Revenue Code may result in the imposition of civil and criminal penalties and could subject the fiduciary to equitable remedies. In addition, if an investment in our shares constitutes a non-exempt prohibited transaction under ERISA or the Internal Revenue Code, the fiduciary who authorized or directed the investment may be subject to the imposition of excise taxes with respect to the amount invested.

Prospective investors with investment discretion over the assets of an IRA, employee benefit plan or other retirement plan or arrangement that is covered by ERISA or Section 4975 of the Internal Revenue Code should carefully review the information in the section of this prospectus entitled "ERISA Considerations." Any such prospective investors are required to consult their own legal and tax advisors on these matters.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements about our business, including, in particular, statements about our plans, strategies and objectives. You can generally identify forward-looking statements by our use of forward-looking terminology such as “may,” “will,” “expect,” “intend,” “anticipate,” “estimate,” “believe,” “continue” or other similar words. You should not rely on these forward-looking statements because the matters they describe are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond our control. Our actual results, performance and achievements may be materially different from that expressed or implied by these forward-looking statements.

You should carefully review the “Risk Factors” section of this prospectus for a discussion of the risks and uncertainties that we believe are material to our business, operating results, prospects and financial condition. Except as otherwise required by federal securities laws, we do not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ESTIMATED USE OF PROCEEDS

The following tables set forth information about how we intend to use the proceeds raised in this offering assuming that we sell the minimum of 250,000 shares, a mid-point range of 90,000,000 shares and the maximum of 180,000,000 shares of common stock. Many of the amounts set forth below represent management's best estimate since they cannot be precisely calculated at this time. Depending primarily upon the number of shares we sell in this offering and assuming a $10.00 purchase price for shares sold in the primary offering, we estimate that we will use approximately 87.20% of the gross proceeds to make investments in real estate properties and other real estate-related loans and securities. We will use the remainder of the offering proceeds to pay the costs of the offering, including selling commissions and the dealer manager fee, and to pay a fee to our advisor for its services in connection with the selection and acquisition of properties. We expect to use substantially all of the net proceeds from the sale of shares under our dividend reinvestment plan to repurchase shares under our share repurchase program. Our distribution policy is not to use the proceeds of this offering to pay distributions. However, our board has the authority under our organizational documents, to the extent permitted by Maryland law, to pay distributions from any source without limit, including proceeds from this offering or the proceeds from the issuance of securities in the future.

We do not expect investments in real estate-related loans and securities to exceed 10.0% of the proceeds of this offering, assuming we sell the maximum offering amount. If we raise only the minimum offering amount or substantially less than our maximum offering and we acquire a real estate-related asset early in our offering stage, our investments in real estate-related loans and securities could constitute a greater percentage of our portfolio, although we do not expect those assets to represent a substantial portion of our assets at any one time.

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	250,000 Shares Minimum Offering ($10.00/share)		90,000,000 Shares Primary Offering (75,000,000 shares) ($10.00/share)		90,000,000 Shares Div. Reinv. Plan (15,000,000 shares) ($9.50/share)	
	$	%	$	%	$	%
Gross Offering Proceeds	2,500,000	100.00%	750,000,000	100.00%	142,500,000	100.00%
Selling Commissions	175,000	7.00%	52,500,000	7.00%	0	0.00%
Dealer Manager Fee	75,000	3.00%	22,500,000	3.00%	0	0.00%
Other Organization and Offering Expenses (1)	37,500	1.50%	11,250,000	1.50%	213,750	0.15%
Amount available for Investment (2)	2,212,500	88.50%	663,750,000	88.50%	142,286,250	99.85%
Acquisition Fees (3)	22,125	0.90%	6,637,500	0.90%	0	0.00%
Acquisition Expenses(4)	11,063	0.40%	3,318,750	0.40%	0	0.00%
Amount invested in properties (5)	2,179,312	87.20%	653,793,750	87.20%	142,286,250	99.85%

	180,000,000 Shares Primary Offering (150,000,000 shares) ($10.00/share)		180,000,000 Shares Div. Reinv. Plan (30,000,000 shares) ($9.50/share)	
	$	%	$	%
Gross Offering Proceeds	1,500,000,000	100.00%	285,000,000	100.00%
Selling Commissions	105,000,000	7.00%	0	0.00%
Dealer Manager Fee	45,000,000	3.00%	0	0.00%
Other Organization and Offering Expenses (1)	22,500,000	1.50%	427,500	0.15%
Amount available for Investment (2)	1,327,500,000	88.5%	284,572,500	99.85%
Acquisition Fees (3)	13,275,000	0.90%	0	0.00%
Acquisition Expenses(4)	6,637,500	0.40%	0	0.00%
Amount invested in properties (5)	1,307,587,500	87.20%	284,572,500	99.85%

(1) Includes all expenses (other than selling commissions and the dealer manager fee) to be paid by us in connection with the offering, including our legal, accounting, printing, mailing and filing fees, charges of our escrow holder and transfer agent, reimbursement to our advisor and sub-advisor for our portion of the salaries and related employment costs of our advisor's and sub-advisor's employees who provide services to us (excluding costs related to employees who provide services for which the advisor or sub-advisor, as applicable, receive acquisition or disposition fees), reimbursement to the dealer manager for amounts it may pay to reimburse the bona fide due diligence expenses of broker-dealers, costs in connection with preparing supplemental sales materials, our costs of conducting bona fide training and education meetings held by us (primarily the travel, meal and lodging costs of non-registered officers of the company, our advisor and sub-advisor to attend such meetings) and cost reimbursement for non-registered employees of our affiliates to attend retail seminars conducted by broker-dealers. Our advisor has agreed to reimburse us to the extent the organization and offering expenses incurred by us exceed 1.5% of aggregate gross offering proceeds over the life of the offering, which may include up to 0.5% for third-party due diligence fees included in a detailed and itemized invoice. See "Plan of Distribution."

(2) Until required in connection with investment in real properties or other real estate-related assets, substantially all of the net proceeds of the offering and, thereafter, our working capital reserves, may be invested in short-term, highly liquid investments, including government obligations, bank certificates of deposit, short-term debt obligations and interest-bearing accounts or other authorized investments as determined by our board of directors.

(3) This table assumes that we will use all net proceeds from the sale of shares under our dividend reinvestment plan to repurchase shares under our share repurchase program rather than for investments in real estate and real estate-related investments. To the extent we use such net proceeds to invest in real estate and real estate-related loans and securities, our advisor or its subsidiary would earn the related acquisition fees. We will pay our advisor an acquisition fee equal to 1.0% of the cost of the investment acquired or originated by us, including acquisition expenses and any debt attributable to such investment. We may also incur customary third-party acquisition expenses in connection with the acquisition (or attempted acquisition) of a property or real estate-related asset. See note 4 below.

This table excludes debt proceeds. To the extent we fund our investments with debt, as we expect, the amount available for investment and the amount of acquisition fees will be proportionately greater. If we raise the maximum offering amount and our debt financing is equal to 65.0% of the value of our real estate investments, then acquisition fees would be approximately $37.9 million. If we raise the maximum offering amount and our debt financing is equal to 75.0% of the cost of our real estate investments, then acquisition fees would be approximately $53.1 million.

(4) Acquisition expenses include legal fees and expenses, travel and communications expenses, costs of appraisals, accounting fees and expenses, title insurance premiums and other closing costs and miscellaneous expenses relating to the selection, evaluation and acquisition of real estate properties, whether or not acquired. For purposes of this table, we have assumed expenses of 0.5% of the purchase price of each property (including our pro rata share of debt attributable to such property) and 0.5% of the amount advanced for a loan or other investment (including our pro rata share of debt attributable to such investment); however, expenses on a particular acquisition may be higher. Acquisition fees and expenses for any particular property will not exceed 6.0% of the contract purchase price of each property (including our pro rata share of debt attributable to such property) or 6.0% of the amount advanced for a loan or other investment (including our pro rata share of debt attributable to such investment).

(5) Amount available for investment will include customary third-party acquisition expenses, such as legal fees and expenses, costs of appraisals, accounting fees and expenses, title insurance premiums and other closing costs and miscellaneous expenses relating to the acquisition or origination of real estate and real estate-related investments. Includes amounts anticipated to be invested in properties net of fees, expenses and initial working capital reserves. Amount available for investment may also include anticipated capital improvement expenditures and tenant leasing costs.

Because we expect that the vast majority of leases for the properties acquired by us will provide for tenant reimbursement of operating expenses, we do not anticipate that a permanent reserve for maintenance and repairs of real estate properties will be established. If established, we expect any working capital reserves to be maintained at the property level. However, to the extent that we have insufficient funds for such purposes, we may establish reserves from gross offering proceeds, out of cash flow generated by operating properties or out of the net cash proceeds received by us from any sale or exchange of properties.

MARKET OPPORTUNITY

We are focused on providing an investment vehicle that will allow our stockholders to take advantage of this opportunity to participate in a carefully selected and professionally managed retail real estate portfolio.

Our investment goals are to acquire a portfolio of neighborhood and community shopping centers with one or more of the following attributes:

- Well-located shopping centers in more densely populated growth markets in the United States;
- Necessity-based retail typically with 80% or greater occupancy;
- Diversified portfolio of anchor tenants, geographic locations, tenant mix, and lease expirations;
- Purchased at a discount to replacement cost with potential for appreciation;
- Financed at a target leverage of not more than 50% loan to value of the portfolio (calculated once we have invested substantially all of the proceeds from this offering);
- Generating monthly distributions covered by funds from operations (FFO); and
- Maximizing total returns through property focus and exit strategy.

The Opportunity

We will invest primarily in well-occupied shopping centers with a mix of national, regional, and local retailers who sell essential goods and services to customers living in the local trade area. These centers will be well-located in more densely populated neighborhoods in the United States, where there are few opportunities for competing shopping centers to enter the market. We will be selective and prudent in investing capital and focus on acquiring higher quality assets with strong anchors in established or growing markets.

We expect to acquire centers where significant opportunities exist to create value through leasing and intensive property management. We believe our advisor’s and sub-advisor’s careful selection and professional management of the shopping centers will allow us to maintain and enhance each property’s financial performance.

We have a seasoned real estate team with experience in acquiring and managing retail properties through all market cycles. We believe that our team’s real estate experience and established network of owners and brokers, combined with what we believe will be an increase in the supply of available shopping center properties meeting our investment criteria, will allow us to acquire assets at a discount to replacement cost.

Established Sourcing Network

Our Phillips Edison sponsor is nationally recognized as one of the largest private owners of grocer-anchored shopping centers in the country. Over the last 18 years, they have acquired over 250 shopping centers through their national, regional and local network of relationships with real estate brokers and existing owners of shopping centers (including individuals, REITs, insurance companies, and other institutional direct owners of real estate). We believe this direct access to a continuous source of investment opportunities, not available to smaller, regional operators, allows us to see nearly all of the marketed opportunities available for sale, as well as a substantial number of off-market deals.

Our Phillips Edison sponsor's reputation has been established through its acquisition history, consistent presence in the market and relationships with owners and brokers. Our Phillips Edison sponsor's person-to-person marketing program provides continuous communication and market presence with owners and brokers. The program includes face-to-face meetings at owners' and brokers' offices, frequent telephone contact, networking at national and regional industry conferences, quarterly e-blasts to over 90,000 shopping center professionals and e-postcards sent to our proprietary database of over 6,500 accounts with 10,000 contacts.

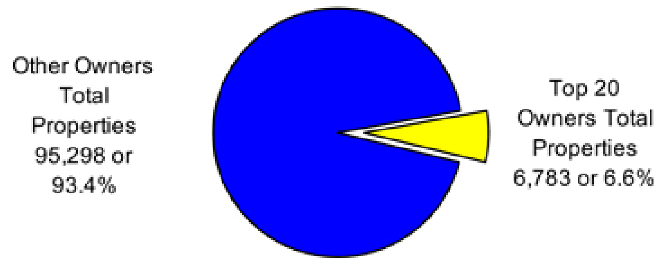
Volume of Opportunities

We believe our investment strategy is well suited for the current real estate environment. We believe there is a window of opportunity that has been created as a result of events in the economy and the capital markets. This market dislocation is creating buying opportunities not seen since the early 1990s. As the economy and capital markets normalize, we expect a steady volume of acquisition opportunities meeting our investment criteria to appear. We believe several factors contribute to the anticipated volume of properties for acquisition, including:

- We believe many owners of retail real estate are in distress as a result of debt maturities, are unable to cover their debt service obligations or are incapable of refinancing due to lender demands to resize their loans and are facing increasing pressure to sell.

- We believe commercial banks, lenders and loan servicers of commercial mortgage-backed securities are culling their portfolios of assets. We expect banks will need to realize the losses from the distressed commercial real estate mortgages on their balance sheets. With current bank earnings quite strong, we believe they will begin to realize these losses by selling assets to manage to a smoother income stream.

- The ownership of the more than 100,000 shopping centers in the United States is quite fragmented: only 6,783, or 6.6% are owned by the top 20 property owners (as illustrated in the chart below). This fragmentation of the retail shopping center industry has contributed to the long history of a healthy trading volume of shopping centers.



Source: ICSC Research (Apr 09), Retail Traffic (Apr 09)

Retail Outperforms other Real Estate

According to ICSC Research, the retail shopping center industry is comprised of over 100,000 retail shopping centers making retail one of the largest industries in the United States. The retail shopping center industry generates 12.6 million jobs and accounts for approximately 9.5% of the entire U.S. workforce which makes it an important segment of the economy and an important venue for retail commerce. In comparison to other investments, real estate has historically outperformed the S&P 500 during months leading up to and after the three recent recessions. Furthermore, when comparing the National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index (NPI) average annual returns of the four real estate sectors (retail, apartment, office, and industrial), retail real estate has generally outperformed the other real estate sectors during periods of recession and the following years.

The NPI is an unmanaged, market-weighted index of non-traded, unleveraged properties owned by tax exempt entities. NCREIF was established to serve the institutional real estate investment community as a non-partisan collector, processor, validator and disseminator of real estate performance information. NCREIF members are not traded on any public exchange. This means that NCREIF members and their investors are less susceptible to severe market movements. Not being listed on an exchange aligns management and the investors' incentives to view the investment over a longer investment horizon. NCREIF includes dividends.

The value of the NPI is computed as follows: NCREIF requires that properties included in the NPI be valued at least quarterly, either internally or externally, using standard commercial real estate appraisal methodology. Each property must be independently appraised a minimum of once every three years. The value of the capital component of the NPI return is predominately the product of the real property appraisals discussed below. In addition, property income results are reported quarterly for purposes of determining the income component of the index.

The qualifications for valuation of investments in the NPI are:

- Operating properties only;
- Property types — apartments, hotels, industrial properties, office buildings, and retail only;
- Can be wholly owned or in a joint venture structure;

- Investment returns are reported on a non-leveraged basis. While there are properties in the index that have leverage, returns are reported to NCREIF as if there is no leverage;
- Must be owned/controlled by a qualified tax-exempt institutional investor or its designated agent;
- Existing properties only (no development projects);
- Calculations are based on quarterly returns of individual properties before deduction of asset management fees;
- Each property's return is weighted by its market value;
- Income and Capital Appreciation changes are also calculated;
- The NPI is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. All properties in the NPI have been acquired, at least in part, on behalf of tax-exempt institutional investors — the great majority being pension funds. As such, all properties are held in a fiduciary environment;
- Properties in the NPI are accounted for using market value accounting standards. Data contributed to NCREIF is expected to comply with the Regional Economic Information System (REIS, Inc.). Because the NPI measures performance at the property level without considering investment or capital structure arrangements, information reported to the index will be different from information reported to investors. For example, interest expense reported to investors would not be included in the NPI. However, because the property information reported to the index is expected to be derived from the same underlying books and records, because it is expected to form the underlying basis for investor reporting, and because accounting methods are required to be consistent, fundamentally consistent information expectations exist;
- NCREIF requires that properties included in the NPI be valued at least quarterly, either internally or externally, using standard commercial real estate appraisal methodology. Each property must be independently appraised a minimum of once every three years; and
- Because the NPI is a measure of private market real estate performance, the capital value component of return is predominately the product of property appraisals. As such, the NPI is often referred to as an "appraisal based index."

Stockholders should not expect the same performance as the NPI because the NPI does not factor in the fees or expenses to which we are subject.

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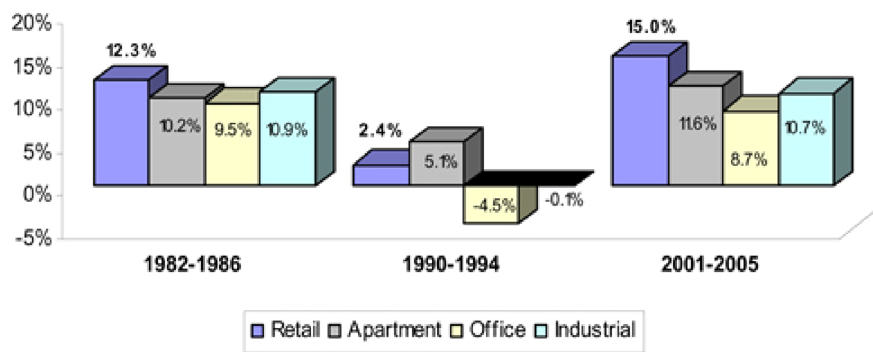


Data
Source:
NCREIF

Discount to Replacement Cost

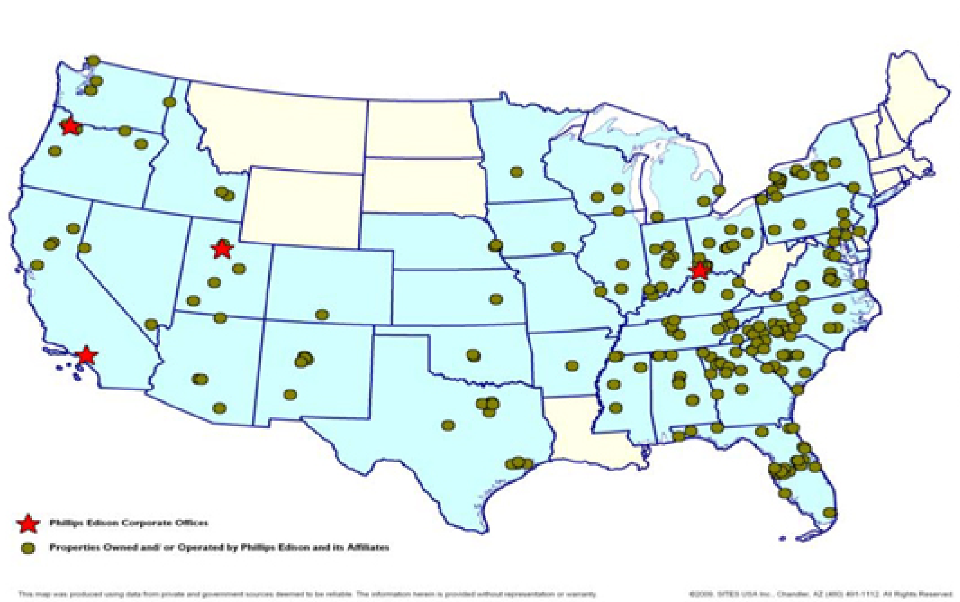
Average rental rates have been falling during the most recent recession resulting in lower property values and pricing. In the current acquisition environment, we believe we will be able to acquire properties at values based on current rents which are at a substantial discount to replacement cost and have significant potential for appreciation.

The Portfolio

Once we have substantially invested all of the proceeds of this offering, we expect to have a well-diversified portfolio based upon tenants, geographic locations, tenant mix, and lease expirations. We will target properties in more densely populated locations with established or growing markets and higher barriers to entry. We expect that the properties we acquire will be well-occupied shopping centers that focus on serving the day-to-day needs of the community in the surrounding trade area. Grocers and other necessity-based retailers who supply these goods and services have historically been more resistant to economic fluctuations due to the nature of the goods and services they sell.

Diversified Portfolio

We expect to acquire a well diversified portfolio of properties based on geography, anchor tenant diversity, tenant mix, lease expirations, and other factors. A diversified portfolio reduces the economic risk of any one geographic or tenant-related event to impact the cash flow or value of the portfolio. As the map shows below, our Phillips Edison sponsor’s current portfolio is located in 35 states and has over 3,100 tenants. As of this offering, no one retailer accounts for more than 4.0% of the annual minimum rent of the portfolio. There is no guarantee that our portfolio, once we have invested substantially all of the proceeds of this offering, will be as well diversified geographically or by tenant concentration.



Necessity Based Retail

We will invest primarily in well-occupied shopping centers with a mix of national, regional, and local retailers who sell essential goods and services to the population living in the local trade area. Unlike industries that are routinely affected by cyclical fluctuations in the economy, the grocery and necessity-based retail shopping center industry has been more resistant to economic downturns.

SOURCE: U.S. Census Bureau, December 2009

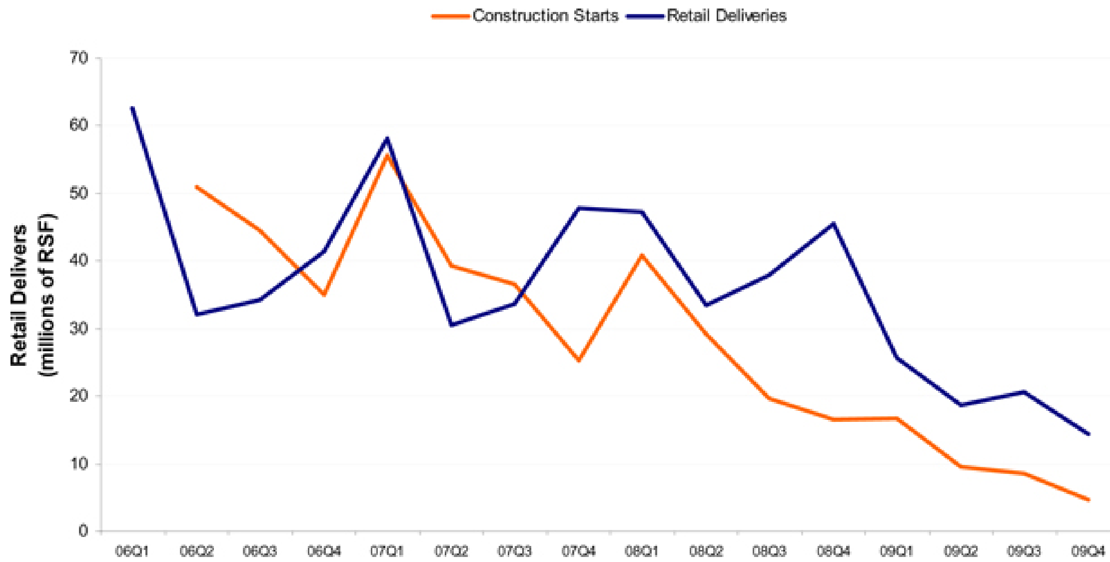
Grocery- and necessity-anchored shopping centers are tenanted by retailers that provide goods and services necessary for daily life. Many of these retailers also offer products or services that appeal to

consumers trying to save money. Items such as food, postal services, discount merchandise, hardware and personal services tend to be required through both economic peaks and troughs and create consistent consumer demand. Even in the current economic environment, many necessity-based retailers have continued to experience same store sales growth.

Due to the resilience of this retail sector, many necessity and discount-retailers have survived the recent recession. We believe these retailers have right-sized and have re-emerged leaner, nimbler and tailored to the new realities. Many of them have strong balance sheets and are expanding in order to take market share from weaker competitors.

In-Fill Locations

As the economy recovers, we expect more industry-wide competition for the finite supply of quality space. In the aggregate, the number of shopping centers has been growing more slowly. Benchmarked against population, total shopping center gross leasable area (GLA) per capita growth declined in 2009. New developments are being cancelled or delayed indefinitely creating a three- to five-year lag in new construction. We believe this lack of new center development is pushing retailers towards existing centers.



Source: Co-Star

The supply fundamentals for infill grocery anchored retail locations are in line with retail demand because grocers and other necessity-based retailers did not over-expand in recent years. These retailers are now benefiting from weaker competition and are expanding selectively. Well-positioned grocery anchored centers are attracting other stronger and expanding tenants. We believe these centers will benefit with increased property values as the economy rebounds and rents increase. We will focus our acquisition efforts on locations in established or growing retail markets in more densely populated locations. These in-fill locations have higher barriers to entry with few opportunities for competing shopping centers to enter the market.

MANAGEMENT

Board of Directors

We operate under the direction of our board of directors, the members of which are accountable to us and our stockholders as fiduciaries. The board is responsible for the management and control of our affairs. The board has retained ARC Advisor to manage our operations and our portfolio of real estate properties and real estate-related loans and securities, subject to the board's supervision. ARC Advisor has entered into a sub-advisory agreement with Phillips Edison Sub-Advisor in which the sub-advisor will manage our day-to-day activities, among other duties. Because of the conflicts of interest created by the relationships among us, our sponsors, ARC Advisor, Phillips Edison Sub-Advisor and their respective affiliates, many of the responsibilities of the board have been delegated to a committee that consists solely of independent directors. This committee is the conflicts committee and is discussed below and under "Conflicts of Interest."

We will have four independent directors. An "independent director" is a person who is not one of our officers or employees or an officer or employee of one of our sponsors or their respective affiliates and has not been so for the previous two years. Our independent directors will meet the director independence standards of the New York Stock Exchange, Inc. and the NASAA Statement of Policy Regarding Real Estate Investment Trusts.

Each director serves until the next annual meeting of stockholders and until his successor has been duly elected and qualified. The presence in person or by proxy of stockholders entitled to cast 50.0% of all the votes entitled to be cast on any matter at any stockholder meeting constitutes a quorum. With respect to the election of directors, each candidate nominated for election to the board of directors must receive a majority of the votes present, in person or by proxy, in order to be elected. Therefore, if a nominee receives fewer "for" votes than "withhold" votes in an election, then the nominee will not be elected.

Although our board of directors may increase or decrease the number of directors, a decrease may not have the effect of shortening the term of any incumbent director. Any director may resign at any time or may be removed with or without cause by the stockholders upon the affirmative vote of at least a majority of all the votes entitled to be cast at a meeting called for the purpose of the proposed removal. The notice of the meeting will indicate that the purpose, or one of the purposes, of the meeting is to determine if the director shall be removed.

Unless otherwise provided by Maryland law, the board of directors is responsible for selecting its own nominees and recommending them for election by the stockholders, provided that the conflicts committee nominates replacements for any vacancies among the independent director positions. A vacancy on the board of directors for any cause will be filled by a majority of the remaining directors, even if such majority is less than a quorum, except that, until we have a class of equity securities registered under the Exchange Act a vacancy that results from the removal of a director may also be filled by a vote of the stockholders.

Our directors are accountable to us and our stockholders as fiduciaries. This means that our directors must perform their duties in good faith and in a manner each director believes to be in our and our stockholders' best interests. Further, our directors must act with such care as a prudent person in a similar position would use under similar circumstances, including exercising reasonable inquiry when taking actions. However, our directors and executive officers are not required to devote all of their time to our business and must only devote such time to our affairs as their duties may require. We do not

expect that our directors will be required to devote a substantial portion of their time to us in discharging their duties.

In addition to meetings of the various committees of the board, which committees we describe below, we expect our directors to hold at least four regular board meetings each year. Our board has the authority to fix the compensation of all officers that it selects and may pay compensation to directors for services rendered to us in any other capacity.

Our general investment and borrowing policies are set forth in this prospectus. Our directors may establish further written policies on investments and borrowings and monitor our administrative procedures, investment operations and performance to ensure that our executive officers and advisor follow these policies and that these policies continue to be in the best interests of our stockholders. Unless modified by our directors, we will follow the policies on investments and borrowings set forth in this prospectus.

Committees of the Board of Directors

Our board of directors may delegate many of its powers to one or more committees. Our charter requires that each committee consist of at least a majority of independent directors, and our board has two committees, the audit committee and the conflicts committee, that consist solely of independent directors.

Audit Committee

Our board of directors has established an audit committee that consists solely of independent directors. The audit committee will assist the board in overseeing:

- our accounting and financial reporting processes;
- the integrity and audits of our financial statements;
- our compliance with legal and regulatory requirements;
- the qualifications and independence of our independent auditors; and
- the performance of our internal and independent auditors.

The audit committee will select the independent registered public accountants to audit our annual financial statements, will review with the independent registered public accountants the plans and results of the audit engagement and will consider and approve the audit and non-audit services and fees provided by the independent registered public accountants. We expect the members of the audit committee to be Leslie Chao, Ethan Hershman and Paul Massey. The board of directors has identified Leslie Chao as the audit committee “financial expert” within the meaning of the SEC rules.

Conflicts Committee

In order to reduce or eliminate certain potential conflicts of interest, our charter creates a conflicts committee of our board of directors consisting solely of all of our independent directors, that is, all of our directors who are not affiliated with our sponsors or their respective affiliates. Our charter authorizes the conflicts committee to act on any matter permitted under Maryland law. Both the board of directors and the conflicts committee must act upon those conflict-of-interest matters that cannot be delegated to a

committee under Maryland law. Our charter also empowers the conflicts committee to retain its own legal and financial advisors. See “Conflicts of Interest—Certain Conflict Resolution Measures.”

Our charter requires that the conflicts committee discharge the board’s responsibilities relating to the nomination of independent directors and the compensation of our independent directors. Our conflicts committee also will discharge the board’s responsibilities relating to the compensation of our executives. Subject to the limitations in our charter, the conflicts committee may also create stock-award plans.

Executive Officers and Directors

We have provided below certain information about our executive officers and directors.

Name	*Age**	*Positions*
Michael C. Phillips	55	Co-Chairman of the Board
Jeffrey S. Edison	49	Co-Chairman of the Board and Chief Executive Officer
John Bessey	52	President
Richard J. Smith	59	Chief Financial Officer
William M. Kahane	62	Director
Leslie T. Chao	53	Independent Director Nominee
Ethan Hershman	47	Independent Director Nominee
Ronald K. Kirk	65	Independent Director Nominee
Paul Massey	50	Independent Director Nominee

* As of April 9, 2010

Michael C. Phillips – (Co-Chairman of the Board) Mr. Phillips has served as a principal of Phillips Edison since 1991. Prior to forming Phillips Edison, Mr. Phillips was employed by Biggs Hypershoppes, Inc. as Vice President from 1989 until 1990, by May Centers as Senior Development Director from 1988 until 1989, and by The Taubman Company as Development Director from 1986 until 1988 and as a leasing agent from 1984 until 1986. Mr. Phillips received his bachelor’s degree in political science in 1977 from the University of Southern California.

Among the most important factors that led to the board of directors’ recommendation that Mr. Phillips serve as our director are Mr. Phillips’ leadership skills, integrity, judgment, knowledge of our company and our sub-advisor and his commercial real estate expertise.

Jeffrey S. Edison – (Co-Chairman of the Board and Chief Executive Officer) Mr. Edison, together with Michael C. Phillips, founded Phillips Edison in 1991 and has served as a principal of Phillips Edison since 1995. From 1991 to 1995, Mr. Edison was employed by Nations Bank’s South Charles Realty Corporation, serving as a Senior Vice President from 1993 until 1995 and as a Vice President from 1991 until 1993. Mr. Edison was employed by Morgan Stanley Realty Incorporated from 1987 until 1990 and The Taubman Company from 1984 until 1987. Mr. Edison received his bachelor’s degree in mathematics and economics from Colgate University in 1982 and a masters in business administration from Harvard Business School in 1984.

Among the most important factors that led to the board of directors’ recommendation that Mr. Edison serve as our director are Mr. Edison’s leadership skills, integrity, judgment, knowledge of our company and our sub-advisor and his commercial real estate expertise.

John Bessey – (President) Mr. Bessey has served as Chief Investment Officer for Phillips Edison since December 2005. During that time he has managed the placement of over $1.2 billion in 140 individual shopping centers comprising over 14,000,000 square feet. Prior to that, he served Phillips Edison as Vice President of Development from May 1999 starting the ground up development program

for the company. During that time he started and completed over 25 projects which included Walgreen's, Target, Kroger, Winn Dixie, Safeway and Wal-Mart. Prior to joining Phillips Edison, Mr. Bessey was employed by Kimco Realty Corporation as a Director of Leasing from 1995, by Koll Management Services as Director of Retail Leasing and Development from 1991 and by Tipton Associates as Leasing Manager from 1988. Prior to entering retail real estate in 1988, Mr. Bessey worked in the hospitality industry as a Convention Sales Director for the Cincinnati Convention and Visitors Bureau and for Hyatt Hotels in a number of sales management positions in Minneapolis and Cincinnati. Mr. Bessey received his Bachelor's Degree in Hotel and Restaurant Management from the University of Wisconsin – Stout in 1981.

Richard J. Smith – (Chief Financial Officer) Mr. Smith has served as Chief Financial Officer for Phillips Edison since February 2010. From May 1996 to November 2009, Mr. Smith served as Chief Financial Officer for Ramco -Gershenson Properties Trust, a publicly-traded REIT that primarily owns, develops, acquires, manages and leases community shopping centers. Prior to that, Mr. Smith was Vice President of Financial Services of the Hahn Company from January 1996 to May 1996, and served as Chief Financial Officer and Treasurer of Glimcher Realty Trust, an owner, developer and manager of community shopping centers and regional and super regional malls, from 1993 to 1996. From 1978 to 1988, Mr. Smith served as Controller and Director of Financial Services of The Taubman Company, an owner, developer and manager of regional malls. Mr. Smith began his career as a Certified Public Accountant in the Detroit office of Coopers and Lybrand from 1972 to 1978. Mr. Smith's professional affiliations include the American Institute of Certified Public Accountants, the Michigan Association of Certified Public Accountants, the International Council of Shopping Centers and the National Association of Real Estate Investment Trusts.

William M. Kahane – (Director) Mr. Kahane has served as President, Chief Operating Officer and Treasurer of American Realty Capital Trust, Inc. since its formation. He has been active in the structuring and financial management of commercial real estate investments for over 25 years. He is also President, Chief Operating Officer and Treasurer of American Realty Capital Properties, LLC. Mr. Kahane began his career as a real estate lawyer practicing in the public and private sectors from 1974 – 1979. From 1981 – 1992 Mr. Kahane worked at Morgan Stanley & Co., specializing in real estate, becoming a Managing Director in 1989. In 1992, Mr. Kahane left Morgan Stanley to establish a real estate advisory and asset sales business known as Milestone Partners which continues to operate and of which Mr. Kahane is currently the Chairman. From 2003 to 2006, Mr. Kahane was a trustee at American Financial Realty Trust, during which time Mr. Kahane served as Chairman of the Finance Committee of the Board of Trustees. Mr. Kahane has been a Managing Director of GF Capital Management & Advisors LLC, a New York based merchant banking firm, where he directs the firm's real estate investments since 2001. GF Capital offers comprehensive wealth management services through its subsidiary TAG Associates LLC, a leading multi-client family office and portfolio management services company with approximately $5.0 billion of assets under management. Mr. Kahane also was on the Board of Directors of Catellus Development Corp., an NYSE growth-oriented real estate development company, where he served as Chairman.

Among the most important factors that led to the board of directors' recommendation that Mr. Kahane serve as our director are Mr. Kahane's leadership skills, integrity, judgment, knowledge of our company and our advisor, commercial real estate expertise, knowledge of the retail securities brokerage industry, and public company director experience.

Leslie T. Chao – (Independent Director Nominee) Mr. Chao retired as Chief Executive Officer of Chelsea Property Group, a subsidiary of Simon Property Group, Inc. (NYSE: SPG), in 2008. Previously he served in various senior capacities at Chelsea, including President and Chief Financial Officer, from 1987 through its IPO in 1993 (NYSE: CPG) and acquisition by Simon in

2004. Chelsea is the world's largest developer, owner and manager of premium outlet centers, with properties in the United States, Japan, Korea and Mexico. Prior to Chelsea, Mr. Chao was a Vice President in the treasury group of Manufacturers Hanover Corporation (a New York bank holding company now part of JPMorgan Chase & Co.), where he was employed from 1978 to 1987. He is a non-executive director of Value Retail PLC, a leading developer of outlet centers in Europe, and from 2006 to 2008 served as an independent non-executive director of The Link REIT, the first and largest public REIT in Hong Kong. He received an AB from Dartmouth College in 1978 and an MBA from Columbia Business School in 1986.

Among the most important factors that led to the board of directors' recommendation that Mr. Chao serve as our director are Mr. Chao's integrity, judgment, leadership skills, extensive domestic and international commercial real estate expertise, accounting and financial management expertise, public company director experience, familiarity with our company and independence from management and our sponsor and their affiliates.

Ethan Hershman – (Independent Director Nominee) Mr. Hershman is CEO and Co-Chairman of Canusa Hershman Recycling LLC, formed in 2002 through the merger of Canusa Corporation's fiber division and Hershman Recycling Company, Inc. He played a managing role in the merger of the two companies resulting in an increase in sales of $40.0 million from $75.0 million in 2003 to $115.0 million in 2007. From 1986-2002, he served as President and CEO of Hershman Recycling Inc. directly managing of all brokerage recycling offices throughout the United States and responsible for business development, investments and contractual arrangements. Throughout his career, Mr. Hershman has co-founded a number of successful companies including: Newport CH International LLC, an international trading company focused on the purchasing and direct export sale of wastepaper for the recycling industry, with annual sales over $350.0 million; Evergreen Fibers, Inc, a marketer of containerboard, with annual sales over $100.0 million; and Alpco Waste Systems Inc., a commercial and residential trash hauling and recycling company, sold to Republic Services (NYSE: RSG) in 1998.

Among the most important factors that led to the board of directors' recommendation that Mr. Hershman serve as our director are Mr. Hershman's integrity, judgment, leadership, familiarity with our company, commercial business experience and independence from management and our sponsors and their affiliates.

Ronald K. Kirk – (Independent Director Nominee) Mr. Kirk has been President and CEO of Kirk Horse Insurance, LLC (KHI) of Lexington, Kentucky since 1981. KHI is Managing Underwriter for horse insurance for North American Specialty Insurance Company (NAS). NAS is a wholly-owned subsidiary of Swiss Reinsurance-America. Mr. Kirk is also Chairman and President of Pivotal Insurance Company, Ltd of Hamilton, Bermuda. Mr. Kirk was formally Chairman of the Board of Trustees of the national Thoroughbred Owners and Breeders Association. He received an MBA from Harvard Business School in 1968, with a concentration in Finance.

Among the most important factors that led to the board of directors' recommendation that Mr. Kirk serve as our director are Mr. Kirk's integrity, judgment, leadership, familiarity with our company, insurance industry expertise and independence from management and our sponsors and their affiliates.

Paul Massey – (Independent Director Nominee) Mr. Massey began his career at Coldwell Banker Commercial Real Estate Services in Midtown Manhattan first as the head of the market research department and next as an investment sales broker. Together with Partner Robert A. Knakal, whom he met at Coldwell, he then founded what has become New York City's largest

investment property sales brokerage firm. With 150 sales professionals serving more than 200,000 property owners, Massey Knakal Realty Services is ranked New York City's #1 property sales company in transaction volume by the CoStar Group, a national, independent real estate analytics provider. With more than $2 billion in annual sales, Massey Knakal also ranks as one of the nation's largest privately owned real estate brokerage firms. Firm services include brokerage, consulting and investment analysis, professional arbitration and valuation. In 2007, Mr. Massey was the recipient of the Real Estate Board of New York's prestigious Louis B. Smadbeck Broker Recognition Award. Mr. Massey also serves as Chairman for REBNY's Ethics and Business Practice Subcommittee, is Director of Commercial Board of Directors of REBNY, is an active member of the Board of Trustees for the Lower East Side Tenement Museum and serves as a chair or member of numerous other committees. Mr. Massey graduated from Colgate University with a Bachelor of Arts degree in economics.

Among the most important factors that led to the board of directors' recommendation that Mr. Massey serve as our director are Mr. Massey's integrity, judgment, leadership skills, extensive commercial real estate expertise, familiarity with our company and independence from management and our sponsors and their affiliates.

Compensation of Directors

We compensate each of our independent directors with an annual retainer of $30,000. In addition, we pay independent directors for attending board and committee meetings as follows:

- $1,000 in cash for each board meeting attended in person or telephonically.
- $1,000 in cash for each committee meeting attended in person or telephonically.

In addition, the audit committee chair will receive an annual retainer of $5,000 and the conflicts committee chair an annual award of $3,000. All directors will receive reimbursement of reasonable out-of-pocket expenses incurred in connection with attendance at meetings of the board of directors. If a director is also one of our officers, we will not pay any compensation for services rendered as a director.

2010 Independent Director Stock Plan

We have adopted a long-term incentive plan that we will use to attract and retain qualified directors. Our 2010 Independent Director Stock Plan (the "Independent Director Plan") offers these individuals an opportunity to participate in our growth through awards of shares of restricted common stock subject to time-based vesting. We expect to grant our independent directors an annual award of 2,500 shares of restricted stock.

Our board of directors or a committee appointed by the board of directors will administer the Independent Director Plan, with sole authority to determine all of the terms and conditions of the awards. No awards will be granted under the Independent Director Plan if the grant or vesting of the awards would jeopardize our status as a REIT under the Internal Revenue Code or otherwise violate the ownership and transfer restrictions imposed under our charter. Unless otherwise determined by our board of directors, no award granted under the Independent Director Plan will be transferable except through the laws of descent and distribution.

We have authorized and reserved 200,000 shares for issuance under the Independent Director Plan. In the event of a transaction between our company and our stockholders that causes the per-share value of our common stock to change (including, without limitation, any stock dividend, stock split, spin-

off, rights offering or large nonrecurring cash dividend), the share authorization limits under the Independent Director Plan will be adjusted proportionately and the board of directors will make such adjustments to the Independent Director Plan and awards as it deems necessary, in its sole discretion, to prevent dilution or enlargement of rights immediately resulting from such transaction. In the event of a stock split, a stock dividend or a combination or consolidation of the outstanding shares of common stock into a lesser number of shares, the authorization limits under the Independent Director Plan will automatically be adjusted proportionately and the shares then subject to each award will automatically be adjusted proportionately without any change in the aggregate purchase price.

Unless otherwise provided in an award certificate or any special plan document governing an award, upon the termination of a participant's service due to death or disability, all time-based vesting restrictions on his or her outstanding shares of restricted stock will lapse as of the date of termination. Unless otherwise provided in an award certificate or any special plan document governing an award, upon the occurrence of a change in our control, all time-based vesting restrictions on outstanding shares of restricted stock will lapse.

Our board of directors may in its sole discretion at any time determine that all or a part of a director's time-based vesting restrictions on all or a portion of a director's outstanding shares of restricted stock will lapse, as of such date as the board may, in its sole discretion, declare. Our board may discriminate among participants or among awards in exercising such discretion.

The Independent Director Plan will automatically expire on the tenth anniversary of the date on which it is approved by our board of directors and stockholders, unless extended or earlier terminated by the board of directors. The board of directors may terminate the Independent Director Plan at any time. The expiration or other termination of the Independent Director Plan will not, without the participants' consent, have an adverse impact on any award that is outstanding at the time the Independent Director Plan expires or is terminated. The board of directors may amend the Independent Director Plan at any time, but no amendment will adversely affect any award without the participant's consent and no amendment to the Independent Director Plan will be effective without the approval of our stockholders if such approval is required by any law, regulation or rule applicable to the Independent Director Plan.

Limited Liability and Indemnification of Directors, Officers, Employees and Other Agents

Maryland law permits a corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages, except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment and which is material to the cause of action.

Maryland law requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or threatened to be made a party by reason of their service in those or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty;

- the director or officer actually received an improper personal benefit in money, property or services; or

- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses.

Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation’s receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

Except as restricted therein or by Maryland law, our charter limits the liability of our directors and our officers to us and our stockholders for monetary damages and requires us to indemnify and advance expenses to our directors, our officers, ARC Advisor or Phillips Edison Sub-Advisor and their respective affiliates. However, we may not indemnify our directors, ARC Advisor or Phillips Edison Sub-Advisor or their respective affiliates for any liability or loss suffered by any of them or hold any of them harmless for any loss or liability suffered by us unless all of the following conditions are met:

- the party seeking exculpation or indemnification has determined, in good faith, that the course of conduct that caused the loss or liability was in our best interests;

- the party seeking exculpation or indemnification was acting on our behalf or performing services for us;

- in the case of an independent director, the liability or loss was not the result of gross negligence or willful misconduct by the independent director;

- in the case of a non-independent director, ARC Advisor or Phillips Edison Sub-Advisor or one of their respective affiliates, the liability or loss was not the result of negligence or misconduct by the party seeking exculpation or indemnification; and

- the indemnification or agreement to hold harmless is recoverable only out of our net assets and not from the common stockholders.

The SEC takes the position that indemnification against liabilities arising under the Securities Act of 1933, as amended (the “Securities Act”) is against public policy and unenforceable. Furthermore, our charter prohibits the indemnification of our directors, ARC Advisor or Phillips Edison Sub-Advisor, their respective affiliates or any person acting as a broker-dealer for liabilities arising from or out of a violation of state or federal securities laws, unless one or more of the following conditions are met:

- there has been a successful adjudication on the merits of each count involving alleged material securities law violations;

- such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction; or

- a court of competent jurisdiction approves a settlement of the claims against the indemnitee and finds that indemnification of the settlement and the related costs should be made, and the court considering the request for indemnification has been advised of the position of the SEC and of the published position of any state securities regulatory authority of a jurisdiction in which the securities were offered or sold as to indemnification for violations of securities laws.

Our charter further provides that the advancement of funds to our directors and to ARC Advisor or Phillips Edison Sub-Advisor and their respective affiliates for reasonable legal expenses and other costs incurred in advance of the final disposition of a proceeding for which indemnification is being sought is permissible only if all of the following conditions are satisfied:

- the proceeding relates to acts or omissions with respect to the performance of duties or services on our behalf;
- the legal proceeding was initiated by a third party who is not a common stockholder or, if by a common stockholder acting in his or her capacity as such, a court of competent jurisdiction approves such advancement; and
- the person seeking the advancement provides us with written affirmation of such person's good faith belief that the standard of conduct necessary for indemnification has been met and undertakes to repay the amount paid or reimbursed by us, together with the applicable legal rate of interest thereon, if it is ultimately determined that such person is not entitled to indemnification.

We will have also purchased and will maintain insurance on behalf of all of our directors and officers against liability asserted against or incurred by them in their official capacities with us, whether or not we are required or have the power to indemnify them against the same liability.

Our Advisor and Sub-advisor

Our advisor is ARC Advisor. ARC Advisor is a newly organized limited liability company that was formed in the State of Delaware on December 28, 2009. Our advisor has no operating history and no experience managing a public company. As our advisor, ARC Advisor has contractual and fiduciary responsibilities to us and our stockholders.

The officers and key personnel of our advisor are as follows:

Name	***Age***	***Positions***
Nicholas S. Schorsch	49	Chief Executive Officer
William M. Kahane	62	President, Chief Operating Officer and Treasurer
Peter M. Budko	50	Executive Vice President and Chief Investment Officer
Brian S. Block	38	Executive Vice President and Chief Financial Officer
Michael Weil	43	Executive Vice President and Secretary
Louisa Quarto	42	Senior Vice President

The background of Mr. Kahane is described in the "Management—Executive Officers and Directors" section of this prospectus The background of Ms. Quarto is described in the

"Management—Our Dealer Manger" section of this prospectus. The backgrounds of Messrs. Schorsch, Budko, Block and Weil are described in the "Management—Our Sponsors—Our ARC Sponsors" section of this prospectus.

The Advisory Agreement

Under the terms of the advisory agreement, ARC Advisor will use its reasonable best efforts to present to us investment opportunities that provide a continuing and suitable investment program for us consistent with our investment policies and objectives as adopted by our board of directors. Pursuant to the advisory agreement, ARC Advisor will ultimately be responsible for the management of our day-to-day operations, retain the property managers for our property investments (subject to the authority of our board of directors and officers) and perform other duties, including, but not limited to, the following:

- finding, presenting and recommending to us real estate property and real estate-related investment opportunities consistent with our investment policies and objectives;
- structuring the terms and conditions of our investments, sales and joint ventures;
- acquiring properties and other investments on our behalf in compliance with our investment objectives and policies;
- sourcing and structuring our loan originations;
- arranging for financing and refinancing of properties and our other investments;
- entering into leases and service contracts for our properties;
- supervising and evaluating each property manager's performance;
- reviewing and analyzing the properties' operating and capital budgets;
- assisting us in obtaining insurance;
- generating an annual budget for us;
- reviewing and analyzing financial information for each of our assets and the overall portfolio;
- formulating and overseeing the implementation of strategies for the administration, promotion, management, operation, maintenance, improvement, financing and refinancing, marketing, leasing and disposition of our properties and other investments;
- performing investor-relations services;
- maintaining our accounting and other records and assisting us in filing all reports required to be filed with the SEC, the IRS and other regulatory agencies;
- engaging and supervising the performance of our agents, including our registrar and transfer agent; and

- performing any other services reasonably requested by us.

See “Compensation Table” for a detailed discussion of the fees payable to ARC Advisor under the advisory agreement. We also describe in that section our obligation to reimburse ARC Advisor and our sub-advisor for organization and offering expenses, the costs of providing services to us (other than for services for which it earns acquisition or disposition fees for sales of properties or other investments) and payments made by ARC Advisor in connection with potential investments, whether or not we ultimately acquire or originate the investment.

The second amended and restated advisory agreement, or our advisory agreement, became effective on April 9, 2010 and has a one-year term but may be renewed for an unlimited number of successive one-year periods upon the mutual consent of ARC Advisor and us. The board of directors will evaluate the performance of ARC Advisor before renewing the advisory agreement. The criteria used in such an evaluation will be reflected in the board minutes. Additionally, either party may terminate the advisory agreement without cause or penalty upon 60 days’ written notice and, in such event, ARC Advisor must cooperate with us and our directors in making an orderly transition of the advisory function. By “without penalty,” we mean that we can terminate our advisor without having to compensate our advisor for income lost as a result of the termination of the advisory agreement. The advisory agreement does contain a provision to eliminate the possibility that our advisor could be terminated as a way to avoid having to pay the Subordinated Share of Cash Flows. Based on this provision, upon termination of the agreement, our advisor will be entitled to a subordinated termination fee, as described below.

Upon termination of the advisory agreement, our advisor shall be entitled to a subordinated termination fee. The subordinated termination fee, if any, will equal to the greater of (a) 15.0% of the amount, if any, by which (1) the fair market value of our assets on the termination date, less any indebtedness secured by such assets, plus total distributions paid through the termination date (excluding stock dividends and distributions paid on repurchased shares), exceeds (2) the sum of the total amount of capital raised from stockholders (less amounts paid to repurchase shares of our common stock pursuant to our share repurchase plan) and the total amount of cash that, if distributed to them as of the termination date, would have provided them an annual 7.0% cumulative, non-compounded return on the gross proceeds from the sale of shares of our common stock through the termination date, or (b) deemed real estate commissions equal to 3.0% of the contract sales price that would have been paid to the advisor or its affiliates (assuming the sale of substantially all the assets of the operating partnership at the date of termination of the advisory agreement at fair market value on such date; provided that in no event may such deemed real estate commissions exceed the aggregate reasonable, customary and competitive real estate commission in light of the size, type and location of the properties). In addition, our advisor may elect to defer its right to receive a subordinated termination fee until either a listing or other liquidity event occurs, including a liquidation, sale of substantially all of our assets or merger in which our stockholders receive in exchange for their shares of our common stock shares of a company that are traded on a national securities exchange.

If our advisor elects to defer its right to receive a and there is a listing of the shares of our common stock on a national securities exchange or a merger in which our stockholders receive in exchange for their shares of our common stock shares of a company that are traded on a national securities exchange, then our advisor will be entitled to receive a subordinated termination fee in an amount equal to the greater of (a) 15.0% of the amount, if any, by which the sum of (1) the fair market value of our assets (determined as of the listing date or merger date, as applicable) owned as of the termination of the advisory agreement, plus any assets acquired after such termination for which our advisor would have been entitled to receive an acquisition fee (referred to herein as the “included assets”) less any indebtedness secured by these assets, plus the cumulative distributions made by our operating partnership to us and the limited partners who received partnership units in connection with the

acquisition of the included assets, from our inception through the listing date or merger date, as applicable, exceeds (2) the sum of the total amount of capital raised from stockholders and the capital value of partnership units issued in connection with the acquisition of the included assets through the listing date or merger date, as applicable (excluding any capital raised after the completion of this offering) (less amounts paid to repurchase shares of our common stock pursuant to our share repurchase plan), plus an amount equal to an annual 7.0% cumulative, non-compounded return on the total amount of capital raised from stockholders and the capital value of such partnership units measured for the period from inception through the listing date or merger date, as applicable, or (b) deemed real estate commissions equal to 3.0% of the contract sales price that would have been paid to the advisor or its affiliates (assuming the sale of substantially all the assets of the operating partnership at the date of termination of the advisory agreement at fair market value on such date; provided that in no event may such deemed real estate commissions exceed the aggregate reasonable, customary and competitive real estate commission in light of the size, type and location of the properties).

If our advisor elects to defer its right to receive a subordinated termination fee and there is a liquidation or sale of all or substantially all of the assets of the operating partnership, then our advisor will be entitled to receive a subordinated termination fee in an amount equal to the greater of (a) 15.0% of the net proceeds from the sale of our assets owned as of the termination of the advisory agreement and the included assets, after subtracting the sum of (1) the total amount of capital raised from stockholders and the capital value of partnership units issued in connection with the acquisition of the included assets through the date of the liquidity event plus (2) an amount equal to an annual 7.0% cumulative, non-compounded return on such initial invested capital and the capital value of such partnership units measured for the period from inception through the date of the liquidity event date, or (b) deemed real estate commissions equal to 3.0% of the contract sales price that would have been paid to the advisor or its affiliates (assuming the sale of substantially all the assets of the operating partnership at the date of termination of the advisory agreement at fair market value on such date; provided that in no event may such deemed real estate commissions exceed the aggregate reasonable, customary and competitive real estate commission in light of the size, type and location of the properties). If our advisor receives the subordinated incentive fee, it would no longer be entitled to receive subordinated distributions of net sales proceeds or the subordinated termination fee. If our advisor receives the subordinated termination fee, it would no longer be entitled to receive subordinated distributions of net sales proceeds or the subordinated incentive fee. There are many additional conditions and restrictions on the amount of compensation our advisor and its affiliates may receive.

ARC Advisor and its affiliates engage in other business ventures, and, as a result, they will not dedicate their resources exclusively to our business. However, pursuant to the advisory agreement, ARC Advisor must devote sufficient resources to our business to discharge its obligations to us. ARC Advisor may assign the advisory agreement to an affiliate upon our approval. We may assign or transfer the advisory agreement to a successor entity.

The Sub-advisor

Subject to the terms of the advisory agreement between ARC Advisor and us, ARC Advisor will delegate its advisory duties to a sub-advisor, Phillips Edison Sub-Advisor, which is an indirect, wholly-owned subsidiary of Phillips Edison, one of our sponsors. The sub-advisor will agree to perform the duties of the Advisor as set forth in the Advisory Agreement. Notwithstanding such delegation to the sub-advisor, ARC Advisor retains ultimate responsibility for the performance of all the matters entrusted to it under the advisory agreement.

The officers and key personnel of our sub-advisor are as follows:

Name	*Age*	*Positions*
Michael C. Phillips	55	Co-Chairman
Jeffrey S. Edison	49	Co-Chairman
John Bessey	52	President
R. Mark Addy	48	Vice President, Treasurer and Secretary

The backgrounds of Messrs. Phillips, Edison and Bessey are described in the "Management—Executive Officers and Directors" section of this prospectus. The background of Mr. Addy is described in the "Management—Our Sponsors—Our Phillips Edison Sponsors" section of this prospectus.

A portion of the compensation received by ARC Advisor pursuant to the advisory agreement is assigned and distributed to the sub-advisor in accordance with the terms of the sub-advisory agreement.

Based on these determinations, investment recommendations are made by our advisor or sub-advisor to our board of directors and our board of directors, or a majority of the conflicts committee that constitutes a majority of our board of directors, approves all proposed investments.

The advisor and sub-advisor have also agreed that, notwithstanding the delegation of the advisor's responsibilities to the sub-advisor as described above, certain major decisions will be subject to joint approval of the advisor and sub-advisor. Those major decisions include: (1) decisions to recommend to the Board of Directors that the Company acquire or sell assets; (2) retaining investment banks for the Company; (3) marketing methods for the Company's sale of its Shares; (4) extending, initiating or terminating this offering or any subsequent offering of the Company's Shares; (5) issuing certain press releases; and (6) merging or otherwise engaging in any change of control transaction for the Company. Even though joint approval of the above decisions is required, in all cases the Company's Board of Directors will need to approve such decisions, as well.

However, if there is a disagreement with respect to decisions to recommend to the Board of Directors asset acquisitions or dispositions, then (1) joint approval will not be required, (2) the sub-advisor and the advisor must discuss the proposed transaction before either party makes any recommendation of the proposed transaction to the Board of Directors, and (3) the sub-advisor and the advisor will each give due consideration to the opinions of the other party. If the parties cannot agree as to whether to recommend the proposed transaction to the Board of Directors, the sub-advisor's decision will govern.

Initial and Continuing Investment by Our Sub-advisor

Our sponsors have invested $200,000 in us through the purchase of 20,000 shares of our common stock at $10.00 per share. Phillips Edison Sub-Advisor is the owner of these 20,000 shares. As of the date of this prospectus, this constitutes 100% of our issued and outstanding stock. Phillips Edison Sub-Advisor has agreed to purchase on a monthly basis 0.10% of the shares sold in this offering at a purchase price of $9.00 per share. Phillips Edison Sub-Advisor may not sell any of these shares during the period it serves as our sub-advisor. Although nothing prohibits Phillips Edison Sub-Advisor or its affiliates from acquiring additional shares of our common stock, Phillips Edison Sub-Advisor currently has no options or warrants to acquire any shares.

Voting Obligations of the Advisor and Sub-Advisor

Phillips Edison Sub-Advisor has agreed to abstain from voting any shares it acquires in any vote regarding (1) the removal of ARC Advisor or any affiliate of ARC Advisor, (2) the removal of Phillips Edison Sub-Advisor or any affiliate of Phillips Edison Sub-Advisor, (3) any transaction between us and

ARC Advisor or any of its affiliates and (4) any transaction between us and Phillips Edison Sub-Advisor or any of its affiliates. Phillips Edison Sub-Advisor has agreed to vote any shares of our common stock it owns in favor of any person nominated by ARC Advisor for our board of directors. Any person nominated by ARC Advisor for our board of directors who is elected to the board will have executed an advance letter of resignation from our board immediately effective upon the termination of ARC Advisor as our advisor, if such termination shall ever occur. ARC Advisor has agreed to vote any shares of our common stock it owns in favor of any person nominated by Phillips Edison Sub-Advisor for our board of directors.

If ARC Advisor’s nominee to the board of directors is not elected by our stockholders at anytime during the first five years of this offering, ARC Advisor will appoint an individual to observe meetings of the board of directors and committees. The board observer would not be a member of the board of directors or be entitled to vote on any matters brought before the board or a committee of the board. The board observer would not have access to certain meetings of the independent directors and would not be able to review legally privileged materials presented to the board. The board observer would resign from his or her position upon the earlier to occur of (1) the fifth anniversary of the commencement of this initial public offering and (2) our termination of ARC Advisor as our advisor.

The Property Manager

We expect that a substantial majority of our real properties will be managed and leased by Phillips Edison & Company, Ltd., our property manager (the "Phillips Edison Property Manager"), an Ohio limited liability company wholly-owned by our Phillips Edison sponsor. Messrs. Phillips, Edison, Bessey and Smith hold key positions at our property manager and it is affiliated with our sub-advisor. For more information about their background and experience, see "—Our Sponsors—Our Phillips Edison Sponsors."

We will pay our property manager a monthly market-based property management fee of up to 4.5% of the annualized gross revenues generated at our properties for services it provides in connection with operating and managing the property. In the event that we contract directly with a non-affiliated third-party property manager in respect of a property, we will pay Phillips Edison Property Manager an oversight fee equal to 1.0% of the annualized gross revenues of the property managed. In no event will we pay both a property management fee and an oversight fee to Phillips Edison Property Manager with respect to any particular property. The property manager may pay some or all of these fees to third parties for management or leasing services.

Our property management agreement with Phillips Edison Property Manager will have a one-year term, and will be subject to successive one-year renewals unless Phillips Edison Property Manager provides written notice of its intent to terminate 30 days' prior to the expiration of the initial or renewal term. We also will have the right to terminate the agreement upon 30 days' prior written notice in the event of gross negligence or willful misconduct by the property manager. We and our operating partnership may assign our rights under the property management agreement as to any particular property to a lender or lenders pursuant to the terms of any loan or loans we obtain related to our assets.

Our property manager will hire, direct and establish policies for employees who will have direct responsibility for the operations of each real property it manages, which may include, but is not limited to, on-site managers and building and maintenance personnel. Certain employees of our property manager may be employed on a part-time basis and may also be employed by our advisor, our dealer manager or certain companies affiliated with them. Our property manager will also direct the purchase of equipment and supplies and will supervise all maintenance activity. The management fees we pay to our property manager will include, without additional expense to us, all of our property manager's general overhead costs.

Our Sponsors

Because our advisor is indirectly owned and controlled by Messrs. Schorsch and Kahane, who are affiliates of American Realty Capital II, LLC, and our Sub-advisor is indirectly owned and controlled by Messrs. Phillips and Edison, who are affiliates of Phillips Edison Limited Partnership, we consider ourselves to be co-sponsored by the individuals who ultimately own and control those entities. In addition to the directors and executive officers listed above, our advisor and sub-advisor will rely on our Phillips Edison and ARC sponsors and on key professionals employed or retained by affiliates of our sponsors. These individuals have extensive real estate industry experience through multiple real estate cycles in their careers and have the expertise gained through hands-on experience in property selection, acquisitions/development, financing, asset and property management, and dispositions.

Our Phillips Edison Sponsors

Our Phillips Edison sponsor has a fully-integrated, scalable, national operating platform. The acquired portfolio of assets will be managed by a seasoned team of more than 160 professionals with

extensive knowledge and expertise in the retail sector. Our Phillips Edison sponsor's 10-member senior management team has an average of 18 years of retail property and related real estate experience, an average tenure of 10 years with the sponsor, and currently manages over $1.8 billion of retail real estate and real estate related assets. Our Phillips Edison sponsor's management team has institutional experience investing and performing throughout a variety of market conditions and real estate cycles. The management team has long-term relationships with regional and national grocery tenants, other national and necessity-based anchor and junior-anchor tenants and many small store retailers. Their established relationships with these retailers and other necessary players in the industry, including lenders, vendors, brokers and contractors will assist in providing reliable execution of our investment and operating strategies.

Our Phillips Edison sponsor's national platform enables them to operate in markets throughout the United States. Corporate offices are located in Cincinnati, Ohio; Salt Lake City, Utah; Los Angeles, California; Baltimore, Maryland; Columbia, South Carolina; and Portland, Oregon; with satellite offices in other various cities to ensure that management personnel are located in relatively close proximity to every portfolio property. Property managements' hub and spoke system allows for centralized control and constant on-site presence at every shopping center.

The national platform is supported with a scalable, state-of-the-art information technology system and disaster recovery system monitored with appropriate controls. Its proprietary document approval system creates efficient, paperless communication and process approval between departments in real time. The system provides secure access to important documents which are stored electronically and are accessible by query.

Fully-integrated Team

Our Phillips Edison sponsor's in-house operating team is exclusively dedicated to its properties and those of its affiliates, including us. The fully-integrated operating team which includes acquisitions, due diligence, financing, leasing, research, lease administration, property management, and construction control every aspect of the property acquisition, leasing and management process. Key requirements of each group are:

- **Acquisitions** generate constant deal flow, streamlined evaluation process, and disciplined buying. This is enhanced through the advisor's reputation, longstanding relationships with broker and property owners and a constant market presence.

- **Due Diligence** assesses issues and any foreseeable risks associated with a property being acquired which might affect its value and price. This includes site visits, tenant interviews, tenant sales reviews, verification of leases, and review of environmental and property conditions. Upon acquisition, the team disseminates the information to the organization for an effective and efficient transition to operations.

- **Finance** builds and leverages lender relationships to secure financing at the lowest cost while managing flexibility, underwrites and finances all new acquisitions and forecasts operating results.

- **Leasing** teams are responsible for understanding each center's market and creating a tailored merchandising plan to obtain a tenant mix that enhances the retail shopping experience and optimize the income stream. Agents are responsible for developing and cultivating

relationships with existing and potential tenants through formal and informal meetings, telephone contact, portfolio reviews at tenants' headquarters and tenant "call-ins."

- **Research** provides information including mapping, demographics, site specific data, market information, and trend and void analyses to every department.

- **Lease Administration** negotiates the non-monetary provisions of leases and works closely with the leasing team to draft, review, and negotiate letters of intent, leases, amendments, renewals, and assignments while improving the quality of leases.

- **Property Management** maintains an attractive, safe environment where retailers thrive and customers enjoy a pleasant shopping experience. This property-focus includes daily review and supervision of every center through a combination of regional and on-site managers.

- **Construction** works closely with leasing and lease administration to provide cost estimating, analysis, conceptual design, and value engineering options. Supervision and management of all construction activities are completed in-house in an effort to minimize cost and time. Bidding and construction is completed through an established network of contractors.

- **Development** manages tenant specific build-to-suit land parcels as well as improvement of raw land. Services include: feasibility studies, site plan design, acquisition of government permits, subdivision, construction of access roads, installation of utilities, drainage, and construction management.

Below is a brief description of the background and experience of our individual Phillips Edison sponsors and the senior real estate professionals employed or retained by Phillips Edison and its affiliates.

Michael C. Phillips, Co-Chairman of the Board, has served as a principal of Phillips Edison since 1991. Prior to forming Phillips Edison, Mr. Phillips was employed by Biggs Hypershoppes, Inc. as Vice President from 1989 until 1990, by May Centers as Senior Development Director from 1988 until 1989, and by The Taubman Company as Development Director from 1986 until 1988 and as a leasing agent from 1984 until 1986. Mr. Phillips received his bachelor's degree in political science in 1977 from the University of Southern California.

Jeffrey S. Edison, Co-Chairman of the Board and our Chief Executive Officer, has served as a principal of Phillips Edison since 1995. From 1991 to 1995. Mr. Edison was employed by Nations Bank's South Charles Realty Corporation, serving as a Senior Vice President from 1993 until 1995 and as a Vice President from 1991 until 1993. Mr. Edison was employed by Morgan Stanley Realty Incorporated from 1987 until 1990 and The Taubman Company from 1984 until 1987. Mr. Edison received his bachelor's degree in mathematics and economics from Colgate University in 1982 and a masters in business administration from Harvard Business School in 1984.

John Bessey, our President, has served as Chief Investment Officer for Phillips Edison since 2005. During that time he has managed the placement of over $1.2 billion in 140 individual shopping centers comprising over 14,000,000 square feet. Prior to that, he served Phillips Edison as Vice President of Development from 1999 starting the ground up development program for the company. During that time he started and completed over 25 projects which included Walgreen's, Target, Kroger, Winn Dixie, Safeway and Wal-Mart. Prior to joining Phillips Edison, Mr. Bessey was employed by Kimco Realty

Corporation as a Director of Leasing from 1995, by Koll Management Services as Director of Retail Leasing and Development from 1991 and by Tipton Associates as Leasing Manager from 1988. Prior to entering retail real estate in 1988, Mr. Bessey worked in the hospitality industry as a Convention Sales Director for the Cincinnati Convention and Visitors Bureau and for Hyatt Hotels in a number of sales management positions in Minneapolis and Cincinnati. Mr. Bessey received his Bachelor's Degree in Hotel and Restaurant Management from the University of Wisconsin – Stout in 1981.

Richard J. Smith, our Chief Financial Officer, has served as Chief Financial Officer for Phillips Edison since February 2010. From May 1996 to November 2009, Mr. Smith served as Chief Financial Officer for Ramco-Gershenson Properties Trust, a publicly-traded REIT that primarily owns, develops, acquires, manages and leases community shopping centers. Prior to that, Mr. Smith was Vice President of Financial Services of the Hahn Company from January 1996 to May 1996, and served as Chief Financial Officer and Treasurer of Glimcher Realty Trust, an owner, developer and manager of community shopping centers and regional and super regional malls, from 1993 to 1996. From 1978 to 1988, Mr. Smith served as Controller and Director of Financial Services of The Taubman Company, an owner, developer and manager of regional malls. Mr. Smith began his career as a Certified Public Accountant in the Detroit office of Coopers and Lybrand from 1972 to 1978. Mr. Smith's professional affiliations include the American Institute of Certified Public Accountants, the Michigan Association of Certified Public Accountants, the International Council of Shopping Centers and the National Association of Real Estate Investment Trusts.

R. Mark Addy has served as Chief Operating Officer for Phillips Edison since 2004. Mr. Addy received his bachelor's degree in environmental science and chemistry from Bowling Green State University in 1984 and his law degree from the University of Toledo in 1987. He served Phillips Edison as Senior Vice President from 2002 until 2004, when he became Chief Operating Officer. Prior to joining Phillips Edison, Mr. Addy practiced law with Santen & Hughes in the areas of commercial real estate, financing and leasing, construction, mergers and acquisitions and general corporate law from 1987 until 2002. Mr. Addy served as President of Santen & Hughes from 1996 through 2002.

Our ARC Sponsors

Below is a brief description of the background and experience of our individual ARC sponsors and the senior real estate professionals employed or retained by ARC and its affiliates.

American Realty Capital II, LLC, our ARC sponsor, is owned by Nicholas S. Schorsch, William M. Kahane, one of our directors, Peter M. Budko, Brian S. Block and Michael Weil. Each of these individuals is an executive officer of American Realty Capital Trust, Inc., a non-traded public REIT that focuses on acquiring a diversified portfolio of freestanding, single-tenant retail and commercial properties that are net leased to investment grade and other creditworthy tenants. American Realty Capital II, LLC wholly owns our advisor and our dealer manager.

Nicholas S. Schorsch is the Chairman and Chief Executive Officer of American Realty Capital New York Recovery REIT, Inc. Mr. Schorsch has also been the Chief Executive Officer of American Realty Capital Trust, Inc., American Realty Capital Properties, LLC, and American Realty Capital Advisors, LLC. From September 2006 to July 2007, Mr. Schorsch was Chief Executive Officer of American Realty Capital, LLC, a real estate investment firm. Mr. Schorsch founded and formerly served as President, CEO and Vice-Chairman of American Financial Realty Trust since its inception in September 2002 (and election to be taxed as a REIT beginning in 2002) until August 2006. American Financial Realty Trust was a publicly-traded REIT that invested exclusively in offices, operation centers, bank branches, and other operating real estate assets that are net leased to tenants in the financial service industry, such as banks and insurance companies. Through American Financial Resource Group and its

successor corporation, American Financial Realty Trust, Mr. Schorsch executed in excess of 1,000 acquisitions, both in acquiring businesses and real estate property with an aggregate purchase price of acquired properties in excess of approximately $5 billion. In 2003, Mr. Schorsch received an Entrepreneur of the Year award from Ernst & Young. From 1995 to September 2002, Mr. Schorsch served as CEO and President of American Financial Resource Group, American Financial Realty Trust's predecessor, a private equity firm founded for the purpose of acquiring operating companies and other assets in a number of industries. Prior to American Financial Resource Group, Mr. Schorsch served as President of a non-ferrous metal product manufacturing business, Thermal Reduction. He successfully built the business through mergers and acquisitions and ultimately sold his interests to Corrpro (NYSE) in 1994.

William M. Kahane is the President, Chief Operating Officer and Treasurer of American Realty Capital Trust, Inc., American Realty Capital Properties, LLC and American Realty Capital Advisors, LLC and has been active in the structuring and financial management of commercial real estate investments for over 25 years. Mr. Kahane also is the President and Treasurer of American Realty Capital New York Recovery REIT, Inc, as well as the Chief Operating Officer and Treasurer of New York Recovery Properties, LLC and New York Recovery Advisors, LLC. Mr. Kahane began his career as a real estate lawyer practicing in the public and private sectors from 1974-1979. From 1981-1992, Mr. Kahane worked at Morgan Stanley & Co., specializing in real estate, becoming a Managing Director in 1989. In 1992, Mr. Kahane left Morgan Stanley to establish a real estate advisory and asset sales business known as Milestone Partners which continues to operate and of which Mr. Kahane is currently the Chairman. Mr. Kahane worked very closely with Mr. Schorsch while a trustee at American Financial Realty Trust (2003 to 2006), during which time Mr. Kahane served as Chairman of the Finance Committee of the Board of Trustees. Mr. Kahane has been a Managing Director of GF Capital Management & Advisors LLC, a New York-based merchant banking firm, where he has directed the firm's real estate investments since 2001. GF Capital offers comprehensive wealth management services through its subsidiary TAG Associates LLC, a leading multi-client family office and portfolio management services company with approximately $5 billion of assets under management. Mr. Kahane also was on the Board of Directors of Catellus Development Corp., an NYSE growth-oriented real estate development company, where he served as Chairman.

Peter M. Budko is the Executive Vice President and Chief Investment Officer of American Realty Capital Trust, Inc. He is also the Executive Vice President of New York Recovery Advisors, LLC, New York Recovery Properties, LLC and Realty Capital Securities, LLC. Mr. Budko also is Executive Vice President and Chief Investment Officer of the American Realty Capital Trust property manager and the American Realty Capital Trust advisor. Prior to his current position, from January 2007 to July 2007, Mr. Budko was Chief Operating Officer of an affiliated American Realty Capital real estate investment firm. Mr. Budko founded and formerly served as Managing Director and Group Head of the Structured Asset Finance Group, a division of Wachovia Capital Markets, LLC from 1997-2006. The Structured Asset Finance Group structures and invests in real estate that is net leased to corporate tenants. While at Wachovia, Mr. Budko acquired over $5 billion of net leased real estate assets. From 1987-1997, Mr. Budko worked in the Corporate Real Estate Finance Group at NationsBank Capital Market (predecessor to Bank of America Securities), becoming head of the group in 1990.

Brian S. Block has served as Executive Vice President and Chief Financial Officer of American Realty Capital Trust, Inc. since September 2007. He is also the Executive Vice President and Chief Financial Officer of the American Realty Capital Trust property manager and the American Realty Capital Trust advisor. In addition, Mr. Block serves as Executive Vice President and Chief Financial Officer of American Realty Capital New York Recovery REIT, Inc., New York Recovery Properties, LLC and New York Recovery Advisors, LLC. Mr. Block is responsible for the accounting, finance and reporting functions at ARC. He has extensive experience in SEC reporting requirements, as well as REIT tax compliance matters. Mr. Block has been instrumental in developing ARC's infrastructure and

positioning the organization for growth. Mr. Block began his career in public accounting at Ernst & Young and Arthur Andersen from 1994 to 2000. Subsequently, Mr. Block was the Chief Financial Officer of a venture capital-backed technology company for several years prior to joining American Financial Realty Trust in 2002. While at American Financial Realty Trust, Mr. Block served as Senior Vice President and Chief Accounting Officer from 2003 to 2007 and oversaw the financial, administrative and reporting functions of the organization. He is a certified public accountant and is a member of the AICPA and PICPA. Mr. Block serves on the REIT Committee of the Investment Program Association.

Michael Weil is the Executive Vice President and Secretary of American Realty Capital Trust, Inc. He is also the Chief Executive Officer of Realty Capital Securities, LLC and the Executive Vice President and Secretary of our dealer manager, the American Realty Capital Trust property manager and the American Realty Capital Trust advisor. In addition, Mr. Weil serves as the Executive Vice President and Secretary of American Realty Capital New York Recovery REIT, Inc., New York Recovery Properties, LLC and New York Recovery Advisors, LLC. He was formerly the Senior Vice President of Sales and Leasing for American Financial Realty Trust (American Financial Realty, from April 2004 to October 2006), where he was responsible for the disposition and leasing activity for a 33 million square foot portfolio. Under the direction of Mr. Weil, his department was the sole contributor in the increase of occupancy and portfolio revenue through the sales of over 200 properties and the leasing of over 2.2 million square feet, averaging 325,000 square feet of newly executed leases per quarter. After working at AFR, from October 2006 to May 2007, Mr. Weil was managing director of Milestone Partners Limited and prior to joining AFR, from July 1987 to April 2004, Mr. Weil was president of Plymouth Pump & Systems Co. Mr. Weil attended George Washington University.

Michael A. Happel, the Executive Vice President and Chief Investment Officer of American Realty Capital New York Recovery REIT, Inc., has over 20 years of experience investing in real estate, including office retail, multifamily, industrial, and hotel properties, as well as real estate companies. Mr. Happel also is Executive Vice President and Chief Investment Officer of New York Recovery Properties, LLC and New York Recovery Advisors, LLC. From 1988 – 2002, he worked at Morgan Stanley & Co., specializing in real estate and becoming co-head of acquisitions for the Morgan Stanley Real Estate Funds, or MSREF, in 1994. While at MSREF, he was involved in acquiring over $10 billion of real estate and related assets in MSREF I and MSREF II. As stated in a report prepared by Wurts & Associates for the Fresno County Employees’ Retirement Association for the period ending September 30, 2008, MSREF I generated approximately a 48% gross IRR for investors and MSREF II generated approximately a 27% gross IRR for investors. In 2002, Mr. Happel left Morgan Stanley & Co. to join Westbrook Partners, a large real estate private equity firm with over $5 billion of real estate assets under management at the time. In 2004, he joined Atticus Capital, a multi-billion dollar hedge fund, as the head of real estate with responsibility for investing primarily in REITs and other publicly-traded real estate securities.

Our Dealer Manager

Realty Capital Securities, LLC, our dealer manager, is a member firm of the Financial Industry Regulatory Authority (FINRA). Realty Capital Securities, LLC was organized on August 29, 2007 for the purpose of participating in and facilitating the distribution of securities of real estate programs sponsored by American Realty Capital II, LLC, its affiliates and its predecessors. Realty Capital Securities, LLC is indirectly owned by American Realty Capital II, LLC. Realty Capital Securities, LLC is the dealer manager or is named in the registration statement as the dealer manager in five offerings, including two offerings in which American Realty Capital is the sole sponsor, that are either effective or in registration. Realty Capital Securities, LLC will also serve as our dealer manager. Realty Capital Securities, LLC provides certain wholesaling, sales, promotional and marketing assistance services to us in connection with the distribution of the shares offered pursuant to this prospectus. It may also sell a limited number of

shares at the retail level. The compensation we will pay to Realty Capital Securities, LLC in connection with this offering is described in the section of this prospectus captioned “Compensation Table.” See also “Plan of Distribution — Compensation of Our Dealer Manager and Participating Broker-Dealers.”

Realty Capital Securities, LLC is controlled by among others, Mr. Kahane, one of our directors. Realty Capital Securities, LLC is an affiliate of our advisor. See “Conflicts of Interest.”

The current officers of Realty Capital Securities, LLC are:

Name	Age	Position(s)
Michael Weil	43	Chief Executive Officer
Louisa Quarto	42	President
Kamal Jafarnia	43	Executive Vice President and Chief Compliance Officer
Alex MacGillivray	48	Senior Vice President and National Sales Manager

The background of Mr. Weil is described in the “Management—Our Sponsors—Our ARC Sponsors” section of this prospectus. The backgrounds of Messrs. Jafarnia and MacGillivray and Ms. Quarto are described below:

Louisa Quarto joined Realty Capital Securities, LLC in April 2008 and currently serves as President. Ms. Quarto served as Chief Compliance Officer for Realty Capital Securities, LLC from May 2008 until February 2009. Ms. Quarto’s responsibilities include overseeing national accounts, operations and compliance activities for Realty Capital Securities. From February 1996 through April 2008 Ms. Quarto was with W. P. Carey & Co. LLC, most recently as Executive Director and Chief Management Officer of Carey Financial, LLC, the broker-dealer subsidiary of W. P. Carey, where she managed relationships with the broker-dealers that were part of the CPA® REIT selling groups. Ms. Quarto earned a Bachelor of Arts from Bucknell University and an MBA in Finance and Marketing from The Stern School of Business at New York University. She holds FINRA Series 7, 63 and 24 licenses and is a member of the Investment Program Association’s, or IPA, Executive Committee, its Board of Trustees and serves as the IPA’s Treasurer and Chair of its Finance Committee.

Kamal Jafarnia is Executive Vice President and Chief Compliance Officer for Realty Capital Securities, LLC and is Senior Vice President for American Realty Capital. Mr. Jafarnia joined Realty Capital Securities, LLC in November 2008 and became its Chief Compliance Officer in February 2009. Mr. Jafarnia has more than 15 years experience both as an attorney and as a compliance professional, including 10 years of related industry experience in financial services. Before joining American Realty Capital, he served as Executive Vice President of Franklin Square Capital Partners and as Chief Compliance Officer of FB Income Advisor, LLC, the registered investment adviser to Franklin Square’s proprietary offering, where he was responsible for overseeing the regulatory compliance programs for the firm. Prior to Franklin Square Capital Partners, Mr. Jafarnia was Assistant General Counsel and Chief Compliance Officer for Behringer Harvard and Behringer Securities, LP, respectively, where he coordinated the selling group due diligence and oversaw the regulatory compliance efforts. Prior to Behringer Harvard, Mr. Jafarnia worked as Vice President of CNL Capital Markets, Inc. and Chief Compliance Officer of CNL Fund Advisors, Inc. Mr. Jafarnia earned a Bachelor of Arts from the University of Texas at Austin and his law degree from Temple University School of Law in Philadelphia,

PA. He is currently participating in the Masters of Laws degree program in Securities and Finance Regulation at the Georgetown University Law Center in Washington, DC. Mr. Jafarnia holds FINRA Series 6, 7, 24, 63 and 65 licenses.

Alex MacGillivray joined Realty Capital Securities, LLC in June 2009 and currently serves as Senior Vice President and National Sales Manager. Mr. MacGillivray has over 20 years of sales experience and his current responsibilities include sales, marketing, and managing the distribution of all products offered by Realty Capital Securities, LLC. Prior to joining Realty Capital Securities, LLC, he was a Director of Sales at Prudential Financial with responsibility for managing a team focused on variable annuity sales through numerous channels. Before joining Prudential Financial in 2006, he was a National Sales Manager at Lincoln Financial overseeing a team focused on variable annuity sales. Before joining Lincoln Financial in 2003, he was a senior sales executive at AXA/Equitable. Mr. MacGillivray also has prior sales experience at Fidelity Investments and Van Kampen Merritt. Mr. MacGillivray holds FINRA Series 7, 24 and 63 licenses.

Our Dealer Manager Agreement

Under the terms of the dealer manager agreement, Realty Capital Securities, LLC will use its “best efforts” to sell a minimum of 250,000 shares and a maximum of 180,000,000 shares of our common stock. Because this is a “best efforts” offering, Realty Capital Securities, LLC must use only its best efforts to sell the shares and has no firm commitment or obligation to purchase any of our shares. We have also agreed to use Realty Capital Securities, LLC for subsequent offerings occurring within nine months of the termination of our primary offering unless we terminate Realty Capital Securities, LLC as our dealer manager for cause, or for other reasons set forth below.

In general, Realty Capital Securities, LLC will receive selling commissions of 7.0% of the gross offering proceeds for shares sold in our primary offering. Our dealer manager will receive 3.0% of the gross offering proceeds as compensation for acting as the dealer manager, except that a reduced dealer manager fee will be paid with respect to certain volume discount sales. We do not pay any selling commissions or dealer manager fees for shares sold under our dividend reinvestment plan or our “friends and family” program. We will also reimburse our dealer manager for reasonable bona fide invoiced due diligence expenses. See “Plan of Distribution.”

Realty Capital Securities, LLC will act as our exclusive dealer manager until the end of our initial public offering or until the dealer manager agreement is terminated by us or them. We have the right to terminate the dealer manager agreement for, among other reasons: (1) cause; (2) a material breach of the agreement by the dealer manager that materially adversely affects its ability to perform its duties; (3) the dealer manager’s voluntary or involuntary bankruptcy; (4) the failure of the dealer manager to attain certain performance thresholds; and (5) the failure of certain key individuals to remain actively involved in the management of our dealer manager. Our dealer manager has the right to terminate the dealer manager agreement for, among other reasons: (1) our voluntary or involuntary bankruptcy; (2) a material change in our business; (3) a material action, suit, proceeding or investigation involving or against us; (4) a material reduction in the rate of any dividend we may pay in the future without our dealer manager’s prior written consent; (5) a suspension or termination of our share repurchase program without our dealer manager’s prior written consent; or (6) a material adverse change in the value of our common shares. In certain cases, either we or the dealer manager, as applicable, would have a certain period of time to cure the event triggering the right to terminate the agreement.

To the extent permitted by law and our charter, we will indemnify the participating broker-dealers and the dealer manager against some civil liabilities, including certain liabilities under the Securities Act and liabilities arising from breaches of our representations and warranties contained in the dealer manager

agreement. See "—Limited Liability and Indemnification of Directors, Officers, Employees and Other Agents."

Management Decisions

The primary responsibility for the investment decisions of ARC Advisor and its affiliates, the negotiation for these investments, and the asset-management decisions resides with Nicholas S. Schorsch, William M. Kahane, Michael A. Happel, Peter M. Budko, Brian Block and Michael Weil. American Realty Capital II Advisors, LLC seeks to invest in commercial properties on our behalf that satisfy our investment objectives. To the extent we invest in properties, a majority of the directors will approve the consideration paid for such properties based on the fair market value of the properties. If a majority of independent directors so determines, or if an asset is acquired from our advisor, one or more of our directors, our sponsor or any of its affiliates, the fair market value will be determined by a qualified independent real estate appraiser selected by the independent directors.

Appraisals are estimates of value and should not be relied on as measures of true worth or realizable value. We will maintain the appraisal in our records for at least five years, and copies of each appraisal will be available for review by stockholders upon their request.

COMPENSATION TABLE

Although we have executive officers who will manage our operations, we have no paid employees. Our advisor, ARC Advisor, has entered into a sub-advisory agreement with our sub-advisor, Phillips Edison Sub-Advisor, which will manage our day-to-day affairs and our portfolio of real estate investments, subject to the board's supervision. The following table summarizes all of the compensation, fees and expenses that we will pay or reimburse to the respective affiliates of our sponsors including ARC Advisor (and its affiliates) and our dealer manager, Realty Capital Securities, LLC. The table also summarizes fees to be paid to our independent directors. Unless otherwise noted, the fees to be paid and expenses to be reimbursed described in this section will be paid or reimbursed to our advisor, an affiliate of our ARC sponsor. ARC Advisor may then assign such fees or expense reimbursements to our sub-advisor, an affiliate of our Phillips Edison sponsor, in whole or in proportion to the amount of services provided or expenses incurred on our behalf (collectively the advisor and sub-advisor, the "Advisor Entities") pursuant to the terms of the sub-advisory agreement between those parties. Selling commissions and dealer manager fees may vary for different categories of purchasers as described under "Plan of Distribution." This table assumes that we sell all shares at the highest possible selling commissions and dealer manager fees (with no discounts to any categories of purchasers) and assumes a $9.50 price for each share sold through our dividend reinvestment plan. No selling commissions or dealer manager fees are payable on shares sold through our dividend reinvestment plan or our "friends and family" program.

Form of Compensation and Recipient	***Determination of Amount***	***Estimated Amount for Minimum Offering/ Maximum Offering [(1)]***
	Organization and Offering Stage	
Selling Commissions – Dealer Manager [(2)]	7.0% of gross offering proceeds before reallowance of commissions earned by participating broker-dealers, except no selling commissions are payable on shares sold under the dividend reinvestment plan or our "friends and family" program. We expect that the dealer manager will reallow 100% of commissions earned to participating broker-dealers.	$175,000/$105,000,000
Dealer Manager Fee – Dealer Manager [(2)]	3.0% of gross offering proceeds, except no dealer manager fee is payable on shares sold under the dividend reinvestment plan or our "friends and family" program. The dealer manager may reallow all or a portion of its dealer manager fees to participating broker-dealers.	$75,000/$45,000,000
Other Organization and Offering Expenses [(3)]	To date, the sub-advisor has paid organization and offering expenses on our behalf. We will reimburse on a monthly basis the sub-advisor for these costs and future organization and offering costs it, our advisor or their respective affiliates may incur on our behalf but only to the extent that the reimbursement would not exceed 1.5% of gross offering proceeds over the life of the offering or cause the selling commissions, the dealer manager fee and such other organization and offering expenses borne by us to exceed 15.0% of gross offering proceeds as of the date of the reimbursement.	$37,500/$22,500,000

Form of Compensation and Recipient	*Determination of Amount*	*Estimated Amount for Minimum Offering/ Maximum Offering* [1]
	Acquisition and Development Stage	
Acquisition Fees [4]	We will pay to our Advisor Entities 1.0% of the contract purchase price of each property acquired (including our pro rata share of debt attributable to such property) and 1.0% of the amount advanced for a loan or other investment (including our pro rata share of debt attributable to such investment). For purposes of this prospectus, "contract purchase price" means the amount actually paid or allocated in respect of the purchase, development, construction or improvement of a property or the amount actually paid or allocated in respect of the purchase of loans or other real-estate related assets, in each case exclusive of acquisition fees and acquisition expenses, but in each case including any indebtedness assumed or incurred in respect of such investment.	$22,125 (minimum offering and no debt)/$13,275,000 (maximum offering and no debt)/$26,550,000 (maximum offering and target leverage of 50.0% of the cost of our investments)/$53,100,000 (maximum offering, assuming leverage of 75.0% of the cost of our investments (which is the maximum leverage permitted under our charter, unless a majority of our conflicts committee approves additional borrowings))
Acquisition Expenses	We will reimburse our Advisor Entities for expenses actually incurred (including personnel costs) related to selecting, evaluating and acquiring assets on our behalf, regardless of whether we actually acquire the related assets. In addition, we also will pay third parties, or reimburse the advisor or its affiliates, for any investment-related expenses due to third parties, including, but not limited to, legal fees and expenses, travel and communications expenses, costs of appraisals, accounting fees and expenses, third-party brokerage or finders fees, title insurance expenses, survey expenses, property inspection expenses and other closing costs regardless of whether we acquire the related assets. We expect these expenses to be approximately 0.5% of the purchase price of each property (including our pro rata share of debt attributable to such property) and 0.5% of the amount advanced for a loan or other investment (including our pro rata share of debt attributable to such investment). In no event will the total of all acquisition fees and acquisition expenses payable with respect to a particular investment exceed 6.0% of the contract purchase price of each property (including our pro rata share of debt attributable to such property) or 6.0% of the amount advanced for a loan or other investment (including our pro rata share of debt attributable to such investment).	$11,063/$6,637,500

Form of Compensation and Recipient	*Determination of Amount*	*Estimated Amount for Minimum Offering/ Maximum Offering* [(1)]
Development Fee [(5)]	If we engage an affiliate of one of our sponsors to provide development services with respect to a particular property, we will pay a development fee in an amount that is usual and customary for comparable services rendered to similar projects in the geographic market of the project.	We cannot determine these amounts at the present time.
	Operational Stage	
Asset Management Fee[(6)]	We will pay our advisor a quarterly fee of 0.25% of the sum of the cost of all real estate and real estate-related investments we own and of our investments in joint ventures, including acquisition fees, acquisition and origination expenses and any debt attributable to such investments. This fee will be payable quarterly in advance, on January 1, March 1, July 1 and October 1 based on assets held by us during the previous quarter, adjusted for appropriate closing dates for individual property acquisitions.	The actual amounts depend on the total equity and debt capital we raise and the results of our operations; we cannot determine these amounts at the present time.
Financing Fee [(6)]	We will pay our advisor a financing fee equal to 0.75% of all amounts made available under any loan or line of credit.	The actual amounts depend on the total debt capital made available to us; we cannot determine these amounts at the present time.
Leasing Fee – Property Manager	If we engage an affiliate of one of our sponsors to provide leasing services with respect to a particular property, we will pay a leasing fee in an amount that is usual and customary for comparable services rendered in the geographic market of the property.	We cannot determine these amounts at the present time.
Construction Oversight Fee	If we engage an affiliate of one of our sponsors to provide construction oversight services with respect to a particular property, we will pay a construction oversight fee in an amount that is usual and customary for comparable services rendered to similar projects in the geographic market of the property.	We cannot determine these amounts at the present time.
Other Operating Expenses[(6)]	We will reimburse the expenses incurred by our Advisor Entities in connection with their provision of services to us, including our allocable share of our Advisor Entities' overhead, such as rent, personnel costs, utilities and IT costs. Though our Advisor Entities have contractual rights to seek reimbursement for personnel costs, our Advisor Entities do not intend	Actual amounts depend on the results of our operations; we cannot determine these amounts at the present time.

Form of Compensation and Recipient	*Determination of Amount*	*Estimated Amount for Minimum Offering/ Maximum Offering* [(1)]
	to do so at this time. If our Advisor Entities do decide to seek reimbursement for personnel costs, such costs include salaries and benefits, but do not include bonuses. Personnel costs are allocated to programs for reimbursement based on the percentage of time devoted by personnel to the program, except that we do not reimburse for the personnel costs of acquisition, financing or disposition personnel. We will also reimburse our Advisor Entities and their respective affiliates for expenses paid on our behalf in connection with investigating and acquiring assets, regardless of whether we acquire the assets. We may not, however, reimburse expenses that exceed the greater of 6.0% of the contract price of any real estate asset or, in the case of a loan, 6.0% of the funds advanced. Reimbursable expenses include items such as property appraisals, environmental surveys, property audit fees, legal fees, asset due diligence review and business travel, such as airfare, hotel, meal and phone charges.	

Form of Compensation and Recipient	*Determination of Amount*	*Estimated Amount for Minimum Offering/ Maximum Offering* [(1)]
Property Management Fees –Property Manager	Property management fees equal to 4.5% of the annualized gross revenues of the properties managed by Phillips Edison Property Manager, our property manager, will be payable monthly. In the event that we contract directly with a non-affiliated third-party property manager in respect of a property, we will pay the property manager an oversight fee equal to 1.0% of the annualized gross revenues of the property managed payable monthly. In no event will we pay both a property management fee and an oversight fee to an affiliated property manager with respect to any particular property. In addition to the property management fee or oversight fee, if our property manager provides leasing services with respect to a property, we will pay our property manager leasing fees in an amount equal to the leasing fees charged by unaffiliated persons rendering comparable services in the same geographic location of the applicable property. Our property manager may subcontract the performance of its property management and leasing duties to third parties, and our property manager may pay a portion of its property management or leasing fees to the third parties with whom it subcontracts for these services. We will reimburse the costs and expenses incurred by our property manager on our behalf, including legal, travel and other out-of-pocket expenses that are directly related to the management of specific properties, as well as fees and expenses of third-party accountants. We will not, however, reimburse our property manager for the wages and salaries and other employee-related expenses of on-site employees of our property manager or its subcontractors who are engaged in the operation, management, maintenance or access control of our properties (including taxes, insurance and benefits relating to such employees).	Actual amounts depend on gross revenues of specific properties and actual management fees or property management fees and customary leasing fees and therefore cannot be determined at the present time.
Independent Director Compensation	We will pay each of our independent directors an annual retainer of $30,000. We will also pay our independent directors for attending meetings as follows: (1) $1,000 for each board meeting attended in person or telephonically and (2) $1,000 for each committee meeting attended in person or telephonically. The audit committee chair will also receive an annual retainer of $5,000 and the conflicts committee chair an annual retainer of $3,000. We expect to grant our independent directors an annual award of 2,500 shares of restricted stock. All directors will receive reimbursement of reasonable out-of-pocket expenses incurred in connection with attendance at meetings of the board of directors.	Actual amounts depend on the total number of board and committee meetings that each independent director attends; we cannot determine these amounts at the present time.

Form of Compensation and Recipient	*Determination of Amount*	*Estimated Amount for Minimum Offering/ Maximum Offering* [1]
	Liquidation/Listing Stage	
Disposition Fees[7]	For substantial assistance in connection with the sale of properties or other investments, we will pay our Advisor Entities or their respective affiliates 2.0% of the contract sales price of each property or other investment sold; provided, however, in no event may the disposition fees paid to our Advisor Entities, their respective affiliates and unaffiliated third parties exceed 6.0% of the contract sales price. The conflicts committee will determine whether our Advisor Entities or their affiliates have provided substantial assistance to us in connection with the sale of an asset. Substantial assistance in connection with the sale of a property includes our advisor's or sub-advisor's preparation of an investment package for the property (including an investment analysis, rent rolls, tenant information regarding credit, a property title report, an environmental report, a structural report and exhibits) or such other substantial services performed by the advisor or sub-advisor in connection with a sale. We do not intend to sell properties or other assets to affiliates. However, if we do sell an asset to an affiliate, our organizational documents would not prohibit us from paying our advisor or sub-advisor a disposition fee. Before we sold an asset to an affiliate, the charter would require that our conflicts committee conclude, by a majority vote, that the transaction is fair and reasonable to us and on terms and conditions no less favorable to us than those available from third parties.	Actual amounts depend on the results of our operations; we cannot determine these amounts at the present time.
Subordinated Share of Cash Flows[8][9]	Our Advisor Entities will receive 15.0% of remaining net cash flows after return of capital contributions plus payment to investors of a 7.0% cumulative, pre-tax, non-compounded return on the capital contributed by investors. We cannot assure you that we will provide this 7.0% return, which we have disclosed solely as a measure for our Advisor Entities' and their respective affiliates' incentive compensation.	Actual amounts depend on the results of our operations; we cannot determine these amounts at the present time.
Subordinated Incentive Fee[8][9]	Our Advisor Entities will receive 15.0% of the amount by which the sum of our adjusted market value plus distributions exceeds the sum of the aggregate capital contributed by investors plus an amount equal to a 7.0% cumulative, pre-tax, non-compounded annual return to investors. We cannot assure you that we will provide this 7.0% return, which we have disclosed solely as a measure for our Advisor Entities' and their respective affiliates' incentive compensation.	Actual amounts depend on the results of our operations; we cannot determine these amounts at the present time.

Form of Compensation and Recipient	*Determination of Amount*	*Estimated Amount for Minimum Offering/ Maximum Offering* [(1)]
Termination Fee [(10)] [(11)]	Upon termination or non-renewal of the advisory agreement, our advisor shall be entitled to a subordinated termination fee. In addition, our advisor may elect to defer its right to receive a subordinated termination fee until either a listing on a national securities exchange or other liquidity event occurs.	Not determinable at this time. There is no maximum amount of this fee.

(1) The estimated minimum dollar amounts are based on the sale of the minimum of 250,000 shares to the public and the estimated maximum dollar amounts are based on the sale of the maximum of 180,000,000 shares to the public, including 30,000,000 shares through our dividend reinvestment plan. We reserve the right to reallocate the shares of common stock we are offering between the primary offering and our dividend reinvestment plan.

(2) All or a portion of the selling commissions will not be charged with regard to shares sold to certain categories of purchasers. A reduced dealer manager fee is payable with respect to certain volume discount sales. See “Plan of Distribution.”

(3) After raising at least $2,500,000 in gross offering proceeds from persons who are not affiliated with us or our sponsors, we expect to begin incurring some organization and offering expenses directly. Includes all expenses (other than selling commissions and the dealer manager fee) to be paid by us in connection with the offering, including our legal, accounting, printing, mailing and filing fees, charges of our escrow holder and transfer agent, reimbursement to our advisor and sub-advisor for our portion of the salaries and related employment costs of our advisor’s and sub-advisor’s employees who provide services to us (excluding costs related to employees who provide services for which the advisor or sub-advisor, as applicable, receive acquisition or disposition fees), reimbursement to the dealer manager for amounts it may pay to reimburse the bona fide due diligence expenses of broker-dealers, costs in connection with preparing supplemental sales materials, our costs of conducting bona fide training and education meetings held by us (primarily the travel, meal and lodging costs of non-registered officers of the company, our advisor and sub-advisor to attend such meetings) and cost reimbursement for non-registered employees of our affiliates to attend retail seminars conducted by broker-dealers. Our advisor has agreed to reimburse us to the extent the organization and offering expenses incurred by us exceed 1.5% of aggregate gross offering proceeds over the life of the offering, which may include up to 0.5% for third-party due diligence fees included in a detailed and itemized invoice. See “Plan of Distribution.”

(4) Because the acquisition fees we pay our Advisor Entities are a percentage of the acquisition price of an investment, these fees will be greater to the extent we fund acquisitions and originations through (1) the incurrence of debt (which we expect to represent 50.0% of the total costs of our investments (including capital improvements, tenant improvements/allowances and leasing commissions invested in an asset) if we sell the maximum number of shares offered hereby but may be as high as the maximum permitted leverage of 75.0%), (2) retained cash flow from operations, (3) issuances of equity in exchange for properties and other assets and (4) proceeds from the sale of shares under our dividend reinvestment plan.

(5) Any development fee we pay to an affiliate of one of our sponsors will be included in the total of our acquisition fees and acquisition expenses and will be subject to the 6.0% limitation imposed by our charter.

(6) Commencing upon the end of the fourth fiscal quarter after we make our first investment, ARC Advisor must reimburse us the amount by which our aggregate total operating expenses for the four fiscal quarters then ended exceed the greater of 2.0% of our average invested assets or 25.0% of our net income, unless the conflicts committee has determined that such excess expenses were justified based on unusual and non-recurring factors. “Average invested assets” means the average monthly book value of our assets during the 12-month period before deducting depreciation, bad debts or other non-cash reserves. “Total operating expenses” means all expenses paid or incurred by us, as determined under GAAP, that are in any way related to our operation, including advisory fees, but excluding (1) the expenses of raising capital such as organization and offering expenses, legal, audit, accounting, underwriting, brokerage, listing, registration and other fees, printing and other such expenses and taxes incurred in connection with the issuance, distribution, transfer, registration and stock exchange listing of our stock; (2) interest payments; (3) taxes; (4) non-cash expenditures such as depreciation, amortization and bad debt reserves; (5) reasonable incentive fees based on the gain in the sale of our assets; and (6) acquisition fees, origination fees, acquisition and origination expenses (including expenses relating to potential investments that we do not close), disposition fees on the resale of property and other

expenses connected with the acquisition, origination, disposition and ownership of real estate interests, loans or other property (including property management fees and the costs of foreclosure, insurance premiums, legal services, maintenance, repair and improvement of property).

(7) Although we are most likely to pay disposition fees to our advisor or sub-advisor or their respective affiliates in the event of our liquidation, these fees may also be incurred during our operational stage. Under our charter, a majority of the independent directors would have to approve any increase in the disposition fees payable to our advisor and its affiliates above 2.0% of the contract sales price (if no third-party broker is paid a commission) and one-half of any total brokerage commission paid (if a third-party broker is paid a commission). Our charter also limits the maximum amount of the disposition fees payable to the advisor and its affiliates to 3.0% of the contract sales price.

To the extent this disposition fee is paid upon the sale of any assets other than real property, it will count against the limit on "total operating expenses" described in note 5 above.

(8) Our Advisor Entities cannot earn both the subordinated share of cash flows and the subordinated incentive fee. The subordinated share of cash flows or the subordinated incentive fee, as the case may be, will be paid in the form of a non-interest bearing promissory note that will be repaid from the net sale proceeds of each sale after the date of the termination or listing. Any portion of the subordinated share of cash flows that our Advisor Entities receive prior to our listing will offset the amount otherwise due pursuant to the subordinated incentive fee. In no event will the amount paid to our Advisor Entities under the promissory note, if any, exceed the amount considered "presumptively reasonable" by our charter. Under our charter, an interest in gain from the sale of assets is "presumptively reasonable" if it does not exceed 15.0% of the balance of net sale proceeds remaining after investors have received a return of their net capital contributions and a 6.0% per year cumulative, noncompounded return. Our advisory agreement sets a higher threshold for the payment of a subordinated incentive fee than that required by our charter. Any lowering of the threshold set forth in the advisory agreement would require the approval of a majority of the members of the conflicts committee. To the extent the subordinated share of cash flows fee is derived from cash flows other than net sales proceeds, the incentive fee will count against the limit on "total operating expenses" described in note 5 above, as would any amount paid pursuant to the subordinated incentive fee.

(9) If for any reason our independent directors determine that we should become "self-administered," including in contemplation of a listing on a national securities exchange, we may acquire the business conducted by our advisor or sub-advisor after a good faith negotiation with our advisor or sub-advisor, as applicable. Alternatively, if at any time the shares become listed on a national securities exchange and our independent directors determine that we should not become "self-administered," we will negotiate in good faith with our advisor a fee structure appropriate for an entity with a perpetual life. Our independent directors must approve the new fee structure negotiated with our advisor. The market value of our outstanding common stock will be calculated based on the average market value of the shares of common stock issued and outstanding at listing over the 30 trading days beginning 180 days after the shares are first listed or included for quotation. We have the option to pay the subordinated incentive fee in cash or a promissory note or any combination thereof. If any previous payments of the subordinated share of cash flows will offset the amounts due pursuant to the subordinated incentive fee, then we will not be required to pay our Advisor Entities any further subordinated share of cash flows.

(10) The subordinated termination fee, if any, will equal to the greater of (a) 15.0% of the amount, if any, by which (1) the appraised value of our assets on the termination date, less any indebtedness secured by such assets, plus total distributions paid through the termination date, exceeds (2) the sum of the total amount of capital raised from stockholders (less amounts paid to repurchase shares of our common stock pursuant to our share repurchase plan) and the total amount of cash that, if distributed to them as of the termination date, would have provided them an annual 7.0% cumulative, non-compounded return on the gross proceeds from the sale of shares of our common stock through the termination date, or (b) deemed real estate commissions equal to 3.0% of the contract sales price that would have been paid to the advisor and its affiliates (assuming the sale of substantially all the assets of the operating partnership at the date of termination of the advisory agreement at fair market value on such date; provided that in no event may such deemed real estate commissions exceed the aggregate reasonable, customary and competitive real estate commission in light of the size, type and location of the properties). In addition, our Advisor Entities may elect to defer their right to receive a subordinated termination fee until either a listing or other liquidity event occurs, including a liquidation, sale of substantially all of our assets or merger in which our stockholders receive in exchange for their shares of our common stock shares of a company that are traded on a national securities exchange.

If our advisor elects to defer its right to receive a subordinated termination fee and there is a listing of the shares of our common stock on a national securities exchange or a merger in which our stockholders receive in exchange for their shares of our common stock shares of a company that are traded on a national securities exchange, then our advisor will be entitled to receive a subordinated termination fee in an amount equal to the greater of (a) 15.0% of the amount, if any, by which (1) the fair market value of our assets (determined as of the listing date or merger date, as applicable) owned as of the termination of the advisory agreement, plus any assets acquired after such termination for which our advisor would have been entitled to receive an acquisition fee (referred to herein as the "included assets") less any indebtedness secured by these assets, plus the cumulative distributions made by our operating partnership to us and the limited partners who received partnership units in connection with the acquisition of the included assets, from our inception through the listing date or merger date, as applicable, exceeds (2) the sum of the total amount of capital raised from stockholders and the capital value of partnership units issued in connection with the acquisition of the included assets through the listing date or merger date, as applicable (excluding any capital raised after the completion of this offering) (less amounts paid to repurchase shares of our common stock pursuant to our share repurchase plan), plus an amount equal to an annual 7.0% cumulative, non-compounded return on the total amount of capital raised from stockholders and the capital value of such partnership units measured for the period from inception through the listing date or merger date, as applicable, or (b) deemed real estate commissions equal to 3.0% of the contract sales price that would have been paid to the advisor and its affiliates (assuming the sale of substantially all the assets of the operating partnership at the date of termination of the advisory agreement at fair market value on such date; provided that in no event may such deemed real estate commissions exceed the aggregate reasonable, customary and competitive real estate commission in light of the size, type and location of the properties).

If our advisor elects to defer its right to receive a subordinated termination fee and there is a liquidation or sale of all or substantially all of the assets of the operating partnership, then our advisor will be entitled to receive a subordinated termination fee in an amount equal to the greater of (a) 15.0% of the net proceeds from the sale of our assets owned as of the termination of the advisory agreement and the included assets, after subtracting the sum of (1) the total amount of capital raised from stockholders and the capital value of partnership units issued in connection with the acquisition of the included assets through the date of the liquidity event plus (2) an amount equal to an annual 7.0% cumulative, non-compounded return on such initial invested capital and the capital value of such partnership units measured for the period from inception through the date of the liquidity event date, or (b) deemed real estate commissions equal to 3.0% of the contract sales price that would have been paid to the advisor and its affiliates (assuming the sale of substantially all the assets of the operating partnership at the date of termination of the advisory agreement at fair market value on such date; provided that in no event may such deemed real estate commissions exceed the aggregate reasonable, customary and competitive real estate commission in light of the size, type and location of the properties). If our advisor receives the subordinated incentive fee, it would no longer be entitled to receive subordinated distributions of net sales proceeds or the subordinated termination fee. If our advisor receives the subordinated termination fee, it would no longer be entitled to receive subordinated distributions of net sales proceeds or the subordinated incentive fee. There are many additional conditions and restrictions on the amount of compensation our advisor and its affiliates may receive.

(11) Predicting the amount of any termination fee that may be paid to our Advisor Entities in the future is difficult as the fee calculation depends on a number of factors described in note 10 above, none of which is currently known. For example, the amount of the termination fee depends on the fair value of our assets on the termination date, or, if the Advisor Entities elect to defer the payment of the termination fee, the fair value of our assets upon listing or another liquidity event. The termination fee also depends on the total distributions paid to our stockholders, the total capital raised in this offering and our stockholders' return.

In each of the following three examples, we have made some assumptions to simplify the example. Two examples assume that there is no deferral of the fee and one example assumes there is a deferral of receipt of the fee until a listing, merger or other liquidity event.

Assumptions:

Gross proceeds raised in the offering: $750,000,000;

No share redemptions;

All proceeds were raised on day 1, which we assume to be January 1, 2010;

The fair value of assets on the date of termination is $1,350,000,000;
The debt encumbering those assets on the date of termination is $325,000,000;
The fair value, as of the liquidity event, of the assets owned as of the termination date is $1,475,000,000;
The debt, as of the liquidity event, encumbering the assets owned as of the termination date is $312,500,000;
The termination date is January 1, 2017, or 7 years from the date the proceeds were raised;
The liquidity event is January 1, 2019, or 9 years from the date the proceeds were raised;
The Stockholders' 7% Return as of the termination date would be $367,500,000 and as of the liquidity event would be $472,500,000;
The deemed commission of 3% of the fair value on the date of termination would equal $40,500,000;
An eight percent non-compounded annual return to investors as of the termination date would be $420,000,000 and as of the liquidity event would be $540,000,000.

Scenario 1 – Payment of fee at termination; Stockholders have received a 6% non-compounded annual return:

Using the formula provided in footnote 9 of the Compensation Table, the total fee would equal $40,500,000, calculated as follows:

The greater of (15% * ((FV + TD) – (TC + TR))) or DC where:
FV = the fair value of assets on termination date less debt on those assets
TD = total distributions actually paid
TC = total capital raised
TR = Stockholders 7% return
DC = deemed commission payable of 3% payable on asset values as of the termination date

Substituting actual figures yields the following:
The greater of (15% * (($1,025,000,000 + $315,000,000) – ($750,000,000 + $367,500,000))) or $40,500,000
The greater of (15% * (($1,340,000,000) – ($1,117,500,000))) or $40,500,000
The greater of (15% * ($222,500,000)) or $40,500,000
The greater of $33,375,000 or $40,500,000
$40,500,000

Scenario 2 – Payment of fee at termination; Stockholders have received an 8% non-compounded annual return:

Using the formula provided in footnote 10 above, the total fee would equal $49,125,000, calculated as follows:

The greater of (15% * ((FV + TD) – (TC + TR))) or DC
The greater of (15% * (($1,025,000,000 + $420,000,000) – ($750,000,000 + $367,500,000))) or $40,500,000
The greater of (15% * (($1,445,000,000) – ($1,117,500,000))) or $40,500,000
The greater of (15% * ($327,500,000)) or $40,500,000
The greater of $49,125,000 or $40,500,000
$49,125,000

Scenario 3 – Payment of fee at liquidity event; Stockholders have received an 8% non-compounded annual return:

Using the formula provided in footnote 10 above, the total fee would equal $72,000,000, calculated as follows:

The greater of (15% * ((FVL + TDL) – (TC + TRL))) or DC where:
FVL = the fair value, as of the liquidity event, of assets held on the termination date less debt, as of the liquidity event, on those assets
TDL = total distributions actually paid through the liquidity event

TC = total capital raised
TRL = Stockholders 7% return calculated as of the liquidity event
DC = deemed commission payable of 3% payable on asset values as of the termination date

Substituting actual figures yields the following:

The greater of (15% * (($1,162,500,000 + $540,000,000) – ($750,000,000 + $472,500,000))) or $40,500,000
The greater of (15% * (($1,702,500,000) – ($1,222,500,000))) or $40,500,000
The greater of (15% * ($480,000,000)) or $40,500,000
The greater of $72,000,000 or $40,500,000
$72,000,000

The termination fee estimates provided herein are merely examples of the calculation described in note 10 above. We can provide no assurance that any of the assumptions made above will reflect the actual results of our operations or prove to be true. We also make no representation that a termination fee will ever be due or payable.

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STOCK OWNERSHIP

The following table sets forth the beneficial ownership of our common stock as of the date of this prospectus for each person or group that holds more than 5.0% of our common stock, for each director and executive officer and for our directors and executive officers as a group. To our knowledge, each person that beneficially owns our shares has sole voting and dispositive power with regard to such shares.

Name of Beneficial Owner[1]	Number of Shares Beneficially Owned	Percent of All Shares
Phillips Edison NTR LLC	20,000	100.0%
Michael C. Phillips[2]	20,000	100.0%
Jeffrey S. Edison[2]	20,000	100.0%
John Bessey	—	—
Richard J. Smith	—	—
William M. Kahane	—	—
Leslie T. Chao	—	—
Ethan Hershman	—	—
Ronald K. Kirk	—	—
Paul Massey	—	—
All directors and executive officers as a group	—	—

[1] The address of each beneficial owner listed is 11501 Northlake Drive, Cincinnati, Ohio 45249.

[2] Because of their indirect ownership and control of Phillips Edison NTR LLC, Messrs. Phillips and Edison have voting and dispositive control of the shares held by this entity.

CONFLICTS OF INTEREST

We are subject to various conflicts of interest arising out of our relationships with our Phillips Edison and ARC sponsors and their respective affiliates, some of whom serve as our executive officers and directors. We discuss these conflicts below and conclude this section with a discussion of the corporate governance measures we have adopted to ameliorate some of the risks posed by these conflicts.

Our Sponsors' Interests in Other Real Estate Programs

General

All of our executive officers, some of our directors and other key professionals engaged by our advisor to provide services on our behalf are also officers, directors, managers, key professionals and/or holders of a direct or indirect controlling interest in our advisor, the sub-advisor, our dealer manager and other Phillips Edison and ARC affiliates that are the sponsors of other real estate programs. In addition, one of our directors is an executive officer of American Realty Capital Trust, Inc. and American Realty Capital New York Recovery REIT, Inc., which are also public, non-traded REITs sponsored by our ARC sponsor, advised by affiliates of our ARC sponsor and for which Realty Capital Securities, LLC acts as dealer manager. American Realty Capital New York Recovery REIT, Inc. is in registration with the SEC and has not yet commenced operations. Realty Capital Securities, LLC is the dealer manager or is named in the registration statement as the dealer manager in five offerings, including the two offerings in which American Realty Capital is the sole sponsor named above. These individuals have legal and financial obligations with respect to those programs, entities and investors that are similar to their obligations to us. In the future, these individuals and other affiliates of our sponsors may organize other real estate programs, serve as the investment advisor to other investors and acquire for their own account real estate properties that may be suitable for us.

Since 1991, investment advisors affiliated with Phillips Edison have sponsored five privately offered real estate programs. Four of these programs are still operating. All of these programs have investment objectives that are similar to ours. Conflicts of interest may arise between us and the programs that have not yet been liquidated, between us and future programs and between us and the investors for which a Phillips Edison entity serves as an investment advisor.

Every transaction that we enter into with our advisor, our sub-advisor, our dealer manager or their respective affiliates is subject to an inherent conflict of interest. Our board of directors may encounter conflicts of interest in enforcing our rights against any affiliate in the event of a default by or disagreement with an affiliate or in invoking powers, rights or options pursuant to any agreement between us and our advisor, our sub-advisor, our dealer manager or any of their respective affiliates.

Competition for Investors

As of the date of this prospectus, American Realty Capital Trust, Inc., an ARC-sponsored program and an affiliate of our advisor and dealer manager, is raising capital in an ongoing public offering of its common stock, which is expected to continue until January 25, 2011. We expect that American Realty Capital Trust, Inc. will be raising capital in its public offering concurrently with our offering. In addition, our sponsors may decide to sponsor future programs that would seek to raise capital through public offerings conducted concurrently with our offering. As a result, we face a conflict of interest due to the potential competition among us and these other programs for investors and investment capital.

Our sponsors generally seek to reduce the conflicts that may arise among their various programs by avoiding simultaneous public offerings by programs that have a substantially similar mix of investment characteristics, including targeted investment types and key investment objectives. Nevertheless, there may be periods during which one or more programs sponsored by our sponsors will be raising capital and which might compete with us for investment capital.

Joint Ventures with Affiliates

We may enter into joint venture agreements with other Phillips Edison- or ARC-sponsored programs for the acquisition, development or improvement of properties or other investments that meet our investment objectives. ARC Advisor, our advisor, has some of the same executive officers and key employees as other affiliates of ARC, and these persons may face conflicts of interest in determining whether and which ARC program or other entity advised by an affiliate of our ARC sponsor should enter into any particular joint venture agreement. Similarly our Phillips Edison sponsor and its affiliates have some of the same executive officers and key real estate professionals as we do, and, as a consequence, these persons may face conflicts of interest in determining whether and which Phillips Edison-sponsored program or other Phillips Edison-advised entity should enter into any particular joint venture agreement with us. These persons may also face a conflict in structuring the terms of the relationship between our interests and the interests of the sponsor-affiliated co-venturer and in managing the joint venture. Any joint venture agreement or transaction between us and a sponsor-affiliated co-venturer will not have the benefit of arm's-length negotiation of the type normally conducted between unrelated co-venturers. The sponsor-affiliated co-venturer may have economic or business interests or goals that are or may become inconsistent with our business interests or goals. These co-venturers may thus benefit to our and your detriment.

Allocation of Investment Opportunities

We rely on our Phillips Edison and ARC sponsors, and the executive officers and the real estate professionals of our advisor to identify suitable investments. Messrs. Schorsch and Kahane and other real estate professionals at ARC Advisor are also the advisors to other ARC-sponsored programs. Messrs. Phillips and Edison and other real estate professionals at Phillips Edison Sub-Advisor are also the advisors to the private Phillips Edison-sponsored programs. As such, other ARC-sponsored programs, including American Realty Capital Trust, Inc., American Realty Capital New York Recovery REIT, Inc. and the private Phillips Edison-sponsored programs that are raising funds for investment as of the date of this prospectus, rely on many of the same real estate professionals as will future programs. An investment opportunity that is suitable for us may also be suitable for other Phillips Edison- or ARC-sponsored programs; however, because our primary investment criteria differ from the respective investment criteria of those programs, we do not view ourselves as in direct competition with those programs for investment opportunities. Nevertheless, because it is possible that an investment opportunity may be suitable for more than one program, when these real estate professionals direct an investment opportunity to any Phillips Edison-or ARC-sponsored program, they, in their sole discretion, will offer the opportunity to the program or investor for which the investment opportunity is most suitable based on the investment objectives, portfolio and criteria of each program or investor, subject to the contractual obligation to present certain investments to us first. See "—Restrictions on Competing Business Activities of Our Sponsors." For so long as we are externally advised, our charter provides that it shall not be a proper purpose of the corporation for us to purchase real estate or any significant asset related to real estate unless the advisor has recommended the investment to us. See "—Certain Conflict Resolution Measures."

Our advisory agreement with ARC Advisor requires that ARC Advisor inform the conflicts committee each quarter of the investments that have been purchased by other Phillips Edison- or ARC-

sponsored programs or by ARC Advisor or Phillips Edison Sub-Advisor or their respective affiliates directly so that the conflicts committee can evaluate whether we are receiving our fair share of opportunities. ARC Advisor's success in generating investment opportunities for us and the fair allocation of opportunities among Phillips Edison- and ARC-sponsored programs are important factors in the conflicts committee's determination to continue or renew our arrangements with ARC Advisor and its affiliates. The conflicts committee has a duty to ensure that favorable investment opportunities are not disproportionately allocated to other Phillips Edison- or ARC-sponsored programs and investors. For so long as we are externally advised, our charter provides that it shall not be a proper purpose of the corporation for us to purchase real estate or any significant asset related to real estate unless the advisor has recommended the investment to us.

Competition for Tenants and Others

Conflicts of interest may exist to the extent that we acquire properties in the same geographic areas where other Phillips Edison- or ARC-sponsored programs or affiliated entities own properties. In such a case, a conflict could arise in the leasing of properties in the event that we and another Phillips Edison- or ARC-sponsored program or affiliated entity were to compete for the same tenants in negotiating leases, or a conflict could arise in connection with the resale of properties in the event that we and another Phillips Edison- or ARC-sponsored program or affiliated entity were to attempt to sell similar properties at the same time. See "Risk Factors—Risks Related to Conflicts of Interest." Conflicts of interest may also exist at such time as we or our sponsors' respective affiliates seek to employ developers, contractors, building managers or other third parties. Our sponsors and their respective affiliates will seek to reduce conflicts that may arise with respect to properties available for sale or rent by making prospective purchasers or tenants aware of all such properties. Our sponsors and their respective affiliates will also seek to reduce conflicts relating to the employment of developers, contractors or building managers by making prospective service providers aware of all properties in need of their services. However, our sponsors and their respective affiliates cannot fully avoid these conflicts because they may establish differing terms for resales or leasing of the various properties or differing compensation arrangements for service providers at different properties.

Allocation of Our Affiliates' Time

As a result of their interests in other programs, their obligations to other investors and the fact that they engage in and they will continue to engage in other business activities on behalf of themselves and others, our executive officers and our Phillips Edison and ARC sponsors face conflicts of interest in allocating their time among us and other Phillips Edison- and ARC-sponsored programs and other business activities in which they are involved. In addition, many of the same key professionals associated with our Phillips Edison and ARC sponsors have existing obligations to other programs sponsored by our sponsors. Our executive officers and the key professionals associated with our sponsors who provide services to us are not obligated to devote a fixed amount of their time to us, but our sponsors believe that our executive officers and the other key professionals have sufficient time to fully discharge their responsibilities to us and to the other business in which they are involved.

We believe that our executive officers will devote the time required to manage our business and expect that the amount of time a particular executive officer devotes to us will vary during the course of the year and depend on our business activities at a given time. For example, our executive officers may spend significantly more time focused on our activities when we are reviewing potential property acquisitions or negotiating a financing arrangement than during times when we are not. Because we have not commenced operations, it is difficult to predict specific amounts of time an executive officer will devote to our company. We believe that our President, Mr. Bessey, will devote a substantial majority of his time to us and that each of our Chief Executive Officer, Mr. Edison, and our Chief Financial Officer,

Mr. Smith, may devote significantly less time to us. There is no assurance that our expectations are correct and our executive officers may devote more or less time to us than described above.

Receipt of Fees and Other Compensation by Our Sponsors and Their Respective Affiliates

Our sponsors and their respective affiliates receive substantial fees from us, which fees have not been negotiated at arm's length. These fees could influence our advisor's and our sub-advisor's advice to us as well as the judgment of affiliates of our sponsor, some of whom also serve as our executive officers and directors and the key real estate professionals of our sponsors. Among other matters, these compensation arrangements could affect their judgment with respect to:

- the continuation, renewal or enforcement of our agreements with our ARC sponsor's affiliates, including the advisory agreement and the dealer manager agreement;
- public offerings of equity by us, which entitles Realty Capital Securities, LLC to dealer manager fees and will likely entitle ARC Advisor to increased acquisition and asset management fees;
- sales of properties and other investments, which, through ARC Advisor, entitle our sponsors to disposition fees and possible subordinated incentive fees;
- acquisitions of properties and other investments, which through ARC Advisor, entitle our sponsors to acquisition fees and asset management fees, which acquisition fees are based initially on the cost of the investment, including costs related to loan originations, and are not based on the quality of the investment or the quality of the services rendered to us which may influence our advisor to recommend riskier transactions to us or create an incentive for our advisor to recommend that we purchase assets at higher prices;
- acquisitions of properties and other investments that in some cases may originate from other Phillips Edison- or ARC-sponsored programs which would entitle affiliates of our sponsors to disposition fees and possible subordinated incentive fees in connection with its services for the seller;
- borrowings to acquire properties and other investments and to originate loans, which borrowings will generate financing fees and increase the acquisition and asset management fees payable to our sponsors;
- whether and when we seek to list our common stock on a national securities exchange, which listing could entitle our sponsors to a subordinated incentive fee;
- whether and when we seek to sell the company or its assets, which sale could entitle our sponsors to a subordinated incentive fee; and
- whether and when we seek to list or liquidate, if we determine it is in the best interest of our stockholders to list our common stock on a national securities exchange, it may be more likely for us to become self-managed, which decision could lead to our acquisition of entities affiliated with our advisor or sub-advisor at a price resulting in substantial compensation to our advisor.

Our Board's Loyalties to Current and Possibly to Future Phillips Edison- or ARC-sponsored Programs

Some of our directors are also directors of other Phillips Edison affiliates or ARC-sponsored programs and affiliates. The loyalties of our directors serving on the board of these other entities or possibly on the board of future Phillips Edison- or ARC-sponsored programs may influence the judgment of our board when considering issues for us that also may affect other Phillips Edison- or ARC-sponsored programs, such as the following:

- The conflicts committee of our board of directors must evaluate the performance of ARC Advisor with respect to whether ARC Advisor is presenting to us our fair share of investment opportunities. If our advisor is not presenting a sufficient number of investment opportunities to us because it is presenting many opportunities to another Phillips Edison- or ARC-sponsored program or if our advisor is giving preferential treatment to another Phillips Edison- or ARC-sponsored program in this regard, our conflicts committee may not be well suited to enforce our rights under the terms of the advisory agreement or to seek a new advisor.

- We could enter into transactions with other Phillips Edison- or ARC-sponsored programs, such as property sales, acquisitions, joint ventures or financing arrangements. Decisions of the board or the conflicts committee regarding the terms of those transactions may be influenced by the board's or committee's loyalties to such other Phillips Edison- or ARC-sponsored programs.

- A decision of the board or the conflicts committee regarding the timing of a debt or equity offering could be influenced by concerns that the offering would compete with an offering of other Phillips Edison- or ARC-sponsored programs.

- A decision of the board or the conflicts committee regarding the timing of property sales could be influenced by concerns that the sales would compete with those of other Phillips Edison- or ARC-sponsored programs.

Fiduciary Duties Owed by Some of Our Affiliates to Our Advisor, Our Sub-advisor and Their Respective Affiliates

All of our executive officers, some of our directors and the key real estate professionals at our advisor and sub-advisor are also officers, directors, managers, key professionals and/ or holders of a direct or indirect controlling interest in or for one or more of:

- ARC Advisor, our advisor;

- Phillips Edison Sub-Advisor, our sub-advisor;

- Realty Capital Securities, LLC, our dealer manager;

- other Phillips Edison-sponsored programs (see the "Prior Performance Summary" section of this prospectus); and

- other ARC-sponsored programs (see the "Prior Performance Summary" section of this prospectus).

As a result, they owe fiduciary duties to each of these programs, their stockholders and members and limited partners advised by Phillips Edison- and ARC-affiliated entities. These fiduciary duties may from time to time conflict with the fiduciary duties that they owe to us.

Affiliated Dealer Manager

Since Realty Capital Securities, LLC, our dealer manager, is an affiliate of ARC Advisor, you will not have the benefit of an independent due diligence review and investigation of the type normally performed by an independent underwriter in connection with the offering of securities. See "Management—Our Dealer Manager" and "Plan of Distribution."

Certain Conflict Resolution Measures

Conflicts Committee

In order to ameliorate the risks created by conflicts of interest, our charter creates a conflicts committee of our board of directors composed of all of our independent directors. An "independent director" is a person who is not one of our officers or employees or an officer or employee of one of our sponsors or their respective affiliates and has not been so for the previous two years. Serving as a director of, or having an ownership interest in, another Phillips Edison- or ARC-sponsored program will not, by itself, preclude independent-director status. Our charter authorizes the conflicts committee to act on any matter permitted under Maryland law. Both the board of directors and the conflicts committee must act upon those conflict-of-interest matters that cannot be delegated to a committee under Maryland law. Our charter also empowers the conflicts committee to retain its own legal and financial advisors. Among the matters we expect the conflicts committee to act upon are:

- the continuation, renewal or enforcement of our agreements with our ARC sponsor's affiliates, including the advisory agreement and the dealer-manager agreement;
- public offerings of securities;
- sales of properties and other investments;
- investments in properties and other assets;
- originations of loans;
- borrowings;
- transactions with affiliates;
- compensation of our officers and directors who are affiliated with our advisor;
- whether and when we seek to list our shares of common stock on a national securities exchange;
- whether and when we seek to become self-managed, which decision could lead to our acquisition of entities affiliated with our sponsors at a substantial price; and
- whether and when we seek to sell the company or its assets.

Our board of directors, or a majority of the conflicts committee that constitutes a majority of our board of directors, approves all proposed investments.

Restrictions on Competing Business Activities of Our Sponsors

The advisor is required to use commercially reasonable efforts to present a continuing and suitable investment program to us that is consistent with our investment policies and objectives. The advisor and sub-advisor will not pursue any opportunity to acquire any real estate properties or real estate-related investments that are directly competitive with our investment strategies, unless and until the opportunity is first presented to us. If we pass on such acquisition, then the advisor, the sub-advisor or their respective affiliates, as applicable, may acquire the subject investment. In addition, if we are presented an investment opportunity by a Phillips Edison sponsored program that also seeks the opportunity for tax planning purposes under Section 1031 of the Code, we have 21 days to respond to the opportunity presented or we are otherwise deemed to have passed on the opportunity.

Our ARC sponsors and its affiliates, including our advisor, may pursue any opportunity in respect of (1) any net leased retail, office and industrial properties or other property consistent with the investment policies of American Reality Capital Trust, Inc., or (2) any commercial real estate or other real estate investments that relate to office, retail, multi-family residential, industrial and hotel property types, located primarily in the New York metropolitan area or other property consistent with the investment policies of American Realty Capital New York Recovery REIT, Inc. However, American Realty Capital New York Recovery REIT, Inc. is in registration with the SEC and has not yet commenced operations.

Other Charter Provisions Relating to Conflicts of Interest

In addition to the creation of the conflicts committee, our charter contains many other restrictions relating to conflicts of interest including the following:

Advisor Compensation. The conflicts committee evaluates at least annually whether the compensation that we contract to pay to ARC Advisor and its affiliates is reasonable in relation to the nature and quality of services performed and whether such compensation is within the limits prescribed by the charter. The conflicts committee supervises the performance of ARC Advisor and its affiliates and the compensation we pay to them to determine whether the provisions of our compensation arrangements are being carried out. This evaluation is based on the following factors as well as any other factors deemed relevant by the conflicts committee:

- the amount of the fees and any other compensation, including stock-based compensation, if any, paid to ARC Advisor and its affiliates in relation to the size, composition and performance of our investments;
- whether the expenses incurred by us are reasonable in light of our investment performance, net assets and net income and the fees and expenses of other comparable unaffiliated REITs;
- the success of ARC Advisor in generating appropriate investment opportunities;
- the rates charged to other companies, including other REITs, by advisors performing similar services;
- additional revenues realized by ARC Advisor and its affiliates through their relationship with us, including whether we pay them or they are paid by others with whom we do business;

- the quality and extent of service and advice furnished by ARC Advisor and its affiliates;
- the performance of our investment portfolio; and
- the quality of our portfolio relative to the investments generated by ARC Advisor and its affiliates for their own account and for their other clients.

Under our charter, we can only pay ARC Advisor a disposition fee in connection with the sale of a property or other asset if it provides a substantial amount of the services in the effort to sell the property or asset. If a third-party broker is involved in the disposition and ARC Advisor has provided a substantial amount of services in connection with the sale of the assets, ARC Advisor may receive up to one-half of the brokerage commission paid so long as the commission paid does not exceed 3.0% of the sales price of the property or other asset. If no brokerage commission to a third-party broker is paid, ARC Advisor may receive a commission of up to 3.0% of the sales price of the property or other asset. Although our charter limits this commission to 3.0% of the sales price, our advisory agreement provides for a 2.0% fee. The payment of a disposition fee would require the approval of a majority of the members of our conflicts committee. Moreover, our charter also provides that the commission, when added to all other disposition fees paid to unaffiliated parties in connection with the sale, may not exceed the lesser of a competitive real estate commission or 6.0% of the sales price of the property or other asset. To the extent this disposition fee is paid upon the sale of any assets other than real property, it will count against the limit on "total operating expenses" described below. We do not intend to sell properties or other assets to affiliates. However, if we do sell an asset to an affiliate, our organizational documents would not prohibit us from paying our advisor a disposition fee. Before we sold an asset to an affiliate, our charter would require that a majority of our board of directors, including a majority of our conflicts committee, not otherwise interested in the transaction conclude that the transaction is fair and reasonable to us and on terms and conditions no less favorable to us than those available from third parties.

Our charter also requires that any gain from the sale of assets that we may pay our advisor or an entity affiliated with our advisor be reasonable. Such an interest in gain from the sale of assets is presumed reasonable if it does not exceed 15.0% of the balance of the net sale proceeds remaining after payment to common stockholders, in the aggregate, of an amount equal to 100% of the original issue price of the common stock, plus an amount equal to 6.0% of the original issue price of the common stock per year cumulative. Our advisory agreement sets a higher threshold for the payment of a subordinated incentive fee than that required by our charter. Under the advisory agreement, an incentive fee may be paid only if the stockholders first receive a 7.0% per year cumulative, noncompounded return. Any lowering of the threshold set forth in the advisory agreement would require the approval of a majority of the members of the conflicts committee. The subordinated incentive fee payable under the advisory agreement is a subordinated share of cash flows, whether from continuing operations, net sale proceeds or otherwise; however, to the extent that this incentive fee is derived from cash flows other than net sales proceeds, the incentive fee will count against the limit on "total operating expenses" described below.

If we ever decided to become self-managed by acquiring entities affiliated with our advisor, our charter would require that the conflicts committee conclude, by a majority vote, that such internalization transaction is fair and reasonable to us and on terms and conditions no less favorable to us than those available from third parties.

Our charter also limits the amount of acquisition fees and acquisition expenses we can incur to a total of 6.0% of the contract purchase price for the property or, in the case of a loan, our charter limits origination fees and expenses we can incur to 6.0% of the funds advanced. This limit may only be exceeded if the conflicts committee approves (by majority vote) the fees and expenses and finds the transaction to be commercially competitive, fair and reasonable to us. Although our charter permits

combined acquisition fees and expenses to equal 6.0% of the purchase price, our advisory agreement limits the acquisition fee to 1.0% of the purchase price (including any acquisition expenses and any debt attributable to such investments). The advisory agreement does not provide for an origination fee. Any increase in the acquisition fee stipulated in the advisory agreement or the creation of an origination fee would require the approval of a majority of the members of the conflicts committee.

Term of Advisory Agreement. Each contract for the services of our advisor may not exceed one year, although there is no limit on the number of times that we may retain a particular advisor. The conflicts committee or our advisor may terminate our advisory agreement with ARC Advisor without cause or penalty on 60 days' written notice. By "without penalty," we mean that we can terminate our advisor without having to compensate our advisor for income lost as a result of the termination of the advisory agreement. The advisory agreement does contain a provision to eliminate the possibility that our advisor could be terminated as a way to avoid having to pay the Subordinated Share of Cash Flows. Based on this provision, upon termination of the agreement, our advisor will be entitled to a subordinated termination fee, as described below. In such event, ARC Advisor must cooperate with us and our directors in making an orderly transition of the advisory function.

Upon termination of the advisory agreement, our advisor shall be entitled to a subordinated termination fee. The subordinated termination fee, if any, will equal to the greater of (a) 15.0% of the amount, if any, by which (1) the fair market value of our assets on the termination date, less any indebtedness secured by such assets, plus total distributions paid through the termination date (excluding stock dividends and distributions on repurchased shares), exceeds (2) the sum of the total amount of capital raised from stockholders (less amounts paid to repurchase shares of our common stock pursuant to our share repurchase plan) and the total amount of cash that, if distributed to them as of the termination date, would have provided them an annual 7.0% cumulative, non-compounded return on the gross proceeds from the sale of shares of our common stock through the termination date, or (b) deemed real estate commissions equal to 3.0% of the contract sales price that would have been paid to the advisor or its affiliates (assuming the sale of substantially all the assets of the operating partnership at the date of termination of the advisory agreement at fair market value on such date; provided that in no event may such deemed real estate commissions exceed the aggregate reasonable, customary and competitive real estate commission in light of the size, type and location of the properties). In addition, our advisor may elect to defer its right to receive a subordinated termination fee until either a listing or other liquidity event occurs, including a liquidation, sale of substantially all of our assets or merger in which our stockholders receive in exchange for their shares of our common stock shares of a company that are traded on a national securities exchange.

If our advisor elects to defer its right to receive a subordinated termination fee and there is a listing of the shares of our common stock on a national securities exchange or a merger in which our stockholders receive in exchange for their shares of our common stock shares of a company that are traded on a national securities exchange, then our advisor will be entitled to receive a subordinated termination fee in an amount equal to the greater of (a) 15.0% of the amount, if any, by which the sum of (1) the fair market value of our assets (determined as of the listing date or merger date, as applicable) owned as of the termination of the advisory agreement, plus any assets acquired after such termination for which our advisor would have been entitled to receive an acquisition fee (referred to herein as the "included assets") less any indebtedness secured by these assets, plus the cumulative distributions made by our operating partnership to us and the limited partners who received partnership units in connection with the acquisition of the included assets, from our inception through the listing date or merger date, as applicable, exceeds (2) the sum of the total amount of capital raised from stockholders and the capital value of partnership units issued in connection with the acquisition of the included assets through the listing date or merger date, as applicable (excluding any capital raised after the completion of this offering) (less amounts paid to repurchase shares of our common stock pursuant to our share repurchase

plan), plus an amount equal to an annual 7.0% cumulative, non-compounded return on the total amount of capital raised from stockholders and the capital value of such partnership units measured for the period from inception through the listing date or merger date, as applicable, or (b) deemed real estate commissions equal to 3.0% of the contract sales price that would have been paid to the advisor or its affiliates (assuming the sale of substantially all the assets of the operating partnership at the date of termination of the advisory agreement at fair market value on such date; provided that in no event may such deemed real estate commissions exceed the aggregate reasonable, customary and competitive real estate commission in light of the size, type and location of the properties).

If our advisor elects to defer its right to receive a subordinated termination fee and there is a liquidation or sale of all or substantially all of the assets of the operating partnership, then our advisor will be entitled to receive a subordinated termination fee in an amount equal to the greater of (a) 15.0% of the net proceeds from the sale of our assets owned as of the termination of the advisory agreement and the included assets, after subtracting the sum of (1) the total amount of capital raised from stockholders and the capital value of partnership units issued in connection with the acquisition of the included assets through the date of the liquidity event plus (2) an amount equal to an annual 7.0% cumulative, non-compounded return on such initial invested capital and the capital value of such partnership units measured for the period from inception through the date of the liquidity event date, or (b) deemed real estate commissions equal to 3.0% of the contract sales price that would have been paid to the advisor or its affiliates (assuming the sale of substantially all the assets of the operating partnership at the date of termination of the advisory agreement at fair market value on such date; provided that in no event may such deemed real estate commissions exceed the aggregate reasonable, customary and competitive real estate commission in light of the size, type and location of the properties). If our advisor receives the subordinated incentive fee, it would no longer be entitled to receive subordinated distributions of net sales proceeds or the subordinated termination fee. If our advisor receives the subordinated termination fee, it would no longer be entitled to receive subordinated distributions of net sales proceeds or the subordinated incentive fee. There are many additional conditions and restrictions on the amount of compensation our advisor and its affiliates may receive.

Our Acquisitions. We will not purchase or lease properties in which ARC Advisor, Phillips Edison Sub-Advisor, any of our directors or officers or any of their respective affiliates has an interest without a determination by a majority of the board of directors, including a majority of the conflicts committee, not otherwise interested in the transaction that such transaction is fair and reasonable to us and at a price to us no greater than the cost of the property to the affiliated seller or lessor, unless there is substantial justification for the excess amount. In no event will we acquire any such property at an amount in excess of its current appraised value as determined by an independent expert selected by our independent directors not otherwise interested in the transaction. An appraisal is "current" if obtained within the prior year. If a property with a current appraisal is acquired indirectly from an affiliated seller through the acquisition of securities in an entity that directly or indirectly owns the property, a second appraisal on the value of the securities of the entity shall not be required if (1) the conflicts committee determines that such transaction is fair and reasonable, (2) the transaction is at a price to us no greater than the cost of the securities to the affiliated seller, (3) the entity has conducted no business other than the financing, acquisition and ownership of the property and (4) the price paid by the entity to acquire the property did not exceed the current appraised value.

Mortgage Loans Involving Affiliates. Our charter prohibits us from investing in or making mortgage loans in which the transaction is with ARC Advisor, Phillips Edison Sub-Advisor, our directors or officers or any of their respective affiliates, unless an independent expert appraises the underlying property. We must keep the appraisal for at least five years and make it available for inspection and duplication by any of our stockholders. In addition, we must obtain a mortgagee's or owner's title insurance policy or commitment as to the priority of the mortgage or the condition of the title. Our

charter prohibits us from making or investing in any mortgage loans that are subordinate to any mortgage or equity interest of ARC Advisor, Phillips Edison Sub-Advisor, our directors or officers or any of their respective affiliates.

Other Transactions Involving Affiliates. A majority of our directors, including a majority of the conflicts committee members, not otherwise interested in the transaction must conclude that all other transactions, including sales and leases of our properties, between us and ARC Advisor, Phillips Edison Sub-Advisor, any of our officers or directors or any of their respective affiliates, including any development services fees payable to such affiliates, are fair and reasonable to us and on terms and conditions not less favorable to us than those available from unaffiliated third parties.

Limitation on Operating Expenses. Commencing upon the earlier to occur of the four fiscal quarters after (1) we make our first investment or (2) six months after the commencement of this offering, ARC Advisor must reimburse us the amount by which our aggregate total operating expenses for the four fiscal quarters then ended exceed the greater of 2.0% of our average invested assets or 25.0% of our net income, unless the conflicts committee has determined that such excess expenses were justified based on unusual and non-recurring factors. After the end of any fiscal quarter for which our total operating expenses exceed this 2%/25% limitation for the twelve months then ended, this fact will be disclosed in writing and sent to our common stockholders within 60 days. This fact may also be disclosed on Form 8-K within 60 days of the end of the quarter. Included in such disclosure will be an explanation of the factors considered by our conflicts committee in determining that such an excess was justified. "Average invested assets" means the average monthly book value of our assets during the 12-month period before deducting depreciation, bad debts or other non-cash reserves. "Total operating expenses" means all expenses paid or incurred by us, as determined under GAAP, that are in any way related to our operation, including advisory fees, but excluding: (1) the expenses of raising capital such as organization and offering expenses, legal, audit, accounting, underwriting, brokerage, listing, registration and other fees, printing and other such expenses and taxes incurred in connection with the issuance, distribution, transfer, registration and stock exchange listing of our stock; (2) interest payments; (3) taxes; (4) non-cash expenditures such as depreciation, amortization and bad debt reserves; (5) reasonable incentive fees based on the gain from the sale of our assets; and (6) acquisition fees, origination fees, acquisition and origination expenses (including expenses relating to potential investments that we do not close), disposition fees on the resale of property and other expenses connected with the acquisition, origination, disposition and ownership of real estate interests, loans or other property (other than disposition fees on the sale of assets other than real property), including the costs of foreclosure, insurance premiums, legal services, maintenance, repair and improvement of property.

Issuance of Options and Warrants to Certain Affiliates. Until our shares of common stock are listed on a national securities exchange, we will not issue options or warrants to purchase our capital stock to ARC Advisor, Phillips Edison Sub-Advisor, our directors, the sponsors or any of their respective affiliates, except on the same terms as such options or warrants, if any, are sold to the general public. We may issue options or warrants to persons other than ARC Advisor, Phillips Edison Sub-Advisor, our directors, the sponsors and their respective affiliates prior to listing our common stock on a national securities exchange, but not at exercise prices less than the fair market value of the underlying securities on the date of grant and not for consideration (which may include services) that in the judgment of the conflicts committee has a market value less than the value of such option or warrant on the date of grant. Any options or warrants we issue to ARC Advisor, Phillips Edison Sub-Advisor, our directors, the sponsors or any of their respective affiliates shall not exceed an amount equal to 10.0% of the outstanding shares of our common stock on the date of grant.

Repurchase of Our Shares. Our charter prohibits us from paying a fee to ARC Advisor, Phillips Edison Sub-Advisor, or our directors or officers or any of their respective affiliates in connection with our repurchase of our capital stock.

Loans. We will not make any loans to ARC Advisor, Phillips Edison Sub-Advisor, or to our directors or officers or any of their respective affiliates. In addition, we will not borrow from these persons unless a majority of our directors, including a majority of the conflicts committee members, not otherwise interested in the transaction approves the transaction as being fair, competitive and commercially reasonable and no less favorable to us than comparable loans between unaffiliated parties. These restrictions on loans will only apply to advances of cash that are commonly viewed as loans, as determined by the board of directors. By way of example only, the prohibition on loans would not restrict advances of cash for legal expenses or other costs incurred as a result of any legal action for which indemnification is being sought nor would the prohibition limit our ability to advance reimbursable expenses incurred by directors or officers or ARC Advisor, Phillips Edison Sub-Advisor, or their respective affiliates.

Reports to Stockholders. Our charter requires that we prepare an annual report and deliver it to our stockholders within 120 days after the end of each fiscal year. Our directors are required to take reasonable steps to ensure that the annual report complies with our charter provisions. Among the matters that must be included in the annual report or included in a proxy statement delivered with the annual report are:

- financial statements prepared in accordance with GAAP that are audited and reported on by an independent registered public accounting firm;
- the ratio of the costs of raising capital during the year to the capital raised;
- the aggregate amount of advisory fees and the aggregate amount of other fees paid to ARC Advisor and any affiliates of ARC Advisor by us or third parties doing business with us during the year;
- our total operating expenses for the year stated as a percentage of our average invested assets and as a percentage of our net income;
- a report from the conflicts committee that our policies are in the best interests of our common stockholders and the basis for such determination; and
- a separately stated, full disclosure of all material terms, factors and circumstances surrounding any and all transactions involving us and our advisor, a director or any affiliate thereof during the year, which disclosure has been examined and commented upon in the report by the conflicts committee with regard to the fairness of such transactions.

Voting of Shares Owned by Affiliates. Before becoming a stockholder, our advisor, our sub-advisor, our directors and officers and their respective affiliates must agree not to vote their shares regarding (1) the removal of any of these affiliates or (2) any transaction between any of them and us. In determining the requisite percentage in interest of shares necessary to approve any matter on which our advisor, our sub-advisor, our directors and any of their respective affiliates may not vote or consent, any shares owned by any of them will not be included.

Phillips Edison Sub-Advisor has agreed to abstain from voting any shares it acquires in any vote regarding (1) the removal of ARC Advisor or any affiliate of ARC Advisor, (2) the removal of Phillips

Edison Sub-Advisor or any affiliate of Phillips Edison Sub-Advisor, (3) any transaction between us and ARC Advisor or any of its affiliates and (4) any transaction between us and Phillips Edison Sub-Advisor or any of its affiliates. Phillips Edison Sub-Advisor has agreed to vote any shares of our common stock it owns in favor of any person nominated by ARC Advisor for our board of directors. Any person nominated by ARC Advisor for our board of directors who is elected to the board will have executed an advance letter of resignation from our board immediately effective upon the termination of ARC Advisor as our advisor, if such termination shall ever occur. ARC Advisor has agreed to vote any shares of our common stock it owns in favor of any person nominated by Phillips Edison Sub-Advisor for our board of directors.

If ARC Advisor's nominee to the board of directors is not elected by our stockholders at anytime during the first five years of this offering, ARC Advisor will appoint an individual to observe meetings of the board of directors and committees. The board observer would not be a member of the board of directors or be entitled to vote on any matters brought before the board or a committee of the board. The board observer would not have access to certain meetings of the independent directors and would not be able to review legally privileged materials presented to the board. The board observer would resign from his or her position upon the earlier to occur of (1) the fifth anniversary of the commencement of this initial public offering and (2) our termination of ARC Advisor as our advisor.

Ratification of Charter Provisions. Our board of directors and the conflicts committee have reviewed and ratified our charter by the vote of a majority of their respective members, as required by our charter.

INVESTMENT OBJECTIVES AND CRITERIA

General

We will invest primarily in necessity-based neighborhood and community shopping centers throughout the United States with a focus on well-located grocery anchored shopping centers that are well occupied at the time of purchase and typically cost less than $20.0 million per property. The shopping centers will have a mix of national, regional, and local retailers who sell essential goods and services to customers who live in the neighborhood. We expect to build a high quality portfolio with the following characteristics:

- **Necessity Based Retail** – We expect to acquire well-occupied shopping centers that focus on serving the day-to-day shopping needs of the community in the surrounding trade area (e.g. grocery stores, general merchandise stores, discount stores, drug stores, restaurants, and neighborhood service providers);

- **Diversified Portfolio** – Once we have substantially invested all of the proceeds of this offering, we expect to acquire a well diversified portfolio based on geography, anchor tenant diversity, tenant mix, lease expirations, and other factors;

- **Infill Locations** – We will target properties in more densely populated locations with higher barriers to entry which limits additional competition;

- **Growth Markets** – Our properties will be located in established or growing markets based on trends in population growth, employment, household income, employment diversification, and other key demographic factors; and

- **Discount To Replacement Cost** – In the current acquisition environment, we expect to acquire properties at values based on current rents and at a substantial discount to replacement cost.

We will focus on maximizing stockholder value and some of the key elements of our financial strategy include:

- **Institutional Seasoned Management** – We will acquire and manage the portfolio through our advisor and sub-advisor and their affiliates, including Phillips Edison sponsor’s seasoned team of professional managers with over 180 years of combined operating history and extensive knowledge and expertise in the retail sector;

- **National Platform** – We will provide reliable execution of the investment and operating strategies through our advisor and sub-advisor and their affiliates who have a fully integrated, scalable, national operating platform with extensive knowledge of the retail marketplace and established national tenant relationships;

- **Property Focus** – We will utilize a property-specific focus that combines intensive leasing and merchandising plans with cost containment measures and delivers a more solid and stable income stream;

- **Stable Dividend** – We expect to pay monthly distributions to our stockholders that will be covered by FFO;
- **Low Leverage** – We will target a prudent leverage strategy with no more than a 50.0% loan to value ratio on our portfolio (calculated once we have invested substantially all of the offering proceeds);
- **Upside Potential** – We expect our portfolio to have upside potential from a combination of lease-up, rent growth, cost containment and increased cash flow; and
- **Exit Strategy** – We expect to sell our assets, sell or merge our company, or list our company within three to five years after the end of this offering.

Our primary investment objectives are:

- to provide you with stable cash distributions;
- to preserve and protect your capital contribution;
- to realize growth in the value of our assets upon the sale of such assets; and
- to provide you with the potential for future liquidity through the sale of our assets, a sale or merger of our company, a listing of our common stock on a national securities exchange, or other similar transaction. See "—Exit Strategy—Liquidity Event."

Necessity- and Grocery-Anchored Retail Properties Focus

We will invest primarily in necessity-based neighborhood and community shopping centers throughout the United States with a focus on well-located grocery anchored shopping centers that are well occupied at the time of purchase and typically cost less than $20.0 million per property. The shopping centers will have a mix of national, regional, and local retailers who sell essential goods and services to customers who live in the neighborhood. We believe necessity- and grocery-anchored retail is one of the most stable asset classes in real estate. Necessity- and grocery-oriented retail creates consistent consumer demand for goods and services typically located within neighborhood and community shopping centers in both economic upturns and downturns. Neighborhood shopping centers typically are between 30,000 and 150,000 square feet and provide consumers with convenience goods such as food and drugs and services for the daily living needs of residents in the immediate neighborhood. Community shopping centers generally are between 100,000 and 350,000 square feet and typically contain multiple anchors and provide facilities for the sale of apparel, accessories, home fashion, hardware or appliances in addition to the convenience goods provided by a grocery-anchored neighborhood retail shopping center. We define "well-located" as retail properties situated in more densely populated locations with higher barriers to entry which limits additional competition. We define "well occupied" as retail properties with typically 80.0% or greater occupancy at the time of purchase. However, there can be no assurance the historical stability of necessity-based retail real estate will continue in the future. See "Risk Factors—General Risks Related to Investments in Real Estate."

Other Real Estate and Real Estate-Related Loans and Securities

Although not our primary focus, we may, from time to time, make investments in other real estate properties and real estate-related loans and securities. We do not expect these types of assets to exceed

10.0% of the proceeds of this offering, assuming we sell the maximum offering amount. If we raise only the minimum offering amount or substantially less than our maximum offering and we acquire a real estate-related asset early in our offering stage, our investments in real estate-related loans and securities could constitute a greater percentage of our portfolio, although we do not expect those assets to represent a substantial portion of our assets at any one time. With respect to our investments in real estate-related assets, including mortgages, mezzanine, bridge and other loans, debt and derivative securities related to real estate, mortgage-backed securities and any non-controlling equity investments in other public REITs or real estate companies, we will primarily focus on investments in first mortgages secured by retail properties. Our criteria for investing in loans will be substantially the same as those involved in our investment in properties; however, we will also evaluate such investments based on the current income opportunities presented.

Real Estate Properties

We may pursue opportunities to acquire or develop lifestyle and power shopping centers which we believe provide higher average sales per square foot and lower common area maintenance costs compared to a traditional shopping mall. Lifestyle shopping centers typically provide open-air retail space that combine mixed-use commercial development with boutique stores geared to shoppers with higher disposable incomes. Power shopping centers also usually feature open-air retail space and contain three or more “big box” retailers and various smaller retailers. A “big box” retailer is a single-use store, typically between 25,000 and 100,000 square feet or more, such as a large bookstore, office-supply store, pet store, electronics store, sporting goods store, or discount department store.

We may invest in enhanced-return properties, which are higher-yield and higher-risk investments that may not be as well located or well occupied as the substantial majority of our neighborhood and community shopping center investments. Examples of enhanced-return properties that we may acquire and reposition include: properties with moderate vacancies or near-term lease rollovers; poorly managed and positioned properties; properties owned by distressed sellers; and build-to-suit properties. While we expect to focus on shopping center properties and related assets, our charter does not limit our investments to only those assets, and if we believe it to be in the best interests of our stockholders, we may also acquire additional real estate assets, such as office, multi-family, mixed-use, hospital, hospitality and industrial properties. The purchase of any property type will be based upon the best interests of our company and our stockholders as determined by our board of directors and taking into consideration the same factors discussed above. Additionally, we may acquire properties that are under development or construction, undeveloped land, options to purchase properties and other real estate assets. We may enter into arrangements with the seller or developer of a property whereby the seller or developer agrees that if, during a stated period, the property does not generate a specified cash flow, the seller or developer will pay in cash to us a sum necessary to reach the specified cash flow level, subject in some cases to negotiated dollar limitations. In fact, we may invest in whatever types of interests in real estate that we believe are in our best interests.

Although we can purchase any type of interest in real estate, our charter does limit certain types of investments, which we discuss below under “—Investment Limitations.” We do not expect to invest in properties located outside of the United States or in single-purpose properties, such as golf courses or specialized manufacturing buildings. We also do not intend to make loans to other persons (other than the loans described above), to underwrite securities of other issuers or to engage in the purchase and sale of any types of investments other than interests in real estate properties and real estate-related loans and securities.

Investments in Equity Securities

We may make equity investments in other REITs and other real estate companies that operate assets meeting our investment objectives. We may purchase the common or preferred stock of these entities or options to acquire their stock. We will target a public company that owns commercial real estate or real estate-related assets when we believe its stock is trading at a discount to that company's net asset value. We may eventually seek to acquire or gain a controlling interest in the companies that we target. We do not expect our non-controlling equity investments in other public companies to exceed 5.0% of the proceeds of this offering, assuming we sell the maximum offering amount, or to represent a substantial portion of our assets at any one time. In addition, we do not expect our non-controlling equity investments in other public companies combined with our investments in real estate properties outside of our target shopping center investments and other real estate-related investments to exceed 10.0% of our portfolio, assuming we sell the maximum offering amount.

Acquisition Policies

Our advisor intends to diversify our portfolio by geographic region, tenant mix, investment size and investment risk so that event risk is minimized to achieve a portfolio of income-producing assets that provide a stable return for investors and preserve stockholders' capital. We may make investments by acquiring single assets, portfolios of assets, other REITs or real estate companies.

Geography. Our affiliates have a national operating platform with over 25 million square feet comprised of 250 assets located in 35 states. We will initially focus on markets where our advisor's and sub-advisor's affiliates have an established market presence, or market knowledge and access to potential investments, as well as an ability to efficiently direct property management and leasing operations.

Our initial target markets will have the following characteristics:

- Infill locations with barriers-of-entry that are higher than in many other markets, such as zoning and land use restrictions; and
- Growth markets with strong demographic growth, such as employment, household income, and economic diversity.

Initial Target Markets

East	Midwest
Louisville, KY	Chicago, IL
Boston, MA	Indianapolis, IN
New York Metropolitan Area	Des Moines, IA
Raleigh, NC	Minneapolis, MN
Philadelphia, PA	St. Louis, MO
Charleston, SC	Columbus, OH
Columbia, SC	Milwaukee, WI
Greenville, SC	
Washington, DC Metropolitan Area	
South	**West**
Jacksonville, FL	Phoenix, AZ
Miami, FL	Riverside, CA
Orlando, FL	San Diego, CA
Tampa, FL	San Francisco, CA

Atlanta, GA	Denver, CO
New Orleans, LA	Boise City, ID
Oklahoma City, OK	Las Vegas, NV
Nashville, TN	Albuquerque, NM
Austin, TX	Portland, OR
Dallas, TX	Salt Lake City, UT
Houston, TX	Seattle, WA
San Antonio, TX	

Additionally, our advisor may pursue properties in other markets demonstrating strong fundamentals, national or regional credit tenants, as described below, and attractive pricing. Economic and real estate market conditions vary widely within each region and submarket, and we intend to spread our portfolio investments across the United States.

Tenant Mix. We expect that the anchor tenants underlying our investments, whether retail properties or real estate-related loans and securities, will be primarily large national or regional companies, or their operating subsidiaries, each with an extensive operating history and a financial profile that satisfies our credit underwriting standards. We refer to these tenants as “credit tenants.” We do not expect our exposure to any one tenant in our portfolio to be more than 10.0% of revenues, assuming revenues generated from a portfolio assembled using the maximum offering proceeds. By diversifying our tenant portfolio, we believe we will minimize our exposure to any single tenant default or bankruptcy, which we refer to as “event risk,” and the negative impact any such event would have on our overall revenues. In addition, we believe our national and regional relationships will serve a mutual benefit to retailers and our assets through both tenant retention and expansion, and efficient management of properties in our portfolio.

Investment Size and Term. We expect the majority of our investments will typically be less than $20.0 million; however, we may make investments above or below this amount to complement our portfolio and meet our investment objectives.

We intend to hold our properties for four to seven years, which we believe is the optimal period to enable us to capitalize on the potential for increased income and capital appreciation of properties. We expect to sell our assets, sell or merge our company, or list our company within three to five years after the end of this offering. However, economic and market conditions may influence us to hold our investments for different periods of time.

Real Property Investment Considerations. Our advisor or sub-advisor will perform in-depth review of each property acquired in the portfolio, including, but not limited to:

- geographic location and property type;
- condition and use of the property;
- market growth demographics;
- historical performance;
- current and projected cash flow;
- potential for capital appreciation;

- presence of existing and potential competition;
- prospects for liquidity through sale, financing or refinancing of the assets; and
- tax considerations.

Conditions to Closing Real Property Investments. Our advisor or sub-advisor will perform a diligence review on each property that we purchase. As part of this review, our advisor or sub-advisor will generally obtain an environmental site assessment for each proposed acquisition (which at a minimum will include a Phase I assessment). We will not close the purchase of any property unless we are satisfied with the environmental status of the property. Typically, our property acquisitions will also be supported by an appraisal prepared by a competent, independent appraiser who is a member-in-good standing of the Appraisal Institute. Our investment policy currently provides that the purchase price of each property will not exceed its appraised value at the time we acquire the property. Appraisals, however, are estimates of value and should not be relied upon as measures of true worth or realizable value. We will also generally seek to condition our obligation to close the purchase of any investment on the delivery of certain documents from the seller or developer. Such documents may include, where available:

- plans and specifications;
- surveys;
- evidence of marketable title, subject to such liens and encumbrances as are acceptable to our advisor or sub-advisor;
- title and liability insurance policies; and
- financial statements covering recent operations of properties having operating histories.

Tenant Improvements. We anticipate that tenant improvements required at the time we acquire a property will be funded from our offering proceeds. However, at such time as a tenant of one of our properties does not renew its lease or otherwise vacates its space in one of our buildings, it is likely that, in order to attract new tenants, we may be required to expend substantial funds for tenant improvements and tenant refurbishments to the vacated space. We would expect to fund those improvements with offering proceeds, through third-party financings or working capital.

Terms of Leases. We expect that the vast majority of the leases we enter or acquire will provide for tenant reimbursement of operating expenses. Operating expenses typically include real estate taxes, special assessments, insurance, utilities, common area maintenance and some building repairs. We also intend to include provisions in our leases that increase the amount of base rent payable at various points during the lease term and/or provide for the payment of additional rent calculated as a percentage of a tenant's gross sales above predetermined thresholds. However, the terms and conditions of any leases we enter into may vary substantially from those described. To the extent material to our operations, we will describe the terms of the leases on properties we acquire by means of a supplement to this prospectus.

Tenant Creditworthiness. We will execute new tenant leases and tenant lease renewals, expansions and extensions with terms dictated by the current submarket conditions and the creditworthiness of each particular tenant. We will use a number of industry credit rating services to determine the creditworthiness of potential tenants and personal guarantors or corporate guarantors of

potential tenants. We will compare the reports produced by these services to the relevant financial data collected from these parties before consummating a lease transaction. Relevant financial data from potential tenants and guarantors include income statements and balance sheets for the current year and for prior periods, net worth or cash flow statements of guarantors and other information we deem relevant.

Real Estate-Related Loans and Securities Considerations. Although not our primary focus, we may, from time to time, make or invest in mortgage, bridge or mezzanine loans, and other loans relating to real property, including loans in connection with the acquisition of investments in entities that own real property. Our criteria for investing in loans will be substantially the same as those involved in our investment in properties; however, we will also evaluate such investments based on the current income opportunities presented. When determining whether to make investments in mortgage and other loans and securities, we will consider such factors as: positioning the overall portfolio to achieve an optimal mix of real estate properties and real estate-related loans and securities; the diversification benefits of the loans relative to the rest of the portfolio; the potential for the investment to deliver high current income and attractive risk-adjusted total returns; and other factors considered important to meeting our investment objectives.

We may acquire or retain loan servicing rights in connection with investments in real estate-related loans that we acquire or originate. If we retain the loan servicing rights, our advisor, our sub-advisor or one of their respective affiliates will service the loan or select a third-party provider to do so. We may structure, underwrite and originate some of the debt products in which we invest. Our underwriting process will involve comprehensive financial, structural, operational and legal due diligence to assess the risks of investments so that we can optimize pricing and structuring.

Our loan investments may be subject to regulation by federal, state and local authorities and subject to laws and judicial and administrative decisions imposing various requirements and restrictions, including, among other things, regulating credit granting activities, establishing maximum interest rates and finance charges, requiring disclosure to customers, governing secured transactions and setting collection, repossession and claims handling procedures and other trade practices. In addition, certain states have enacted legislation requiring the licensing of mortgage bankers or other lenders, and these requirements may affect our ability to effectuate our proposed investments in loans.

We will not make or invest in mortgage loans on any one property if the aggregate amount of all mortgage loans outstanding on the property, including our borrowings, would exceed an amount equal to 85.0% of the appraised value of the property, unless we find substantial justification due to the presence of other underwriting criteria. We may find such justification in connection with the purchase of mortgage loans in cases in which we believe there is a high probability of our foreclosure upon the property in order to acquire the underlying assets and in which the cost of the mortgage loan investment does not exceed the appraised value of the underlying property. Such mortgages may or may not be insured or guaranteed by a governmental agency or another third party.

Acquisition of Properties from Our Affiliates

We are not precluded from acquiring real properties, directly or through joint ventures, from our affiliates, including acquisitions of real properties from our affiliates or programs sponsored by Phillips Edison or ARC. Any such acquisitions will be approved consistent with the conflict of interest procedures described in this prospectus, including approval by a majority of the board of directors and a majority of the conflicts committee, and independent third party appraisal of such asset to be acquired.

Joint Ventures /Co-Investments

We will generally hold fee title or a long-term leasehold estate in the properties we acquire. We may also enter into joint ventures, partnerships and other co-ownership arrangements or participations with third parties as well as entities affiliated with our advisor or sub-advisor for the purpose of obtaining interests in real estate properties and other real estate investments. We may also enter into joint ventures for the development or improvement of properties. Joint venture investments permit us to own interests in large properties and other investments without unduly restricting the diversity of our portfolio, allow us to potentially increase the return on invested capital, promote our brand name and increase market share and help us to obtain the participation of sophisticated partners in our real estate decisions. In determining whether to invest in a particular joint venture, our advisor will evaluate the real estate properties and/or real estate-related assets that such joint venture owns or is being formed to own under the same criteria described elsewhere in this prospectus for the selection of our investments.

Our advisor or sub-advisor will also evaluate the potential joint venture partner as to its financial condition, operating capabilities and integrity. If the potential joint venture partner is an affiliate of our advisor or sub-advisor, we will only enter into such joint venture if a majority of our directors, including a majority of our independent directors, not otherwise interested in the transaction, approve the transaction as being fair and reasonable to us and on substantially the same terms and conditions as those received by other joint venturers.

We have not established the specific terms we will require in the joint venture agreements we may enter. Instead, we will establish the terms with respect to any particular joint venture agreement on a case-by-case basis after our board of directors considers all of the facts that are relevant, such as the nature and attributes of our other potential joint venture partners, the proposed structure of the joint venture, the nature of the operations, the liabilities and assets associated with the proposed joint venture and the size of our interest when compared to the interests owned by other partners in the venture. With respect to any joint venture we enter, we expect to consider the following types of concerns and safeguards:

- Our ability to manage and control the joint venture – we will consider whether we should obtain certain approval rights in joint ventures we do not control. For proposed joint ventures in which we are to share control with another co-venturer, we will consider the procedures to address decisions in the event of an impasse.

- Our ability to exit a joint venture – we will consider requiring buy/sell rights, redemption rights or forced liquidation rights.

- Our ability to control transfers of interests held by other partners to the joint venture – we will consider requiring consent provisions, a right of first refusal and/or forced redemption rights in connection with transfers.

Borrowing Policies

We may use borrowing proceeds to finance acquisitions of new properties or other real estate-related loans and securities; or to originate new loans; to pay for capital improvements, repairs or tenant build-outs to properties; to pay distributions; or to provide working capital. Careful use of debt will help us to achieve our diversification goals because we will have more funds available for investment. Our investment strategy is to utilize primarily secured and possibly unsecured debt to finance our investment portfolio; however, given the current debt market environment, we may elect to forego the use of debt on some or all of our future real estate acquisitions. We may elect to secure financing subsequent to the

acquisition date on future real estate properties and initially acquire investments without debt financing. To the extent that we do not finance our properties and other investments, our ability to acquire additional properties and real estate-related investments will be restricted.

Once we have fully invested the proceeds of this offering, we expect our debt financing to be approximately 50.0% of the value of our tangible assets (calculated after the close of this offering). However, our debt financing may be as high as 65.0% of the value of our tangible assets, although the constraints imposed by the current debt market may result in leverage even below our 50.0% target percentage. There is no limit on the amount we may borrow for the purchase of any single asset. Our charter limits our borrowings to 75.0% of the cost (before deducting depreciation or other noncash reserves) of our tangible assets, meaning that our borrowings may exceed 65.0% of the value of our tangible assets without violating the borrowing restrictions in our charter. However, we may exceed the 75.0% limit only if the majority of the conflicts committee approves each borrowing in excess of our charter limitation and we disclose such borrowings to our stockholders in our next quarterly report with an explanation from the conflicts committee of the substantial justification for the excess borrowing. For example purposes only, substantial justification could be found by the conflicts committee: (1) if the value of our portfolio declined and new borrowings were necessary to repay existing obligations; (2) to pay sufficient distributions to maintain our REIT status; or (3) to buy a property where an exceptional acquisition opportunity presents itself and the terms of the debt and nature of the property are such that the debt does not materially increase the risk that we would become unable to meet our financial obligations as they became due. During the early stages of this offering, and to the extent financing in excess of our charter limit is available at attractive terms, the majority of our conflicts committee may approve debt in excess of this limit. In all events, we expect that our secured and unsecured borrowings will be reasonable in relation to the net value of our assets and will be reviewed by our board of directors at least quarterly.

The form of our indebtedness may be long-term or short-term, secured or unsecured, fixed or floating rate or in the form of a revolving credit facility or repurchase agreements or warehouse lines of credit. Our advisor will seek to obtain financing on our behalf on the most favorable terms available. For a discussion of the risks associated with the use of debt, see “Risk Factors—Risks Associated with Debt Financing.”

Except with respect to the borrowing limits contained in our charter, we may reevaluate and change our debt policy in the future without a stockholder vote. Factors that we would consider when reevaluating or changing our debt policy include: then-current economic conditions, the relative cost and availability of debt and equity capital, any investment opportunities, the ability of our properties and other investments to generate sufficient cash flow to cover debt service requirements and other similar factors. Further, we may increase or decrease our ratio of debt to book value in connection with any change of our borrowing policies.

We will not borrow from our advisor or its affiliates to purchase properties or make other investments unless a majority of our directors, including a majority of the conflicts committee members, not otherwise interested in the transaction approves the transaction as being fair, competitive and commercially reasonable and no less favorable to us than comparable loans between unaffiliated parties.

Certain Risk Management Policies

Credit Risk Management. We may be exposed to various levels of credit and special hazard risk depending on the nature of our underlying assets and the nature and level of credit enhancements supporting our assets. Our advisor or sub-advisor will review and monitor credit risk and other risks of loss associated with each investment. In addition, we will seek to diversify our portfolio of assets to avoid undue geographic and other types of concentrations to the extent consistent with our investment

objectives, focus and policies. Our board of directors will monitor the overall portfolio risk and levels of provision for loss.

Interest Rate Risk Management. Consistent with our intention to qualify as a REIT, we will follow an interest rate risk management policy intended to mitigate the negative effects of major interest rate changes. We intend to minimize our interest rate risk from borrowings by attempting to structure the key terms of our borrowings to generally correspond to the interest rate term of our assets and through hedging activities.

Hedging Activities. Consistent with our intention to qualify as a REIT, we may engage in hedging transactions to protect our investment portfolio from interest rate fluctuations and other changes in market conditions. These transactions may include interest rate swaps, the purchase or sale of interest rate collars, caps or floors, options, mortgage derivatives and other hedging instruments. These instruments may be used to hedge as much of the interest rate risk as we determine is in the best interest of our stockholders, given the cost of such hedges and the need to maintain our qualification as a REIT. We may from time to time enter into interest rate swap agreements to offset the potential adverse effects of rising interest rates under certain short-term repurchase agreements. We may elect to bear a level of interest rate risk that could otherwise be hedged when we believe, based on all relevant facts, that bearing such risk is advisable.

Equity Capital Policies

Our board of directors may amend our charter to increase or decrease the number of authorized shares of capital stock or the number of shares of stock of any class or series that we have authority to issue without stockholder approval. After your purchase in this offering, our board may elect to: (1) sell additional shares in this or future public offerings, (2) issue equity interests in private offerings, (3) issue shares to our advisor, or its successors or assigns, in payment of an outstanding fee obligation, (4) issue shares to our independent directors pursuant to our 2010 Independent Director Stock Plan or (5) issue shares of our common stock to sellers of assets we acquire in connection with an exchange of limited partnership interests of the operating partnership. To the extent we issue additional equity interests after your purchase in this offering, your percentage ownership interest in us will be diluted. In addition, depending upon the terms and pricing of any additional offerings and the value of our investments, you may also experience dilution in the book value and fair value of your shares.

Disposition Policies

We expect to hold real property investments for four to seven years, which we believe is the optimal period to enable us to capitalize on the potential for increased income and capital appreciation. The period that we will hold our investments in real estate-related assets will vary depending on the type of asset, interest rates and other factors. Our advisor or sub-advisor will develop a well-defined exit strategy for each investment we make, initially at the time of acquisition as part of the original business plan for the asset, and thereafter by periodically reviewing each asset to determine the optimal time to sell the asset and generate a strong return. The determination of when a particular investment should be sold or otherwise disposed of will be made after considering relevant factors, including prevailing and projected economic conditions, whether the value of the asset is anticipated to decline substantially, whether we could apply the proceeds from the sale of the asset to make other investments consistent with our investment objectives, whether disposition of the asset would allow us to increase cash flow, and whether the sale of the asset would constitute a prohibited transaction under the Internal Revenue Code or otherwise impact our status as a REIT.

Exit Strategy—Liquidity Event

It is our intention to begin the process of achieving a Liquidity Event not later than three to five years after the termination of this primary offering. A "Liquidity Event" could include a sale of all or substantially all of our assets, a sale or merger of our company, a listing of our common stock on a national securities exchange, or other similar transaction.

If we do not begin the process of achieving a Liquidity Event by the fifth anniversary of the termination of this offering, our charter requires either (1) an amendment to our charter to extend the deadline to begin the process of achieving a Liquidity Event or (2) the holding of a stockholders meeting to vote on a proposal for an orderly liquidation of our portfolio.

If we sought and failed to obtain stockholder approval of a charter amendment extending the deadline with respect to a Liquidity Event, our charter requires us to submit a plan of liquidation for the approval of our stockholders, and vice versa. If we sought and failed to obtain stockholder approval of both the charter amendment and our liquidation, we would continue our business. If we sought and obtained stockholder approval of our liquidation, we would begin an orderly sale of our properties and other assets. The precise timing of such sales would take account of the prevailing real estate and financial markets, the economic conditions in the submarkets where our properties are located and the U.S. federal income tax consequences to our stockholders. In making the decision to apply for listing of our shares, our directors will try to determine whether listing our shares or liquidating our assets will result in greater value for stockholders.

One of the factors our board of directors will consider when making the determination of whether to list our shares of common stock on a national securities exchange is the liquidity needs of our stockholders. In assessing whether to list, our board of directors would likely solicit input from financial advisors as to the likely demand for our shares upon listing. If, after listing, the board believed that it would be difficult for stockholders to dispose of their shares, then that factor would weigh against listing. However, this would not be the only factor considered by the board. If listing still appeared to be in the best long-term interest of our stockholders, despite the prospects of a relatively small market for our shares upon the initial listing, the board may still opt to list our shares of common stock in keeping with its obligations under Maryland law. The board and the conflicts committee would also likely consider whether there was a large pent-up demand to sell our shares when making decisions regarding listing or liquidation. The degree of participation in our dividend reinvestment plan and the number of requests for repurchases under the share repurchase program at this time could be an indicator of stockholder demand to liquidate their investment.

Our board may revise our investment policies, which we describe in more detail below, without our stockholders' approval. Our conflicts committee must review our investment policies at least annually to determine whether our policies are in the best interests of our stockholders. Our charter requires that the conflicts committee include the basis for its determination in the board of directors' minutes and in an annual report delivered to stockholders.

Investment Limitations

Our charter places numerous limitations on us with respect to the manner in which we may invest our funds or issue securities. Pursuant to our charter, we will not:

- borrow in excess of 75.0% of the aggregate cost (before deducting depreciation or other non-cash reserves) of tangible assets owned by us, unless approved by a majority of the conflicts committee;

- invest more than 10.0% of our total assets in unimproved property or mortgage loans on unimproved property, which we define as property not acquired for the purpose of producing rental or other operating income or on which there is no development or construction in progress or planned to commence within one year;

- make or invest in mortgage loans unless an appraisal is obtained concerning the underlying property, except for those mortgage loans insured or guaranteed by a government or government agency;

- make or invest in mortgage loans, including construction loans, on any one property if the aggregate amount of all mortgage loans on such property would exceed an amount equal to 85.0% of the appraised value of such property as determined by appraisal, unless substantial justification exists for exceeding such limit because of the presence of other underwriting criteria;

- make an investment in a property if the related acquisition fees and acquisition expenses are not reasonable or exceed 6.0% of the purchase price of the property or, in the case of a loan, acquire or originate a loan if the related origination fees and expenses are not reasonable or exceed 6.0% of the funds advanced, provided that in the case of a property or loan, the investment may be made if a majority of the conflicts committee determines that the transaction is commercially competitive, fair and reasonable to us;

- acquire equity securities unless a majority of our directors (including a majority of our conflicts committee) not otherwise interested in the transaction approves such investment as being fair, competitive and commercially reasonable, provided that investments in equity securities in "publicly-traded entities" that are otherwise approved by a majority of our directors (including a majority of our conflicts committee) not otherwise interested in the transaction shall be deemed fair, competitive and commercially reasonable if we acquire the equity securities through a trade that is effected in a recognized securities market (a "publicly-traded entity" shall mean any entity having securities listed on a national securities exchange or included for quotation on an inter–dealer quotation system), and provided further that this limitation does not apply to: (1) real estate acquisitions effected through the purchase of all of the equity securities of an existing entity, (2) the investment in wholly-owned subsidiaries of ours or (3) investments in asset-backed securities;

- invest in real estate contracts of sale, otherwise known as land sale contracts, unless the contract is in recordable form and is appropriately recorded in the chain of title;

- invest in commodities or commodity futures contracts, except for futures contracts when used solely for the purpose of hedging in connection with our ordinary business of investing in real estate assets and mortgages;

- engage in underwriting or the agency distribution of securities issued by others;

- issue equity securities on a deferred payment basis or similar arrangement;

- issue debt securities in the absence of adequate cash flow to cover debt service unless the historical debt service coverage (in the most recently completed fiscal year), as adjusted for known changes, is sufficient to service that higher level of debt as determined by the board of directors or a duly authorized executive officer;

- issue equity securities that are assessable after we have received the consideration for which our board of directors authorized their issuance; or
- issue equity securities redeemable solely at the option of the holder, which restriction has no effect on our share repurchase program or the ability of our operating partnership to issue redeemable partnership interests.

In addition, our charter includes many other investment limitations in connection with conflict-of-interest transactions, which limitations are described under "Conflicts of Interest." Our charter also includes restrictions on roll-up transactions, which are described in the section, "Description of Shares."

Disclosure Policies with Respect to Future Probable Acquisitions

As of the date of this prospectus, we have not acquired or contracted to acquire any specific real estate or real estate-related assets. Our advisor and sub-advisor are continually evaluating various potential investments and engaging in discussions and negotiations with sellers, developers and potential tenants regarding the purchase and development of properties and other investments for us. At such time while this offering is pending, if we believe that a reasonable probability exists that we will acquire a specific property or other asset, whether directly or through a joint venture or otherwise, this prospectus will be supplemented to disclose the negotiations and pending acquisition of such property. We expect that this will normally occur upon the signing of a purchase agreement for the acquisition of a specific asset, but may occur before or after such signing or upon the satisfaction or expiration of major contingencies in any such purchase agreement, depending on the particular circumstances surrounding each potential investment. A supplement to this prospectus will describe any improvements proposed to be constructed thereon and other information that we consider appropriate for an understanding of the transaction. Further data will be made available after any pending acquisition is consummated, also by means of a supplement to this prospectus, if appropriate. YOU SHOULD UNDERSTAND THAT THE DISCLOSURE OF ANY PROPOSED ACQUISITION CANNOT BE RELIED UPON AS AN ASSURANCE THAT WE WILL ULTIMATELY CONSUMMATE SUCH TRANSACTION OR THAT THE INFORMATION PROVIDED CONCERNING THE PROPOSED TRANSACTION WILL NOT CHANGE BETWEEN THE DATE OF THE SUPPLEMENT AND ANY ACTUAL PURCHASE.

Investment Limitations to Avoid Registration as an Investment Company

We intend to conduct our operations so that neither we nor any of our subsidiaries will be required to register as an investment company under the Investment Company Act. Under the relevant provisions of Section 3(a)(1) of the Investment Company Act, we will not be deemed to be an "investment company" if:

- we are not engaged primarily, nor hold ourselves out as being engaged primarily, nor propose to engage primarily, in the business of investing, reinvesting or trading in securities (the "Primarily Engaged Test"); and
- we are not engaged and do not propose to engage in the business of investing, reinvesting, owning, holding or trading in securities and do not own or propose to acquire "investment securities" having a value exceeding 40% of the value of our total assets on an unconsolidated basis (the "40% Test"). "Investment securities" excludes U.S. government securities and securities of majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company under Section 3(c)(1) or Section 3(c)(7) (relating to private investment companies).

We believe that we and our Operating Partnership will be able to satisfy both tests above. With respect to the 40% Test, we expect that most of the entities through which we and our Operating Partnership own our assets will be majority-owned subsidiaries that are not themselves investment companies and are not relying on the exceptions from the definition of investment company under Section 3(c)(1) or Section 3(c)(7).

With respect to the Primarily Engaged Test, we and our Operating Partnership are holding companies and do not intend to invest or trade in securities ourselves. Rather, through the majority-owned subsidiaries of our Operating Partnership, we and our Operating Partnership will be primarily engaged in the non-investment company businesses of these subsidiaries. Although the SEC staff has issued little guidance with respect to the Primarily Engaged Test, we are not aware of any court decisions or SEC staff interpretations finding a holding company that satisfies the 40% Test to nevertheless be an investment company under the Primarily Engaged Test.

We expect that a substantial majority of the subsidiaries of our Operating Partnership will similarly satisfy both tests above as these subsidiaries will own real property rather than securities. If we raise the maximum offering amount, we expect real estate related loans or securities to comprise less than 10% of our portfolio. Even if we raise substantially less than the maximum offering amount, we expect real estate related loans and securities to constitute no more than a third of our portfolio. Therefore, the value of the subsidiaries of our Operating Partnership that may have to rely on Section 3(c)(1) or Section 3(c)(7) should never be greater than 40% of the value of the assets of our Operating Partnership.

Change in Investment Objectives and Limitations

Our charter requires that our conflicts committee review our investment policies at least annually to determine that the policies we follow are in the best interests of our stockholders. Each determination and the basis therefore shall be set forth in the minutes of our board of directors. The methods of implementing our investment policies also may vary as new investment techniques are developed. The methods of implementing our investment objectives and policies, except as otherwise provided in the organizational documents, may be altered by a majority of our directors, including a majority of the conflicts committee, without the approval of our stockholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

We are a newly organized Maryland corporation that will invest primarily in necessity-based neighborhood and community shopping centers throughout the United States with a focus on well-located grocery anchored shopping centers that are well occupied at the time of purchase and typically cost less than $20.0 million. We define "well-located" as retail properties situated in more densely populated locations with higher barriers to entry which limits additional competition. We define "well occupied" as retail properties with typically 80.0% or greater occupancy at the time of purchase. We plan to diversify our portfolio by investment size and investment risk with the goal of attaining a portfolio of income producing real estate and real estate-related assets that provide stable returns to our investors. Assuming we sell the maximum offering amount, we intend to allocate approximately 90.0% of our portfolio to these types of retail investments and approximately 10.0% of our portfolio to other real estate properties and real estate-related assets such as mortgages, mezzanine, bridge and other loans; debt and derivative securities related to real estate assets, including mortgage-backed securities; and the equity securities of other REITs and real estate companies. We do not expect our non-controlling equity investments in other public companies to exceed 5.0% of the proceeds of this offering, assuming we sell the maximum offering amount. If we raise only the minimum offering amount or substantially less than our maximum offering and we acquire a real estate-related asset early in our offering stage, our investments in real estate-related loans and securities could constitute a greater percentage of our portfolio, although we do not expect those assets to represent a substantial portion of our assets at any one time. Although this is our current target portfolio, we may make adjustments to our target portfolio based on real estate market conditions and investment opportunities. We will not forego a good investment because it does not precisely fit our expected portfolio composition. Thus, to the extent that our advisor presents us with good investment opportunities that allow us to meet the REIT requirements under the Internal Revenue Code, our portfolio composition may vary from what we initially expect. As of the date of this prospectus, we have not commenced operations nor have we identified any properties or other investments in which there is a reasonable probability that we will invest.

American Realty Capital II Advisors, LLC, an affiliate of our ARC sponsor, is our advisor. As our advisor, ARC Advisor will be responsible for coordinating the management of our day-to-day operations and for identifying and making investments in real estate properties on our behalf, subject to the supervision of our board of directors. Subject to the terms of the advisory agreement between ARC Advisor and us, ARC Advisor will delegate certain duties pursuant to the terms of the sub-advisory agreement between ARC Advisor and Phillips Edison Sub-Advisor, including the management of our day-to-day operations and our portfolio of real estate assets, to Phillips Edison NTR LLC, which is indirectly wholly-owned by Phillips Edison Limited Partnership, and which we generally refer to throughout this prospectus as the "sub-advisor." Notwithstanding such delegation to the sub-advisor, ARC Advisor retains ultimate responsibility for the performance of all the matters entrusted to it under the advisory agreement.

We expect that a substantial majority of our real properties will be managed and leased by Phillips Edison Property Manager, an Ohio limited liability company wholly-owned by our Phillips Edison sponsor. In the event that we contract directly with a non-affiliated third-party property manager in respect of a property, we will engage Phillips Edison Property Manager to provide oversight with respect to such property's third-party property management. The property manager may also engage third parties for certain management or leasing services. Services to tenants that would threaten the

qualification of the rents from such property as rents from real property will be provided by a TRS or an independent contractor from who we would receive no income.

We intend to make an election to be taxed as a REIT under the Internal Revenue Code, beginning with the taxable year ending December 31, 2010, although such election may be postponed to our taxable year ending December 31, 2011. If we qualify as a REIT for U.S. federal income tax purposes, we generally will not be subject to U.S. federal income tax to the extent we distribute qualifying dividends to our stockholders. If we fail to qualify as a REIT in any taxable year after electing REIT status, we will be subject to U.S. federal income tax on our taxable income at regular U.S. federal corporate income tax rates and generally will not be permitted to qualify for treatment as a REIT for U.S. federal income tax purposes for four years following the year in which our qualification is denied. Such an event could materially and adversely affect our net income and cash available for distribution. However, we believe that we will be organized and will operate in a manner that will enable us to qualify for treatment as a REIT for U.S. federal income tax purposes beginning with our taxable year ending December 31, 2010 (or ending December 31, 2011, if our REIT election is postponed to our taxable year ending December 31, 2011), and we intend to continue to operate so as to remain qualified as a REIT for U.S. federal income tax purposes thereafter.

Liquidity and Capital Resources

We are dependent upon the net proceeds from this offering to conduct our proposed operations. We will obtain the capital required to purchase properties and other investments and conduct our operations from the proceeds of this offering and any future offerings we may conduct, from secured or unsecured financings from banks and other lenders and from any undistributed funds from our operations. As of the date of this prospectus, we have not made any investments in real estate or otherwise, and our total assets consist, as of the date of this prospectus, of $200,000 cash and $1,167,820 deferred offering costs. For information regarding the anticipated use of proceeds from this offering, see “Estimated Use of Proceeds.”

We will not sell any shares in this offering unless we raise a minimum of $2.5 million in gross offering proceeds from persons who are not affiliated with us or our sponsors. If we are unable to raise substantially more funds in the offering than the minimum offering amount, we will make fewer investments resulting in less diversification in terms of the type, number and size of investments we make and the value of an investment in us will fluctuate with the performance of the specific assets we acquire. Further, we will have certain fixed operating expenses, including certain expenses as a publicly offered REIT, regardless of whether we are able to raise substantial funds in this offering. Our inability to raise substantial funds would increase our fixed operating expenses as a percentage of gross income, reducing our net income and limiting our ability to make distributions. We do not expect to establish a permanent reserve from our offering proceeds for maintenance and repairs of real properties, as we expect the vast majority of leases for the properties we acquire will provide for tenant reimbursement of operating expenses. However, to the extent that we have insufficient funds for such purposes, we may establish reserves from gross offering proceeds, out of cash flow from operations or net cash proceeds from the sale of properties.

We currently have no outstanding debt. Once we have fully invested the proceeds of this offering, we expect our debt financing to be approximately 50.0% of the value of our real estate investments (calculated after the close of this offering) plus the value of our other assets, but may be as high as 65.0%. Our charter does not limit us from incurring debt until our borrowings would exceed 75.0% of the cost (before deducting depreciation or other non-cash reserves) of our tangible assets, though we may exceed this limit under certain circumstances. During the early stages of this offering, we expect that the conflicts committee will approve debt in excess of this limit. In all events, we expect that

our secured and unsecured borrowings will be reasonable in relation to the net value of our assets and will be reviewed by our board of directors at least quarterly.

In addition to making investments in accordance with our investment objectives, we expect to use our capital resources to make certain payments to our advisor and the dealer manager. During our organization and offering stage, these payments will include payments to the dealer manager for selling commissions and the dealer manager fee. During this stage, we will also make payments to the dealer manager, our advisor and our sub-advisor for reimbursement of certain organization and offering expenses, including the reimbursement of organizational and offering expenses that have already been incurred. However, our advisor has agreed to reimburse us to the extent that selling commissions, the dealer manager fee and other organization and offering expenses incurred by us exceed 15.0% of our gross offering proceeds. During our acquisition and development stage, we expect to make payments to our advisor in connection with the selection and origination or purchase of real estate investments, the management of our assets and costs incurred by our advisor in providing services to us. For a discussion of the compensation to be paid to our advisor and the dealer manager, see "Compensation Table." The advisory agreement has a one-year term but may be renewed for an unlimited number of successive one-year periods upon the mutual consent of ARC Advisor and our conflicts committee.

We intend to elect to be taxed as a REIT and to operate as a REIT beginning with our taxable year ending December 31, 2010, although such election may be postponed to our taxable year ending December 31, 2011. To maintain our qualification as a REIT, we will be required to make aggregate annual distributions to our stockholders of at least 90.0% of our REIT taxable income (computed without regard to the dividends paid deduction and excluding net capital gain). Our board of directors may authorize distributions in excess of those required for us to maintain REIT status depending on our financial condition and such other factors as our board of directors deems relevant. Once we commence paying distributions, we expect to pay distributions monthly and continue paying distributions monthly unless our results of operations, our general financial condition, general economic conditions or other factors make it imprudent to do so. The timing and amount of distributions will be determined by our board, in its sole discretion, may vary from time to time, and will be influenced in part by its intention to comply with REIT requirements of the Internal Revenue Code. We have not established a minimum distribution level.

Results of Operations

We were incorporated in the State of Maryland on October 13, 2009 and, as of the date of this prospectus, we have not commenced operations. We expect to use substantially all of the net proceeds from this offering to invest primarily in necessity-based neighborhood and community shopping centers throughout the United States with a focus on well-located grocery anchored shopping centers that are well occupied at the time of purchase and typically cost less than $20.0 million. In addition, we may invest in other retail properties including power and lifestyle shopping centers, multi-tenant shopping centers, free standing single-tenant retail properties, and other real estate and real estate-related loans and securities depending on real estate market conditions and investment opportunities that our board of directors determines are in the best interests of our stockholders. We may also invest in entities that make similar investments. We will not commence any significant operations until we have raised the minimum offering amount of $2.5 million from persons who are not affiliated with us or our sponsors.

Critical Accounting Policies

Below is a discussion of the accounting policies that management believes will be critical once we commence operations. We consider these policies critical because they involve significant management judgments and assumptions, require estimates about matters that are inherently uncertain and because they are important for understanding and evaluating our reported financial results. These

judgments affect the reported amounts of assets and liabilities and our disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. With different estimates or assumptions, materially different amounts could be reported in our financial statements. Additionally, other companies may utilize different estimates that may impact the comparability of our results of operations to those of companies in similar businesses.

Real Estate Assets

Depreciation and Amortization. Investments in real estate will be carried at cost and depreciated using the straight-line method over the estimated useful lives. Third party acquisitions costs will be expensed as incurred. Repair and maintenance costs will be charged to expense as incurred and significant replacements and betterments will be capitalized. Repair and maintenance costs include all costs that do not extend the useful life of the real estate asset. We will consider the period of future benefit of an asset to determine its appropriate useful life. Costs directly associated with the development of land and those incurred during construction will be capitalized as part of the investment basis. We anticipate the estimated useful lives of our assets by class to be generally as follows:

Buildings	30 years
Building improvements	30 years
Land improvements	15 years
Tenant improvements	Shorter of lease term or expected useful life
Tenant origination and absorption costs	Remaining term of related lease
Furniture, fixtures and equipment	5 – 7 years

Real Estate Acquisition Accounting. In accordance with Statement of ASC 805, *Business Combinations* (“ASC 805”), we will record real estate, consisting of land, buildings and improvements, at fair value. We will allocate the cost of an acquisition to the acquired tangible assets, identifiable intangibles and assumed liabilities based on their estimated acquisition-date fair values. In addition, ASC 805 requires that acquisition costs be expensed as incurred, restructuring costs generally be expensed in periods subsequent to the acquisition date and changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period be recorded to income tax expense.

Intangible assets include the value of in-place leases, which represents the estimated value of the net cash flows of the in-place leases to be realized, as compared to the net cash flows that would have occurred had the property been vacant at the time of acquisition and subject to lease-up. Acquired in-place lease value will be amortized to expense over the average remaining non-cancelable terms of the respective in-place leases.

We will assess the acquisition-date fair values of all tangible assets, identifiable intangibles and assumed liabilities using methods similar to those used by independent appraisers (e.g., discounted cash flow analysis) and that utilize appropriate discount and/or capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including historical operating results, known and anticipated trends, and market and economic conditions. The fair value of tangible assets of an acquired property considers the value of the property as if it was vacant.

We will record above-market and below-market in-place lease values for acquired properties based on the present value (using an interest rate that reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management’s estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. We will amortize any recorded above-

market or below-market lease values as a reduction or increase, respectively, to rental income over the remaining non-cancelable terms of the respective lease.

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

We will amortize the value of in-place leases to depreciation and amortization expense over the remaining average non-cancelable term of the respective leases.

Estimates of the fair values of the tangible assets, identifiable intangibles and assumed liabilities will require us to estimate market lease rates, property-operating expenses, carrying costs during lease-up periods, discount rates, market absorption periods, and the number of years the property will be held for investment. The use of inappropriate estimates would result in an incorrect valuation of our acquired tangible assets, identifiable intangibles and assumed liabilities, which would impact the amount of our net income.

Impairment of Real Estate and Related Intangible Assets. We will monitor events and changes in circumstances that could indicate that the carrying amounts of our real estate and related intangible assets may be impaired. When indicators of potential impairment suggest that the carrying value of real estate and related intangible assets may be greater than fair value, we will assess the recoverability, considering recent operating results, expected net operating cash flow, and plans for future operations. If, based on this analysis, we do not believe that we will be able to recover the carrying value of the real estate and related intangible assets, we would record an impairment loss to the extent that the carrying value exceeds the estimated fair value of the real estate and related intangible assets as defined by ASC 360, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

Real Estate Loans Receivable

The real estate loans receivable will be recorded at cost and reviewed for potential impairment at each balance sheet date. A loan receivable is considered impaired when it becomes probable, based on current information, that we will be unable to collect all amounts due according to the loan’s contractual terms. The amount of impairment, if any, is measured by comparing the recorded amount of the loan to the present value of the expected cash flows or the fair value of the collateral. If a loan was deemed to be impaired, we would record a reserve for loan losses through a charge to income for any shortfall.

Revenue Recognition

We will recognize minimum rent, including rental abatements and contractual fixed increases attributable to operating leases, on a straight-line basis over the term of the related lease and we will include amounts expected to be received in later years in deferred rents. Our policy for percentage rental income is to defer recognition of contingent rental income until the specified target (i.e. breakpoint) that triggers the contingent rental income is achieved. We will record property operating expense reimbursements due from tenants for common area maintenance, real estate taxes and other recoverable costs in the period the related expenses are incurred. We will make certain assumptions and judgments in estimating the reimbursements at the end of each reporting period. We do not expect the actual results to differ from the estimated reimbursement.

We will make estimates of the collectability of our tenant receivables related to base rents, expense reimbursements and other revenue or income. We will specifically analyze accounts receivable and historical bad debts, customer creditworthiness, current economic trends and changes in customer

payment terms when evaluating the adequacy of the allowance for doubtful accounts. In addition, with respect to tenants in bankruptcy, we will make estimates of the expected recovery of pre-petition and post-petition claims in assessing the estimated collectability of the related receivable. In some cases, the ultimate resolution of these claims can exceed one year. These estimates have a direct impact on our net income because a higher bad debt reserve results in less net income.

We will recognize gains on sales of real estate pursuant to the provisions of ASC 605-976, *Accounting for Sales of Real Estate* ("ASC 605-976"). The specific timing of a sale will be measured against various criteria in ASC 605-976 related to the terms of the transaction and any continuing involvement associated with the property. If the criteria for profit recognition under the full-accrual method are not met, we will defer gain recognition and account for the continued operations of the property by applying the percentage-of-completion, reduced profit, deposit, installment or cost recovery methods, as appropriate, until the appropriate criteria are met.

Interest income from loans receivable will be recognized based on the contractual terms of the debt instrument utilizing the effective interest method. Under the effective interest method, interest expense is recognized at a constant yield based on the increasing or decreasing carrying value of the loans. The total interest expense for each period is the carrying value of the loans at the start of the period multiplied by the effective interest rate. The amount of amortization of the loan discount or premium is the difference between the effective interest expense for the period and the accrued stated interest. As the carrying amount changes each period by the amount of amortized discount or premium, interest expense either increases (for discounts) or decreases (for premiums) over the life of the loans. Fees related to any buydown of the interest rate will be deferred as prepaid interest income and amortized over the term of the loan as an adjustment to interest income. Closing costs related to the purchase of a loan receivable will be amortized over the term of the loan and accreted as an adjustment against interest income.

Distribution Policy

We expect to authorize and declare daily distributions that will be paid on a monthly basis beginning no later than the first calendar month after the calendar month in which we make our first real estate investment. Once we commence paying distributions, we expect to pay distributions monthly and continue paying distributions monthly unless our results of operations, our general financial condition, general economic conditions or other factors make it imprudent to do so. The timing and amount of distributions will be determined by our board, in its sole discretion, may vary from time to time, and will be influenced in part by its intention to comply with REIT requirements of the Internal Revenue Code.

We expect to have little, if any, funds from operations available for distribution until we make substantial investments. Further, because we may receive income from interest or rents at various times during our fiscal year and because we may need funds from operations during a particular period to fund capital expenditures and other expenses, we expect that at least during the early stages of our development and from time to time during our operational stage, we will declare distributions in anticipation of funds that we expect to receive during a later period and we will pay these distributions in advance of our actual receipt of these funds. In these instances, we expect to look to third-party borrowings to fund our distributions. We may also fund such distributions from advances from our advisor or sponsors or from our advisor's deferral of its fees.

Our distribution policy is not to use the proceeds of this offering to pay distributions. However, our board has the authority under our organizational documents, to the extent permitted by Maryland law, to pay distributions from any source without limit, including proceeds from this offering or the proceeds from the issuance of securities in the future.

To maintain our qualification as a REIT, we must make aggregate annual distributions to our stockholders of at least 90.0% of our REIT taxable income (which is computed without regard to the dividends paid deduction or net capital gain and which does not necessarily equal net income as calculated in accordance with GAAP). If we meet the REIT qualification requirements, we generally will not be subject to U.S. federal income tax on the income that we distribute to our stockholders each year.

We have not established a minimum distribution level, and our charter does not require that we make distributions to our stockholders.

Funds From Operations

One of our objectives is to provide cash distributions to our stockholders from cash generated by our operations and funds from operations, or FFO. FFO is not equivalent to our net operating income or loss as determined under GAAP, but rather it is a measure promulgated by the National Association of Real Estate Investment Trusts, or the NAREIT, an industry trade group. The NAREIT's belief is that FFO is a more accurate reflection of the operating performance of a REIT because of certain unique operating characteristics of real estate companies. We define FFO, consistent with the NAREIT's definition, as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus depreciation and amortization of real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect FFO on the same basis.

The real estate industry, including us, consider FFO to be an appropriate supplemental measure of a REIT's operating performance because it is based on a net income analysis of property portfolio performance that excludes non-cash items such as depreciation. The historical accounting convention used for real estate assets requires straight-line depreciation of buildings and improvements, which implies that the value of real estate assets diminishes predictably over time. Since real estate values historically rise and fall with market conditions, presentations of operating results for a REIT using historical accounting for depreciation could be less informative.

Presentation of this information is intended to assist the reader in comparing the operating performance of different REITs, although it should be noted that not all REITs calculate FFO the same way, therefore comparisons with other REITs may not be meaningful. Further, FFO is not necessarily indicative of cash flow available to fund cash needs and should not be considered as an alternative to net income as an indication of our performance.

U.S. Federal Income Taxes

We intend to elect to be taxed as a REIT under the Internal Revenue Code and intend to operate as such beginning with our taxable year ending December 31, 2010, although such election may be postponed to our taxable year ending December 31, 2011. We expect to have little or no taxable income prior to electing REIT status. In order to qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute at least 90.0% of our annual REIT taxable income to our stockholders (which is computed without regard to the dividends paid deduction or net capital gain and which does not necessarily equal net income as calculated in accordance with GAAP). As a REIT, we generally will not be subject to U.S. federal income tax to the extent we distribute qualifying dividends to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income tax on our taxable income at regular U.S. federal corporate income tax rates and generally will not be permitted to qualify for treatment as a REIT for U.S. federal income tax purposes for the four taxable years following the year during which qualification is lost unless the Internal Revenue Service grants us relief under certain statutory provisions. Such an event could materially adversely affect our net income and net cash available for distribution to stockholders. However, we intend to organize and operate in such a manner as to qualify for treatment as a REIT.

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PRIOR PERFORMANCE SUMMARY

The information presented in this section represents the historical experience of all real estate programs managed over the last ten years by Messrs. Phillips and Edison, our individual Phillips Edison sponsors, and Messrs. Schorsch and Kahane, our individual ARC sponsors.

Unless otherwise indicated, the information presented below with respect to the historical experience of Phillips Edison and the private real estate funds sponsored by Phillips Edison is as of the 10-years ending December 31, 2009. By purchasing shares in this offering, you will not acquire any ownership interest in any funds to which the information in this section relates and you should not assume that you will experience returns, if any, comparable to those experienced by the investors in the real estate funds discussed. Further, the private funds discussed in this section were conducted through privately held entities that were subject neither to the up-front commissions, fees and expenses associated with this offering nor all of the laws and regulations that will apply to us as a publicly offered REIT.

We intend to conduct this offering in conjunction with future offerings by one or more public and private real estate entities sponsored by Phillips Edison and ARC and their respective affiliates. To the extent that such entities have the same or similar objectives as ours or involve similar or nearby properties, such entities may be in competition with the properties acquired by us. See the section entitled “Conflicts of Interest” in this prospectus for additional information.

Appendix A includes five tables with information about the public programs and private funds discussed in this section. They present information with respect to (1) the experience of our sponsors in raising and investing in funds, (2) the compensation paid by prior funds to the sponsor and its affiliates, (3) the operating results of prior funds, (4) sales or disposals of properties by prior funds, and (5) results of completed funds. Table VI located in Part II of the registration statement, which is not part of this prospectus, describes acquisitions of properties by prior programs and funds. We will provide a copy of Table VI to you upon written request and without charge. In all cases, the tables presenting information about the historical experience of programs sponsored by Phillips Edison appear first, followed by tables summarizing similar information for ARC.

Private Programs Sponsored by Phillips Edison

Since 1991, Michael C. Phillips and Jeffrey S. Edison, have partnered to acquire, manage and reposition necessity-driven retail properties, primarily grocery anchored neighborhood and community shopping centers across the United States. Phillips Edison has operated with financial partners through both property-specific and multi-asset discretionary funds, and to date, the Company has sponsored five private real estate funds and raised approximately $600 million of equity from high net worth individuals and institutional investors.

During the 10-year period ending December 31, 2009, Phillips Edison managed five private real estate funds, all of which were multi-investor, commingled funds. All of these private funds were limited partnerships for which affiliates of Messrs. Phillips and Edison act or acted as general partner. In all cases, affiliates of Messrs. Phillips and Edison had responsibility for acquiring, investing, managing, leasing, developing and selling the real estate and real estate-related assets of each of the funds.

Two of the five private real estate funds managed by Phillips Edison raised approximately $395 million of equity capital from twelve institutional investors during the 10-year period ending December 31, 2009. The institutional investors investing in the private funds include public pension funds, sovereign wealth funds, insurance companies, financial institutions, endowments and foundations. For

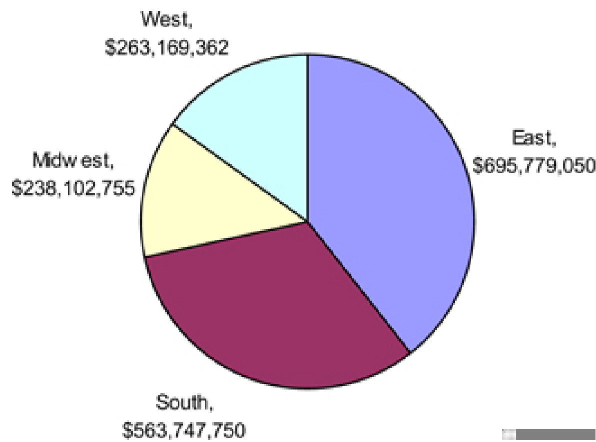
more information regarding the experience of our sponsors in raising funds from investors, see Table I and Table II of the Prior Performance Tables contained in Appendix A of this prospectus.

During the 10-year period ending December 31, 2009, Phillips Edison acquired 248 real estate investments and invested over $1.8 billion in these assets (purchase price) on behalf of the five private funds raising capital for new investments during this period. Debt financing was used in acquiring the properties in all of these five private funds.

Four of the five private funds managed by Phillips Edison during the 10-year period ending December 31, 2009 have or had investment objectives that are similar to ours. Like ours, their primary investment objectives are to provide investors with stable returns and to preserve and return their capital contributions. In addition, investments in real estate and real estate-related assets involve similar assessments of the risks and rewards of the operation of the underlying real estate and financing thereof as well as an understanding of the real estate and real estate-finance markets. For each of the private funds, Phillips Edison has focused on acquiring a diverse portfolio of real estate investments. Phillips Edison has typically diversified the portfolios of the private funds by geographic region, investment size, and tenant mix. In constructing the portfolios of the five private funds, Phillips Edison specialized in acquiring a mix of value-added and enhanced-return properties. Value-added and enhanced-return assets are assets that are undervalued or that could be repositioned to enhance their value.

Phillips Edison has sought to diversify investments in its private funds by geographic region as illustrated by the chart below. The chart below outlines investments of the private funds by amounts invested (purchase price) during the 10-year period ending December 31, 2009. All were within the United States. The geographic dispersion of properties acquired during the 10-year period ending December 31, 2009 is as follows: 40% of the amount was invested in 98 properties located in the Eastern United States, 32% of the amount was invested in 70 properties located in the Southern United States, 15% of the amount was invested in 45 properties located in the Western United States and 13% of the amount was invested in 35 properties located in the Midwestern United States.

**PHILLIPS EDISON- PRIVATE PROGRAMS
INVESTMENT BY REGION**



In addition to diversifying the private fund portfolios by geographic region, Phillips Edison has primarily focused on necessity-driven retail investments that include the following categories: grocery, general merchandise, discount, health and beauty, and office supply retailers. Unlike industries that are routinely affected by cyclical fluctuations in the economy, shopping centers anchored by these retailers have historically been more resistant to economic downturns. In general, the consistent consumer demand for items such as food, pharmaceutical goods, postal services, general retail and hardware is present in all cycles of the economy.

In seeking to diversify the portfolios of the private funds by investment risk, Phillips Edison has purchased a mix of low risk, high-quality properties and high-quality but under-performing properties in need of repositioning. The majority of the properties purchased by the private funds had prior owners and operators. For more detailed information regarding acquisitions by the private funds in the three years ending December 31, 2009, see Table VI located in Part II of the registration statement, which is not part of this prospectus. We will provide a copy of Table VI to you upon written request and without charge.

During the 10-year period ending December 31, 2009, Phillips Edison sold 29 properties on behalf of these five private funds. Phillips Edison continues to actively manage the remaining unsold properties of these private funds.

Although the private funds managed by Phillips Edison generally have been adversely affected by recent economic conditions, the prior programs have operated with no major adverse business conditions or developments.

Though the private funds were not subject to the up-front commissions, fees and expenses associated with this offering, the private funds have fee arrangements with Phillips Edison affiliates structured similar to ours. The percentage of the fees varied based on the market factors at the time the particular fund was formed. For more information regarding the fees paid to Phillips Edison affiliates by these private funds and the operating results of these private funds, please see Tables II and III of the Prior Performance Tables in Appendix A of this prospectus.

Prior Investment Programs Sponsored by ARC

American Realty Capital New York Recovery REIT, Inc.

American Realty Capital New York Recovery REIT, Inc. (ARCNYRR), a Maryland corporation, is the second publicly offered REIT sponsored by American Realty Capital. ARCNYRR was organized on October 6, 2009 and intends to elect to be taxed as a REIT beginning with its taxable year ending December 31, 2010. ARCNYRR was formed to acquire quality income-producing commercial real estate, as well as acquiring properties or making other real estate investments that relate to office, retail, multi-family residential, industrial and hotel property types, located primarily in New York City. ARCNYRR filed its initial registration statement with the U.S. Securities and Exchange Commission on November 12, 2009 registering up to 150,000,000 shares of its common stock, filed amendment no. 1 to its registration statement on December 21, 2009, filed amendment no. 2 to its registration statement on January 28, 2010, filed amendment no. 3 to its registration statement on March 4, 2010 and filed amendment no. 4 to its registration statement on April 7, 2010. ARCNYRR's registration statement is not yet effective with the SEC.

American Realty Capital Trust, Inc.

American Realty Capital Trust, Inc. (ARCT), a Maryland corporation, is the first publicly offered REIT sponsored by American Realty Capital. ARCT was organized on August 17, 2007 which qualified as a REIT beginning with the taxable year ended December 31, 2008. ARCT commenced its initial public

offering of 150,000,000 shares of common stock on January 25, 2008. As of December 31, 2009, ARCT had received aggregate gross offering proceeds of approximately $144.6 million from the sale of approximately 14.7 million shares in its initial public offering. ARCT has acquired 126 properties, primarily comprised of freestanding, single-tenant retail and commercial properties that are net leased to investment grade and other creditworthy tenants. As of December 31, 2009, ARCT had total real estate investments, at cost of approximately $338.6 million.

Private Note Programs

ARC Income Properties, LLC implemented a note program that raised aggregate gross proceeds of $19.5 million. The net proceeds were used to acquire, and pay related expenses in connection with, a portfolio of 65 bank branch properties triple-net leased to RBS Citizens, N.A. and Citizens Bank of Pennsylvania. The purchase price for those bank branch properties also was funded with proceeds received from mortgage loans, as well as equity capital invested by American Realty Capital II, LLC. Such properties contain approximately 323,000 square feet with a purchase price of approximately $98.8 million. The properties are triple-net leased for a primary term of five years and include extension provisions. The notes issued under this note program by ARC Income Properties, LLC were sold by Realty Capital Securities through participating broker-dealers.

ARC Income Properties II, LLC implemented a note program that raised aggregate gross proceeds of $13.0 million. The net proceeds were used to acquire, and pay related expenses in connection with, a portfolio of 50 bank branch properties triple-net leased to PNC Bank. The purchase price for those bank branch properties also was funded with proceeds received from a mortgage loan, as well as equity capital raised by American Realty Capital Trust, Inc. in connection with its public offering of equity securities. The properties are triple-net leased with primary term of ten years with a 10% rent increase after 5 years. The notes issued under this note program by ARC Income Properties II, LLC were sold by Realty Capital Securities through participating broker-dealers.

ARC Growth Partnership, LP

ARC Growth Partnership, LP is a non-public real estate program formed to acquire vacant bank branch properties and opportunistically sell such properties, either vacant or subsequent to leasing the bank branch to a financial institution or other third-party tenant. Total gross proceeds of approximately $7.9 million were used to acquire, and pay related expenses in connection with, a portfolio of vacant bank branches. The purchase price of the properties also was funded with proceeds received from a one-year revolving warehouse facility. The purchase price for each bank branch is derived from a formulated price contract entered into with a financial institution. During the period from July 2008 to January 2009, ARC Growth Partnership acquired 54 vacant bank branches from Wachovia Bank, N.A., under nine separate transactions. Such properties contain approximately 230,000 square feet with a gross purchase price of approximately $63.6 million. As of September 30, 2009, 52 properties were sold, 28 of which were acquired and simultaneously sold, resulting in an aggregate gain of approximately $5.6 million. ARC Growth Partnership, LP mutually terminated the contractual agreement with Wachovia Bank, N.A. in March 2009, and has not acquired any vacant bank branches following this termination. ARC Growth Partnership, LP is currently in the process of selling its remaining assets.

American Realty Capital, LLC

American Realty Capital, LLC began acquiring properties in December 2006. During the period of December 1, 2006 to December 31, 2007 American Realty Capital, LLC acquired 73 properties, totaling just over 1,767,000 square feet for an aggregate purchase price of approximately $407.5 million. These properties included five Hy Vee supermarkets, one CVS distribution center, three CVS drug stores, 10 Rite Aids, 16 Walgreens drug stores, 15 Harleysville bank branches, a portfolio of 15 Logan’s

Roadhouse Restaurants, six Tractor Supply Company stores, one Shop N Save supermarket, and one Fed Ex cross dock facility. The underlying leases within these acquisitions ranged from 10 to 25 years before any tenant termination rights, with a dollar weighted average lease term of approximately 21 years based on rental revenue. American Realty Capital, LLC acquired no properties after December 31, 2007.

American Realty Capital, LLC has operated in three (3) capacities; joint-venture partner, or JV, sole investor and advisor.

1. JV partner: As indicated in the chart below, most of American Realty Capital, LLC's properties have been acquired in joint venture with other investors, where American Realty Capital, LLC acts as advisor and American Realty Capital, LLC or its principals also act as an equity investor,

2. Sole Investor: American Realty Capital, LLC has also purchased properties for its own account where it is the sole investor, and

3. Advisor: American Realty Capital, LLC has acted as an advisor and not invested any of its or its principal's equity in the property.

No money was raised from investors in connection with the properties acquired by American Realty Capital, LLC. All American Realty Capital, LLC transactions were done with the equity of the principals or joint-venture partners of American Realty Capital, LLC.

In instances where American Realty Capital, LLC was not an investor in the transaction, but rather an advisor, American Realty Capital, LLC typically performed the following advisory services:

- Identified potential properties for acquisition
- Negotiated Letters of Intent and Purchase and Sale Contracts
- Obtained financing
- Performed due diligence
- Closed properties
- Managed properties
- Sold properties

Information on properties and leasehold interests acquired by American Realty Capital, LLC during the twelve months ended December 31, 2007 (dollar amounts in thousands):

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Tenant-Location	Investment Structure	Date	Number of Buildings	Gross Leasable Space	Mortgage Financing	Purchase Price [1]
Hy Vee – Cedar Rapids, IA	ARC-JV	December-06	1	86,240	$ 11,622	$ 13,167
Hy Vee – W. Des Moines, IA	ARC-JV	December-06	1	79,634	10,375	11,777
Hy Vee – W. Des Moines, IA	ARC-JV	December-06	1	80,194	12,085	13,669
Hy Vee – Columbus, NE	ARC-JV	December-06	1	77,667	9,243	10,506
Hy Vee – Olathe, KS	ARC-JV	December-06	1	71,312	11,203	12,698
Walgreens – Natchez, MS	ARC-JV	December-06	1	14,820	3,910	4,568
CVS – Vero Beach, FL	ARC-JV	December-06	1	413,747	29,750	33,891
Walgreens – Loganville, GA	ARC-JV	December-06	1	14,490	5,610	6,563
CVS – Chester, NY	ARC-JV	December-06	1	15,521	6,029	7,015
Rite Aid – Shelby Township, MI	ARC-ADVISOR	December-06	1	11,180	3,086	3,928
Rite Aid – Coldwater, MI	ARC-ADVISOR	December-06	1	11,180	2,657	3,308
Walgreens – New Castle, PA	ARC-JV	January-07	1	14,280	4,780	5,476
Walgreens – Holland, MI	ARC-JV	January-07	1	14,658	5,968	6,939
Walgreens – Guynabo, PR	ARC-ADVISOR	January-07	1	15,750	9,700	11,145
Eckerd – McDonough, GA	ARC-ADVISOR	January-07	1	13,824	3,500	4,466
Rite Aid – New Philadelphia, OH	ARC-JV	February-07	1	11,157	4,528	5,553
Walgreens – Clarence, NY	ARC-JV	February-07	1	14,820	4,114	4,639
Walgreens – Carolina, PR	ARC-ADVISOR	March-07	1	15,660	8,100	9,409
Logan’s Roadhouse Portfolio – Various Locations	ARC-JV	April-07	15	119,331	45,200	58,788
Walgreens – Windham, ME	ARC-JV	April-07	1	14,820	6,596	7,392
Tractor Supply Co. – Carthage, TX	ARC-JV	May-07	1	19,097	2,192	2,657
CVS – Douglasville, GA	ARC-JV	May-07	1	14,574	4,420	5,008
Rite Aid – Flatwoods, KY	ARC-JV	June-07	1	11,154	3,600	4,380
Shop N Save – Moline Acres, MO	ARC-JV	June-07	1	51,538	5,675	6,840
CVS – Haverhill, MA	ARC-JV	June-07	1	15,214	6,664	7,812
Tractor Supply Co. – Granbury, TX	ARC-JV	June-07	1	24,764	2,586	3,275
Tractor Supply Co. – Lubbock, TX	ARC-JV	June-07	1	29,954	3,153	3,981
Tractor Supply Co. – Odessa, TX	ARC-JV	July-07	1	22,670	2,871	3,624
Walgreens & Petco – North Andover, MA	ARC-JV	July-07	2	29,512	13,390	15,304
Rite Aid – New Salisbury, IN	ARC-JV	July-07	1	14,703	2,954	3,588
Walgreens – Hampstead, NH	ARC-JV	July-07	1	14,820	5,804	6,601
Tractor Supply Co. – Shreveport, LA	ARC-JV	August-07	1	19,097	3,078	3,769
Bridgestone Firestone – St. Peters, MO	ARC-ADVISOR	August-07	1	7,654	1,290	1,841
Dollar General – Independence, KY	ARC-ADVISOR	August-07	1	9,014	580	870
Dollar General – Florence, KY	ARC-ADVISOR	August-07	1	9,014	566	870
Dollar General – Lancaster, OH	ARC-ADVISOR	August-07	1	9,014	590	888
Fed Ex – Snow Shoe, PA [2]	ARC-JV	August-07	1	53,675	6,965	10,067
Rite Aid – Salem, OH	ARC-JV	August-07	1	14,654	4,928	6,003
Rite Aid – Cadiz, OH [2]	ARC	August-07	1	11,335	1,240	1,695
Rite Aid – Carrollton, OH [2]	ARC	August-07	1	12,613	1,730	2,342
Rite Aid – Lisbon, OH [2]	ARC	August-07	1	10,141	1,090	1,493
Rite Aid – Liverpool, OH [2]	ARC	August-07	1	11,362	1,630	2,217

Walgreens – New Bedford, MA [3]	ARC-JV	August-07	1	15,272	6,564	7,960
Walgreens – South Yarmouth, MA [3]	ARC-JV	August-07	1	9,996	6,355	7,206
Walgreens – Derry, NH [3]	ARC-JV	August-07	1	14,820	6,660	7,514
Walgreens – Staten Island, NY [3]	ARC-JV	August-07	1	11,056	7,905	8,928
Walgreens – Berlin, CT [3]	ARC-JV	August-07	1	14,820	6,715	7,576
Tractor Supply – DeRidder, LA	ARC-JV	September-07	1	20,850	2,580	3,193
Walgreens – Woodbury, NJ [3]	ARC-JV	September-07	1	13,650	6,120	7,149
Walgreens – Prairie Du Chien, WI [3]	ARC-JV	October-07	1	14,820	3,400	3,858
Walgreens – Melrose, MA [3]	ARC-JV	October-07	1	21,405	8,075	9,113
Rite-Aid – Pittsburgh, PA [2]	ARC	October-07	1	14,564	4,111	6,190
Rite-Aid – Carlisle, PA [2]	ARC ADVISOR	October-07	1	14,673	3,008	4,529
Walgreens – Mt. Ephraim, NJ	ARC ADVISOR	October-07	1	14,379	8,033	9,436
Walgreens – Dover, NH	ARC ADVISOR	November-07	1	14,418	6,235	7,226
Walgreens – Worcester, MA	ARC ADVISOR	November-07	1	13,354	8,500	9,812
Walgreens – Brockton, MA	ARC ADVISOR	November-07	1	13,204	8,571	9,743
Walgreens – Providence, RI	ARC ADVISOR	November-07	1	14,491	4,182	4,899
Walgreens – Newcastle, OK	ARC ADVISOR	December-07	1	14,820	3,910	4,428
Walgreens – Branford, CT	ARC ADVISOR	December-07	1	13,548	7,310	8,286
Walgreens – Londonderry, NH	ARC ADVISOR	December-07	1	12,303	6,666	7,578
BOA – Londonderry, NH	ARC ADVISOR	December-07	1	2,812	861	980
Harleysville Bank Portfolio – PA [2]	ARC	December-07	15	178,000	31,000	41,000
Total 12/2006 and 2007 (As of 12/31/2007)			92	1,983,113	$ 421,813	$ 506,626

(1) Purchase price includes the cost of the property, closing costs and acquisition fees if applicable.
(2) Properties were sold to the Company.
(3) Properties sold to partner in 2007.

ARC-JV — American Realty Capital acted as advisor and American Realty Capital or its principals acted as investor(s) alongside a JV partner

ARC-ADVISOR — American Realty Capital acted as advisor and neither it nor its principals invested alongside the equity

ARC — American Realty Capital acted as advisor and sole investor with no JV partners

Information on properties sold by American Realty Capital, LLC during April 2007 through October 31, 2009 (dollar amounts in thousands):

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Tenant-Location	Date Acquired	Date of Sale	Selling Price Net of Closing Costs	Cost of Properties Including Closing and Other Costs	Excess of Property Operating Cash Receipts Over Cash Expenditures	Cash Received Net of Closing Costs	Mortgage Balance at Time of Sale	Total	Original Mortgage Financing	Total Acquisition Cost, Capital Improvement Closing and Soft Costs	Total
Walgreens – Windham [1]	April-07	July-07	7,843	7,392	37	1,008	6,596	7,641	6,596	796	7,392
Walgreens – Hampstead	July-07	July-07	6,794	6,601	22	968	5,804	6,794	5,804	797	6,601
Logans – Murfreesboro	April-07	Dec-07	4,247	3,883	132	1,025	3,090	4,247	3,090	793	3,883
Logans – Beaver Creek	April-07	Dec-07	5,254	4,808	122	1,302	3,830	5,254	3,830	978	4,808
Walgreens – Clarence	February-07	March-08	4,781	4,639	44	653	4,114	4,811	4,114	525	4,639
Walgreens – Logansville	March-06	April-08	6,865	6,563	81	1,234	5,610	6,925	5,610	953	6,563
CVS – Chester	December-06	April-08	7,297	7,015	92	1,214	6,029	7,335	6,029	986	7,015
Logan’s – Savannah	April-07	October-08	4,042	3,918	77	915	3,110	4,102	3,110	808	3,918
Logan’s – Austin	April-07	October-08	3,031	2,929	57	690	2,330	3,077	2,330	599	2,929

(1) Net selling price includes a $202,000 tax withholding for the state of Maine. These monies will be returned upon filing of state tax returns.

Nicholas S. Schorsch

During the period 1998 - 2002, our sponsor, Nicholas S. Schorsch, sponsored seven private programs, consisting of First States Properties, L.P., First States Partners, L.P., First States Partners II, First States Partners III, First States Holdings, Chester Court Realty and Dresher Court Realty, which raised approximately $38,300,000 from 93 investors that acquired properties with an aggregate purchase price of approximately $272,285,000. These private programs, or Predecessor Entities, financed their investments with investor equity and institutional first mortgages. These properties are located throughout the United States as indicated in the table below. Ninety-four percent of the properties acquired were bank branches and 6.0% of the properties acquired were office buildings. None of the properties included in the aforesaid figures were newly constructed. The Predecessor Entities properties are located as follows:

State	No. of Properties	Square Feet
PA	34	1,193,741
NJ	38	149,351
SC	3	65,992
KS	1	17,434
FL	4	16,202
OK	2	13,837
MO	1	9,660
AR	4	8,139
NC	2	7,612
TX	1	6,700

American Financial Realty Trust

In 2002, American Financial Realty Trust (AFRT) was founded by Nicholas S. Schorsch. In September and October 2002, AFRT sold approximately 40.8 million common shares in a Rule 144A private placement. These sales resulted in aggregate net proceeds of approximately $378.6 million. Simultaneous with the sale of such shares, AFRT acquired certain real estate assets from a predecessor entity for an aggregate purchase price of $230.5 million, including the assumption of indebtedness, consisting of a portfolio of 87 bank branches and six office buildings containing approximately 1.5 million rentable square feet. Mr. Schorsch was the President, CEO and Vice-Chairman of AFRT since its inception as a REIT in September 2002 until August 2006. Mr. Kahane was the Chairman of the Finance Committee of AFRT’s Board of Trustees since its inception as a REIT in September 2002 until August

2006. AFRT went public on the New York Stock Exchange in June 2003 in what was at the time the second largest real estate investment trust initial public offering in U.S. history, raising over $800 million. Three years following its initial public offering, AFRT was an industry leader, acquiring over $4.3 billion in assets, over 1,110 properties (net of dispositions) in more than 37 states, over 35.0 million square feet, 175 employees and a well diversified portfolio of bank tenants.

The following information has been obtained from AFRT's public documents filed with the Securities and Exchange Commission.

AFRT is a self-managed, publicly-traded REIT and as such does not have the same fee structure as American Realty Capital Trust, Inc. does and being self-managed does not have an external advisor that receives fees. Therefore AFRT is not subject to the same types of fees and expenses that American Realty Capital Trust, Inc. pays to our advisor and its affiliates.

Three-Year Summary of Operations of AFRT [1]

The following table summarizes the operations of AFRT during the years ended December 31, 2006, 2005 and 2004 (amounts in thousands other than number of properties). Messrs. Schorsch and Kahane were at AFRT through August, 2006.

	December 31,		
	2006	2005	2004
Total number of properties	1,148	1,107	959
Total real estate investments, at cost [1]	2,617,971	3,556,878	3,054,532
Total debt	2,216,265	3,084,995	2,724,480
Total stockholder's equity	785,964	907,843	869,959
Leverage ratio [1]	54.6%	71.9%	73.5%

(1) Leverage ratio is defined as total debt divided by total real estate investments, at cost. Acquisition costs are included in total real estate investments.

Three-Year Summary of Funds Raised by AFRT

The following table presents information of fund raising by AFRT during the years ended December 31, 2006, 2005 and 2004. Messrs. Schorsch and Kahane were at AFRT through August, 2006.

Financing Activities – Sources	Year Ended December 31, 2006	2005	2004
Proceeds from share issuances, gross	—	$ 246,421,000.00	$ 7,554,000.00
Proceeds from exercise of common share options	—	—	—
Proceeds from issuance of convertible senior notes	—	—	445,926,000.00
Contributions by limited partners [2]	—	353,000.00	
Gross Proceeds	—	246,774,000.00	453,480,000.00
Offering Expenses			
Stock	—	(1,979,000.00)	(2,000.00)
Unsecured Senior Debt	—		(11,896,000.00)
Paid to AFRT Affiliates	—	N/A	N/A
Net Proceeds [1]	0	$ 244,795,000.00	$ 441,582,000.00
Total Debt	2,216,265	3,084,995.00	2,724,480.00
Leverage Ratio	54.60%	71.90%	73.50%

(1) Net proceeds from the issuance of common shares and unsecured convertible senior notes were used to fund a portion of the purchase price relating to the investment properties acquired in such years as outlined in the above asset acquisition tables and for general working capital purposes. Acquisition costs are included in the purchase price of the assets acquired.

(2) Contributions by limited partners relate to capital provided by a third-party joint venture partner in connection with certain expenditures that were the sole responsibility of the joint venture partner.

Three-Year Summary of Acquisitions by AFRT

The following table presents information regarding property and leasehold interests acquired by AFRT during the years ended December 31, 2006, 2005 and 2004 (purchase price and initial mortgage balance in thousands). Messrs. Schorsch and Kahane were at AFRT through August 2006.

Property/Seller	Date	Number of Buildings [1]	Purchase Price [2]	Gross Leasable Space	Initial Mortgage Balance
Washington Mutual Bank	Feb. 2006	1	$ 1,738	N/A	$ N/A
National City	March 2006	16	35,241	N/A	N/A
Hinsdale	March 2006	1	5,383	12,927	3,360
Dripping Springs – Franklin Bank	April 2006	1	3,039	11,344	—
Meadowmont – Wachovia Securities	June 2006	2	3,443	12,816	—
Western Sierra	June 2006	8	14,136	51,103	—
Regions repurchase	July 2006	3	1,900	N/A	N/A
Amsouth Bank Formulated Price Contracts	August 2006	7	3,512	N/A	—
First Charter Bank	August 2006	1	635	N/A	—
Sterling Bank	Dec. 2006	16	28,806	N/A	—

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Property/Seller	Date	Number of Buildings [1]	Purchase Price [2]	Gross Leasable Space	Initial Mortgage Balance
Bank of America Formulated Price Contracts	Various	20	5,136	N/A	—
Wachovia Bank Formulated Price Contracts	Various	80	91,719[3]	N/A	—
Total 2006		156	$ 194,688	88,190	$ 3,360
Koll Development Company, LLC	Jan. 2005	3	$ 89,224	530,032	$ 66,912
National City Bank Building	Jan. 2005	1	9,506	160,607	6,491
Bank of America – West	March 2005	1	24,033	82,255	17,000
One Montgomery Street	April 2005	1	37,346	75,880	19,000
801 Market Street	April 2005	1	68,078	365,624	42,814
Bank of Oklahoma	May 2005	1	20,328	234,115	—
First Charter Bank	May 2005	1	558	2,160	—
Regions Bank	June 2005	111	111,645	2,986,298	—
Charter One Bank	Various	35	40,714	569,504	—
Household	July 2005	1	24,660	158,000	15,709
Fireman’s Fund Insurance Company	Aug. 2005	1	283,653	710,330	190,688
One Citizens Plaza	Oct. 2005	1	60,082	224,089	51,255
One Colonial Plaza	Nov. 2005	1	25,267	163,920	21,250
Bank of America Formulated Price Contracts	Various	26	16,047	N/A	—
Wachovia Bank Formulated Price Contracts	Various	101	108,172[3]	N/A	—
Land	Various	—	480	—	—
Total 2005		286	$ 919,793	6,262,814	$ 431,119
State Street Financial Center	Feb. 2004	1	$ 706,898	1,024,998	$ 520,000
Potomac Realty – Bank of America	Feb. 2004	5	9,557	50,982	—
215 Fremont Street and Harborside	June 2004	2	135,806	661,308	133,900
101 Independence Center	July 2004	1	106,196	526,205	80,000
Wachovia Bank, N.A.	Sept. 2004	140	510,409	7,441,850	234,000
Bank of America, N.A.	Oct. 2004	250	575,776	7,071,825	270,000
Bank of America Formulated Price Contracts	Various 2004	12	2,184	N/A	—
Wachovia Formulated Price Contracts	Various 2004	18	11,120	N/A	—
Other	Various 2004	7	6,216	N/A	—
Total 2004		436	$ 2,064,162	16,777,168	$ 1,237,900

(1) Includes the assumption of leasehold interests and parking facilities.

(2) Includes all acquisition costs and the value of acquired intangible assets and assumed liabilities. Excludes non-real estate assets acquired.

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(3) Includes the cash paid for land parcels.

Three-Year Summary of Sales by AFRT

The following table presents information regarding property dispositions, including land parcels and leasehold interests, completed by AFRT during the years ended December 31, 2006, 2005 and 2004. Messrs. Schorsch and Kahane were at AFRT through August 2006.

	Number of Buildings and Land Parcels (1)	Sale Proceeds, Net	Gain (2)
Total 2006	154	$ 1,421,501	$ 239,599
Total 2005	143	124,643	21,790
Total 2004	57	185,898	11,488

(1) Includes the sale of five parcels of land and eight leasehold interest terminations during the year ended December 31, 2005, the sale of two parcels of land and seven leasehold terminations during the year ended December 31, 2004 and seven leasehold terminations during the year end December 31, 2003.

(2) Net of provision for income taxes and allocation of minority ownership interest.

Three-Year Summary of AFRT Dividends

	Year Ended December 31,		
	2006	2005	2004
Cash dividends paid per share (1)	$ 0.92	$ 1.08	$ 1.02
Dividend yield (2)	8.10%	7.50%	6.70%

(1) Based on the declaration date.

(2) Based on the average closing share price during each respective calendar year.

Adverse Business Developments and Conditions

AFRT maintained a leveraged balance sheet. Net total debt to total real estate investments as of December 31, 2006 was approximately 55%, with $233.9 million of variable rate debt. As of June 30, 2007, according to published information provided by the National Association of Real Estate Investment Trusts, Inc, or NAREIT, the debt ratio of all office REITs covered by the NAREIT's REIT WATCH was approximately 44%. The amount of indebtedness may adversely affect their ability to repay debt through refinancings. If they are unable to refinance indebtedness on acceptable terms, or at all, they might be forced to dispose of one or more of their properties on unfavorable terms, which might result in losses to them and which might adversely affect cash available for distributions to shareholders. If prevailing interest rates or other factors at the time of refinancing result in higher interest rates on refinancing, interest expense would increase, which could have a material adverse effect on their operating results and financial condition and their ability to pay dividends to shareholders at historical levels or at all.

Attached hereto as Appendices A-1 and A-2 is further prior performance information on AFRT and Nicholas S. Schorsch, respectively.

Other than as disclosed above, there have been no major adverse business developments or conditions experienced by any program or non-program property that would be material to investors, including as a result of recent general economic conditions.

CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the material U.S. federal income tax consequences of an investment in our common stock. The law firm of DLA Piper LLP (US) has acted as our tax counsel and reviewed this summary. For purposes of this section under the heading “Certain Material U.S. Federal Income Tax Considerations,” references to “Phillips Edison – ARC Shopping Center REIT Inc.,” “we,” “our” and “us” mean only Phillips Edison – ARC Shopping Center REIT Inc. and not its subsidiaries or other lower-tier entities, except as otherwise indicated. This summary is based upon the Internal Revenue Code, the regulations promulgated by the U.S. Treasury Department (the “Treasury Regulations”), rulings and other administrative pronouncements issued by the IRS, and judicial decisions, all as currently in effect, and all of which are subject to differing interpretations or to change, possibly with retroactive effect. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below. We have not sought and do not currently expect to seek an advance ruling from the IRS regarding any matter discussed in this prospectus. The summary is also based upon the assumption that we and our subsidiaries and affiliates will operate in accordance with their applicable organizational documents. This summary is for general information only and does not purport to discuss all aspects of U.S. federal income taxation that may be important to a particular investor in light of its investment or tax circumstances or to investors subject to special tax rules, such as:

- financial institutions;
- insurance companies;
- broker-dealers;
- regulated investment companies;
- partnerships and trusts, or those holding interests in such entities;
- persons who hold our stock on behalf of other persons as nominees;
- persons who receive our stock through the exercise of employee stock options (if we ever have employees) or otherwise as compensation;
- persons holding our stock as part of a “straddle,” “hedge,” “conversion transaction,” “constructive ownership transaction,” “synthetic security” or other integrated investment;
- “S” corporations;
- and, except to the extent discussed below:
- tax-exempt organizations; and
- foreign investors.

This summary assumes that investors will hold their common stock as a capital asset, which generally means as property held for investment.

The U.S. federal income tax treatment of holders of our common stock depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. In addition, the U.S. federal income tax consequences to any particular stockholder of holding our common stock will depend on the stockholder's particular tax circumstances. For example, a stockholder that is a partnership or trust that has issued an equity interest to certain types of tax-exempt organizations may be subject to a special entity-level tax if we make distributions attributable to "excess inclusion income." See "—Taxation of Phillips Edison – ARC Shopping Center REIT Inc.—Taxable Mortgage Pools and Excess Inclusion Income." A similar tax may be payable by persons who hold our stock as nominees on behalf of tax-exempt organizations. You are urged to consult your tax advisor regarding the federal, state, local and foreign income and other tax consequences to you in light of your particular investment or tax circumstances of acquiring, holding, exchanging, or otherwise disposing of our common stock.

Taxation of Phillips Edison – ARC Shopping Center REIT Inc.

We intend to elect to be taxed as a REIT, commencing with our taxable year ending December 31, 2010, although such election may be postponed to our taxable year ending December 31, 2011. We believe that we have been organized and expect to operate in such a manner as to qualify for taxation as a REIT. Note that these rules will not generally apply to our taxable years prior to any such REIT election.

The law firm of DLA Piper LLP (US), acting as our tax counsel in connection with this offering, will render an opinion, (i) assuming that the actions described in this section are completed on a timely basis and we timely filed the requisite elections, that we have been organized in conformity with the requirements for qualification and taxation as a REIT under the Internal Revenue Code, and that our proposed method of operation will enable us to meet the requirements for qualification and taxation as a REIT beginning with our taxable year ending December 31, 2010 (or ending December 31, 2011, if our REIT election is postponed to our taxable year ending December 31, 2011) and (ii) that our operating partnership will be treated as a partnership, and not an association or publicly-traded partnership (within the meaning of Section 7704 of the Code) subject to tax as a corporation, for U.S. federal income tax purposes, beginning with its first taxable year. It must be emphasized that the opinion of DLA Piper LLP (US) will be based on various assumptions relating to our organization and operation and will be conditioned upon fact-based representations and covenants made by our management regarding our organization, assets, and income, and the past, present and future conduct of our business operations. While we intend to operate so that we will qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of future changes in our circumstances, no assurance can be given by DLA Piper LLP (US) or by us that we will qualify as a REIT for any particular year. The opinion will be expressed as of the date issued and will not cover subsequent periods. Counsel will have no obligation to advise us or our stockholders of any subsequent change in the matters stated, represented or assumed, or of any subsequent change in the applicable law. You should be aware that opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS will not challenge the conclusions set forth in such opinions.

Qualification and taxation as a REIT depends on our ability to meet on a continuing basis, through actual operating results, distribution levels, and diversity of stock and asset ownership, various qualification requirements imposed upon REITs by the Internal Revenue Code, the compliance with which will not be reviewed by DLA Piper LLP (US). Our ability to qualify as a REIT also requires that we satisfy certain asset tests, some of which depend upon the fair market values of assets that we own directly or indirectly. Such values may not be susceptible to a precise determination. Accordingly, no assurance can be given that the actual results of our operations for any taxable year will satisfy such requirements for qualification and taxation as a REIT.

Taxation of REITs in General

As indicated above, our qualification and taxation as a REIT depends upon our ability to meet, on a continuing basis, various qualification requirements imposed upon REITs by the Internal Revenue Code. The material qualification requirements are summarized below under "—Requirements for Qualification—General." While we intend to operate so that we qualify as a REIT, no assurance can be given that the IRS will not challenge our qualification, or that we will be able to operate in accordance with the REIT requirements in the future. See "—Failure to Qualify."

Provided that we qualify as a REIT, generally we will be entitled to a deduction for distributions that we pay to our stockholders and therefore will not be subject to U.S. federal corporate income tax on our taxable income that is currently distributed to our stockholders. This treatment substantially eliminates the "double taxation" at the corporate and stockholder levels that generally results from investment in a corporation. In general, the income that we generate is taxed only at the stockholder level upon distribution to our stockholders.

For tax years through 2010, most domestic stockholders that are individuals, trusts or estates are taxed on corporate distributions at a maximum rate of 15.0% (the same as long-term capital gains). With limited exceptions, however, distributions from us or from other entities that are taxed as REITs are generally not eligible for this rate and will continue to be taxed at rates applicable to ordinary income, which will be as high as 35.0% through 2010. See "—Taxation of Stockholders—Taxation of Taxable Domestic Stockholders—Distributions."

Any net operating losses and other tax attributes generally do not pass through to our stockholders, subject to special rules for certain items such as the capital gains that we recognize. See "—Taxation of Stockholders."

If we qualify as a REIT, we will nonetheless be subject to federal tax in the following circumstances:

- We will be taxed at regular corporate rates on any undistributed taxable income, including undistributed net capital gains.
- We may be subject to the "alternative minimum tax" on our items of tax preference, including any deductions of net operating losses.
- If we have net income from prohibited transactions, which are, in general, sales or other dispositions of inventory or property held primarily for sale to customers in the ordinary course of business, other than foreclosure property, such income will be subject to a 100% tax. See "—Prohibited Transactions" and "—Foreclosure Property" below.
- If we elect to treat property that we acquire in connection with a foreclosure of a mortgage loan or certain leasehold terminations as "foreclosure property," we may thereby avoid the 100% tax on gain from a resale of that property (if the sale would otherwise constitute a prohibited transaction), but the income from the sale or operation of the property may be subject to U.S. federal corporate income tax at the highest applicable rate (currently 35.0%).
- If we derive "excess inclusion income" from an interest in certain mortgage loan securitization structures (i.e., a "taxable mortgage pool" or a residual interest in a REMIC), we could be subject to corporate level U.S. federal income tax at a 35.0% rate to the extent that such income is allocable to specified types of tax-exempt stockholders known as

"disqualified organizations" that are not subject to unrelated business income tax. See "—Taxable Mortgage Pools and Excess Inclusion Income" below. "Disqualified organizations" are any organization described in Section 860E(e)(5) of the Code, including: (1) the United States; (2) any state or political subdivision of the United States; (3) any foreign government and (4) certain other organizations.

- If we should fail to satisfy the 75.0% gross income test or the 95.0% gross income test, as discussed below, but nonetheless maintain our qualification as a REIT because we satisfy other requirements, we will be subject to a 100% tax on an amount based on the magnitude of the failure, as adjusted to reflect the profit margin associated with our gross income.

- If we should violate the asset tests (other than certain de minimis violations) or other requirements applicable to REITs, as described below, and yet maintain our qualification as a REIT because there is reasonable cause for the failure and other applicable requirements are met, we may be subject to an excise tax. In that case, the amount of the excise tax will be at least $50,000 per failure, and, in the case of certain asset test failures, will be determined as the amount of net income generated by the assets in question multiplied by the highest corporate tax rate (currently 35.0%) if that amount exceeds $50,000 per failure.

- If we should fail to distribute during each calendar year at least the sum of (a) 85.0% of our REIT ordinary income for such year, (b) 95.0% of our REIT capital gain net income for such year, and (c) any undistributed taxable income from prior periods, we would be subject to a nondeductible 4.0% excise tax on the excess of the required distribution over the sum of (1) the amounts that we actually distributed and (2) the amounts we retained and upon which we paid U.S. federal income tax at the corporate level.

- We may be required to pay monetary penalties to the IRS in certain circumstances, including if we fail to meet record keeping requirements intended to monitor our compliance with rules relating to the composition of a REIT's stockholders, as described below in "—Requirements for Qualification —General."

- A 100% tax may be imposed on transactions between us and a TRS (as described below) that do not reflect arm's-length terms.

- If we acquire (or are deemed to acquire via a REIT election) appreciated assets from a corporation that is not a REIT (i.e., a corporation taxable under subchapter C of the Internal Revenue Code) in a transaction in which the adjusted tax basis of the assets in our hands is determined by reference to the adjusted tax basis of the assets in the hands of the subchapter C corporation, we may be subject to tax on such appreciation at the highest U.S. federal corporate income tax rate then applicable if we subsequently recognize gain on a disposition of any such assets during the 10-year period following their acquisition from the subchapter C corporation.

- The earnings of our subsidiaries, including any subsidiary we may elect to treat as a TRS, are generally subject to U.S. federal corporate income tax to the extent that such subsidiaries are subchapter C corporations.

In addition, we and our subsidiaries may be subject to a variety of taxes, including payroll taxes and state and local and foreign income, property and other taxes on our assets and operations. We could also be subject to tax in situations and on transactions not presently contemplated.

Requirements for Qualification—General

The Internal Revenue Code defines a REIT as a corporation, trust or association:

1. that is managed by one or more trustees or directors;
2. the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest;
3. that would be taxable as a domestic corporation but for its election to be subject to tax as a REIT;
4. that is neither a financial institution nor an insurance company subject to specific provisions of the Internal Revenue Code;
5. the beneficial ownership of which is held by 100 or more persons;
6. in which, during the last half of each taxable year, not more than 50.0% in value of the outstanding stock is owned, directly or indirectly, by five or fewer "individuals" (as defined in the Internal Revenue Code to include specified entities);
7. which elects to be taxed as a REIT, or has made such election for a previous taxable year, and satisfies all relevant filing and other administrative requirements that must be met to elect and maintain REIT qualification; and
8. which meets other tests described below, including with respect to the nature of its income and assets.

The Internal Revenue Code provides that conditions (1) through (4) must be met during the entire taxable year, and that condition (5) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a shorter taxable year. Conditions (5) and (6) need not be met during a corporation's initial tax year as a REIT (which, in our case, will be 2010 or 2011). Our charter provides restrictions regarding the ownership and transfer of our shares, which are intended to assist us in satisfying the share ownership requirements described in conditions (5) and (6) above.

We believe that we will issue in this offering common stock with sufficient diversity of ownership to satisfy requirements (5) and (6). In addition, our charter restricts the ownership and transfer of our stock so that we should continue to satisfy these requirements. The provisions of our charter restricting the ownership and transfer of the common stock are described in "Description of Shares—Restrictions on Ownership of Shares."

To monitor compliance with the share ownership requirements, we generally are required to maintain records regarding the actual ownership of our shares. To do so, we must demand written statements each year from the record holders of significant percentages of our stock pursuant to which the record holders must disclose the actual owners of the shares (i.e., the persons required to include our distributions in their gross income). We must maintain a list of those persons failing or refusing to comply with this demand as part of our records. We could be subject to monetary penalties if we fail to comply with these record-keeping requirements. If you fail or refuse to comply with the demands, you will be required by Treasury Regulations to submit a statement with your tax return disclosing your actual ownership of our shares and other information.

In addition, a corporation generally may not elect to become a REIT unless its taxable year is the calendar year. We intend to adopt December 31 as our year-end, and thereby satisfy this requirement.

Finally, a REIT cannot have retained any C corporation earnings and profits at the end of any REIT taxable year. When we elect to be taxed as a REIT, we will have to determine whether we have any retained earnings and profits from years prior to the first year for which we would be taxed as a REIT and, if so, make arrangements to promptly distribute any such earnings and profits.

The Internal Revenue Code provides relief from violations of the REIT gross income requirements, as described below under "—Income Tests," in cases where a violation is due to reasonable cause and not to willful neglect, and other requirements are met, including the payment of a penalty tax that is based upon the magnitude of the violation. In addition, certain provisions of the Internal Revenue Code extend similar relief in the case of certain violations of the REIT asset requirements (see "—Asset Tests" below) and other REIT requirements, again provided that the violation is due to reasonable cause and not willful neglect, and other conditions are met, including the payment of a penalty tax. If we fail to satisfy any of the various REIT requirements, there can be no assurance that these relief provisions would be available to enable us to maintain our qualification as a REIT, and, if such relief provisions are available, the amount of any resultant penalty tax could be substantial.

Effect of Subsidiary Entities

Ownership of Partnership Interests. An unincorporated domestic entity, such as a partnership, limited liability company, or trust that has a single owner generally is not treated as an entity separate from its parent for U.S. federal income tax purposes. An unincorporated domestic entity with two or more owners generally is treated as a partnership for U.S. federal income tax purposes. If we are a partner in an entity that is treated as a partnership for U.S. federal income tax purposes, Treasury Regulations provide that we are deemed to own our proportionate share of the partnership's assets, and to earn our proportionate share of the partnership's income, for purposes of the asset and gross income tests applicable to REITs. Our proportionate share of a partnership's assets and income is based on our capital interest in the partnership (except that for purposes of the 10.0% value test, our proportionate share of the partnership's assets is based on our proportionate interest in the equity and certain debt securities issued by the partnership). In addition, the assets and gross income of the partnership are deemed to retain the same character in our hands. Thus, our proportionate share of the assets and items of income of any of our subsidiary partnerships will be treated as our assets and items of income for purposes of applying the REIT requirements. For any period of time that we own 100% of our operating partnership, all of the operating partnership's assets and income will be deemed to be ours for U.S. federal income tax purposes.

Disregarded Subsidiaries. If we own a corporate subsidiary that is a "qualified REIT subsidiary," that subsidiary is generally disregarded for U.S. federal income tax purposes, and all of the subsidiary's assets, liabilities and items of income, deduction and credit are treated as our assets, liabilities and items of income, deduction and credit, including for purposes of the gross income and asset tests applicable to REITs. A qualified REIT subsidiary is any corporation, other than a TRS (as described below), that is directly or indirectly wholly-owned by a REIT. Thus, in applying the requirements described herein, any qualified REIT subsidiary that we own will be ignored, and all assets, liabilities, and items of income, deduction and credit of such subsidiary will be treated as our assets, liabilities, and items of income, deduction and credit.

In the event that a disregarded subsidiary of ours ceases to be wholly owned—for example, if any equity interest in the subsidiary is acquired by a person other than us or another disregarded subsidiary of ours—the subsidiary's separate existence would no longer be disregarded for U.S. federal income tax purposes. Instead, the subsidiary would have multiple owners and would be treated as either a partnership or a taxable corporation. Such an event could, depending on the circumstances, adversely affect our

ability to satisfy the various asset and gross income requirements applicable to REITs, including the requirement that REITs generally may not own, directly or indirectly, more than 10.0% of the securities of another corporation. See "—Asset Tests" and "—Income Tests."

Taxable Corporate Subsidiaries. In the future we may jointly elect with any of our subsidiary corporations, whether or not wholly owned, to treat such subsidiary corporations as taxable REIT subsidiaries ("TRSs"). A REIT is permitted to own up to 100% of the stock of one or more TRSs. A TRS is a fully taxable corporation that may earn income that would not be qualifying income if earned directly by the parent REIT. The subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation with respect to which a TRS directly or indirectly owns more than 35.0% of the voting power or value of the stock will automatically be treated as a TRS. We generally may not own more than 10.0% of the securities of a taxable corporation, as measured by voting power or value, unless we and such corporation elect to treat such corporation as a TRS. Overall, no more than 25.0% of the value of a REIT's assets may consist of stock or securities of one or more TRSs.

The separate existence of a TRS or other taxable corporation is not ignored for U.S. federal income tax purposes. Accordingly, a TRS or other taxable corporation generally would be subject to corporate income tax on its earnings, which may reduce the cash flow that we and our subsidiaries generate in the aggregate, and may reduce our ability to make distributions to our stockholders.

We are not treated as holding the assets of a TRS or other taxable subsidiary corporation or as receiving any income that the subsidiary earns. Rather, the stock issued by a taxable subsidiary to us is an asset in our hands, and we treat the distributions paid to us from such taxable subsidiary, if any, as income. This treatment can affect our income and asset test calculations, as described below. Because we do not include the assets and income of TRSs or other taxable subsidiary corporations in determining our compliance with the REIT requirements, we may use such entities to undertake indirectly activities that the REIT rules might otherwise preclude us from doing directly or through pass-through subsidiaries. For example, we may use TRSs or other taxable subsidiary corporations to conduct activities that give rise to certain categories of income such as management fees or activities that would be treated in our hands as prohibited transactions.

Certain restrictions imposed on TRSs are intended to ensure that such entities will be subject to appropriate levels of U.S. federal income taxation. First, a TRS with a debt-equity ratio in excess of 1.5 to 1 may not deduct interest payments made in any year to an affiliated REIT to the extent that such payments exceed, generally, 50.0% of the TRS's adjusted taxable income for that year (although the TRS may carry forward to, and deduct in, a succeeding year the disallowed interest amount if the 50.0% test is satisfied in that year). In addition, if amounts are paid to a REIT or deducted by a TRS due to transactions between the REIT and a TRS that exceed the amount that would be paid to or deducted by a party in an arm's-length transaction, the REIT generally will be subject to an excise tax equal to 100% of such excess. We intend to scrutinize all of our transactions with any of our subsidiaries that are treated as a TRS in an effort to ensure that we do not become subject to this excise tax; however, we cannot assure you that we will be successful in avoiding this excise tax.

We may own TRSs that are organized outside of the United States. For example, we may hold certain investments and instruments through TRSs to the extent that direct ownership by us could jeopardize our compliance with the REIT qualification requirements, and we may make TRS elections with respect to certain offshore issuers of CDOs and/or other instruments to the extent that we do not own 100% of the offshore issuer's equity. Special rules apply in the case of income earned by a taxable subsidiary corporation that is organized outside of the United States. Depending upon the nature of the subsidiary's income, the parent REIT may be required to include in its taxable income an amount equal to its share of the subsidiary's income, without regard to whether, or when, such income is distributed by the

subsidiary. See “—Income Tests” below. A TRS that is organized outside of the United States may, depending upon the nature of its operations, be subject to little or no U.S. federal income tax. There is a specific exemption from U.S. federal income tax for non-U.S. corporations that restrict their activities in the United States to trading stock and securities (or any activity closely related thereto) for their own account, whether such trading (or such other activity) is conducted by the corporation or its employees through a resident broker, commission agent, custodian or other agent. We currently expect that any offshore TRSs will rely on that exemption or otherwise operate in a manner so that they will generally not be subject to U.S. federal income tax on their net income at the entity level.

Income Tests

In order to qualify as a REIT, we must satisfy two gross income requirements on an annual basis. First, at least 75.0% of our gross income for each taxable year, excluding gross income from sales of inventory or dealer property in “prohibited transactions,” generally must be derived from investments relating to real property or mortgages on real property, including interest income derived from mortgage loans secured by real property (including certain types of mortgage-backed securities), “rents from real property,” distributions received from other REITs, and gains from the sale of real estate assets, any amount includible in gross income with respect to a regular or residual interest in a REMIC, unless less than 95.0% of the REMIC’s assets are real estate assets, in which case only a proportionate amount of such income will qualify, and as well as specified income from temporary investments. Second, at least 95.0% of our gross income in each taxable year, excluding gross income from prohibited transactions and certain hedging transactions, must be derived from some combination of such income from investments in real property (i.e., income that qualifies under the 75.0% income test described above), as well as other distributions, interest, and gain from the sale or disposition of stock or securities, which need not have any relation to real property.

Gross income from the sale of inventory property is excluded from both the numerator and the denominator in both income tests. Income and gain from hedging transactions that we enter into to hedge indebtedness incurred or to be incurred to acquire or carry real estate assets will generally be excluded from both the numerator and the denominator for purposes of both gross income tests. We intend to monitor the amount of our non-qualifying income and manage our investment portfolio to comply at all times with the gross income tests but we cannot assure you that we will be successful in this effort.

Rents we receive will qualify as “rents from real property” in satisfying the gross income requirements for a REIT described above only if the following conditions are met:

- the amount of rent must not be based in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term “rents from real property” solely by reason of being based on a fixed percentage or percentages of receipts or sales;
- except for rents received from a taxable REIT subsidiary as discussed below, rents received from a tenant will not qualify as “rents from real property” in satisfying the gross income tests if the REIT, or an actual or constructive owner of 10.0% or more of the REIT, actually or constructively owns, in the case of a corporate tenant, 10.0% or more of the stock by vote or value of such tenant, and, in the case of any other tenant, 10.0% or more of the profits or capital of such tenant;
- if such rent is received from a taxable REIT subsidiary with respect to any property, no more than 10.0% of the leased space at the property may be leased to taxable REIT subsidiaries and related party tenants and rents received from such property must be substantially comparable

to rents paid by other tenants, except related party tenants, of the REIT's property for comparable space;

- if rent attributable to personal property, leased in connection with a lease of real property, is greater than 15.0% of the total rent received under the lease, then the portion of rent attributable to personal property will not qualify as "rents from real property;" and

- for rents received to qualify as "rents from real property," the REIT generally must not furnish or render services to the tenants of the property, subject to a 1.0% *de minimis* exception, other than through an independent contractor from whom the REIT derives no revenue or through a taxable REIT subsidiary. The REIT may, however, directly perform certain services that are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not otherwise considered "rendered to the occupant" of the property.

We do not and will not, and as the general partner of the operating partnership will not permit the operating partnership to:

- charge rent for any property that is based in whole or in part on the income or profits of any person, except by reason of being based on a percentage of receipts or sales, as described above;

- lease any property to a related party tenant unless we determine that the income from such lease would not jeopardize our status as a REIT;

- lease any property to a taxable REIT subsidiary, unless we determine not more than 10.0% of the leased space at such property is leased to related party tenants and our taxable REIT subsidiaries and the rents received from such lease are substantially comparable to those received from other tenants, except rent from related party tenants, of us for comparable space;

- derive rental income attributable to personal property, other than personal property leased in connection with the lease of real property, the amount of which is less than 15.0% of the total rent received under the lease; or

- perform services considered to be rendered to the occupant of the property, other than through an independent contractor from whom the operating partnership derives no revenue or through a taxable REIT subsidiary, unless we determine that the income from such services would not jeopardize our qualification as a REIT.

The term "interest," as defined for purposes of both gross income tests, generally excludes any amount that is based in whole or in part on the income or profits of any person. However, interest generally includes the following: (1) an amount that is based on a fixed percentage or percentages of gross receipts or sales and (2) an amount that is based on the income or profits of a borrower where the borrower derives substantially all of its income from the real property securing the debt by leasing substantially all of its interest in the property, but only to the extent that the amounts received by the borrower would be qualifying "rents from real property" if received directly by a REIT.

If a loan contains a provision that entitles a REIT to a percentage of the borrower's gain upon the sale of the real property securing the loan or a percentage of the appreciation in the property's value as of

a specific date, income attributable to that loan provision will be treated as gain from the sale of the property securing the loan, which generally is qualifying income for purposes of both gross income tests.

Interest income constitutes qualifying mortgage interest for purposes of the 75% gross income test to the extent that the obligation is secured by a mortgage on real property. If we receive interest income with respect to a mortgage loan that is secured by both real property and other property and the highest principal amount of the loan outstanding during a taxable year exceeds the fair market value of the real property on the date of our commitment to make or purchase the mortgage loan, the interest income will be apportioned between the real property and the other property, and our income from the arrangement will qualify for purposes of the 75% gross income test only to the extent that the interest is allocable to the real property. Even if a loan is not secured by real property or is undersecured, the income that it generates may nonetheless qualify for purposes of the 95% gross income test. Note that a “significant modification” of a debt instrument may result in a new debt instrument which requires new tests of the value of the underlying real estate. The portion of the interest income that will not be qualifying income for purposes of the 75.0% gross income test will be equal to the portion of the principal amount of the loan that is not secured by real property (i.e., the amount by which the loan exceeds the value of the real estate that is security for the loan).

Interest, including original issue discount or market discount that we accrue on our real estate related debt investments generally will be qualifying income for purposes of both gross income tests. However, some of our investments may not be secured by mortgages on real property or interests in real property. Our interest income from those investments will be qualifying income for purposes of the 95.0% gross income test but not the 75.0% gross income test. In addition, as discussed above, if the fair market value of the real estate securing any of our investments is less than the principal amount of the underlying loan as of a certain testing date, a portion of the income from that investment will be qualifying income for purposes of the 95.0% gross income test but not the 75.0% gross income test.

We and our subsidiaries may also invest in REMICs, and we may invest in other types of commercial mortgage-backed securities. See below under “—Asset Tests” for a discussion of the effect of such investments on our qualification as a REIT.

We may directly or indirectly receive distributions from TRSs or other corporations that are not REITs or qualified REIT subsidiaries. These distributions generally are treated as dividend income to the extent of the earnings and profits of the distributing corporation. Such distributions will generally constitute qualifying income for purposes of the 95.0% gross income test, but not for purposes of the 75.0% gross income test. Any distributions that we receive from a REIT, however, will be qualifying income for purposes of both the 95.0% and 75.0% income tests.

If we fail to satisfy one or both of the 75.0% or 95.0% gross income tests for any taxable year, we may still qualify as a REIT for such year if we are entitled to relief under applicable provisions of the Internal Revenue Code. These relief provisions will be generally available if (1) our failure to meet these tests was due to reasonable cause and not due to willful neglect and (2) following our identification of the failure to meet the 75.0% or 95.0% gross income test for any taxable year, we file a schedule with the IRS setting forth each item of our gross income for purposes of the 75.0% or 95.0% gross income test for such taxable year in accordance with Treasury Regulations yet to be issued. It is not possible to state whether we would be entitled to the benefit of these relief provisions in all circumstances. If these relief provisions are inapplicable to a particular set of circumstances, we will not qualify as a REIT. As discussed above under “—Taxation of REITs in General,” even where these relief provisions apply, the Internal Revenue Code imposes a tax based upon the amount by which we fail to satisfy the particular gross income test.

Asset Tests

At the close of each calendar quarter, we must also satisfy four tests relating to the nature of our assets. First, at least 75.0% of the value of our total assets must be represented by some combination of "real estate assets," cash, cash items, U.S. government securities, and, under some circumstances, stock or debt instruments purchased with new capital. For this purpose, real estate assets include interests in real property, such as land, buildings, leasehold interests in real property, stock of other corporations that qualify as REITs, and some kinds of mortgage-backed securities and mortgage loans. Assets that do not qualify for purposes of the 75.0% test are subject to the additional asset tests described below.

Second, the value of any one issuer's securities that we own may not exceed 5.0% of the value of our total assets.

Third, we may not own more than 10.0% of any one issuer's outstanding securities, as measured by either voting power or value. The 5.0% and 10.0% asset tests do not apply to securities of taxable REIT subsidiaries and qualified REIT subsidiaries and the 10.0% asset test does not apply to "straight debt" having specified characteristics and to certain other securities described below. Solely for purposes of the 10.0% asset test, the determination of our interest in the assets of a partnership or limited liability company in which we own an interest will be based on our proportionate interest in any securities issued by the partnership or limited liability company, excluding for this purpose certain securities described in the Internal Revenue Code. Fourth, the aggregate value of all securities of taxable REIT subsidiaries that we hold may not exceed 25.0% of the value of our total assets.

Notwithstanding the general rule, as noted above, that for purposes of the REIT income and asset tests we are treated as owning our proportionate share of the underlying assets of a subsidiary partnership, if we hold indebtedness issued by a partnership, the indebtedness will be subject to, and may cause a violation of, the asset tests unless the indebtedness is a qualifying mortgage asset or other conditions are met. Similarly, although stock of another REIT is a qualifying asset for purposes of the REIT asset tests, any non-mortgage debt that is issued by another REIT may not so qualify (such debt, however, will not be treated as "securities" for purposes of the 10.0% asset test, as explained below).

We do not currently own interests in real properties but we intend to own such interests in the future. We anticipate that substantially all of our gross income will be from sources that will allow us to satisfy the income tests described above. Further, our purchase contracts for such real properties will apportion no more than 5% of the purchase price of any property to property other than "real property," as defined in the Internal Revenue Code. However, there can be no assurance that the IRS will not contest such purchase price allocation. If the IRS were to prevail, resulting in more than 5% of the purchase price of property being allocated to other than "real property," we may be unable to continue to qualify as a REIT under the 75% asset test, and may also be subject to additional taxes, as described below. In addition, we intend to invest funds not used to acquire properties in cash sources, "new capital" investments or other liquid investments which allow us to continue to qualify under the 75% asset test. Therefore, our investment in real properties will constitute "real estate assets" and should allow us to meet the 75% asset test.

We believe that most of the real estate related securities that we expect to hold will be qualifying assets for purposes of the 75.0% asset test. However, our investment in other asset-backed securities, bank loans and other instruments that are not secured by mortgages on real property will not be qualifying assets for purposes of the 75.0% asset test.

Certain relief provisions are available to REITs to satisfy the asset requirements or to maintain REIT qualification notwithstanding certain violations of the asset and other requirements. One such provision allows a REIT which fails one or more of the asset requirements to nevertheless maintain its

REIT qualification if: (1) the REIT provides the IRS with a description of each asset causing the failure, (2) the failure is due to reasonable cause and not willful neglect, (3) the REIT pays a tax equal to the greater of (a) $50,000 per failure, and (b) the product of the net income generated by the assets that caused the failure multiplied by the highest applicable corporate tax rate (currently 35.0%) and (4) the REIT either disposes of the assets causing the failure within six months after the last day of the quarter in which it identifies the failure, or otherwise satisfies the relevant asset tests within that time frame.

In the case of de minimis violations of the 10.0% and 5.0% asset tests, a REIT may maintain its qualification despite a violation of such requirements if (1) the value of the assets causing the violation does not exceed the lesser of 1.0% of the REIT's total assets and $10,000,000 and (2) the REIT either disposes of the assets causing the failure within six months after the last day of the quarter in which it identifies the failure, or the relevant tests are otherwise satisfied within that time frame.

Certain securities will not cause a violation of the 10.0% asset test described above. Such securities include instruments that constitute "straight debt," which includes, among other things, securities having certain contingency features. A security does not qualify as "straight debt" where a REIT (or a controlled TRS of the REIT) owns other securities of the same issuer which do not qualify as straight debt, unless the value of those other securities constitute, in the aggregate, 1.0% or less of the total value of that issuer's outstanding securities. In addition to straight debt, the Internal Revenue Code provides that certain other securities will not violate the 10.0% asset test. Such securities include (1) any loan made to an individual or an estate, (2) certain rental agreements pursuant to which one or more payments are to be made in subsequent years (other than agreements between a REIT and certain persons related to the REIT under attribution rules), (3) any obligation to pay rents from real property, (4) securities issued by governmental entities that are not dependent in whole or in part on the profits of (or payments made by) a non-governmental entity, (5) any security (including debt securities) issued by another REIT and (6) any debt instrument issued by a partnership if the partnership's income is of a nature that it would satisfy the 75.0% gross income test described above under "—Income Tests." In applying the 10.0% asset test, a debt security issued by a partnership is not taken into account to the extent, if any, of the REIT's proportionate interest in the equity and certain debt securities issued by that partnership.

Any interests that we hold in a REMIC will generally qualify as real estate assets and income derived from REMIC interests will generally be treated as qualifying income for purposes of the REIT income tests described above. If less than 95.0% of the assets of a REMIC are real estate assets, however, then only a proportionate part of our interest in the REMIC and income derived from the interest qualifies for purposes of the REIT asset and income tests. If we hold a "residual interest" in a REMIC from which we derive "excess inclusion income," we will be required to either distribute the excess inclusion income or pay tax on it (or a combination of the two), even though we may not receive the income in cash. To the extent that distributed excess inclusion income is allocable to a particular stockholder, the income (1) would not be allowed to be offset by any net operating losses otherwise available to the stockholder, (2) would be subject to tax as unrelated business taxable income in the hands of most types of stockholders that are otherwise generally exempt from U.S. federal income tax and (3) would result in the application of U.S. federal income tax withholding at the maximum rate (30.0%), without reduction of any otherwise applicable income tax treaty, to the extent allocable to most types of foreign stockholders. Moreover, any excess inclusion income that we receive that is allocable to specified categories of tax-exempt investors which are not subject to unrelated business income tax, such as government entities, may be subject to U.S. federal corporate-level income tax in our hands, whether or not it is distributed.

To the extent that we hold mortgage participations or commercial mortgage-backed securities that do not represent REMIC interests, such assets may not qualify as real estate assets, and the income

generated from them might not qualify for purposes of either or both of the REIT income tests, depending upon the circumstances and the specific structure of the investment.

We believe that our holdings of securities and other assets will comply with the foregoing REIT asset requirements, and we intend to monitor compliance on an ongoing basis. Certain mezzanine loans we make or acquire may qualify for the safe harbor in Revenue Procedure 2003-65 pursuant to which certain loans secured by a first priority security interest in ownership interests in a partnership or limited liability company will be treated as qualifying assets for purposes of the 75.0% real estate asset test and the 10.0% vote or value test. We may make some mezzanine loans that do not qualify for that safe harbor and that do not qualify as “straight debt” securities or for one of the other exclusions from the definition of “securities” for purposes of the 10.0% value test. We intend to make such investments in such a manner as not to fail the asset tests described above.

No independent appraisals will be obtained to support our conclusions as to the value of our total assets or the value of any particular security or securities. Moreover, values of some assets, including instruments issued in securitization transactions, may not be susceptible to a precise determination, and values are subject to change in the future. Furthermore, the proper classification of an instrument as debt or equity for U.S. federal income tax purposes may be uncertain in some circumstances, which could affect the application of the REIT asset requirements. Accordingly, there can be no assurance that the IRS will not contend that our interests in our subsidiaries or in the securities of other issuers will not cause a violation of the REIT asset tests.

If we should fail to satisfy the asset tests at the end of a calendar quarter, such a failure would not cause us to lose our REIT qualification if we: (1) satisfied the asset tests at the close of the preceding calendar quarter and (2) the discrepancy between the value of our assets and the asset requirements was not wholly or partly caused by an acquisition of non-qualifying assets, but instead arose from changes in the market value of our assets. If the condition described in (2) were not satisfied, we still could avoid disqualification by eliminating any discrepancy within 30 days after the close of the calendar quarter in which it arose or by making use of relief provisions described below.

Annual Distribution Requirements

In order to qualify as a REIT, we are required to make distributions, other than capital gain distributions, to our stockholders in an amount at least equal to:

(a) the sum of

(1) 90.0% of our “REIT taxable income,” computed without regard to our net capital gains and the dividends paid deduction, and

(2) 90.0% of our net income, if any, (after tax) from foreclosure property (as described below), minus

(b) the sum of specified items of non-cash income.

In addition, if we were to recognize “built-in-gain” (as defined below) on disposition of any assets acquired from a “C” corporation in a transaction in which our basis in the assets was determined by reference to the “C” corporation’s basis (for instance, if the assets were acquired in a tax-free reorganization), we would be required to distribute at least 90.0% of the built-in-gain recognized net of the tax we would pay on such gain. “Built-in-gain” is the excess of (a) the fair market value of an asset (measured at the time of acquisition) over (b) the basis of the asset (measured at the time of acquisition). Note that will be subject to these rules to the extent we own assets, if any, that have appreciated while we were taxable as a “C” corporation.

We generally must make these distributions in the taxable year to which they relate, or in the following taxable year if either: (1) declared before we timely file our tax return for the year and if paid with or before the first regular distribution payment after such declaration or (2) declared in October, November or December of the taxable year, payable to stockholders of record on a specified day in any such month, and actually paid before the end of January of the following year. The distributions under clause (1) are taxable to the stockholders of our common stock in the year in which paid, and the distributions in clause (2) are treated as paid on December 31 of the prior taxable year. In both instances, these distributions relate to our prior taxable year for purposes of the 90.0% distribution requirement.

In order for distributions to be counted for this purpose, and to provide a tax deduction for us, the distributions must not be “preferential dividends.” A distribution is not a preferential dividend if the distribution is (1) pro rata among all outstanding shares of stock within a particular class and (2) in accordance with the preferences among different classes of stock as set forth in our organizational documents.

To the extent that we distribute at least 90.0%, but less than 100%, of our “REIT taxable income,” as adjusted, we will be subject to tax at ordinary corporate tax rates on the retained portion. We may elect to retain, rather than distribute, our net long-term capital gains and pay tax on such gains. In this case, we could elect for our stockholders to include their proportionate shares of such undistributed long-term capital gains in income, and to receive a corresponding credit for their share of the tax that we paid. Our stockholders would then increase their adjusted basis of their stock by the difference between (1) the amounts of capital gain distributions that we designated and that they include in their taxable income, minus (2) the tax that we paid on their behalf with respect to that income.

To the extent that we have available net operating losses carried forward from prior tax years, such losses may reduce the amount of distributions that we must make in order to comply with the REIT distribution requirements. Such losses, however, will generally not affect the character, in the hands of our stockholders, of any distributions that are actually made as ordinary dividends or capital gains. See “—Taxation of Stockholders—Taxation of Taxable Domestic Stockholders—Distributions.”

If we should fail to distribute during each calendar year at least the sum of (1) 85.0% of our REIT ordinary income for such year, (2) 95.0% of our REIT capital gain net income for such year and (3) any undistributed taxable income from prior periods, we would be subject to a non-deductible 4.0% excise tax on the excess of such required distribution over the sum of (1) the amounts actually distributed, plus (2) the amounts of income we retained and on which we have paid U.S. federal corporate income tax.

It is possible that, from time to time, we may not have sufficient cash to meet the distribution requirements due to timing differences between (1) our actual receipt of cash, including receipt of distributions from our subsidiaries and (2) our inclusion of items in income for U.S. federal income tax purposes. Other potential sources of non-cash taxable income include:

- “residual interests” in REMICs or taxable mortgage pools;
- loans or mortgage-backed securities held as assets that are issued at a discount and require the accrual of taxable economic interest in advance of receipt in cash; and
- loans on which the borrower is permitted to defer cash payments of interest, and distressed loans on which we may be required to accrue taxable interest income even though the borrower is unable to make current servicing payments in cash.

In the event that such timing differences occur, in order to meet the distribution requirements, it might be necessary for us to arrange short-term, or possibly long-term, borrowings, or to pay distributions in the form of taxable in-kind distributions of property.

Failure to Qualify

If we fail to satisfy one or more requirements for REIT qualification other than the gross income or asset tests, we could avoid disqualification if our failure is due to reasonable cause and not to willful neglect and we pay a penalty of $50,000 for each such failure. Relief provisions are available for failures of the gross income tests and asset tests, as described above in "—Income Tests" and "—Asset Tests."

If we fail to qualify for taxation as a REIT in any taxable year, and the relief provisions described above do not apply, we would be subject to tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates. We cannot deduct distributions to stockholders in any year in which we are not a REIT, nor would we be required to make distributions in such a year. In this situation, to the extent of current and accumulated earnings and profits, distributions to domestic stockholders that are individuals, trusts and estates will generally be taxable at capital gains rates (through 2010). In addition, subject to the limitations of the Internal Revenue Code, corporate distributees may be eligible for the dividends received deduction. Unless we are entitled to relief under specific statutory provisions, we would also be disqualified from re-electing to be taxed as a REIT for the four taxable years following the year during which we lost qualification. It is not possible to state whether, in all circumstances, we would be entitled to this statutory relief.

Prohibited Transactions

Net income that we derive from a prohibited transaction is subject to a 100% tax. The term "prohibited transaction" generally includes a sale or other disposition of property (other than foreclosure property, as discussed below) that is held primarily for sale to customers in the ordinary course of a trade or business. We intend to conduct our operations so that no asset that we own (or are treated as owning) will be treated as, or as having been, held for sale to customers, and that a sale of any such asset will not be treated as having been in the ordinary course of our business. Whether property is held "primarily for sale to customers in the ordinary course of a trade or business" depends on the particular facts and circumstances. There is an exception to this rule for the sale of property that: (i) is a real estate asset under the 75% Asset Test; (ii) has been held for at least two years; (iii) has aggregate expenditures which are includable in the basis of the property not in excess of 30% of the net selling price; (iv) in some cases, was held for production of rental income for at least two years; (v) in some cases, substantially all of the marketing and development expenditures were made through an independent contractor; and (vi) when combined with other sales in the year, either does not cause the REIT to have made more than seven sales of property during the taxable year, or occurs in a year when the REIT disposes of less than 10% of its assets (measured by U.S. federal income tax basis or fair market value, and ignoring involuntary dispositions and sales of foreclosure property). No assurance can be given that any property that we sell will not be treated as property held for sale to customers, or that we can comply with certain safe-harbor provisions of the Internal Revenue Code that would prevent such treatment. The 100% tax does not apply to gains from the sale of property that is held through a TRS or other taxable corporation, although such income will potentially be subject to tax in the hands of the corporation at regular corporate rates, nor does the tax apply to sales which qualify for a safe harbor as described in Section 857(b)(6) of the Internal Revenue Code.

Foreclosure Property

Foreclosure property is real property and any personal property incident to such real property (1) that we acquire as the result of having bid on the property at foreclosure, or having otherwise reduced the

property to ownership or possession by agreement or process of law, after a default (or upon imminent default) on a lease of the property or a mortgage loan held by us and secured by the property, (2) for which we acquired the related loan or lease at a time when default was not imminent or anticipated and (3) with respect to which we made a proper election to treat the property as foreclosure property. We generally will be subject to tax at the maximum corporate rate (currently 35.0%) on any net income from foreclosure property, including any gain from the disposition of the foreclosure property, other than income that would otherwise be qualifying income for purposes of the 75.0% gross income test. Any gain from the sale of property for which a foreclosure property election has been made will not be subject to the 100% tax on gains from prohibited transactions described above, even if the property would otherwise constitute inventory or dealer property. To the extent that we receive any income from foreclosure property that does not qualify for purposes of the 75.0% gross income test, we intend to make an election to treat the related property as foreclosure property.

Derivatives and Hedging Transactions

We and our subsidiaries may enter into hedging transactions with respect to interest rate exposure on one or more of our assets or liabilities. Hedging transactions could take a variety of forms, including the use of derivative instruments such as interest rate swap agreements, interest rate cap agreements, options, futures contracts, forward rate agreements or similar financial instruments. Except to the extent provided by Treasury Regulations, any income from a hedging transaction we entered into (1) in the normal course of our business primarily to manage risk of interest rate, inflation and/or currency fluctuations with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred, to acquire or carry real estate assets, which is clearly identified as specified in Treasury Regulations before the closing of the day on which it was acquired, originated, or entered into, including gain from the sale or disposition of such a transaction and (2) primarily to manage risk of currency fluctuations with respect to any item of income or gain that would be qualifying income under the 75.0% or 95.0% income tests which is clearly identified as such before the closing of the day on which it was acquired, originated, or entered into, will not constitute gross income for purposes of the 75.0% or 95.0% gross income tests. To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of the 75.0% or 95.0% gross income tests. We intend to structure any hedging transactions in a manner that does not jeopardize our qualification as a REIT. We may conduct some or all of our hedging activities through our TRS or other corporate entity, the income from which may be subject to U.S. federal income tax, rather than by participating in the arrangements directly or through pass-through subsidiaries. No assurance can be given, however, that our hedging activities will not give rise to income that does not qualify for purposes of either or both of the REIT gross income tests, or that our hedging activities will not adversely affect our ability to satisfy the REIT qualification requirements.

Taxable Mortgage Pools and Excess Inclusion Income

An entity, or a portion of an entity, may be classified as a taxable mortgage pool, or TMP, under the Internal Revenue Code if:

- substantially all of its assets consist of debt obligations or interests in debt obligations;
- more than 50.0% of those debt obligations are real estate mortgages or interests in real estate mortgages as of specified testing dates;
- the entity has issued debt obligations (liabilities) that have two or more maturities; and

- the payments required to be made by the entity on its debt obligations (liabilities) "bear a relationship" to the payments to be received by the entity on the debt obligations that it holds as assets.

Under the Treasury Regulations, if less than 80.0% of the assets of an entity (or a portion of an entity) consist of debt obligations, these debt obligations are considered not to comprise "substantially all" of its assets, and therefore the entity would not be treated as a TMP. Our financing and securitization arrangements may give rise to TMPs with the consequences as described below.

Where an entity, or a portion of an entity, is classified as a TMP, it is generally treated as a taxable corporation for U.S. federal income tax purposes. In the case of a REIT, or a portion of a REIT, or a disregarded subsidiary of a REIT, that is a TMP, however, special rules apply. The TMP is not treated as a corporation that is subject to U.S. federal corporate income tax, and the TMP classification does not directly affect the tax qualification of the REIT. Rather, the consequences of the TMP classification would, in general, except as described below, be limited to the stockholders of the REIT.

A portion of the REIT's income from the TMP, which might be noncash accrued income, could be treated as excess inclusion income. Section 860E(c) of the Code defines the term "excess inclusion" with respect to a residual interest in a REMIC. The IRS, however, has yet to issue guidance on the computation of excess inclusion income on equity interests in a TMP held by a REIT. Generally, however, excess inclusion income with respect to our investment in any TMP and any taxable year will equal the excess of (1) the amount of income we accrue on our investment in the TMP over (2) the amount of income we would have accrued if our investment were a debt instrument having an issue price equal to the fair market value of our investment on the day we acquired it and a yield to maturity equal to 120% of the long-term applicable federal rate in effect on the date we acquired our interest. The term "applicable federal rate" refers to rates that are based on weighted average yields for treasury securities and are published monthly by the IRS for use in various tax calculations. If we undertake securitization transactions that are TMPs, the amount of excess inclusion income we recognize in any taxable year could represent a significant portion of our total taxable for that year. Under recently issued IRS guidance, the REIT's excess inclusion income, including any excess inclusion income from a residual interest in a REMIC, must be allocated among its stockholders in proportion to distributions paid. We are required to notify our stockholders of the amount of "excess inclusion income" allocated to them. A stockholder's share of our excess inclusion income:

- cannot be offset by any net operating losses otherwise available to the stockholder;

- is subject to tax as unrelated business taxable income in the hands of most types of stockholders that are otherwise generally exempt from U.S. federal income tax; and

- results in the application of U.S. federal income tax withholding at the maximum rate (30.0%), without reduction for any otherwise applicable income tax treaty or other exemption, to the extent allocable to most types of foreign stockholders.

See "—Taxation of Stockholders." To the extent that excess inclusion income is allocated from a TMP to a tax-exempt stockholder of a REIT that is not subject to unrelated business income tax (such as a government entity), the REIT will be subject to tax on this income at the highest applicable corporate tax rate (currently 35.0%). In this case, we are authorized to reduce and intend to reduce distributions to such stockholders by the amount of such tax paid by the REIT that is attributable to such stockholder's ownership. Treasury Regulations provide that such a reduction in distributions does not give rise to a preferential dividend that could adversely affect the REIT's compliance with its distribution requirements. See "—Annual Distribution Requirements." The manner in which excess inclusion income is calculated,

or would be allocated to stockholders, including allocations among shares of different classes of stock, remains unclear under current law. As required by IRS guidance, we intend to make such determinations using a reasonable method. Tax-exempt investors, foreign investors and taxpayers with net operating losses should carefully consider the tax consequences described above, and are urged to consult their tax advisors.

If a subsidiary partnership of ours that we do not wholly own, directly or through one or more disregarded entities, were a TMP, the foregoing rules would not apply. Rather, the partnership that is a TMP would be treated as a corporation for U.S. federal income tax purposes and potentially could be subject to U.S. federal corporate income tax or withholding tax. In addition, this characterization would alter our income and asset test calculations and could adversely affect our compliance with those requirements. We intend to monitor the structure of any TMPs (including whether a TRS election might be made in respect of any such TMP) in which we have an interest to ensure that they will not adversely affect our qualification as a REIT.

Taxation of Stockholders

Taxation of Taxable Domestic Stockholders

Distributions. So long as we qualify as a REIT, the distributions that we make to our taxable domestic stockholders out of current or accumulated earnings and profits that we do not designate as capital gain distributions will generally be taken into account by stockholders as ordinary income and will not be eligible for the dividends received deduction for corporations. With limited exceptions, our distributions are not eligible for taxation at the preferential U.S. federal income tax rates (i.e., the 15.0% maximum federal rate through 2010) for qualified distributions received by domestic stockholders that are individuals, trusts and estates from taxable C corporations. Such stockholders, however, are taxed at the preferential rates on distributions designated by and received from REITs to the extent that the distributions are attributable to:

- income retained by the REIT in the prior taxable year on which the REIT was subject to U.S. federal corporate level income tax (less the amount of tax);

- distributions received by the REIT from TRSs or other taxable C corporations; or

- income in the prior taxable year from the sales of "built-in gain" property acquired by the REIT from C corporations in carryover basis transactions (less the amount of corporate tax on such income).

Distributions that we designate as capital gain dividends will generally be taxed to our stockholders as long-term capital gains, to the extent that such distributions do not exceed our actual net capital gain for the taxable year, without regard to the period for which the stockholder that receives such distribution has held its stock. We may elect to retain and pay taxes on some or all of our net long-term capital gains, in which case provisions of the Internal Revenue Code will treat our stockholders as having received, solely for tax purposes, our undistributed capital gains, and the stockholders will receive a corresponding credit for taxes that we paid on such undistributed capital gains. See "—Taxation of Phillips Edison – ARC Shopping Center REIT Inc. — Annual Distribution Requirements." Corporate stockholders may be required to treat up to 20.0% of some capital gain distributions as ordinary income. Long-term capital gains are generally taxable at maximum federal rates of 15.0% (through 2010) in the case of stockholders that are individuals, trusts and estates, and 35.0% in the case of stockholders that are corporations. Capital gains attributable to the sale of depreciable real property held for more than 12 months are subject to a 25.0% maximum U.S. federal income tax rate for taxpayers who are taxed as individuals, to the extent of previously claimed depreciation deductions.

Distributions in excess of our current and accumulated earnings and profits will generally represent a return of capital and will not be taxable to a stockholder to the extent that the amount of such distributions does not exceed the adjusted basis of the stockholder's shares in respect of which the distributions were made. Rather, the distribution will reduce the adjusted basis of the stockholder's shares. To the extent that such distributions exceed the adjusted basis of a stockholder's shares, the stockholder generally must include such distributions in income as long-term capital gain, or short-term capital gain if the shares have been held for one year or less. In addition, any distribution that we declare in October, November or December of any year and that is payable to a stockholder of record on a specified date in any such month will be treated as both paid by us and received by the stockholder on December 31 of such year, provided that we actually pay the distribution before the end of January of the following calendar year.

We have the ability to declare a large portion of a dividend in shares of our stock. As long as a portion of such dividend is paid in cash and certain requirements are met, the entire distribution may be treated as a dividend for U.S. federal income tax purposes. As a result, a stockholder will be taxed on 100% of the dividend in the same manner as a cash dividend, even though most of the dividend was paid in shares of our stock.

To the extent that we have available net operating losses and capital losses carried forward from prior tax years, such losses may reduce the amount of distributions that we must make in order to comply with the REIT distribution requirements. See "—Taxation of Phillips Edison – ARC Shopping Center REIT Inc.—Annual Distribution Requirements." Such losses, however, are not passed through to stockholders and do not offset income of stockholders from other sources, nor would such losses affect the character of any distributions that we make, which are generally subject to tax in the hands of stockholders to the extent that we have current or accumulated earnings and profits.

If excess inclusion income from a taxable mortgage pool or REMIC residual interest is allocated to any stockholder, that income will be taxable in the hands of the stockholder and would not be offset by any net operating losses of the stockholder that would otherwise be available. See "—Taxation of Phillips Edison – ARC Shopping Center REIT Inc. —Taxable Mortgage Pools and Excess Inclusion Income." As required by IRS guidance, we intend to notify our stockholders if a portion of a distribution paid by us is attributable to excess inclusion income.

Dispositions of Our Stock. In general, capital gains recognized by individuals, trusts and estates upon the sale or disposition of our stock will be subject to a maximum U.S. federal income tax rate of 15.0% (through 2010) if the stock is held for more than one year, and will be taxed at ordinary income rates (of up to 35.0% through 2010) if the stock is held for one year or less. Gains recognized by stockholders that are corporations are subject to U.S. federal income tax at a maximum rate of 35.0%, whether or not such gains are classified as long-term capital gains. Capital losses recognized by a stockholder upon the disposition of our stock that was held for more than one year at the time of disposition will be considered long-term capital losses, and are generally available only to offset capital gain income of the stockholder but not ordinary income (except in the case of individuals, who may offset up to $3,000 of ordinary income each year). In addition, any loss upon a sale or exchange of shares of our stock by a stockholder who has held the shares for six months or less, after applying holding period rules, will be treated as a long-term capital loss to the extent of distributions that we make that are required to be treated by the stockholder as long-term capital gain.

If an investor recognizes a loss upon a subsequent disposition of our stock or other securities in an amount that exceeds a prescribed threshold, it is possible that the provisions of the Treasury Regulations involving "reportable transactions" could apply, with a resulting requirement to separately disclose the loss-generating transaction to the IRS. These regulations, though directed towards "tax shelters," are broadly written and apply to transactions that would not typically be considered tax shelters. The Internal Revenue Code imposes significant penalties for failure to comply with these requirements. You should consult your tax advisor concerning any possible disclosure obligation with respect to the receipt or disposition of our stock or securities or transactions that we might undertake directly or indirectly. Moreover, you should be aware that we and other participants in the transactions in which we are involved (including their advisors) might be subject to disclosure or other requirements pursuant to these regulations.

Passive Activity Losses and Investment Interest Limitations. Distributions that we make and gain arising from the sale or exchange by a domestic stockholder of our stock will not be treated as passive activity income. As a result, stockholders will not be able to apply any "passive losses" against income

or gain relating to our stock. To the extent that distributions we make do not constitute a return of capital, they will be treated as investment income for purposes of computing the investment interest limitation.

Taxation of Foreign Stockholders

The following is a summary of certain U.S. federal income and estate tax consequences of the ownership and disposition of our stock applicable to non-U.S. holders. A "non-U.S. holder" is any person other than:

- a citizen or resident of the United States;
- a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organized in the United States or under the laws of the United States, or of any state thereof, or the District of Columbia;
- an estate, the income of which is includable in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust if a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. fiduciaries have the authority to control all substantial decisions of the trust.

If a partnership, including for this purpose any entity that is treated as a partnership for U.S. federal income tax purposes, holds our common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. An investor that is a partnership and the partners in such partnership should consult their tax advisors about the U.S. federal income tax consequences of the acquisition, ownership and disposition of our common stock.

The following discussion is based on current law, and is for general information only. It addresses only selected, and not all, aspects of U.S. federal income and estate taxation.

Ordinary Dividends. The portion of distributions received by non-U.S. holders: (1) that is payable out of our earnings and profits, (2) which is not attributable to our capital gains and (3) which is not effectively connected with a U.S. trade or business of the non-U.S. holder, will be subject to U.S. withholding tax at the rate of 30.0%, unless reduced or eliminated by treaty. Reduced treaty rates and other exemptions are not available to the extent that income is attributable to excess inclusion income allocable to the foreign stockholder. Accordingly, we will withhold at a rate of 30.0% on any portion of a distribution that is paid to a non-U.S. holder and attributable to that holder's share of our excess inclusion income. See "—Taxation of Phillips Edison – ARC Shopping Center REIT Inc.—Taxable Mortgage Pools and Excess Inclusion Income." As required by IRS guidance, we intend to notify our stockholders if a portion of a distribution paid by us is attributable to excess inclusion income.

In general, non-U.S. holders will not be considered to be engaged in a U.S. trade or business solely as a result of their ownership of our stock. In cases where the dividend income from a non-U.S. holder's investment in our stock is, or is treated as, effectively connected with the non-U.S. holder's conduct of a U.S. trade or business, the non-U.S. holder generally will be subject to U.S. federal income tax at graduated rates, in the same manner as domestic stockholders are taxed with respect to such distributions. Such income must generally be reported on a U.S. income tax return filed by or on behalf of the non-U.S. holder. The income may also be subject to the 30.0% branch profits tax in the case of a non-U.S. holder that is a corporation.

Non-Dividend Distributions. Unless our stock constitutes a U.S. real property interest (a "USRPI"), distributions that we make that are not out of our earnings and profits will not be subject to U.S. income tax. If we cannot determine at the time a distribution is made whether or not the distribution will exceed current and accumulated earnings and profits, the distribution will be subject to withholding at the rate applicable to ordinary dividends. The non-U.S. holder may seek a refund from the IRS of any amounts withheld if it is subsequently determined that the distribution was, in fact, in excess of our current and accumulated earnings and profits. If our stock constitutes a USRPI, as described below, distributions that we make in excess of the sum of (a) the stockholder's proportionate share of our earnings and profits, plus (b) the stockholder's basis in its stock, will be taxed under FIRPTA, at the rate of tax, including any applicable capital gains rates, that would apply to a domestic stockholder of the same type (e.g., an individual or a corporation, as the case may be), and the collection of the tax will be enforced by a refundable withholding at a rate of 10.0% of the amount by which the distribution exceeds the stockholder's share of our earnings and profits.

Capital Gain Distributions. Under FIRPTA, a distribution that we make to a non-U.S. holder, to the extent attributable to gains from dispositions of USRPIs that we held directly or through pass-through subsidiaries, or USRPI capital gains, will, except as described below, be considered effectively connected with a U.S. trade or business of the non-U.S. holder and will be subject to U.S. income tax at the rates applicable to U.S. individuals or corporations, without regard to whether we designate the distribution as a capital gain distribution. See above under "—Taxation of Foreign Stockholders—Ordinary Dividends," for a discussion of the consequences of income that is effectively connected with a U.S. trade or business. In addition, we will generally be required to withhold tax equal to 35.0% of the amount of distributions to the extent the distributions constitute USRPI capital gains. Distributions subject to FIRPTA may also be subject to a 30.0% branch profits tax in the hands of a non-U.S. holder that is a corporation. A distribution is not a USRPI capital gain if we held an interest in the underlying asset solely as a creditor. Capital gain distributions received by a non-U.S. holder that are attributable to dispositions of our assets other than USRPIs are not subject to U.S. federal income or withholding tax, unless (1) the gain is effectively connected with the non-U.S. holder's U.S. trade or business, in which case the non-U.S. holder would be subject to the same treatment as U.S. holders with respect to such gain or (2) the non-U.S. holder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States, in which case the non-U.S. holder will incur a 30.0% tax on his or her capital gains.

A capital gain distribution that would otherwise have been treated as a USRPI capital gain will not be so treated or be subject to FIRPTA, and generally will not be treated as income that is effectively connected with a U.S. trade or business, and instead will be treated in the same manner as an ordinary dividend (see "—Taxation of Foreign Stockholders—Ordinary Dividends"), if (1) the capital gain distribution is received with respect to a class of stock that is regularly traded on an established securities market located in the United States and (2) the recipient non-U.S. holder does not own more than 5.0% of that class of stock at any time during the year ending on the date on which the capital gain distribution is received. At the time you purchase shares in this offering, our shares will not be publicly -traded and we can give you no assurance that our shares will ever be publicly-traded on an established securities market. Therefore, these rules will not apply to our capital gain distributions.

Dispositions of Our Stock. Unless our stock constitutes a USRPI, a sale of our stock by a non-U.S. holder generally will not be subject to U.S. taxation under FIRPTA. Our stock will not be treated as a USRPI if less than 50.0% of our assets throughout a prescribed testing period consist of interests in real property located within the United States, excluding, for this purpose, interests in real property solely in a capacity as a creditor.

Even if the foregoing 50.0% test is not met, our stock nonetheless will not constitute a USRPI if we are a "domestically-controlled qualified investment entity." A domestically-controlled qualified investment entity includes a REIT, less than 50.0% of value of which is held directly or indirectly by non-U.S. holders at all times during a specified testing period. We believe that we will be a domestically-controlled qualified investment entity, and that a sale of our stock should not be subject to taxation under FIRPTA. If our stock constitutes a USRPI and we do not constitute a domestically controlled qualified investment entity, but our stock becomes "regularly traded," as defined by applicable Treasury Regulations, on an established securities market, a non-U.S. holder's sale of our stock nonetheless would not be subject to tax under FIRPTA as a sale of a USRPI, provided that the selling non-U.S. holder held 5.0% or less of the outstanding stock at all times during a specified testing period. However, as mentioned above, we can give you no assurance that our shares will ever be publicly-traded on an established securities market.

If gain on the sale of our stock were subject to taxation under FIRPTA, the non-U.S. holder would be required to file a U.S. federal income tax return and would be subject to the same treatment as a U.S. stockholder with respect to such gain, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals, and the purchaser of the stock could be required to withhold 10.0% of the purchase price and remit such amount to the IRS.

Gain from the sale of our stock that would not otherwise be subject to FIRPTA will nonetheless be taxable in the United States to a non-U.S. holder in two cases: (1) if the non-U.S. holder's investment in our stock is effectively connected with a U.S. trade or business conducted by such non-U.S. holder, the non-U.S. holder will be subject to the same treatment as a U.S. stockholder with respect to such gain, or (2) if the non-U.S. holder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States, the nonresident alien individual will be subject to a 30.0% tax on the individual's capital gain. In addition, even if we are a domestically controlled qualified investment entity, upon disposition of our stock, a non-U.S. holder may be treated as having gain from the sale or exchange of a USRPI if the non-U.S. holder (1) disposes of our common stock within a 30-day period preceding the ex-dividend date of a distribution, any portion of which, but for the disposition, would have been treated as gain from the sale or exchange of a USRPI and (2) acquires, or enters into a contract or option to acquire, other shares of our common stock within 30 days after such ex-dividend date.

Estate Tax. If our stock is owned or treated as owned by an individual who is not a citizen or resident (as specially defined for U.S. federal estate tax purposes) of the United States at the time of such individual's death, the stock will be includable in the individual's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise, and may therefore be subject to U.S. federal estate tax.

Taxation of Tax-Exempt Stockholders

Tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts, generally are exempt from U.S. federal income taxation. However, they may be subject to taxation on their unrelated business taxable income ("UBTI"). While some investments in real estate may generate UBTI, the IRS has ruled that dividend distributions from a REIT to a tax-exempt entity do not constitute UBTI. Based on that ruling, and provided that (1) a tax-exempt stockholder has not held our stock as "debt financed property" within the meaning of the Internal Revenue Code (i.e., where the acquisition or holding of the property is financed through a borrowing by the tax-exempt stockholder) and (2) our stock is not otherwise used in an unrelated trade or business, distributions that we make and income from the sale of our stock generally should not give rise to UBTI to a tax-exempt stockholder.

To the extent, however, that we are (or a part of us, or a disregarded subsidiary of ours, is) deemed to be a TMP, or if we hold residual interests in a REMIC, a portion of the distributions paid to a tax-exempt stockholder that is allocable to excess inclusion income may be treated as UBTI. We anticipate that our investments may generate excess inclusion income.

If excess inclusion income is allocable to some categories of tax-exempt stockholders that are not subject to UBTI, such as governmental investors, we will be subject to corporate level tax on such income, and, in that case, we are authorized to reduce and intend to reduce the amount of distributions to those stockholders whose ownership gave rise to the tax. See "—Taxation of Phillips Edison – ARC Shopping Center REIT Inc.—Taxable Mortgage Pools and Excess Inclusion Income." As required by IRS guidance, we intend to notify our stockholders if a portion of a distribution paid by us is attributable to excess inclusion income.

Tax-exempt stockholders that are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, and qualified group legal services plans exempt from U.S. federal income taxation under Sections 501(c)(7), (c)(9), (c)(17) and (c)(20) of the Internal Revenue Code are subject to different UBTI rules, which generally require such stockholders to characterize distributions that we make as UBTI.

In certain circumstances, a pension trust that owns more than 10.0% of our stock could be required to treat a percentage of its distributions as UBTI, if we are a "pension-held REIT." We will not be a pension-held REIT unless either (1) one pension trust owns more than 25.0% of the value of our stock or (2) a group of pension trusts, each individually holding more than 10.0% of the value of our stock, collectively owns more than 50.0% of our stock. Certain restrictions on ownership and transfer of our stock should generally prevent a tax-exempt entity from owning more than 10.0% of the value of our stock and should generally prevent us from becoming a pension-held REIT.

Tax-exempt stockholders are urged to consult their tax advisors regarding the federal, state, local and foreign income and other tax consequences of owning our stock.

Tax Aspects of Investments in Partnerships

We anticipate holding direct or indirect interests in one or more partnerships, including the operating partnership. We intend to operate as an Umbrella Partnership REIT, or UPREIT, which is a structure whereby we would own a direct interest in the operating partnership, and the operating partnership would, in turn, own the properties and may possibly own interests in other non-corporate entities that own properties. Such non-corporate entities would generally be organized as limited liability companies, partnerships or trusts and would either be disregarded for U.S. federal income tax purposes (if the operating partnership was the sole owner) or treated as partnerships for U.S. federal income tax purposes. The following is a summary of the U.S. federal income tax consequences of our investment in the operating partnership. This discussion should also generally apply to any investment by us in a property partnership or other non-corporate entity.

A partnership (that is not a publicly-traded partnership) is not subject to tax as an entity for U.S. federal income tax purposes. Rather, partners are allocated their proportionate share of the items of income, gain, loss, deduction and credit of the partnership, and are potentially subject to tax thereon, without regard to whether the partners receive any distributions from the partnership. We will be required to take into account our allocable share of the foregoing items for purposes of the various REIT gross income and asset tests, and in the computation of our REIT taxable income and U.S. federal income tax liability. Further, there can be no assurance that distributions from the operating partnership will be sufficient to pay the tax liabilities resulting from an investment in the operating partnership.

Generally, for entities formed after January 1, 1997, an entity with two or more members formed as a partnership or limited liability company under state law will be taxed as a partnership for U.S. federal income tax purposes unless it specifically elects otherwise. Because the operating partnership was formed as a partnership under state law after January 1, 1997 and will have two or more partners, the operating partnership will be treated as a partnership for U.S. federal income tax purposes. Additionally, we do not expect that the operating partnership (and any partnership invested in by the operating partnership) will be treated as a publicly-traded partnership within the meaning of Section 7704 of the Code, which is taxed as a corporation for U.S. federal income tax purposes. The interests in the operating partnership (and any partnership invested in by the operating partnership) will fall within one of the "safe harbors" for the partnership to avoid being classified as a publicly -traded partnership. However, our ability to satisfy the requirements of some of these safe harbors depends on the results of our actual operations.

If for any reason the operating partnership (or any partnership invested in by the operating partnership) is taxable as a corporation for U.S. federal income tax purposes, the character of our assets and items of gross income would change, and as a result, we would most likely be unable to satisfy the applicable requirements under U.S. federal income tax laws discussed above for maintaining REIT status. In addition, any change in the status of any partnership may be treated as a taxable event, in which case we could incur a tax liability without a related cash distribution. Further, if any partnership was treated as a corporation, items of income, gain, loss, deduction and credit of such partnership would be subject to U.S. federal corporate income tax, and the partners of any such partnership would be treated as stockholders, with distributions to such partners being treated as dividends.

Anti-abuse Treasury Regulations have been issued under the partnership provisions of the Internal Revenue Code that authorize the IRS, in some abusive transactions involving partnerships, to disregard the form of a transaction and recast it as it deems appropriate. The anti-abuse regulations apply where a partnership is utilized in connection with a transaction (or series of related transactions) with a principal purpose of substantially reducing the present value of the partners' aggregate U.S. federal tax liability in a manner inconsistent with the intent of the partnership provisions. The anti-abuse regulations contain an example in which a REIT contributes the proceeds of a public offering to a partnership in exchange for a general partnership interest. The limited partners contribute real property assets to the partnership, subject to liabilities that exceed their respective aggregate bases in such property. The example concludes that the use of the partnership is not inconsistent with the intent of the partnership provisions, and thus, cannot be recast by the IRS. However, the anti-abuse regulations are extraordinarily broad in scope and are applied based on an analysis of all the facts and circumstances. As a result, we cannot assure you that the IRS will not attempt to apply the anti-abuse regulations to us. Any such action could potentially jeopardize our status as a REIT and materially affect the tax consequences and economic return resulting from an investment in us.

The operating partnership will be considered as having terminated for U.S. federal income tax purposes if either: (i) no part of any business of the partnership continues to be carried on, or (ii) within a 12 month period there is a sale or exchange of units representing 50% or more of the total ownership in the operating partnership. The operating partnership would be considered as having terminated solely for tax purposes and the termination would not result in an actual liquidation or dissolution of the operating partnership for state law purposes. It is unlikely that the operating partnership would terminate as a result of a sale of 50% or more of the operating partnership's total ownership. Provisions in the operating partnership agreement specifically prohibit transfers of units (and any exercise of exchange rights) that would cause such a termination.

The termination of the operating partnership for U.S. federal income tax purposes would cause its taxable year to close. This may cause a "bunching" of income if the operating partnership's taxable year is different from that of its partners; however, both we and the operating partnership intend to use the

calendar taxable year. Additional tax consequences may result from a deemed termination. A deemed termination may also cause the operating partnership to reset its periods for depreciation and amortization, and to remake other tax elections, all of which could result in further tax consequences. Termination of the operating partnership generally would also cause a deemed termination of every non-corporate entity in which the operating partnership had a majority interest, with similar consequences.

Backup Withholding and Information Reporting

We will report to our domestic stockholders and the IRS the amount of dividends paid during each calendar year and the amount of any tax withheld. Under the backup withholding rules, a domestic stockholder may be subject to backup withholding with respect to dividends paid unless the holder is a corporation or comes within other exempt categories and, when required, demonstrates this fact or provides a taxpayer identification number or social security number, certifies as to no loss of exemption from backup withholding and otherwise complies with applicable requirements of the backup withholding rules. A domestic stockholder that does not provide his or her correct taxpayer identification number or social security number may also be subject to penalties imposed by the IRS. Backup withholding is not an additional tax. In addition, we may be required to withhold a portion of a capital gain distribution to any domestic stockholder who fails to certify its non-foreign status.

We must report annually to the IRS and to each non-U.S. stockholder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. stockholder resides under the provisions of an applicable income tax treaty. A non-U.S. stockholder may be subject to backup withholding unless applicable certification requirements are met.

Payment of the proceeds of a sale of our common stock within the U.S. is subject to both backup withholding and information reporting unless the beneficial owner certifies under penalties of perjury that it is a non-U.S. stockholder (and the payor does not have actual knowledge or reason to know that the beneficial owner is a U.S. person) or the holder otherwise establishes an exemption. Payment of the proceeds of a sale of our common stock conducted through certain U.S. related financial intermediaries is subject to information reporting (but not backup withholding) unless the financial intermediary has documentary evidence in its records that the beneficial owner is a non-U.S. stockholder and specified conditions are met or an exemption is otherwise established. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against such holder’s U.S. federal income tax liability provided the required information is furnished to the IRS.

Other Tax Considerations

Distribution Reinvestment Program

Stockholders who participate in the distribution reinvestment program will recognize taxable dividend income in the amount they would have received had they elected not to participate, even though they receive no cash. These deemed dividends will be treated as actual dividends from us to the participating stockholders and will retain the character and U.S. federal income tax effects applicable to all dividends. See the “Taxation of Taxable Domestic Stockholders” portion of this section above. Stock received under the program will have a holding period beginning with the day after purchase, and a U.S. federal income tax basis equal to its cost, which is the gross amount of the deemed distribution.

Share Repurchase Program

A repurchase of our shares will be treated under Section 302 of the Code as a taxable dividend (to the extent of our current or accumulated earnings and profits), unless the repurchase satisfies certain tests set forth in Section 302(b) of the Code enabling the repurchase to be treated as a sale or exchange of our shares. The repurchase will satisfy such test if it (i) is “substantially disproportionate” with respect to the stockholder, (ii) results in a “complete termination” of the stockholder’s stock interest in us, or (iii) is “not essentially equivalent to a dividend” with respect to the stockholder, all within the meaning of Section 302(b) of the Code. In determining whether any of these tests have been met, shares considered to be owned by the stockholder by reason of certain constructive ownership rules set forth in the Code, as well as shares actually owned, must generally be taken into account. Because the determination as to whether any of the alternative tests of Section 302(b) of the Code are satisfied with respect to any particular stockholder of our shares will depend upon the facts and circumstances existing at the time the determination is made, prospective investors are advised to consult their own tax advisors to determine such tax treatment. If a repurchase of our shares is treated as a distribution that is taxable as a dividend, the amount of the distribution would be measured by the amount of cash and the fair market value of any property received by the stockholders. The stockholder’s adjusted tax basis in such repurchased shares would be transferred to the stockholder’s remaining stockholdings in us. If, however, the stockholder has no remaining stockholdings in us, such basis may, under certain circumstances, be transferred to a related person or it may be lost entirely.

Legislative or Other Actions Affecting REITs

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. Changes to the federal tax laws and interpretations thereof could adversely affect an investment in our stock.

State, Local and Foreign Taxes

We and our subsidiaries and stockholders may be subject to state, local or foreign taxation in various jurisdictions including those in which we or they transact business, own property or reside. We may own real property assets located in numerous jurisdictions, and may be required to file tax returns in some or all of those jurisdictions. Our state, local or foreign tax treatment and that of our stockholders may not conform to the U.S. federal income tax treatment discussed above. We may own foreign real estate assets and pay foreign property taxes, and dispositions of foreign property or operations involving, or investments in, foreign real estate assets may give rise to foreign income or other tax liability in amounts that could be substantial. Any foreign taxes that we incur do not pass through to stockholders as a credit against their U.S. federal income tax liability. Prospective investors should consult their tax advisors regarding the application and effect of state, local and foreign income and other tax laws on an investment in our stock.

ERISA CONSIDERATIONS

The following is a summary of certain additional considerations associated with an investment in our shares by a qualified employee pension benefit plan, an IRA or certain other retirement plans or accounts. This summary is based on provisions of ERISA and the Internal Revenue Code, each as amended through the date of this prospectus, and the relevant regulations, opinions and other authority issued by the Department of Labor and the IRS, and is designed only to provide a general conceptual understanding of certain basic issues relevant to an employee benefit plan or IRA investor. We cannot assure you that there will not be adverse tax or labor decisions or legislative, regulatory or administrative changes that would significantly modify the statements expressed herein. Any such changes may apply to transactions entered into prior to the date of their enactment. This discussion should not be considered legal advice and prospective investors are required to consult their own legal advisors on these matters.

Each fiduciary of an employee pension benefit plan subject to ERISA (such as a profit sharing, Section 401(k) or pension plan) or any other retirement plan or account subject to Section 4975 of the Internal Revenue Code, such as an IRA, seeking to invest plan assets in our shares must, taking into account the facts and circumstances of each such plan or IRA ("Benefit Plan"), consider, among other matters:

- whether the investment is consistent with the applicable provisions of ERISA and the Internal Revenue Code;
- whether, under the facts and circumstances pertaining to the Benefit Plan in question, the fiduciary's responsibility to the plan has been satisfied;
- whether the investment will produce an unacceptable amount of "unrelated business taxable income" ("UBTI") to the Benefit Plan (see "Certain Material U.S. Federal Income Tax Considerations—Taxation of Stockholders—Taxation of Tax-Exempt Stockholders"); and
- the need to value the assets of the Benefit Plan annually.

Under ERISA, a plan fiduciary's responsibilities include the following duties:

- to act solely in the interest of plan participants and beneficiaries and for the exclusive purpose of providing benefits to them, as well as defraying reasonable expenses of plan administration;
- to invest plan assets prudently;
- to diversify the investments of the plan, unless it is clearly prudent not to do so;
- to ensure sufficient liquidity for the plan;
- to ensure that plan investments are made in accordance with plan documents; and
- to consider whether an investment would constitute or give rise to a non-exempt prohibited transaction under ERISA or the Internal Revenue Code.

ERISA also requires that, with certain exceptions, the assets of an employee benefit plan be held in trust.

Prohibited Transactions

Generally, both ERISA and the Internal Revenue Code prohibit Benefit Plans from engaging in certain transactions involving plan assets with specified parties, such as sales or exchanges or leasing of property, loans or other extensions of credit, furnishing goods or services, or transfers to, or use of, plan assets. The specified parties are referred to as “parties-in-interest” under ERISA and as “disqualified persons” under the Internal Revenue Code. These definitions generally include certain “persons providing services” to the Benefit Plan, as well as employer sponsors of the Benefit Plan, fiduciaries and certain other individuals or entities affiliated with the foregoing. For this purpose, a person generally is a fiduciary with respect to a Benefit Plan if, among other things, the person has discretionary authority or control with respect to plan assets or provides investment advice for a fee with respect to plan assets. Under Department of Labor regulations, a person shall be deemed to be providing investment advice if that person renders advice as to the advisability of investing in our shares, and that person regularly provides investment advice to the Benefit Plan pursuant to a mutual agreement or understanding that such advice will serve as the primary basis for investment decisions, and that the advice will be individualized for the Benefit Plan based on its particular needs. Thus, if we are deemed to hold plan assets, our management could be characterized as fiduciaries with respect to such assets, and each would be deemed to be a party-in-interest under ERISA and a disqualified person under the Internal Revenue Code with respect to investing Benefit Plans. Whether or not we are deemed to hold plan assets, if we or our affiliates are affiliated with a Benefit Plan investor, we might be a disqualified person or party-in-interest with respect to such Benefit Plan investor, resulting in a prohibited transaction merely upon investment by such Benefit Plan in our shares.

Plan Asset Considerations

In order to determine whether an investment in our shares by a Benefit Plan creates or gives rise to the potential for either prohibited transactions or a commingling of assets as discussed herein, a fiduciary must consider whether an investment in our shares will cause our assets to be treated as assets of the investing Benefit Plan. Prior to the passage of the Pension Protection Act of 2006, or the PPA, neither ERISA nor the Internal Revenue Code contained a definition of “plan assets.” After the passage of the PPA, new Section 3(42) of ERISA now defines “plan assets” in accordance with Department of Labor regulations with certain express exceptions. A Department of Labor regulation, referred to in this discussion as the Plan Assets Regulation, as modified or deemed to be modified by the express exceptions noted in the PPA, provides guidelines as to whether, and under what circumstances, the underlying assets of an entity will be deemed to constitute “plan assets.” Under the Plan Assets Regulation, the assets of an entity in which a Benefit Plan makes an equity investment (such as a REIT) generally will be deemed to be assets of such Benefit Plan unless the entity satisfies one of the exceptions to this general rule. Generally, the exceptions require that the investment be one of the following:

- in securities issued by an investment company registered under the Investment Company Act;
- in “publicly-offered securities,” defined generally as interests that are “freely transferable,” “widely held” and registered with the SEC;
- in an “operating company,” which includes “venture capital operating companies” and “real estate operating companies;” or
- in an entity in which equity participation by “benefit plan investors” is not “significant.”

We believe that we will satisfy one or more of these exceptions.

In the event that our underlying assets were treated as the assets of investing Benefit Plans, our management would be treated as fiduciaries with respect to each Benefit Plan stockholder and an investment in our shares might constitute an ineffective delegation of fiduciary responsibility to ARC Advisor, our advisor, and expose the fiduciary of the Benefit Plan to co-fiduciary liability under ERISA for any breach by ARC Advisor of the fiduciary duties mandated under ERISA. Further, if our assets are deemed to be "plan assets," an investment by an IRA in our shares might be deemed to result in an impermissible commingling of IRA assets with other property.

If ARC Advisor or its affiliates were treated as fiduciaries with respect to Benefit Plan stockholders, the prohibited transaction restrictions of ERISA and the Internal Revenue Code would apply to any transaction involving our assets. These restrictions could, for example, require that we avoid transactions with persons that are affiliated with or related to us or our affiliates or require that we restructure our activities in order to obtain an administrative exemption from the prohibited transaction restrictions. Alternatively, we might have to provide Benefit Plan stockholders with the opportunity to sell their shares to us or we might dissolve.

If a prohibited transaction were to occur, the Internal Revenue Code imposes an excise tax equal to 15.0% of the amount involved and authorizes the IRS to impose an additional 100% excise tax if the prohibited transaction is not "corrected" in a timely manner. These taxes would be imposed on any disqualified person who participates in the prohibited transaction. In addition, ARC Advisor and possibly other fiduciaries of Benefit Plan stockholders subject to ERISA who permitted the prohibited transaction to occur or who otherwise breached their fiduciary responsibilities (or a non-fiduciary participating in a prohibited transaction) could be required to restore to the Benefit Plan any profits they realized as a result of the transaction or breach and make good to the Benefit Plan any losses incurred by the Benefit Plan as a result of the transaction or breach. With respect to an IRA that invests in our shares, the occurrence of a prohibited transaction involving the individual who established the IRA, or his or her beneficiary, could cause the IRA to lose its tax-exempt status under Section 408(e)(2) of the Internal Revenue Code.

Registered Investment Company Exception

The shares we are offering will not be issued by a registered investment company. Therefore we do not anticipate that we will qualify for the exception for investments issued by a registered investment company.

Exception for "Publicly-Offered Securities"

If a Benefit Plan acquires "publicly-offered securities," the assets of the issuer of the securities will not be deemed to be "plan assets" under the Plan Assets Regulation. A publicly-offered security must be:

- sold as part of a public offering registered under the Securities Act and be part of a class of securities registered under the Exchange Act within a specified time period;
- part of a class of securities that is owned by 100 or more persons who are independent of the issuer and one another; and
- "freely transferable."

Our shares are being sold as part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act and are part of a class that will be registered under the Exchange Act within the specified period. In addition, we anticipate having in excess of 100 independent stockholders; however, having 100 independent stockholders in not a condition to our selling shares in this offering.

Whether a security is "freely transferable" depends upon the particular facts and circumstances. The Plan Assets Regulation provides several examples of restrictions on transferability that, absent unusual circumstances, will not prevent the rights of ownership in question from being considered "freely transferable" if the minimum investment is $10,000 or less. Where the minimum investment in a public offering of securities is $10,000 or less, the presence of the following restrictions on transfer will not ordinarily affect a determination that such securities are "freely transferable":

- any restriction on, or prohibition against, any transfer or assignment that would either result in a termination or reclassification of the entity for federal or state tax purposes or that would violate any state or federal statute, regulation, court order, judicial decree or rule of law;

- any requirement that not less than a minimum number of shares or units of such security be transferred or assigned by any investor, provided that such requirement does not prevent transfer of all of the then remaining shares or units held by an investor;

- any prohibition against transfer or assignment of such security or rights in respect thereof to an ineligible or unsuitable investor; and

- any requirement that reasonable transfer or administrative fees be paid in connection with a transfer or assignment.

We have been structured with the intent to satisfy the "freely transferable" requirement set forth in the Plan Assets Regulation with respect to our shares, although there is no assurance that our shares will meet such requirement. Our shares are subject to certain restrictions on transfer intended to ensure that we continue to qualify for U.S. federal income tax treatment as a REIT and to comply with state securities laws and regulations with respect to investor suitability. The minimum investment in our shares is less than $10,000; thus, these restrictions should not cause the shares to be deemed not "freely transferable."

Assuming that no other facts and circumstances other than those referred to in the preceding paragraphs exist that restrict transferability of shares of our common stock and the offering takes place as described in this prospectus, shares of our common stock should constitute "publicly-offered securities" and, accordingly, we believe that our underlying assets should not be considered "plan assets" under the Plan Assets Regulation.

Exception for Insignificant Participation by Benefit Plan Investors

The Plan Assets Regulation provides that the assets of an entity will not be deemed to be the assets of a Benefit Plan if equity participation in the entity by "benefit plan investors," including Benefit Plans, is not "significant." The Plan Assets Regulation provides that equity participation in an entity by "benefit plan investors" is "significant" if at any time 25.0% or more of the value of any class of equity interest is held by benefit plan investors. The term "benefit plan investor" is defined for this purpose under Section 3(42) of ERISA and includes any employee benefit plan subject to Part 4 of Subtitle B of Title I of ERISA, any plan subject to Section 4975 of the Internal Revenue Code, and any entity whose underlying assets include plan assets by reasons of a plan's investment in such entity. In calculating the

value of a class of equity interests, the value of any equity interests held by us or any of our affiliates must be excluded. It is not clear whether we will qualify for this exception since we do expect to have equity participation by “benefit plan investors” that may be in excess of 25.0%, which would be deemed to be significant, as defined above.

Exception for Operating Companies

The Plan Assets Regulation provides an exception with respect to securities issued by an operating company, which includes a “real estate operating company” or a “venture capital operating company.” Generally, we will be deemed to be a real estate operating company if during the relevant valuation periods at least 50.0% of our assets are invested in real estate that is managed or developed and with respect to which we have the right to participate substantially in management or development activities. To constitute a venture capital operating company, 50.0% or more of our assets must be invested in “venture capital investments” during the relevant valuation periods. A venture capital investment is an investment in an operating company, including a “real estate operating company,” as to which the investing entity has or obtains direct management rights. If an entity satisfies these requirements on the date it first makes a long-term investment (the “initial investment date”), or at any time during the entity’s first annual valuation period, it will be considered a real estate operating company for the entire period beginning on the initial investment date and ending on the last day of the first annual valuation period. Because this is a blind pool offering, we cannot assure you that we will be a real estate or venture capital operating company within the meaning of the Plan Assets Regulation.

Other Prohibited Transactions

Whether or not we are deemed to hold plan assets, a prohibited transaction could occur if we, ARC Advisor, any selected broker-dealer or any of their respective affiliates is a fiduciary (within the meaning of Section 3(21) of ERISA) with respect to any Benefit Plan purchasing our shares. Accordingly, unless an administrative or statutory exemption applies, shares should not be purchased by a Benefit Plan with respect to which any of the above persons is a fiduciary. A person is a fiduciary with respect to a Benefit Plan under Section 3(21) of ERISA if, among other things, the person has discretionary authority or control with respect to the Benefit Plan or “plan assets” or provides investment advice for a fee with respect to “plan assets.” Under a regulation issued by the Department of Labor, a person shall be deemed to be providing investment advice if that person renders advice as to the advisability of investing in our shares and that person regularly provides investment advice to the Benefit Plan pursuant to a mutual agreement or understanding (written or otherwise) (1) that the advice will serve as the primary basis for investment decisions and (2) that the advice will be individualized for the Benefit Plan based on its particular needs.

Annual Valuation

A fiduciary of an employee benefit plan subject to ERISA is required to determine annually the fair market value of each asset of the plan as of the end of the plan’s fiscal year and to file a report reflecting that value with the Department of Labor. When the fair market value of any particular asset is not available, the fiduciary is required to make a good faith determination of that asset’s fair market value, assuming an orderly liquidation at the time the determination is made. In addition, a trustee or custodian of an IRA must provide an IRA participant with a statement of the value of the IRA each year. In discharging its obligation to value assets of a plan, a fiduciary subject to ERISA must act consistently with the relevant provisions of the plan and the general fiduciary standards of ERISA.

Unless and until our shares are listed on a national securities exchange, we do not expect that a public market for our shares will develop. To date, neither the IRS nor the Department of Labor has promulgated regulations specifying how a plan fiduciary should determine the fair market value of shares

when the fair market value of such shares is not determined in the marketplace. Therefore, to assist fiduciaries in fulfilling their valuation and annual reporting responsibilities, we intend to have our advisor prepare annual reports of the estimated value of our shares.

We expect that we will engage our advisor to value our shares, though in the future we may hire a third-party valuation firm for that purpose. Until we have completed our offering stage, our advisor has indicated that it intends to use the most recent price paid to acquire a share in the primary offering (ignoring purchase price discounts for certain categories of purchasers) or a follow-on public offering as its estimated per share value of our shares. Although this approach to valuing our shares represents the most recent price at which most investors are willing to purchase shares in this offering, this reported value is likely to differ from the price at which a stockholder could resell his or her shares because: (1) there is no public trading market for the shares at this time; (2) the estimated value does not reflect, and is not derived from, the fair market value of our properties and other assets, nor does it represent the amount of net proceeds that would result from an immediate liquidation of those assets, because the amount of proceeds available for investment from this primary offering is net of selling commissions, dealer manager fees, other organization and offering costs and acquisition and origination fees and expenses; (3) the estimated value does not take into account how market fluctuations affect the value of our investments, including how the current disruptions in the financial and real estate markets may affect the values of our investments; and (4) the estimated value does not take into account how developments related to individual assets may have increased or decreased the value of our portfolio. We will consider our offering stage complete when we are no longer publicly offering equity securities – whether through this offering or follow-on public offerings – and have not done so for one year. (For purposes of this definition, we do not consider a “public equity offering” to include offerings on behalf of selling stockholders or offerings related to a dividend reinvestment plan, employee benefit plan or the redemption of interests in the operating partnership).

When determining the estimated per share value of our shares by methods other than the last price paid to acquire a share in this offering, our advisor, or another firm we choose for that purpose, will estimate the value of our shares based upon a number of assumptions that may not be accurate or complete. We do not currently anticipate obtaining appraisals for our investments and, accordingly, the estimates should not be viewed as an accurate reflection of the fair market value of our investments nor will they represent the amount of net proceeds that would result from an immediate sale of our assets. For these reasons, the estimated valuations should not be utilized for any purpose other than to assist plan fiduciaries in fulfilling their annual valuation and reporting responsibilities. Even after our advisor no longer uses the most recent offering price as the estimated value of our shares, you should be aware of the following:

- the estimated values may not be realized by us or by you upon liquidation (in part because estimated values do not necessarily indicate the price at which assets could be sold and because the estimates may not take into account the expenses of selling our assets);
- you may not realize these values if you were to attempt to sell your shares; and
- the estimated values, or the method used to establish values, may not comply with the ERISA or IRA requirements described above.

Reporting

Based on certain revisions to the Form 5500 Annual Return, or Form 5500, that generally became effective on January 1, 2009, Benefit Plan investors may be required to report certain compensation paid by us (or by third parties) to our service providers as “reportable indirect compensation” on Schedule C to

Form 5500. To the extent any compensation arrangements described herein constitute reportable indirect compensation, any such descriptions are intended to satisfy the disclosure requirements for the alternative reporting option for "eligible indirect compensation," as defined for purposes of Schedule C to the Form 5500.

DESCRIPTION OF SHARES

Our charter authorizes the issuance of 1,010,000,000 shares of capital stock, of which 1,000,000,000 shares are designated as common stock with a par value of $0.01 per share and 10,000,000 shares are designated as preferred stock with a par value of $0.01 per share. In addition, our board of directors may amend our charter without stockholder approval to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue.

Common Stock

Subject to the restrictions on ownership and transfer of stock contained in our charter and except as may otherwise be specified in the terms of any class or series of common stock, the holders of our common stock are entitled to one vote per share on all matters submitted to a stockholder vote, including the election of our directors. Our charter does not provide for cumulative voting in the election of our directors. Therefore, the holders of a majority of our outstanding common shares can elect our entire board of directors. Except as our charter may provide with respect to any series of preferred stock that we may issue in the future, the holders of our common stock will possess exclusive voting power.

Holders of our common stock will be entitled to receive such distributions as authorized from time to time by our board of directors and declared by us out of legally available funds, subject to any preferential rights of any preferred stock that we issue in the future. In any liquidation, each outstanding share of common stock entitles its holder to share (based on the percentage of shares held) in the assets that remain after we pay our liabilities and any preferential distributions owed to preferred stockholders. Holders of shares of our common stock do not have preemptive rights, which means that you will not have an automatic option to purchase any new shares of common stock that we issue, nor do holders of our shares of common stock have any preference, conversion, exchange, sinking fund or redemption rights. Holders of shares of our stock will not have appraisal rights unless our board of directors determines that appraisal rights apply, with respect to all or any classes or series of stock, to a particular transaction or all transactions occurring after the date of such determination in connection with which holders of such shares would otherwise be entitled to exercise appraisal rights. Our common stock shall be nonassessable by us upon our receipt of the consideration for which our board of directors authorized its issuance.

Our charter authorizes our board of directors to classify and reclassify any unissued shares of our common stock into other classes or series of stock. Prior to issuance of shares of each class or series, the board is required by Maryland law and by our charter to set, subject to our charter restrictions on ownership and transfer of our stock, the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Our board of directors has authorized the issuance of shares of our capital stock without certificates. We expect that, until our shares are listed on a national securities exchange, we will not issue shares in certificated form. Information regarding restrictions on the transferability of our shares that, under Maryland law, would otherwise have been required to appear on our share certificates will instead be furnished to stockholders upon request and without charge.

We maintain a stock ledger that contains the name and address of each stockholder and the number of shares that the stockholder holds. With respect to uncertificated stock, we will continue to treat the stockholder registered on our stock ledger as the owner of the shares noted therein until the new owner delivers a properly executed form to us, which form we will provide to any registered holder upon request.

Preferred Stock

Our charter authorizes our board of directors to designate and issue one or more classes or series of preferred stock without approval of our common stockholders. Prior to issuance of shares of each class or series, the board is required by Maryland law and by our charter to set, subject to our charter restrictions on ownership and transfer of our stock, the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption of each class or series of preferred stock so issued, which may be more beneficial than the rights, preferences and privileges attributable to our common stock. The issuance of preferred stock could have the effect of delaying or preventing a change in control. Our board of directors has no present plans to issue preferred stock but may do so at any time in the future without stockholder approval. However, the issuance of preferred stock must be approved by a majority of independent directors not otherwise interested in the transaction, who will have access at our expense to our legal counsel or to independent legal counsel.

Meetings and Special Voting Requirements

An annual meeting of our stockholders will be held each year, at least 30 days after delivery of our annual report. Special meetings of stockholders may be called only upon the request of a majority of our directors, a majority of our independent directors, our chief executive officer or our president and must be called by our secretary upon the written request of stockholders entitled to cast at least 10.0% of the votes entitled to be cast on any issue proposed to be considered at the special meeting. Upon receipt of a written request of stockholders entitled to cast at least 10.0% of the votes entitled to be cast stating the purpose of the special meeting, our secretary will provide all of our common stockholders written notice of the meeting and the purpose of such meeting. The meeting must be held not less than 15 days or more than 60 days after the distribution of the notice of the meeting. The presence in person or by proxy of stockholders entitled to cast 50.0% of all the votes entitled to be cast on any matter at any stockholder meeting constitutes a quorum. Unless otherwise provided by the Maryland General Corporation Law or our charter, the affirmative vote of a majority of all votes cast is necessary to take stockholder action. With respect to the election of directors, each candidate nominated for election to the board of directors must receive a majority of the votes present, in person or by proxy, in order to be elected. Therefore, if a nominee receives fewer “for” votes than “withhold” votes in an election, then the nominee will not be elected.

Our charter provides that the concurrence of the board is not required in order for the common stockholders to amend the charter, dissolve the corporation or remove directors. However, we have been advised that Maryland General Corporation Law does require board approval in order to amend our charter or dissolve. Generally, without the approval of stockholders entitled to cast a majority of all the votes entitled to be cast on the matter, the board of directors may not:

- amend the charter to adversely affect the rights, preferences and privileges of the stockholders;
- amend charter provisions relating to director qualifications, fiduciary duties, liability and indemnification, conflicts of interest, investment policies or investment restrictions;
- cause our liquidation or dissolution after our initial investment in property;
- sell all or substantially all of our assets other than in the ordinary course of business; or
- cause our merger or similar reorganization.

Our advisory agreement with ARC Advisor will have a one-year term but may be renewed for an unlimited number of successive one-year periods upon the mutual consent of ARC Advisor and us. Our independent directors annually review our advisory agreement with ARC Advisor. Although the stockholders do not have the ability to vote to replace ARC Advisor or to select a new advisor, stockholders do have the ability, by the affirmative vote of a majority of the shares entitled to vote on such matter, to remove a director from our board.

Advance Notice for Stockholder Nominations for Directors and Proposals of New Business

In order for a stockholder to nominate a director or propose new business at the annual stockholders' meeting, our bylaws generally require that the stockholder give notice of the nomination or proposal not earlier than the 150th day nor later than 5:00 p.m., Eastern Time, on the 120th day prior to the first anniversary of the date of the mailing of the notice for the preceding year's annual stockholders' meeting, unless such nomination or proposal is made pursuant to the company's notice of the meeting or by or at the direction of our board of directors. Our bylaws contain a similar notice requirement in connection with nominations for directors at a special meeting of stockholders called for the purpose of electing one or more directors. Failure to comply with the notice provisions will make stockholders unable to nominate directors or propose new business.

Restriction on Ownership of Shares

Ownership Limit

To maintain our REIT qualification, not more than 50.0% in value of our outstanding shares may be owned, directly or indirectly, by five or fewer individuals (including certain entities treated as individuals under the Internal Revenue Code) during the last half of each taxable year. In addition, at least 100 persons who are independent of us and each other must beneficially own our outstanding shares for at least 335 days per 12-month taxable year or during a proportionate part of a shorter taxable year. Each of the requirements specified in the two preceding sentences need not be met during a corporation's initial tax year as a REIT. We intend to elect to be taxed as a REIT commencing with our taxable year ended December 31, 2010, although such election may be postponed to our taxable year ending December 31, 2011. We may prohibit certain acquisitions and transfers of shares so as to ensure our continued qualification as a REIT under the Internal Revenue Code. However, we cannot assure you that this prohibition will be effective.

To help ensure that we meet these tests, among other purposes, our charter prohibits any person or group of persons from acquiring, directly or indirectly, beneficial ownership of more than 9.8% in value of our aggregate outstanding shares or more than 9.8% in value or number of shares, whichever is more restrictive, of our aggregate outstanding common stock unless exempted by our board of directors. Our board of directors may waive this ownership limit with respect to a particular person (prospectively or retroactively) if the board receives evidence that ownership in excess of the limit will not jeopardize our REIT status and certain other representations and undertakings required by our charter. For purposes of this provision, we treat corporations, partnerships and other entities as single persons.

Any attempted transfer of our shares that, if effective, would result in a violation of our ownership limit or would result in our shares being beneficially owned by fewer than 100 persons will be null and void or will cause the number of shares causing the violation to be automatically transferred to a trust for the exclusive benefit of one or more charitable beneficiaries. The prohibited transferee will not acquire any rights in the shares. The automatic transfer will be deemed to be effective as of the close of business on the business day prior to the date of the attempted transfer. We will designate a trustee of the trust that will not be affiliated with us or the prohibited transferee. We will also name one or more charitable organizations as a beneficiary of the share trust.

Shares held in trust will remain issued and outstanding shares and will be entitled to the same rights and privileges as all other shares of the same class or series. The prohibited transferee will not benefit economically from any of the shares held in trust, will not have any rights to dividends or other distributions and will not have the right to vote or any other rights attributable to the shares held in the trust. The trustee will receive all dividends and other distributions on the shares held in trust and will hold such dividends or other distributions in trust for the benefit of the charitable beneficiary. The trustee may vote any shares held in trust. Subject to Maryland law, the trustee will also have the authority: (1) to rescind as void any vote cast by the prohibited transferee prior to our discovery that the shares have been transferred to the trust and (2) to recast the vote in accordance with the desires of the trustee acting for the benefit of the charitable beneficiary. However, if we have already taken irreversible corporate action, then the trustee will not have the authority to rescind and recast the vote.

Within 20 days of receiving notice from us that any of our shares have been transferred to the trust for the charitable beneficiary, the trustee will sell those shares to a person designated by the trustee whose ownership of the shares will not violate the above restrictions. Upon the sale, the interest of the charitable beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the prohibited transferee and to the charitable beneficiary as follows. The prohibited transferee will receive the lesser of: (1) the price paid by the prohibited transferee for the shares or, if the prohibited transferee did not give value for the shares in connection with the event causing the shares to be held in the trust (*e.g.*, a gift, devise or other similar transaction), the market price (as defined in our charter) of the shares on the day of the event causing the shares to be held in the trust and (2) the price received by the trustee from the sale or other disposition of the shares. The trustee may reduce the amount payable to the prohibited transferee by the amount of distributions which have been paid to the prohibited transferee and are owed by the prohibited transferee to the trustee. Any net sale proceeds in excess of the amount payable to the prohibited transferee will be paid immediately to the charitable beneficiary. If, prior to our discovery that shares have been transferred to the trust, the shares are sold by the prohibited transferee, then: (1) the shares shall be deemed to have been sold on behalf of the trust and (2) to the extent that the prohibited transferee received an amount for the shares that exceeds the amount he was entitled to receive, the excess shall be paid to the trustee upon demand.

In addition, shares held in the trust for the charitable beneficiary will be deemed to have been offered for sale to us, or our designee, at a price per share equal to the lesser of: (1) the price per share in the transaction that resulted in the transfer to the trust (or, in the case of a devise or gift, the market price at the time of the devise or gift) and (2) the market price on the date we, or our designee, accept the offer. We will have the right to accept the offer until the trustee has sold the shares. Upon a sale to us, the interest of the charitable beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the prohibited transferee. We may reduce the amount payable to the prohibited transferee by the amount of distributions which have been paid to the prohibited transferee and are owed by the prohibited transferee to the trustee. We may pay the amount of such reduction to the trustee for the benefit of the charitable beneficiary.

Any person who acquires shares in violation of the foregoing restrictions or who would have owned the shares that were transferred to any such trust must give us immediate written notice of such event, and any person who proposes or attempts to acquire or receive shares in violation of the foregoing restrictions must give us at least 15 days' written notice prior to such transaction. In both cases, such persons shall provide to us such other information as we may request in order to determine the effect, if any, of such transfer on our status as a REIT.

The foregoing restrictions will continue to apply until our board of directors determines it is no longer in our best interest to continue to qualify as a REIT. The ownership limit does not apply to any underwriter in an offering of our shares or to a person or persons exempted from the ownership limit by

our board of directors based upon appropriate assurances that our qualification as a REIT would not be jeopardized and certain other representations and undertakings required by our charter.

Within 30 days after the end of each taxable year, every owner of 5.0% or more of our outstanding capital stock will be asked to deliver to us a statement setting forth the number of shares owned directly or indirectly by such person and a description of how such person holds the shares. Each such owner shall also provide us with such additional information as we may request in order to determine the effect, if any, of his or her beneficial ownership on our status as a REIT and to ensure compliance with our ownership limit.

These restrictions could delay, defer or prevent a transaction or change in control of our company that might involve a premium price for our shares of common stock or otherwise be in the best interests of our stockholders.

Suitability Standards and Minimum Purchase Requirements

State securities laws and our charter require that purchasers of our common stock meet standards regarding (1) net worth or income and (2) minimum purchase amounts. These standards are described above at "Suitability Standards" immediately following the cover page of this prospectus and below at "Plan of Distribution — Minimum Purchase Requirements." Subsequent purchasers, i.e., potential purchasers of your shares, must also meet the net worth or income standards, and unless you are transferring all of your shares, you may not transfer your shares in a manner that causes you or your transferee to own fewer than the number of shares required to meet the minimum purchase requirements, except for the following transfers without consideration: transfers by gift, transfers by inheritance, intrafamily transfers, family dissolutions, transfers to affiliates and transfers by operation of law. These suitability and minimum purchase requirements are applicable until our shares of common stock are listed on a national securities exchange, and these requirements may make it more difficult for you to sell your shares. We cannot assure you that our shares of common stock will ever be listed on a national securities exchange.

Distributions

We expect to authorize and declare distributions based on daily record dates and expect to pay distributions on a monthly basis beginning no later than the first calendar month after the calendar month in which we make our first real estate investment. We intend to use daily record dates for the determination of who is entitled to a distribution so that investors may generally begin earning distributions immediately upon our acceptance of their subscription.

Once we commence paying distributions, we expect to pay distributions monthly and continue paying distributions monthly unless our results of operations, our general financial condition, general economic conditions or other factors make it imprudent to do so. The timing and amount of distributions will be determined by our board, in its sole discretion, may vary from time to time, and will be influenced in part by its intention to comply with REIT requirements of the Internal Revenue Code.

We expect to have little, if any, funds from operations available for distribution until we make substantial investments. During our offering stage, when we may raise capital in this offering (and possibly future offerings) more quickly than we acquire income-producing assets and for some period after our offering stage, we may not be able to pay distributions solely from our cash flow from operations or funds from operations, in which case distributions may be paid in part from debt financing. Further, because we may receive income at various times during our fiscal year and because we may need funds from operations during a particular period to fund expenses, we expect that at least during the early stages of our development and from time to time during our operational stage, we will declare

distributions in anticipation of funds that we expect to receive during a later period and we will pay these distributions in advance of our actual receipt of these funds. In these instances, we also expect to look to third-party borrowings to fund our distributions. We may also fund such distributions from advances from our advisor or sponsors or from our advisor's deferral of its fees under the advisory agreement.

Our distribution policy is not to use the proceeds of this offering to pay distributions. However, our board has the authority under our organizational documents, to the extent permitted by Maryland law, to pay distributions from any source without limit, including proceeds from this offering or the proceeds from the issuance of securities in the future. If we pay distributions from offering proceeds, or from any sources other than our funds from operations, we will have less funds available for investment in properties, the overall return to our stockholders may be reduced and subsequent investors may experience dilution.

To maintain our qualification as a REIT, we must make aggregate annual distributions to our stockholders of at least 90.0% of our REIT taxable income (which is computed without regard to the dividends paid deduction or net capital gain and which does not necessarily equal net income as calculated in accordance with GAAP). If we meet the REIT qualification requirements, we generally will not be subject to U.S. federal income tax on the income that we distribute to our stockholders each year. See "Certain Material U.S. Federal Income Tax Considerations—Taxation of Phillips Edison – ARC Shopping Center REIT Inc.—Annual Distribution Requirements." Our board of directors may authorize distributions in excess of those required for us to maintain REIT status depending on our financial condition and such other factors as our board of directors deems relevant.

We have not established a minimum distribution level, and our charter does not require that we make distributions to our stockholders.

Inspection of Books and Records

As a part of our books and records, we maintain at our principal office an alphabetical list of the names of our common stockholders, along with their addresses and telephone numbers and the number of shares of common stock held by each of them. We update this stockholder list at least quarterly and it is available for inspection at our principal office by a common stockholder or his or her designated agent upon request of the stockholder. We will also mail this list to any common stockholder within 10 days of receipt of his or her request. We may impose a reasonable charge for expenses incurred in reproducing such list. Stockholders, however, may not sell or use this list for commercial purposes. The purposes for which stockholders may request this list include matters relating to their voting rights and the exercise of stockholder rights under the federal proxy laws. Each common stockholder who receives a copy of the stockholder list shall keep such list confidential and shall sign a confidentiality agreement to the effect that such stockholder will keep the stockholder list confidential and share such list only with its employees, representatives or agents who agree in writing to maintain the confidentiality of the stockholder list.

If our advisor or our board of directors neglects or refuses to exhibit, produce or mail a copy of the common stockholder list as requested, our advisor and/or board, as the case may be, shall be liable to the stockholder requesting the list for the costs, including attorneys' fees, incurred by any common stockholder for compelling the production of the stockholder list and any actual damages suffered by the stockholder for the neglect or refusal to produce the list. It shall be a defense that the actual purpose and reason for the requests for inspection or for a copy of the stockholder list is not for a proper purpose but is instead for the purpose of securing such list of stockholders or other information for the purpose of selling such list or copies thereof, or of using the same for a commercial purpose (such as to solicit the purchase of our shares) other than in the interest of the applicant as a stockholder relative to the affairs of our

company. We may require that the stockholder requesting the stockholder list represent that the request is not for a commercial purpose unrelated to the stockholder's interest in our company. The remedies provided by our charter to stockholders requesting copies of the stockholder list are in addition to, and do not in any way limit, other remedies available to stockholders under federal law, or the law of any state.

Business Combinations

Under the Maryland General Corporation Law, business combinations between a Maryland corporation and an interested stockholder or the interested stockholder's affiliate are prohibited for five years after the most recent date on which the stockholder becomes an interested stockholder. For this purpose, the term "business combination" includes mergers, consolidations, share exchanges, and, in circumstances specified in the statute, asset transfers and issuances or reclassifications of equity securities. An "interested stockholder" is defined for this purpose as: (1) any person who beneficially owns ten percent or more of the voting power of the corporation's voting stock or (2) an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of ten percent or more of the voting power of the then outstanding stock of the corporation. A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which he otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board.

After the five-year prohibition, any business combination between the corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least: (1) 80.0% of the votes entitled to be cast by holders of outstanding voting stock of the corporation and (2) two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder or its affiliate with whom the business combination is to be effected, or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation's common stockholders receive a minimum price, as defined under the Maryland General Corporation Law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

None of these provisions of the Maryland General Corporation Law will apply, however, to business combinations that are approved or exempted by the board of directors of the corporation prior to the time that the interested stockholder becomes an interested stockholder. We have opted out of these provisions by resolution of our board of directors. However, our board of directors may, by resolution, opt in to the business combination statute in the future.

Control Share Acquisitions

The Maryland General Corporation Law provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquirer, an officer of the corporation or an employee of the corporation who is also a director of the corporation are excluded from the vote on whether to accord voting rights to the control shares. "Control shares" are voting shares that, if aggregated with all other shares owned by the acquirer or with respect to which the acquirer has the right to vote or to direct the voting of, other than solely by virtue of revocable proxy, would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of voting power:

- one-tenth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more of all voting power.

Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. Except as otherwise specified in the statute, a "control share acquisition" means the acquisition of control shares.

Once a person who has made or proposes to make a control share acquisition has undertaken to pay expenses and has satisfied other required conditions, the person may compel the board of directors to call a special meeting of stockholders to be held within 50 days of the demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved for the control shares at the meeting or if the acquiring person does not deliver an "acquiring person statement" for the control shares as required by the statute, the corporation may redeem any or all of the control shares for their fair value, except for control shares for which voting rights have previously been approved. Fair value is to be determined for this purpose without regard to the absence of voting rights for the control shares, and is to be determined as of the date of the last control share acquisition or of any meeting of stockholders at which the voting rights for control shares are considered and not approved.

If voting rights for control shares are approved at a stockholders meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of these appraisal rights may not be less than the highest price per share paid in the control share acquisition. Some of the limitations and restrictions otherwise applicable to the exercise of dissenters' rights do not apply in the context of a control share acquisition.

The control share acquisition statute does not apply to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or to acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of our stock. There can be no assurance that this provision will not be amended or eliminated at any time in the future.

Subtitle 8

Subtitle 8 of Title 3 of the Maryland General Corporation Law permits a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors to elect to be subject, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in the charter or bylaws, to any or all of five provisions:

- a classified board;
- a two-thirds vote requirement for removing a director;

- a requirement that the number of directors be fixed only by vote of the directors;
- a requirement that a vacancy on the board be filled only by the remaining directors and for the remainder of the full term of the directorship in which the vacancy occurred; and
- a majority requirement for the calling of a special meeting of stockholders.

Our charter provides that we will be governed by the fourth bullet above with respect to vacancies on the board as soon as we are eligible, which we expect will occur as early as April 2011. Although our board has no current intention to opt in to any of the other above provisions permitted under Maryland law, our charter does not prohibit our board from doing so. Becoming governed by any of these provisions could discourage an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price for holders of our securities.

Tender Offers

Our charter provides that any tender offer made by any person, including any "mini-tender" offer, must comply with certain notice and disclosure requirements. These procedural requirements with respect to tender offers apply to any widespread solicitation for shares of our stock at firm prices for a limited time period.

In order for any person to conduct a tender offer for shares of our stock, our charter requires that the person comply with most of the provisions of Regulation 14D of the Exchange Act and provide the Company notice of such tender offer at least 10 business days before initiating the tender offer. Pursuant to our charter, Regulation 14D would require any person initiating a tender offer to provide:

- Specific disclosure to stockholders focusing on the terms of the offer and information about the bidder;
- The ability to allow stockholders to withdraw tendered shares while the offer remains open;
- The right to have tendered shares accepted on a pro rata basis throughout the term of the offer if the offer is for less than all of our shares; and
- That all stockholders of the subject class of shares be treated equally.

In addition to the foregoing, there are certain ramifications to any person who attempts to conduct a noncompliant tender offer. If any person initiates a tender offer without complying with the provisions set forth above, in our sole discretion, we shall have the right to repurchase such noncompliant person's shares and any shares acquired in such tender offer. The noncomplying person shall also be responsible for all of our expenses in connection with that person's noncompliance.

Dividend Reinvestment Plan

We have adopted a dividend reinvestment plan pursuant to which you may elect to have your dividends and other distributions reinvested in additional shares of our common stock. The following discussion summarizes the principal terms of this plan. Appendix C to this prospectus contains the full text of our dividend reinvestment plan as is currently in effect.

Eligibility

All of our common stockholders are eligible to participate in our dividend reinvestment plan; however, we may elect to deny your participation in the dividend reinvestment plan if you reside in a jurisdiction or foreign country where, in our judgment, the burden or expense of compliance with applicable securities laws makes your participation impracticable or inadvisable.

At any time prior to the listing of our shares on a national stock exchange, you must cease participation in our dividend reinvestment plan if you no longer meet the suitability standards or cannot make the other investor representations set forth in the then-current prospectus or in the subscription agreement. Participants must agree to notify us promptly when they no longer meet these standards. See the "Suitability Standards" section of this prospectus (immediately following the cover page) and the form of subscription agreement attached hereto as Appendix B.

Election to Participate

You may elect to participate in the dividend reinvestment plan by completing the subscription agreement or other approved enrollment form available from the dealer manager or a participating broker-dealer. Your participation in the dividend reinvestment plan will begin with the next distribution made after receipt of your enrollment form. You can choose to have all or a portion of your distributions reinvested through the dividend reinvestment plan. You may also change the percentage of your distributions that will be reinvested at any time by completing a new enrollment form or other form provided for that purpose. You must make any election to increase your level of participation through your participating broker-dealer or the dealer manager.

Stock Purchases

Shares will be purchased under the dividend reinvestment plan promptly after the date of each monthly distribution payment. The purchase of fractional shares is a permissible and likely result of the reinvestment of distributions under the dividend reinvestment plan.

The purchase price for shares purchased under the dividend reinvestment plan will initially be $9.50 per share. Once we establish an estimated value per share that is not based on the price to acquire a share in the primary offering or a follow-on public offering, shares issued pursuant to our dividend reinvestment plan will be priced at the estimated value per share of our common stock, as determined by our advisor or another firm chosen for that purpose. We expect to establish an estimated value per share not based on the price to acquire a share in the primary offering or a follow-on public offering upon the completion of our offering stage. We will consider our offering stage complete when we are no longer offering equity securities — whether through this offering or follow-on public offerings — and have not done so for 18 months. (For purposes of this definition, we will not consider "equity offerings" to include offerings on behalf of selling stockholders or offerings related to any dividend reinvestment plan, employee benefit plan or the redemption of interests in our operating partnership.)

Account Statements

You or your designee will receive a confirmation of your purchases under the dividend reinvestment plan no less than quarterly. Your confirmation will disclose the following information:

- each distribution reinvested for your account during the period;
- the date of the reinvestment;

- the number and price of the shares purchased by you; and
- the total number of shares in your account.

In addition, within 90 days after the end of each calendar year, we will provide you with an individualized report on your investment, including the purchase dates, purchase price, number of shares owned and the amount of distributions made in the prior year. We will also provide to all participants in the plan, without charge, all supplements to and updated versions of this prospectus, as required under applicable securities laws.

Fees and Commissions and Use of Proceeds

No selling commissions or dealer manager fees are payable on shares sold under the dividend reinvestment plan. We expect to use the net proceeds from the sale of shares under our dividend reinvestment plan for general corporate purposes, including, but not limited to, the following:

- the repurchase of shares under our share repurchase program;
- capital expenditures, tenant improvement costs and leasing costs related to our investments in real estate properties;
- reserves required by any financings of our investments;
- funding obligations under any of our real estate loans receivable;
- investments in real estate properties and real estate-related loans and securities, which would include payment of acquisition fees to our advisor (see "Compensation Table"); and
- the repayment of debt.

We cannot predict with any certainty how much, if any, dividend reinvestment plan proceeds will be available for specific purposes.

Voting

You may vote all shares, including fractional shares, that you acquire through the dividend reinvestment plan.

U.S. Federal Income Tax Consequences of Participation

If you elect to participate in the dividend reinvestment plan and are subject to federal income taxation, you will incur a tax liability for distributions allocated to you even though you have elected not to receive the distributions in cash but rather to have the distributions withheld and reinvested pursuant to the dividend reinvestment plan. Specifically, you will be treated as if you have received the distribution from us in cash and then applied such distribution to the purchase of additional shares. In addition, to the extent you purchase shares through our dividend reinvestment plan at a discount to their fair market value, you will be treated for tax purposes as receiving an additional distribution equal to the amount of the discount.

At least until we establish an estimated value per share not based on the last price paid to acquire a share in this offering or a follow-on public offering, we expect that: (1) we will sell shares under the

dividend reinvestment plan at $9.50 per share, (2) no secondary trading market for our shares will develop and (3) our advisor will estimate the fair market value of a share to be $10.00. Therefore, at least until we establish an estimated value per share not based on the last price paid to acquire a share in this offering or a follow-on public offering, participants in our dividend reinvestment plan will be treated as having received a distribution of $10.00 for each $9.50 reinvested by them under our dividend reinvestment plan. You will be taxed on the amount of such distribution (including the discount from fair market value) as a dividend to the extent such distribution is from current or accumulated earnings and profits, unless we have designated all or a portion of the distribution as a capital gain distribution. See "Certain Material U.S. Federal Income Tax Considerations—Taxation of Stockholders." We will withhold 28.0% of the amount of dividends or other distributions paid if you fail to furnish a valid taxpayer identification number, fail to properly report interest or distributions or fail to certify that you are not subject to withholding.

Termination of Participation

Once enrolled, you may continue to purchase shares under our dividend reinvestment plan until we have sold all of the shares registered in this offering, have terminated this offering or have terminated the dividend reinvestment plan. You may terminate your participation in the dividend reinvestment plan at any time by providing us with written notice. For your termination to be effective for a particular distribution, we must have received your notice of termination at least 10 business days prior to the last day of the fiscal period to which the distribution relates. Any transfer of your shares will effect a termination of the participation of those shares in the dividend reinvestment plan. We will terminate your participation in the dividend reinvestment plan to the extent that a reinvestment of your distributions would cause you to violate the ownership limit contained in our charter, unless you have obtained an exemption from the ownership limit from our board of directors.

Amendment or Termination of Plan

We may amend or terminate the dividend reinvestment plan for any reason at any time upon 10 days' written notice to the participants. We may provide notice by including such information (a) in a current report on Form 8-K or in our annual or quarterly reports, all publicly filed with the SEC or (b) in a separate mailing to the participants.

Reallocation of Available Shares

We reserve the right to reallocate the shares of common stock we are offering between the primary offering and our dividend reinvestment plan.

Share Repurchase Program

Our board of directors has adopted a share repurchase program that may enable you to sell your shares of common stock to us in limited circumstances. In its sole discretion, our board of directors could choose to terminate or suspend the program or to amend its provisions without stockholder approval. Unless the shares are being repurchased in connection with a stockholder's death, "qualifying disability" (as defined below) or "determination of incompetence" (as defined below), the prices at which we will repurchase shares are as follows:

- The lower of $9.25 or 92.5% of the price paid to acquire the shares from us for stockholders who have held their shares for at least one year;

- The lower of $9.50 or 95.0% of the price paid to acquire the shares from us for stockholders who have held their shares for at least two years;
- The lower of $9.75 or 97.5% of the price paid to acquire the shares from us for stockholders who have held their shares for at least three years; and
- The lower of $10.00 or 100% of the price paid to acquire the shares from us for stockholders who have held their shares for at least four years.

Notwithstanding the above, once we establish an estimated value per share of our common stock that is not based on the price to acquire a share in our primary offering or a follow-on public offering, the repurchase price per share for all stockholders would be equal to the estimated value per share, as determined by our advisor or another firm chosen for that purpose. We expect to establish an estimated value per share upon completion of our offering stage. We will consider our offering stage complete when we are no longer offering equity securities — whether through this offering or follow-on public offerings — and have not done so for 18 months. We would report this repurchase price to you in our annual report and the three quarterly reports that we publicly file with the SEC. (For purposes of this definition, we will not consider “equity offerings” to include offerings on behalf of selling stockholders or offerings related to a dividend reinvestment plan, employee benefit plan or the redemption of interests in the operating partnership).

There are several limitations on our ability to repurchase shares under the program:

- Unless the shares are being repurchased in connection with a stockholder’s death, “qualifying disability” or “determination of incompetence,” we may not repurchase shares unless the stockholder has held the shares for one year.
- During any calendar year, we may repurchase no more than 5.0% of the weighted-average number of shares outstanding during the prior calendar year.
- We have no obligation to repurchase shares if the repurchase would violate the restrictions on distributions under Maryland law, which prohibits distributions that would cause a corporation to fail to meet statutory tests of solvency.

In addition, our board of directors may consider limiting the number of shares we may repurchase to those that we could purchase with the net proceeds from the sale of shares under our dividend reinvestment plan during the prior calendar year, or from other income as determined by the board of directors after a review of our revenues and expenses generally. We will repurchase shares on the last business day of each month (and in all events on a date other than a dividend payment date). The program administrator must receive your written request for repurchase at least five business days before that date in order for us to repurchase your shares that month. If we could not repurchase all shares presented for repurchase in any month, we would attempt to honor repurchase requests on a pro rata basis. We will deviate from pro rata purchases in two minor ways: (1) if a pro rata repurchase would result in you owning less than half of the minimum purchase amount described below under “Plan of Distribution — Minimum Purchase Requirements,” then we will repurchase all of your shares and (2) if a pro rata repurchase would result in you owning more than half but less than all of the minimum purchase amount, then we will not repurchase any shares that would reduce your holdings below the minimum purchase amount. In the event that you were repurchasing all of your shares, there would be no holding period requirement for shares purchased pursuant to our dividend reinvestment plan.

If we did not completely satisfy a stockholder's repurchase request at month-end because the program administrator did not receive the request in time or because of the restrictions on the number of shares we could repurchase under the program, we would treat the unsatisfied portion of the repurchase request as a request for repurchase at the next repurchase date funds are available for repurchase unless the stockholder withdrew his or her request before the next date for repurchases. Any stockholder could withdraw a repurchase request upon written notice to the program administrator if such notice were received by us at least five business days before the date for repurchases.

In several respects we would treat repurchases sought upon a stockholder's death, "qualifying disability" or "determination of incompetence" differently from other repurchases:

- there is no one-year holding requirement;
- until we establish an estimated value per share, which we expect to be upon the completion of our offering stage (described above), the repurchase price is the amount paid to acquire the shares from us; and
- once we have established an estimated value per share, the repurchase price would be the estimated value of the shares, as determined by our advisor or another firm chosen for that purpose.

In order for a disability to entitle a stockholder to the special repurchase terms described above (a "qualifying disability"): (1) the stockholder would have to receive a determination of disability based upon a physical or mental condition or impairment arising after the date the stockholder acquired the shares to be repurchased and (2) such determination of disability would have to be made by the governmental agency responsible for reviewing the disability retirement benefits that the stockholder could be eligible to receive (the "applicable governmental agency"). The "applicable governmental agencies" would be limited to the following: (1) if the stockholder paid Social Security taxes and, therefore, could be eligible to receive Social Security disability benefits, then the applicable governmental agency would be the Social Security Administration or the agency charged with responsibility for administering Social Security disability benefits at that time if other than the Social Security Administration; (2) if the stockholder did not pay Social Security benefits and, therefore, could not be eligible to receive Social Security disability benefits, but the stockholder could be eligible to receive disability benefits under the Civil Service Retirement System ("CSRS"), then the applicable governmental agency would be the U.S. Office of Personnel Management or the agency charged with responsibility for administering CSRS benefits at that time if other than the Office of Personnel Management or (3) if the stockholder did not pay Social Security taxes and therefore could not be eligible to receive Social Security benefits but suffered a disability that resulted in the stockholder's discharge from military service under conditions that were other than dishonorable and, therefore, could be eligible to receive military disability benefits, then the applicable governmental agency would be the Department of Veterans Affairs or the agency charged with the responsibility for administering military disability benefits at that time if other than the Department of Veterans Affairs.

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

applicable governmental agency that we would deem acceptable and would demonstrate an award of the disability benefits.

We understand that the following disabilities do not entitle a worker to Social Security disability benefits:

- disabilities occurring after the legal retirement age; and
- disabilities that do not render a worker incapable of performing substantial gainful activity.

Therefore, such disabilities would not qualify for the special repurchase terms, except in the limited circumstances when the investor would be awarded disability benefits by the other "applicable governmental agencies" described above.

In order for a determination of incompetence or incapacitation (a "determination of incompetence") to entitle a stockholder to the special repurchase terms, a state or federal court located in the United States must declare, determine or find the stockholder to be (i) mentally incompetent to enter into a contract, to prepare a will or to make medical decisions or (ii) mentally incapacitated. In both cases such determination must be made by the court after the date the stockholder acquired the shares to be repurchased. A determination of incompetence or incapacitation by any other person or entity, or for any purpose other than those listed above, will not entitle a stockholder to the special repurchase terms. Repurchase requests following a "determination of incompetence" must be accompanied by the court order, determination or certificate declaring the stockholder incompetent or incapacitated.

Our board of directors may amend, suspend or terminate the program upon 30 days' notice. We may provide notice by including such information (a) in a current report on Form 8-K or in our annual or quarterly reports, all publicly filed with the SEC or (b) in a separate mailing to the stockholders. During this offering, we would also include this information in a prospectus supplement or post-effective amendment to the registration statement, as required under federal securities laws.

Our share repurchase program only provides stockholders a limited ability to have shares repurchased for cash until a secondary market develops for our shares, at which time the program would terminate. No such market presently exists, and we cannot assure you that any market for your shares will ever develop.

Qualifying stockholders who desire to have their shares repurchased would have to give written notice to us at Phillips Edison – ARC Shopping Center REIT Inc., c/o DST Systems, Inc. (contact information immeidately below).

Registrar and Transfer Agent

We will engage a third party to serve as the registrar and transfer agent for our common stock. The name and address of our transfer agent is as follows:

DST Systems, Inc.
430 W 7th St
Kansas City, MO 64105-1407
Phone (866) 771-2088
Fax (877) 694-1113

To ensure that any account changes are made promptly and accurately, all changes (including your address, ownership type and distribution mailing address) should be directed to the transfer agent.

Restrictions on Roll-Up Transactions

A Roll-up Transaction is a transaction involving the acquisition, merger, conversion or consolidation, directly or indirectly, of us and the issuance of securities of an entity that is created or would survive after the successful completion of a Roll-up Transaction, which we refer to as a Roll-up Entity. This term does not include:

- a transaction involving our securities that have been for at least 12 months listed on a national securities exchange; or
- a transaction involving only our conversion into a trust or association if, as a consequence of the transaction, there will be no significant adverse change in the voting rights of our common stockholders, the term of our existence, the compensation to our advisor or our investment objectives.

In connection with any proposed Roll-up Transaction, an appraisal of all our assets will be obtained from a competent independent appraiser. Our assets will be appraised on a consistent basis, and the appraisal will be based on an evaluation of all relevant information and will indicate the value of our assets as of a date immediately preceding the announcement of the proposed Roll-up Transaction. If the appraisal will be included in a prospectus used to offer the securities of a Roll-Up Entity, the appraisal will be filed with the SEC and, if applicable, the states in which registration of such securities is sought, as an exhibit to the registration statement for the offering. Accordingly, an issuer using the appraisal shall be subject to liability for violation of Section 11 of the Securities Act and comparable provisions under state laws for any material misrepresentations or material omissions in the appraisal. The appraisal will assume an orderly liquidation of assets over a 12-month period. The terms of the engagement of the independent appraiser will clearly state that the engagement is for our benefit and the benefit of our stockholders. A summary of the appraisal, indicating all material assumptions underlying the appraisal, will be included in a report to our stockholders in connection with any proposed Roll-up Transaction.

In connection with a proposed Roll-up Transaction, the person sponsoring the Roll-up Transaction must offer to our common stockholders who vote “no” on the proposal the choice of:

(1) accepting the securities of the Roll-up Entity offered in the proposed Roll-up Transaction; or

(2) one of the following:

(A) remaining as stockholders of us and preserving their interests in us on the same terms and conditions as existed previously; or

(B) receiving cash in an amount equal to the stockholders’ pro rata share of the appraised value of our net assets.

We are prohibited from participating in any proposed Roll-up Transaction:

- that would result in our common stockholders having democracy rights in a Roll-up Entity that are less than those provided in our charter and bylaws, including rights with respect to the election and removal of directors and the other voting rights of our stockholders, annual reports, annual and special meetings of stockholders, the amendment of our charter and our dissolution;
- that includes provisions that would operate to materially impede or frustrate the accumulation of shares by any purchaser of the securities of the Roll-up Entity, except to the minimum

extent necessary to preserve the tax status of the Roll-up Entity, or that would limit the ability of an investor to exercise the voting rights of its securities of the Roll-up Entity on the basis of the number of shares held by that investor;

- in which investors' rights of access to the records of the Roll-up Entity would be less than those provided in our charter and described in the section of this prospectus entitled "Description of Shares — Meetings and Special Voting Requirements;" or

- in which any of the costs of the Roll-up Transaction would be borne by us if the Roll-up Transaction is rejected by our common stockholders.

THE OPERATING PARTNERSHIP AGREEMENT

General

We expect to own substantially all of our assets and conduct our operations through Phillips Edison – ARC Shopping Center Operating Partnership, L.P., which we refer to as the operating partnership. Our wholly-owned subsidiary, Phillips Edison Shopping Center OP GP LLC, is the sole general partner of the operating partnership and, as of the date of this prospectus, we are the sole limited partner of the operating partnership. We have the exclusive power to manage and conduct the business of the operating partnership through our ownership of the sole general partner.

As we accept subscriptions for shares in this offering, we transfer substantially all of the net proceeds of the offering to our operating partnership as a capital contribution in exchange for units of limited partnership interest; however, we are deemed to have made capital contributions in the amount of the gross offering proceeds received from investors. The operating partnership is deemed to have simultaneously paid the selling commissions and other costs associated with the offering.

As a result of this structure, we are considered an UPREIT, or an umbrella partnership real estate investment trust. An UPREIT is a structure that REITs often use to acquire real property from sellers on a tax-deferred basis because the sellers can generally accept partnership units and defer taxable gain otherwise required to be recognized by them upon the disposition of their properties. Such sellers may also desire to achieve diversity in their investment and other benefits afforded to stockholders in a REIT. For purposes of satisfying the asset and income tests for qualification as a REIT, the REIT's proportionate share of the assets and income of the operating partnership will be deemed to be assets and income of the REIT.

If we ever decide to acquire properties in exchange for units of limited partnership interest in the operating partnership, we expect to amend and restate the partnership agreement to provide substantially as set forth below.

Capital Contributions

We would expect the partnership agreement to require us to contribute the proceeds of any offering of our shares of stock to the operating partnership as an additional capital contribution. If we did contribute additional capital to the operating partnership, we would receive additional partnership units and our percentage interest in the operating partnership would be increased on a proportionate basis based upon the amount of such additional capital contributions and the value of the operating partnership at the time of such contributions. We also expect that the partnership agreement would allow us to cause the operating partnership to issue partnership interests for less than their fair market value if we conclude in good faith that such issuance is in the best interest of the operating partnership and us. The operating partnership would also be able to issue preferred partnership interests in connection with acquisitions of property or otherwise. These preferred partnership interests could have priority over common partnership interests with respect to distributions from the operating partnership, including priority over the partnership interests that we would own as a limited partner. If the operating partnership would require additional funds at any time in excess of capital contributions made by us or from borrowing, we could borrow funds from a financial institution or other lender and lend such funds to the operating partnership on the same terms and conditions as are applicable to our borrowing of such funds.

Operations

We would expect the partnership agreement to provide that, so long as we remain qualified as a REIT, the operating partnership would be operated in a manner that would enable us to satisfy the requirements for being classified as a REIT for U.S. federal income tax purposes. We would also have the power to take actions to ensure that the operating partnership would not be classified as a “publicly-traded partnership” for purposes of Section 7704 of the Internal Revenue Code. Classification as a publicly -traded partnership could result in the operating partnership being taxed as a corporation, rather than as a partnership.

Distributions and Allocations of Profits and Losses

The partnership agreement would provide that the operating partnership would distribute cash flow from operations to its partners in accordance with their respective percentage interests on at least a monthly basis in amounts that we determine. The effect of these distributions would be that a holder of one unit of limited partnership interest in our operating partnership would receive the same amount of annual cash flow distributions as the amount of annual distributions paid to the holder of one of our shares of common stock.

Similarly, the partnership agreement would provide that the operating partnership would allocate taxable income to its partners in accordance with their respective percentage interests. Subject to compliance with the provisions of Sections 704(b) and 704(c) of the Internal Revenue Code and the corresponding Treasury Regulations, the effect of these allocations would be that a holder of one unit of limited partnership interest in the operating partnership would be allocated taxable income for each taxable year in an amount equal to the amount of taxable income to be recognized by a holder of one of our shares of common stock. Losses, if any, would generally be allocated among the partners in accordance with their respective percentage interests in the operating partnership. Losses could not be passed through to our stockholders.

Upon liquidation of the operating partnership, after payment of, or adequate provision for, debts and obligations of the operating partnership, including partner loans, any remaining assets of the operating partnership would be distributed to its partners in accordance with their respective positive capital account balances.

Rights, Obligations and Powers of the General Partner

Through our wholly-owned subsidiary, Phillips Edison Shopping Center OP GP LLC, the sole general partner of the operating partnership, we generally would have complete and exclusive discretion to manage and control the operating partnership’s business and to make all decisions affecting its assets. Under an amended and restated partnership agreement, we would also expect to have the authority to:

- acquire, purchase, own, operate, lease and dispose of any real property and any other assets;
- construct buildings and make other improvements on owned or leased properties;
- authorize, issue, sell, redeem or otherwise purchase any debt or other securities;
- borrow or loan money;
- originate and service loans;

- make or revoke any tax election;
- maintain insurance coverage in amounts and types as we determine is necessary;
- retain employees or other service providers;
- form or acquire interests in joint ventures; and
- merge, consolidate or combine the operating partnership with another entity.

Under an amended and restated partnership agreement, we expect that the operating partnership would continue to pay all of the administrative and operating costs and expenses it incurs in acquiring and operating real properties. The operating partnership would also pay all of our administrative costs and expenses and such expenses would be treated as expenses of the operating partnership. Such expenses would include:

- all expenses relating to our organization and continuity of existence;
- all expenses relating to the public offering and registration of our securities;
- all expenses associated with the preparation and filing of our periodic reports under federal, state or local laws or regulations;
- all expenses associated with our compliance with applicable laws, rules and regulations; and
- all of our other operating or administrative costs incurred in the ordinary course of business.

The only costs and expenses we could incur that the operating partnership would not reimburse would be costs and expenses relating to assets we may own outside of the operating partnership. We would pay the expenses relating to such assets directly.

Exchange Rights

We expect that an amended and restated partnership agreement would also provide for exchange rights. We expect the limited partners of the operating partnership would have the right to cause the operating partnership to redeem their units of limited partnership interest for cash equal to the value of an equivalent number of our shares, or, at our option, we could purchase their units of limited partnership interest for cash or by issuing one share of our common stock for each unit redeemed. Limited partners, however, would not be able to exercise this exchange right if and to the extent that the delivery of our shares upon such exercise would:

- result in any person owning shares in excess of the ownership limit in our charter (unless exempted by our board of directors);
- result in our shares being beneficially owned by fewer than 100 persons;
- result in our shares being “closely held” within the meaning of Section 856(h) of the Internal Revenue Code; or

- cause us to own 10.0% or more of the ownership interests in a tenant within the meaning of Section 856(d)(2)(B) of the Internal Revenue Code.

Furthermore, limited partners could exercise their exchange rights only after their units of limited partnership interest had been outstanding for one year. A limited partner could not deliver more than two exchange notices each calendar year and would not be able to exercise an exchange right for less than 1,000 units of limited partnership interest, unless such limited partner held less than 1,000 units. In that case, he would be required to exercise his exchange right for all of his units.

Change in General Partner

We expect that Phillips Edison Shopping Center OP GP LLC generally would not be able to withdraw as the general partner of the operating partnership or transfer its general partnership interest in the operating partnership (unless transferred to us or another wholly-owned subsidiary of ours). The principal exception to this would be if we merged with another entity and: (1) the holders of a majority of partnership units (including those we held) approved the transaction; (2) the limited partners received or had the right to receive an amount of cash, securities or other property equal in value to the amount they would have received if they had exercised their exchange rights immediately before such transaction; (3) we were the surviving entity and our stockholders did not receive cash, securities or other property in the transaction; or (4) the successor entity contributed substantially all of its assets to the operating partnership in return for an interest in the operating partnership and agreed to assume all obligations of the general partner of the operating partnership. If we voluntarily sought protection under bankruptcy or state insolvency laws, or if we were involuntarily placed under such protection for more than 90 days, Phillips Edison Shopping Center OP GP LLC would be deemed to be automatically removed as the general partner. Otherwise, the limited partners would not have the right to remove Phillips Edison Shopping Center OP GP LLC as general partner.

Transferability of Interests

With certain exceptions, the limited partners would not be able to transfer their interests in the operating partnership, in whole or in part, without the written consent of Phillips Edison Shopping Center OP GP LLC.

Amendment of Limited Partnership Agreement

We expect amendments to the amended and restated partnership agreement would require the consent of the holders of a majority of the partnership units including the partnership units we and our affiliates held. Additionally, we, as general partner through Phillips Edison Shopping Center OP GP LLC, would be required to approve any amendment. We expect that certain amendments would have to be approved by a majority of the units held by third-party limited partners.

PLAN OF DISTRIBUTION

General

We are publicly offering a minimum of 250,000 shares and a maximum of 180,000,000 shares of our common stock on a "best efforts" basis through Realty Capital Securities, LLC, our dealer manager. Because this is a "best efforts" offering, Realty Capital Securities, LLC must use only its best efforts to sell the shares and has no firm commitment or obligation to purchase any of our shares. We are offering up to 150,000,000 shares of common stock in our primary offering at $10.00 per share, with discounts available for certain categories of purchasers as described below.

We are also offering up to 30,000,000 shares pursuant to our dividend reinvestment plan at a purchase price initially equal to $9.50 per share. We reserve the right to reallocate the shares of common stock we are offering between the primary offering and our dividend reinvestment plan. Once we establish an estimated value per share that is not based on the price to acquire a share in the primary offering or a follow-on public offering, shares issued pursuant to our dividend reinvestment plan will be priced at the estimated value per share of our common stock, as determined by our advisor or another firm chosen for that purpose. We expect to establish an estimated value per share not based on the price to acquire a share in the primary offering or a follow-on public offering upon the completion of our offering stage. We will consider our offering stage complete when we are no longer publicly offering equity securities — whether through this offering or follow-on public offerings — and have not done so for 18 months. (For purposes of this definition, we do not consider "public equity offerings" to include offerings on behalf of selling stockholders or offerings related to any dividend reinvestment plan, employee benefit plan or the redemption of interests in our operating partnership.)

We expect to sell the 150,000,000 shares offered in our primary offering over a two-year period, or by   , 2012. If we have not sold all of the shares within two years, we may continue the primary offering for an additional year until   , 2013. Under rules promulgated by the SEC, should we determine to register a follow-on offering, we may extend this offering up to an additional 180 days beyond   , 2013. If we decided to continue our primary offering beyond two years from the date of this prospectus, we will provide that information in a prospectus supplement. At the discretion of our board of directors, we may elect to extend the termination date of our offering of shares reserved for issuance pursuant to our distribution reinvestment plan until we have sold all shares allocated to such plan through the reinvestment of distributions, in which case participants in the plan will be notified. This offering must be registered in every state in which we offer or sell shares. Generally, such registrations are for a period of one year. Thus, we may have to stop selling shares in any state in which our registration is not renewed or otherwise extended annually. We reserve the right to terminate this offering at any time prior to the stated termination date.

Realty Capital Securities, LLC, our dealer manager, is a member firm of the Financial Industry Regulatory Authority (FINRA). Realty Capital Securities, LLC was organized on August 29, 2007 for the purpose of participating in and facilitating the distribution of securities of real estate programs sponsored by American Realty Capital II, LLC, its affiliates and its predecessors. Realty Capital Securities, LLC is indirectly owned by American Realty Capital II, LLC. Realty Capital Securities, LLC is the dealer manager or is named in the registration statement as the dealer manager in five offerings, including two offerings in which American Realty Capital is the sole sponsor, that are either effective or in registration. We have agreed to retain Realty Capital Securities, LLC as our dealer manager for this offering and subsequent offerings occurring within nine months of the termination of our primary offering unless we terminate Realty Capital Securities, LLC as our dealer manager for cause, or for other reasons set forth in the dealer manager agreement. These termination provisions are described under "Management – Our

Dealer Manager – Our Dealer Manager Agreement." For additional information about our dealer manager, including information related to its affiliation with us and our advisor, see "Management—Dealer Manager," "Conflicts of Interest—Affiliated Dealer Manager" and "—Certain Conflict Resolution Measures."

Compensation of Our Dealer Manager and Participating Broker-Dealers

Except as provided below, Realty Capital Securities, LLC will receive selling commissions of 7.0% of the gross offering proceeds for shares sold in our primary offering. Our dealer manager will receive 3.0% of the gross offering proceeds as compensation for acting as the dealer manager, except that a reduced dealer manager fee will be paid with respect to certain volume discount sales. We do not pay any selling commissions or dealer manager fees for shares sold under our dividend reinvestment plan or our "friends and family" program. We will also reimburse our dealer manager for reasonable bona fide invoiced due diligence expenses as described below.

We expect the dealer manager to authorize other broker-dealers that are members of FINRA, which we refer to as participating broker-dealers, to sell our shares. Except as provided below, our dealer manager will reallow all of its selling commissions attributable to a participating broker-dealer.

We may also sell shares at a discount to the primary offering price of $10.00 per share through the following distribution channels in the event that the investor:

- pays a broker a single fee, e.g., a percentage of assets under management, for investment advisory and broker services, which is frequently referred to as a "wrap fee;"

- has engaged the services of a registered investment advisor with whom the investor has agreed to pay compensation for investment advisory services or other financial or investment advice (other than a registered investment advisor that is also registered as a broker-dealer who does not have a fixed or "wrap fee" feature or other asset fee arrangement with the investor); or

- is investing through a bank acting as trustee or fiduciary.

If an investor purchases shares through one of these channels in our primary offering, we will sell the shares at a 7.0% discount, or at $9.30 per share, reflecting that selling commissions are not being paid in connection with such purchases. We will receive substantially the same net proceeds for sales of shares through these channels. Neither our dealer manager nor its affiliates will compensate any person engaged as an investment advisor by a potential investor as an inducement for such investment advisor to advise favorably for an investment in us.

The dealer manager may reallow to any participating broker-dealer up to 3.0% of the gross offering proceeds attributable to that participating broker-dealer as a marketing fee based upon such factors as the volume of sales of such participating broker-dealers, the level of marketing support provided by such participating broker-dealers and the assistance of such participating broker-dealers in marketing the offering, or to reimburse representatives of such participating broker-dealers for the costs and expenses of attending our bona fide training and education meetings. For volume discount sales of $3,000,000 or more, the dealer manager fee is reduced as set forth below. The amount of the dealer manager fee reallowed to a participating broker-dealer in that instance will be negotiated on a transaction by transaction basis. The marketing fee paid to participating broker-dealers would be paid by the dealer manager out of its dealer manager fee. In addition to selling commissions and marketing fees, and subject to the limits described below, we may reimburse the dealer manager for reimbursements it may make to

broker-dealers for reasonable bona fide due diligence expenses incurred which are supported by a detailed and itemized invoice.

The table below sets forth the nature and estimated amount of all items viewed as "underwriting compensation" by FINRA, assuming we sell all of the shares offered hereby. To show the maximum amount of dealer manager and participating broker-dealer compensation that we may pay in this offering, this table assumes that all shares are sold through distribution channels associated with the highest possible selling commissions and dealer manager fees.

Dealer Manager and Participating Broker-Dealer Compensation

Selling commissions (maximum)	$105,000,000
Dealer manager fee (maximum)	45,000,000
Total	$150,000,000

We will reimburse our dealer manager for reimbursements it may make to broker-dealers for reasonable bona fide due diligence expenses incurred which are supported by a detailed and itemized invoice. Such reimbursements are subject to the limitations on organization and offering expenses described below.

Under the rules of FINRA, total underwriting compensation in this offering, including selling commissions and the dealer manager fee, may not exceed 10.0% of our gross offering proceeds from the sale of shares in our primary offering. In addition to the limits on underwriting compensation, FINRA and many states also limit our total organization and offering expenses to 15.0% of gross offering proceeds. We have agreed to reimburse organization and offering expenses (excluding selling commissions and dealer manager fees) incurred by the advisor and sub-advisor or their respective affiliates on a monthly basis to the extent those expenses do not exceed 1.5% of the gross offering proceeds from this offering over the life of the offering. We expect our total organization and offering expenses to be approximately 1.5% of our gross offering proceeds, assuming we raise the maximum offering amount.

To the extent permitted by law and our charter, we will indemnify the participating broker-dealers and the dealer manager against some civil liabilities, including certain liabilities under the Securities Act and liabilities arising from breaches of our representations and warranties contained in the dealer manager agreement. See "Management—Limited Liability and Indemnification of Directors, Officers, Employees and Other Agents."

The dealer manager has agreed to sell up to approximately $50.0 million in shares of our common stock in our primary offering, assuming we sell the maximum number of shares, to persons to be identified by us at a discount from the public offering price. We intend to use this "friends and family" program to sell shares to our directors, officers, business associates and others to the extent consistent with applicable laws and regulations. We will require all such purchasers to represent that they are purchasing shares for investment only and to enter into one-year lock-up agreements with respect to the purchased shares. The purchase price for such shares will be $9.00 per share, reflecting that selling commissions in the amount of $0.70 per share and the dealer manager fee in the amount of $0.30 per share will not be payable in connection with such sales. The net proceeds to us from such sales made net of commissions will be substantially the same as the net proceeds we receive from other sales of shares. Purchases under this "friends and family" program by persons not who are not affiliated with us or our sponsors will count toward meeting the minimum offering threshold.

We may sell shares to participating broker-dealers, their retirement plans, their representatives and the family members, IRAs and qualified plans of their representatives at a purchase price of $9.00 per share, reflecting that selling commissions in the amount of $0.70 per share and the dealer manager fee in the amount of $0.30 per share will not be payable in consideration of the services rendered by such broker-dealers and representatives in the offering. For purposes of this discount, we consider a family member to be a spouse, parent, child, sibling, mother- or father-in-law, son- or daughter-in law or brother- or sister-in-law. The net proceeds to us from the sales of these shares will be substantially the same as the net proceeds we receive from other sales of shares.

We are offering volume discounts to investors who purchase $1,000,000 or more of shares through the same participating broker-dealer in our primary offering. The net proceeds to us from a sale eligible for a volume discount will be the same, but the selling commissions and, in some cases, the dealer manager fees we pay will be reduced. Because we expect that the dealer manager will reallow all selling commissions, the amount of commissions participating broker-dealers receive for such sales will be reduced.

The following table shows the discounted price per share and the reduced selling commissions and dealer manager fees payable for volume sales of our shares.

Dollar Volume Shares Purchased			Sales Commissions (Based on $10.00 Price Per Share)	Dealer Manager Fee (Based on $10.00 Price Per Share)	Price Per Share to Investor
$ 0	to	$ 999,999	7.0%	3.0%	$10.00
$1,000,000	to	$1,999,999	6.0%	3.0%	$ 9.90
$2,000,000	to	$2,999,999	5.0%	3.0%	$ 9.80
$3,000,000	to	$3,999,999	4.0%	2.5%	$ 9.65
$4,000,000	to	$9,999,999	3.0%	2.0%	$ 9.50
$10,000,000	and above		2.0%	2.0%	$ 9.40

We will apply the reduced selling price, selling commission and dealer manager fee to the entire purchase. All commission rates and dealer manager fees are calculated assuming a price per share of $10.00. For example, a purchase of 250,000 shares in a single transaction would result in a purchase price of $2,450,000 ($9.80 per share), selling commissions of $125,000 and dealer manager fees of $75,000.

Once you qualify for a volume discount, you will be eligible to receive the benefit of such discount for subsequent purchases of shares in our primary offering through the same participating broker-dealer. If a subsequent purchase entitles an investor to an increased reduction in sales commissions and/or the dealer manager fee, the volume discount will apply only to the current and future investments.

To the extent purchased through the same participating broker-dealer, the following persons may combine their purchases as a “single purchaser” for the purpose of qualifying for a volume discount:

- an individual, his or her spouse, their children under the age of 21 and all pension or trust funds established by each such individual;
- a corporation, partnership, association, joint-stock company, trust fund or any organized group of persons, whether incorporated or not;

- an employees' trust, pension, profit-sharing or other employee benefit plan qualified under Section 401(a) of the Internal Revenue Code; and
- all commingled trust funds maintained by a given bank.

In the event a person wishes to have his or her order combined with others as a "single purchaser," that person must request such treatment in writing at the time of subscription setting forth the basis for the discount and identifying the orders to be combined. Any request will be subject to our verification that the orders to be combined are made by a single purchaser. If the subscription agreements for the combined orders of a single purchaser are submitted at the same time, then the commissions payable and discounted share price will be allocated pro rata among the combined orders on the basis of the respective amounts being combined. Otherwise, the volume discount provisions will apply only to the order that qualifies the single purchaser for the volume discount and the subsequent orders of that single purchaser.

Only shares purchased in our primary offering are eligible for volume discounts. Shares purchased through our dividend reinvestment plan will not be eligible for a volume discount nor will such shares count toward the threshold limits listed above that qualify you for the different discount levels.

Volume discounts for California residents will be available in accordance with the foregoing table of uniform discount levels. However, with respect to California residents, no discounts will be allowed to any group of purchasers and no subscriptions may be aggregated as part of a combined order for purposes of determining the dollar amount of shares purchased.

Subscription Procedures

We will not sell any shares unless we raise a minimum of $2.5 million by   , 2011 from persons who are not affiliated with us or our sponsors. Until we have raised this amount, all subscription payments will be placed in an account held by the escrow agent, Wells Fargo, NA, in trust for subscribers' benefit, pending release to us. You are entitled to receive the interest earned on your subscription payment while it is held in the escrow account. Once we have raised the applicable minimum offering amount and instructed the escrow agent to disburse the funds in the account, funds representing the gross purchase price for the shares will be distributed to us and the escrow agent will disburse directly to you, without reduction for fees, any interest earned on your subscription payment while it was held in the escrow account. If we do not raise at least $2.5 million by   , 2011, we will promptly return all funds in the escrow account (including interest), and we will stop offering shares. We will not deduct any fees if we return funds from the escrow account because we are unable to raise the minimum offering amount. Different escrow procedures apply to Pennsylvania investors. Because of the higher minimum offering requirement for Pennsylvania investors, subscription payments made by Pennsylvania investors will not count toward the $2.5 million minimum offering for all other jurisdictions. See "—Special Notice to Pennsylvania Investors" below.

To purchase shares in this offering, you must complete and sign a subscription agreement (in the form attached to this prospectus as Appendix B) for a specific number of shares and pay for the shares at the time of your subscription. Until such time as we have raised the minimum offering amount, you should make your check payable to "Wells Fargo, NA, as escrow agent for Phillips Edison – ARC Shopping Center REIT Inc." Once we have raised $2.5 million, you should make your check payable to "Phillips Edison – ARC Shopping Center REIT Inc.," except that Pennsylvania investors should follow the instructions below under "—Special Notice to Pennsylvania Investors." Subscriptions will be effective only upon our acceptance, and we reserve the right to reject any subscription in whole or in part. After we have raised the minimum offering amount, subscription

payments will be deposited into a special account in our name until such time as we have accepted or rejected the subscriptions. We will accept or reject subscriptions within 30 days of our receipt of such subscriptions and, if rejected, we will return all funds to the rejected subscribers within ten business days. If accepted, the funds will be transferred into our general account. You will receive a confirmation of your purchase. We generally admit stockholders on a daily basis.

You are required to represent in the subscription agreement that you have received a copy of this prospectus. To do so, you must separately initial each representation in the subscription agreement. In order to ensure that you have had sufficient time to review this prospectus, we will not accept your subscription until at least five business days after your receipt of the final prospectus.

Investors who desire to purchase shares in this offering at regular intervals may be able to do so by electing to participate in the automatic investment program by completing an enrollment form that we will provide upon request. Alabama and Ohio investors are not eligible to participate in the automatic investment program. Only investors who have already met the minimum purchase requirement may participate in the automatic investment program. The minimum periodic investment is $100 per month. We pay dealer manager fees and selling commissions in connection with sales under the automatic investment program to the same extent that we pay those fees and commissions on shares sold in the primary offering outside of the automatic investment program. If you elect to participate in both the automatic investment program and our dividend reinvestment plan, distributions earned from shares purchased pursuant to the automatic investment program will automatically be reinvested pursuant to the dividend reinvestment plan. For a discussion of the dividend reinvestment plan, see “Description of Shares—Dividend Reinvestment Plan.”

You will receive a confirmation of your purchases under the automatic investment program no less than quarterly. The confirmation will disclose the following information:

- the amount invested for your account during the period;
- the date of the investment;
- the number and price of the shares purchased by you; and
- the total number of shares in your account.

To qualify for a volume discount as a result of purchases under the automatic investment program, you must notify us in writing when you initially become eligible to receive a volume discount and at each time your purchase of shares through the program would qualify you for an additional reduction in the price of shares under the volume discount provisions described in this prospectus. For a discussion of volume discounts, see “—Compensation of Our Dealer Manager and Participating Broker-Dealers.”

You may terminate your participation in the automatic investment program at any time by providing us with written notice. If you elect to participate in the automatic investment program, you must agree that if at any time you fail to meet the applicable investor suitability standards or cannot make the other investor representations or warranties set forth in the then current prospectus or in the subscription agreement, you will promptly notify us in writing of that fact and your participation in the plan will terminate. See the “Suitability Standards” section of this prospectus (immediately following the cover page) and the form of subscription agreement attached hereto as Appendix B.

Suitability Standards

Our sponsor, those selling shares on our behalf and participating broker-dealers and registered investment advisors recommending the purchase of shares in this offering have the responsibility to make every reasonable effort to determine that your purchase of shares in this offering is a suitable and appropriate investment for you based on information provided by you regarding your financial situation and investment objectives. In making this determination, these persons have the responsibility to ascertain that you:

- meet the minimum income and net worth standards set forth under “Suitability Standards” immediately following the cover page of this prospectus;
- can reasonably benefit from an investment in our shares based on your overall investment objectives and portfolio structure;
- are able to bear the economic risk of the investment based on your overall financial situation;
- are in a financial position appropriate to enable you to realize to a significant extent the benefits described in this prospectus of an investment in our shares; and
- have apparent understanding of:
    - the fundamental risks of the investment;
    - the risk that you may lose your entire investment;
    - the lack of liquidity of our shares;
    - the restrictions on transferability of our shares;
    - the background and qualifications of our sponsors and their respective affiliates; and
    - the tax consequences of your investment.

Relevant information for this purpose will include at least your age, investment objectives, investment experience, income, net worth, financial situation and other investments as well as any other pertinent factors. Our sponsor, those selling shares on our behalf and participating broker-dealers and registered investment advisors recommending the purchase of shares in this offering must maintain, for a six-year period, records of the information used to determine that an investment in shares is suitable and appropriate for you.

Until our shares of common stock are listed on a national securities exchange, subsequent purchasers, i.e., potential purchasers of your shares, must also meet the net worth or income standards.

Minimum Purchase Requirements

You must initially invest at least $2,500 in our shares to be eligible to participate in this offering. In order to satisfy this minimum purchase requirement, unless otherwise prohibited by state law, a husband and wife may jointly contribute funds from their separate IRAs, provided that each such contribution is made in increments of $100. You should note that an investment in our shares will not, in

itself, create a retirement plan and that, in order to create a retirement plan, you must comply with all applicable provisions of ERISA and/or the Internal Revenue Code. If you own the minimum investment in shares in any future Phillips Edison- or ARC-sponsored public program, or with respect to ARC, any current ARC-sponsored program, you may invest less than the minimum amount set forth above, but in no event less than $100.

If you have satisfied the applicable minimum purchase requirement, any additional purchase must be in amounts of at least $100. The investment minimum for subsequent purchases does not apply to shares purchased pursuant to our dividend reinvestment plan.

Unless you are transferring all of your shares, you may not transfer your shares in a manner that causes you or your transferee to own fewer than the number of shares required to meet the minimum purchase requirements, except for the following transfers without consideration: transfers by gift, transfers by inheritance, intrafamily transfers, family dissolutions, transfers to affiliates and transfers by operation of law. These minimum purchase requirements are applicable until our shares of common stock are listed on a national securities exchange, and these requirements may make it more difficult for you to sell your shares. We cannot assure that our shares of common stock will ever be listed on a national securities exchange.

Special Notice to Pennsylvania Investors

Because the minimum offering of our common stock is less than $100 million, we caution you to carefully evaluate our ability to fully accomplish our stated objectives and to inquire as to the current dollar volume of our subscription proceeds. Notwithstanding our $2.5 million minimum offering amount for all other jurisdictions, we will not sell any shares to Pennsylvania investors unless we raise a minimum of $50.0 million in gross offering proceeds (including sales made to residents of other jurisdictions) prior to   , 2012. In the event we do not raise gross offering proceeds of $50.0 million by   , 2012, we will promptly return all funds held in escrow for the benefit of Pennsylvania investors (in which case, Pennsylvania investors will not be required to request a refund of their investment). Pending satisfaction of this condition, all Pennsylvania subscription payments will be placed in a separate account held by the escrow agent, Wells Fargo, NA, in trust for Pennsylvania subscribers' benefit, pending release to us. Purchases by persons affiliated with us or our advisor will not count toward satisfaction of the Pennsylvania minimum.

If we have not reached this $50.0 million threshold within 120 days of the date that we first accept a subscription payment from a Pennsylvania investor, we will, within 10 days of the end of that 120-day period, notify Pennsylvania investors in writing of their right to receive refunds, with interest. If a Pennsylvania investor requests a refund within 10 days of receiving that notice, we will arrange for the escrow agent to promptly return by check that investor's subscription amount with interest. Amounts held in the Pennsylvania escrow account from Pennsylvania investors not requesting a refund will continue to be held for subsequent 120-day periods until we raise at least $50.0 million or until the end of the subsequent escrow periods. At the end of each subsequent escrow period, we will again notify each Pennsylvania investor of his or her right to receive a refund of his or her subscription amount with interest. Until we have raised $50.0 million, Pennsylvania investors should make their checks payable to "Wells Fargo, NA, as escrow agent for Phillips Edison – ARC Shopping Center REIT Inc." Once we have reached the Pennsylvania minimum, Pennsylvania investors should make their checks payable to "Phillips Edison – ARC Shopping Center REIT Inc."

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Investments by Qualified Accounts

Funds from qualified accounts will be accepted if received in installments that together meet the minimum or subsequent investment amount, as applicable, so long as the total subscription amount was indicated on the subscription agreement and all funds are received within a 90-day period.

Investments through IRA Accounts

Both and have agreed to act as IRA custodians for purchasers of our common stock who would like to purchase shares through an IRA account and desire to establish a new IRA account for that purpose.

We will pay the fees related to the establishment of investor accounts with and the first-year annual IRA maintenance fee. Thereafter, investors will be responsible for the annual IRA maintenance fees charged by . We will also pay the first calendar year base fee for investors that establish accounts with . After we pay the first calendar year base fee, investors will be responsible for the annual IRA maintenance fees charged by , charged at the beginning of each calendar year. Further information about custodial services is available through your broker or through our dealer manager at .

SUPPLEMENTAL SALES MATERIAL

In addition to the prospectus, we are using supplemental sales material in connection with the offering of the shares, although only when accompanied by or preceded by the delivery of the prospectus. The supplemental sales material does not contain all of the information material to an investment decision and should only be reviewed after reading the prospectus. The sales material currently used in permitted jurisdictions includes:

- investor sales promotion brochures;
- cover letters transmitting the prospectus;
- brochures containing a summary description of the offering;
- fact sheets describing the general nature of Phillips Edison – ARC Shopping Center REIT Inc. and our investment objectives;
- asset flyers describing our recent acquisitions;
- broker updates;
- online investor presentations;
- web site material;
- electronic media presentations; and
- client seminars and seminar advertisements and invitations.

All of the foregoing material is prepared by our advisor or its affiliates with the exception of the third-party article reprints. In certain jurisdictions, some or all of such sales material may not be available. In addition, the sales material may contain certain quotes from various publications without obtaining the consent of the author or the publication for use of the quoted material in the sales material.

We are offering shares only by means of the prospectus. Although the information contained in our supplemental sales materials will not conflict with any of the information contained in the prospectus, the supplemental materials do not purport to be complete and should not be considered a part of or as incorporated by reference in the prospectus, or the registration statement of which this prospectus is a part.

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LEGAL MATTERS

The validity of the shares of our common stock being offered hereby has been passed upon for us by DLA Piper LLP (US), Raleigh, North Carolina. DLA Piper LLP (US) has also reviewed the statements relating to certain U.S. federal income tax matters that are likely to be material to U.S. holders of our common stock under the caption “Certain Material U.S. Federal Income Tax Considerations” and has passed upon our qualification as a REIT for federal income tax purposes. Proskauer Rose LLP, New York, New York has served as counsel for our adviser and dealer manager and their affiliates.

EXPERTS

The consolidated balance sheet of Phillips Edison – ARC Shopping Center REIT Inc. as of December 31, 2009 included in this Prospectus and included elsewhere in this registration statement has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein and included elsewhere in this registration statement. Such consolidated balance sheet is included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form S-11 with the SEC with respect to the shares of our common stock to be issued in this offering. This prospectus is a part of that registration statement and, as permitted by SEC rules, does not include all of the information you can find in the registration statement or the exhibits to the registration statement. For additional information relating to us, we refer you to the registration statement and the exhibits to the registration statement. Statements contained in this prospectus as to the contents of any contract or document are necessarily summaries of such contract or document and in each instance, if we have filed the contract or document as an exhibit to the registration statement, we refer you to the copy of the contract or document filed as an exhibit to the registration statement.

We will file annual, quarterly and current reports, proxy statements and other information with the SEC. We will furnish our stockholders with annual reports containing consolidated financial statements certified by an independent registered public accounting firm. The registration statement is, and any of these filings will be, available to the public over the Internet at the SEC’s web site at *http://www.sec.gov*. You may read and copy any filed document at the SEC’s public reference room in Washington, D.C. at 100 F Street, N.E., Room 1580, Washington, D.C. Please call the SEC at (800) SEC-0330 for further information about the public reference room.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholder of
Phillips Edison – ARC Shopping Center REIT Inc.
Cincinnati, Ohio

We have audited the accompanying consolidated balance sheet of Phillips Edison – ARC Shopping Center REIT Inc. and subsidiaries (the "Company") as of December 31, 2009. This consolidated balance sheet is the responsibility of the Company's management. Our responsibility is to express an opinion on this consolidated balance sheet based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated balance sheet, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated balance sheet presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated balance sheet presents fairly, in all material respects, the financial position of Phillips Edison – ARC Shopping Center REIT Inc. and subsidiaries as of December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio
March 1, 2010

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Phillips Edison – ARC Shopping Center REIT Inc.
Consolidated Balance Sheet
December 31, 2009

ASSETS	
Cash and cash equivalents	$ 200,000
Deferred offering costs	942,618
Total assets	$1,142,618

LIABILITIES AND STOCKHOLDER'S EQUITY	
Liabilities and accrued expenses	$ 942,618
Commitments and Contingencies (Note 6)	
Stockholder's equity:	
Preferred stock, $0.01 par value per share, 10,000,000 shares authorized; zero shares issued and outstanding	
Common stock, $0.01 par value per share, 1,000,000,000 shares authorized; 20,000 shares issued and outstanding	200
Additional paid-in capital	199,800
Total stockholder's equity	$ 200,000
Total liabilities and stockholder's equity	$1,142,618

The accompanying notes are an integral part of this consolidated balance sheet.

Phillips Edison – ARC Shopping Center REIT Inc.
Notes to Consolidated Balance Sheet
December 31, 2009

1. ORGANIZATION

Phillips Edison – ARC Shopping Center REIT Inc. (the "Company") was formed as a Maryland corporation on October 13, 2009 and intends to qualify as a real estate investment trust ("REIT"). Substantially all of the Company's business is expected to be conducted through Phillips Edison – ARC Shopping Center Operating Partnership, L.P. (the "Operating Partnership"), a Delaware limited partnership formed on December 3, 2009. The Company is the sole limited partner of the Operating Partnership, and the Company's wholly-owned subsidiary, Phillips Edison Shopping Center OP GP LLC, is the sole general partner of the Operating Partnership. As the Company accepts subscriptions for shares in its continuous public offering, it will transfer all of the net proceeds of the offering to the Operating Partnership as a capital contribution in exchange for units of limited partnership interest; however, the Company is deemed to have made capital contributions in the amount of the gross offering proceeds received from investors.

The Company intends to offer to the public pursuant to a registration statement to be filed $1,785,000,000 in shares of common stock. The offer will be for $1,500,000,000 in shares offered to investors at a price of $10.00 per share and $285,000,000 in shares offered to stockholders pursuant to a distribution reinvestment plan at a price of $9.50 per share (the "Offering"). The Company has the right to reallocate the shares of common stock offered between the primary offering and the distribution reinvestment plan.

The Company's advisor is American Realty Capital II Advisors, LLC (the "Advisor"), a newly organized limited liability company that was formed in the State of Delaware on December 28, 2009 that is indirectly wholly-owned by American Realty Capital, LLC ("ARC sponsor"). Under the terms of the advisory agreement between the Advisor and the Company, the Advisor will ultimately be responsible for the management of the day-to-day activities of the Company and the implementation of its investment strategy. The Advisor will delegate certain duties, including the management of our day-to-day operations and our portfolio of real estate assets, to Phillips Edison & Company SubAdvisor LLC (the "Sub-advisor"), which is indirectly wholly-owned by Phillips Edison Limited Partnership ("Phillips Edison sponsor"). Notwithstanding such delegation to the Sub-advisor, American Realty Capital II Advisors, LLC retains ultimate responsibility for the performance of all the matters entrusted to it under the advisory agreement.

The Company will invest primarily in necessity-based neighborhood and community shopping centers throughout the United States with a focus on well-located grocery anchored shopping centers that are well occupied at the time of purchase and typically cost less than $20.0 million per property. In addition, the Company may invest in other retail properties including power and lifestyle shopping centers, multi-tenant shopping centers, free standing single-tenant retail properties, and other real estate and real estate-related loans and securities depending on real estate market conditions and investment opportunities that it determines are in the best interests of its stockholders. The Company expects that retail properties primarily would underlie or secure the real estate-related loans and securities in which it may invest.

As of December 31, 2009, the Company and the Operating Partnership have neither purchased nor contracted to purchase any assets, nor has the Advisor identified any assets in which there is a reasonable probability the Company and the Operating Partnership will invest.

The Company has evaluated subsequent events through the date the financial statements were issued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying consolidated balance sheet of the Company includes the accounts of Phillips Edison – ARC Shopping Center REIT Inc. and the Operating Partnership (over which the Company exercises financial and operating control). The balance sheet of the Operating Partnership is prepared using accounting policies consistent with the Company. All significant intercompany balances and transactions are eliminated upon consolidation.

Use of Estimates – The preparation of the consolidated balance sheet in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated balance sheet and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents – The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents may include cash and short-term investments. Short term investments are stated at cost, which approximates fair value and may consist of investments in money market accounts. There are no restrictions on the use of the Company's cash balances.

Organizational and Offering Costs – The Sub-advisor has paid offering expenses on the Company's behalf. The Company will reimburse on a monthly basis the Sub-advisor for these costs and future organization and offering costs it, the Advisor, or any of their respective affiliates may incur on the Company's behalf but only to the extent that the reimbursement would not exceed 1.5% of gross offering proceeds over the life of the offering or cause the selling commissions, the dealer manager fee and the other organization and offering expenses borne by the Company to exceed 15.0% of gross offering proceeds as of the date of the reimbursement. These offering expenses include all expenses (other than selling commissions and the dealer manager fee) to be paid by the Company in connection with the offering, including legal, accounting, printing, mailing and filing fees, charges of the escrow holder and transfer agent, reimbursement to the Advisor and Sub-advisor for the Company's portion of the salaries and related employment costs of the Advisor's and Sub-advisor's employees who provide services to the Company (excluding costs related to employees who provide services for which the Advisor or Sub-advisor, as applicable, receive acquisition or disposition fees), reimbursement to the Dealer Manager for amounts it may pay to reimburse the bona fide due diligence expenses of broker-dealers, costs in connection with preparing supplemental sales materials, the Company's costs of conducting bona fide training and education meetings held (primarily the travel, meal and lodging costs of non-registered officers of the Company, the Advisor and Sub-advisor to attend such meetings, and cost reimbursement for non-registered employees of the company's affiliates to attend retail seminars conducted by broker-dealers. These offering costs include travel services provided to the Advisor or Sub-advisor by a related party of the sponsors. Costs associated with the offering are deferred and charged against the gross proceeds of the Offering upon closing. Under the terms of the agreement to be executed with the Advisor, only upon the sale of at least $2.5 million of shares of common stock to the public, will the Company will be obligated to reimburse the Advisor or Sub-advisor or their respective affiliates for organization and offering costs. Future organizational costs will be expensed as incurred by the Company, the Advisor, Sub-advisor or their respective affiliates on behalf of the Company.

Investment Property and Lease Intangibles – Real estate assets acquired directly by the Company will be stated at cost less accumulated depreciation. Depreciation will be computed using the straight-line method. The estimated useful lives for computing depreciation will generally be 5-7 years for

furniture, fixtures and equipment, 15 years for land improvements and 30 years for buildings and building improvements. Tenant improvements will be amortized over the shorter of the respective lease term or the expected useful life of the asset. Major replacements that extend the useful life of the assets will be capitalized and maintenance and repair costs will be expensed as incurred.

Real estate assets will be reviewed for impairment if events or changes in circumstances indicate that the carrying amount of the individual property may not be recoverable. In such an event, a comparison will be made of the projected operating cash flows of each property on an undiscounted basis to the carrying amount of such property. Such carrying amount would be adjusted, if necessary, to estimated fair values to reflect impairment in the value of the asset.

Acquisitions of properties will be accounted for utilizing the acquisition method and, accordingly, the results of operations of acquired properties will be included in the Company’s results of operations from their respective dates of acquisition. Estimates of future cash flows and other valuation techniques that the Company believes are similar to those used by independent appraisers will be used to record the purchase of identifiable assets acquired and liabilities assumed such as land, buildings and improvements, equipment and identifiable intangible assets and liabilities such as amounts related to in-place leases, acquired above- and below-market leases, tenant relationships, asset retirement obligations, mortgage notes payable and any goodwill or gain on purchase. Values of buildings and improvements will be determined on an as if vacant basis. Initial valuations will be subject to change until such information is finalized, no later than 12 months from the acquisition date.

The estimated fair value of acquired in-place leases will be the costs the Company would have incurred to lease the properties to the occupancy level of the properties at the date of acquisition. Such estimates include the fair value of leasing commissions, legal costs and other direct costs that would be incurred to lease the properties to such occupancy levels. Additionally, the Company will evaluate the time period over which such occupancy levels would be achieved. Such evaluation will include an estimate of the net market-based rental revenues and net operating costs (primarily consisting of real estate taxes, insurance and utilities) that would be incurred during the lease-up period. Acquired in-place leases as of the date of acquisition will be amortized over the remaining lease terms.

Acquired above-and below-market lease values will be recorded based on the present value (using an interest rate that reflects the risks associated with the lease acquired) of the difference between the contractual amounts to be paid pursuant to the in-place leases and management’s estimate of the fair value lease rates for the corresponding in-place leases. The capitalized above- and below-market lease values will be amortized as adjustments to rental revenue over the remaining terms of the respective leases, which include periods covered by bargain renewal options. Should a tenant terminate its lease, the unamortized portion of the in-place lease value will be charged to amortization expense and the unamortized portion of above-and-below market lease value will be charged to rental revenue.

Acquired above- and below-market ground lease values will be recorded based on the difference between the present values (using an interest rate that reflects the risks associated with the lease acquired) of the contractual amounts to be paid pursuant to the ground leases and management’s estimate of the fair value of land under the ground leases. The capitalized above- and below-market lease values will be amortized as adjustments to ground lease expense over the lease term.

Management will estimate the fair value of assumed mortgage notes payable based upon indications of then-current market pricing for similar types of debt with similar maturities. Assumed mortgage notes payable will be initially recorded at their estimated fair value as of the assumption date, and the difference between such estimated fair value and the note’s outstanding principal balance will be amortized over the life of the mortgage note payable as an adjustment to interest expense.

Investments in Real Estate Loans – Investments in real estate loans will be recorded at cost, net of loan loss reserves, and reviewed for potential impairment at each balance sheet date. A loan receivable is considered impaired when it becomes probable, based on current information, that the Company will be unable to collect all amounts due according to the loan's contractual terms. The amount of impairment, if any, would be measured by comparing the carrying amount of the loan receivable to the present value of the expected cash flows or the fair value of the collateral. If a loan was deemed to be impaired, the Company would record a reserve for loan losses through a charge to income for any shortfall.

The reserve for loan losses is a valuation allowance that will reflect management's estimate of loan losses inherent in the loan portfolio as of the balance sheet date. The reserve will be increased through a charge to income and will be decreased by charge-offs to specific loans when losses are confirmed. The reserve for loan losses will include a portfolio-based component and an asset-specific component.

The asset-specific reserve component will relate to reserves for losses on loans considered impaired. The Company considers a loan to be impaired when, based upon current information and events, it believes that it is probable that the Company will be unable to collect all amounts due under the contractual terms of the loan agreement. A reserve will be established when the present value of payments expected to be received, observable market prices, or the estimated fair value of the collateral (for loans that are dependent on the collateral for repayment) of an impaired loan is lower than the carrying value of that loan.

The portfolio-based reserve component will cover the pool of loans that do not have asset-specific reserves. A provision for loan losses will be recorded when available information as of each balance sheet date indicates that it is probable that the pool of loans will recognize a loss and the amount of the loss can be reasonably estimated. Required reserve balances for this pool of loans will be derived from estimated probabilities of default and estimated loss severities assuming a default occurs. On a quarterly basis, the Company's management will assign estimated probabilities of default and loss severities to each loan in the portfolio based on factors such as the debt service coverage of the underlying collateral, the estimated fair value of the collateral, the significance of the borrower's investment in the collateral, the financial condition of the borrower and/or its sponsors, the likelihood that the borrower and/or its sponsors would allow the loan to default, the Company's willingness and ability to step in as owner in the event of default, and other pertinent factors.

Investment in Marketable Securities – A decline in the fair value of any available-for-sale or held-to-maturity security below cost that is deemed to be other-than-temporary results in an impairment to reduce the carrying amount to fair value. The impairment will be charged to earnings and a new cost basis for the security will be established. To determine whether an impairment is other-than-temporary, the Company will consider whether the Company has the ability and intent to hold the investment until a market price recovery and consider whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, forecasted performance of the investee, and the general market condition in the geographic area or industry the investee operates in. The Company will consider the following factors in evaluating our securities for impairments that are other than temporary:

- declines in the REIT and overall stock market relative to our security positions;
- the estimated net asset value ("NAV") of the companies in which the Company invests relative to their current market prices;

- future growth prospects and outlook for companies using analyst reports and company guidance, including dividend coverage, NAV estimates and growth in “funds from operations,” or “FFO;” and
- duration of the decline in the value of the securities.

When the Company holds an other-than-temporarily impaired security that it does not intend to sell and where it is not more likely than not that the Company will be required to sell the security prior to the anticipated recovery of its amortized cost basis, the Company will separate the other-than-temporary impairment loss into a credit component and a component related to other factors (e.g., market fluctuations). The Company will calculate the credit component of the other-than-temporary impairment as the difference between the amortized cost basis of the security and the present value of its estimated cash flows discounted at the yield used to recognize interest income. The credit component will be charged to earnings and the component related to other factors will be recorded to other comprehensive income (loss).

Revenue Recognition – The Company will commence revenue recognition on our leases based on a number of factors. In most cases, revenue recognition under a lease will begin when the lessee takes possession of or controls the physical use of the leased asset. Generally, this will occur on the lease commencement date. The determination of who is the owner, for accounting purposes, of the tenant improvements determines the nature of the leased asset and when revenue recognition under a lease begins. If the Company is the owner, for accounting purposes, of the tenant improvements, then the leased asset is the finished space and revenue recognition begins when the lessee takes possession of the finished space, typically when the improvements are substantially complete.

If the Company concludes that it is not the owner, for accounting purposes, of the tenant improvements (the lessee is the owner), then the leased asset will be the unimproved space and any tenant improvement allowances funded under the lease are treated as lease incentives which reduces revenue recognized over the term of the lease. In these circumstances, the Company will begin revenue recognition when the lessee takes possession of the unimproved space for the lessee to construct their own improvements. The Company will consider a number of different factors to evaluate whether it or the lessee is the owner of the tenant improvements for accounting purposes. These factors include:

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

The Company will recognize rental income on a straight-line basis over the term of each lease. The difference between rental income earned on a straight-line basis and the cash rent due under the provisions of the lease agreements is recorded as deferred rent receivable and is included as a component of accounts and rents receivable. Due to the impact of the straight-line basis, rental income generally will be greater than the cash collected in the early years and decreases in the later years of a lease. The Company’s policy for percentage rental income is to defer recognition of contingent rental income until the specified target (i.e. breakpoint) that triggers the contingent rental income is achieved. The Company

periodically will review the collectability of outstanding receivables. Allowances will be taken for those balances that the Company deems to be uncollectible, including any amounts relating to straight-line rent receivables.

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

The Company will recognize lease termination income if there is a signed termination letter agreement, all of the conditions of the agreement have been met, collectability is reasonably assured and the tenant is no longer occupying the property. Upon early lease termination, the Company will provide for losses related to unrecovered intangibles and other assets.

Income Taxes – The Company intends to elect to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), commencing with the taxable year ending December 31, 2010, although such election may be postponed to our taxable year ending December 31, 2011. The Company's qualification and taxation as a REIT depends on its ability, on a continuing basis, to meet certain organizational and operational qualification requirements imposed upon REITs by the Code. If the Company fails to qualify as a REIT for any reason in a taxable year, it will be subject to tax on its taxable income at regular corporate rates. The Company would not be able to deduct distributions paid to stockholders in any year in which it fails to qualify as a REIT. The Company will also be disqualified for the four taxable years following the year during which qualification was lost unless the Company is entitled to relief under specific statutory provisions.

Repurchase of Common Stock – The Company will offer a share repurchase program which will allow certain stockholders to have their shares repurchased subject to approval and certain limitations and restrictions (see Note 3). The Company will account for those financial instruments that represent a mandatory obligation of the Company to repurchase shares as liabilities to be reported at settlement value. Management believes that shares tendered for repurchase by the holder under the Company's share repurchase program will not represent a mandatory obligation until such repurchases are approved. At such time, the Company will reclassify such obligations from equity to a liability based upon their respective settlement values.

Recent Accounting Pronouncements – In June 2009, the FASB issued a new accounting standard which will require more information about transfers of financial assets, including securitization transactions, and where entities have continuing exposure to the risks related to transferred financial assets. It eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets, and requires additional disclosures. This standard is effective at the start of a reporting entity's first fiscal year beginning after November 15, 2009. The Company is currently evaluating the impact that this standard may have on its consolidated financial statements.

In June 2009, the FASB issued a new accounting standard which changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the other entity's purpose and design and the reporting entity's ability to direct the activities of the other entity that most significantly impact the other entity's economic performance. This standard is effective at the start of a reporting entity's first fiscal year beginning after November 15, 2009. The Company is currently evaluating the impact that this standard may have on its consolidated financial statements.

3. STOCKHOLDER'S EQUITY

General – The Company has the authority to issue a total of 1,000,000,000 shares of common stock with a par value of $0.01 per share and 10,000,000 shares of preferred stock, $0.01 par value per share. As of December 31, 2009, the Company has issued 20,000 shares of common stock to the Sub-advisor, in exchange for $200,000 in cash at a price of $10.00 per share. The holders of shares of the common stock are entitled to one vote per share on all matters voted on by stockholders, including election of the board of directors. Phillips Edison – ARC Shopping Center REIT Inc.'s charter does not provide for cumulative voting in the election of directors.

Dividend Reinvestment Plan – The Company has adopted a dividend reinvestment plan that will allow stockholders to have dividends and other distributions invested in additional shares of its common stock at a price equal to $9.50 per share. Stockholders who elect to participate in the distribution reinvestment plan, and who are subject to U.S. federal income taxation laws, will incur a tax liability on an amount equal to the fair value on the relevant distribution date of the shares of the Company's common stock purchased with reinvested distributions, even though such stockholders have elected not to receive the distributions used to purchase those shares of common stock in cash.

Share Repurchase Program – The Company's share repurchase program may provide a limited opportunity for stockholders to have shares of common stock repurchased, subject to certain restrictions and limitations, at a price equal to or at a discount from the purchase price paid for the shares being repurchased.

The discount will vary based upon the length of time that the shares of the Company's common stock subject to repurchase have been held. Unless the shares are being repurchased in connection with a stockholder's death or "qualifying disability", the prices at which the Company will repurchase shares are as follows:

- The lower of $9.25 or 92.5% of the price paid to acquire the shares for stockholders who have held their shares for at least one year;
- The lower of $9.50 or 95.0% of the price paid to acquire the shares for stockholders who have held their shares for at least two years;
- The lower of $9.75 or 97.5% of the price paid to acquire the shares for stockholders who have held their shares for at least three years; and
- The lower of $10.00 or 100% of the price paid to acquire the shares for stockholders who have held their shares for at least four years.

Notwithstanding the above, once the Company establishes an estimated value per share of its common stock that is not based on the price to acquire a share in the primary offering or a follow-on public or private offering, the repurchase price per share for all stockholders would be equal to the estimated value per share, as determined by the Advisor or another firm chosen for that purpose.

Repurchase of shares of common stock will be made monthly upon written notice received by the Company at least five days prior to the end of the applicable month. Stockholders may withdraw their repurchase request at any time up to five business days prior to the repurchase date.

The board of directors may, in its sole discretion, amend, suspend, or terminate the share repurchase program at any time. If the board of directors decides to amend, suspend or terminate the share repurchase program, stockholders will be provided with no less than 30 days' written notice.

2010 Independent Director Stock Plan – The Company will adopt a long-term incentive plan that it will use to attract and retain qualified directors. The Company's 2010 Independent Director Stock Plan (the "Independent Director Plan") will offer these individuals an opportunity to participate in the Company's growth through awards of shares of restricted common stock subject to time-based vesting. The Company expects to grant its independent directors an annual award of 2,500 shares of restricted stock.

The Company's board of directors or a committee appointed by the board of directors will administer the Independent Director Plan, with sole authority to determine all of the terms and conditions of the awards. No awards will be granted under the Independent Director Plan if the grant or vesting of the awards would jeopardize the Company's status as a REIT under the Internal Revenue Code or otherwise violate the ownership and transfer restrictions imposed under the Company's charter.

The Company's board of directors may in its sole discretion at any time determine that all or a part of a director's time-based vesting restrictions on all or a portion of a director's outstanding shares of restricted stock will lapse, as of such date as the board may, in its sole discretion, declare. The Company's board may discriminate among participants or among awards in exercising such discretion.

The Independent Director Plan will automatically expire on the tenth anniversary of the date on which it is approved by the Company's board of directors and stockholders, unless extended or earlier terminated by the board of directors. The board of directors may terminate the Independent Director Plan at any time.

4. RELATED PARTY TRANSACTIONS

Advisory Agreement – Pursuant to the Advisory Agreement, the Advisor is entitled to specified fees for certain services, including managing the day-to-day activities and implementing the Company's investment strategy. The Advisor will enter into a sub-advisory agreement with the Sub-advisor, which will manage the Company's day-to-day affairs and the Company's portfolio of real estate investments, subject to the board's supervision and certain major decisions requiring the consent of both the Advisor and Sub-advisor. The fees to be paid and expenses to be reimbursed to the Advisor and Sub-advisor will be paid or reimbursed, respectively, in whole or in proportion to the amount of services provided or expenses incurred on the Company's behalf by the Advisor and Sub-advisor, respectively.

Organization and Offering Costs – Under the terms of the Advisory Agreement, the Company will reimburse on a monthly basis the Advisor, the Sub-advisor or their respective affiliates for cumulative organization and offering costs and future organization and offering costs they may incur on the Company's behalf but only to the extent that the reimbursement would not exceed 1.5% of gross offering proceeds over the life of the offering or cause the selling commissions, the dealer manager fee and the other organization and offering expenses borne by the Company to exceed 15.0% of gross offering proceeds as of the date of the reimbursement.

Acquisition Fee – The Company will pay the Advisor an acquisition fee related to services provided in connection with the selection and purchase or origination of real estate and real estate-related investments. The acquisition fee will be equal to 1.0% of the cost of investments acquired or originated by the Company, including acquisition or origination expenses and any debt attributable to such investments.

Asset Management Fee – The Company will pay the Advisor an asset management fee for the asset management services it provides pursuant to the advisory agreement with the Company and the Operating Partnership. The asset management fee, payable quarterly in advance (based on assets held by the Company during the previous quarter) on January 1, March 1, July 1 and October 1 will be equal to 0.25% of the sum of the cost of all real estate and real estate-related investments the Company owns and of its investments in joint ventures, including acquisition fees, acquisition and origination expenses and any debt attributable to such investments.

Development Fee – If the Company engages an affiliate of one of its sponsors to provide development services with respect to a particular property, the Company will pay a development fee in an amount that is usual and customary for comparable services rendered to similar projects in the geographic market of the project.

Financing Fee – The Company will pay its Advisor or Sub-advisor a financing fee equal to 0.75% of all amounts made available under any loan or line of credit.

Leasing Fee – If the Company engages an affiliate of one of its sponsors to provide leasing services with respect to a particular property, the Company will pay a leasing fee in an amount that is usual and customary for comparable services rendered in the geographic market of the property.

Construction Oversight Fee – If the Company engages an affiliate of one of its sponsors to provide construction oversight services with respect to a particular property, the Company will pay a construction oversight fee in an amount that is usual and customary for comparable services rendered to similar projects in the geographic market of the property.

Disposition Fee – For substantial assistance in connection with the sale of properties or other investments, the Company will pay the Advisor, Sub-advisor or their respective affiliates 2.0% of the contract sales price of each property or other investment sold. The conflicts committee will determine whether the Advisor, Sub-advisor or their respective affiliates have provided substantial assistance to the Company in connection with the sale of an asset. Substantial assistance in connection with the sale of a property includes the Advisor's or Sub-Advisor's preparation of an investment package for the property (including an investment analysis, rent rolls, tenant information regarding credit, a property title report, an environmental report, a structural report and exhibits) or such other substantial services performed by the Advisor or Sub-advisor in connection with a sale.

Subordinated Share of Cash Flows – After investors who have not redeemed their shares have received a return of their net capital contributions and an 7.0% per year cumulative, noncompounded return, the Advisor is entitled to receive 15.0% of the Company's net cash flows, whether from continuing operations, net sale proceeds or otherwise. This fee is payable only if the Company is not listed on an exchange.

Subordinated Incentive Fee – Upon the listing of the Company's common stock on a national securities exchange, the Company will pay to the Advisor a fee equal to 15.0% of the amount by which (i) the market value of the outstanding stock plus distributions paid by the Company prior to listing to investors who have not redeemed their shares exceeds (ii) the sum of the total amount of capital raised from investors who have not redeemed their shares and the amount of cash flow necessary to generate a 7.0% per year cumulative, noncompounded return to those investors.

Property Manager – All of the Company's real properties may be managed and leased by Phillips Edison & Company NTR, LLC ("Property Manager"), an affiliated property manager. The Property Manager is indirectly wholly-owned by the Company's Phillips Edison sponsor and was organized on December 9, 2009 to lease and manage real properties acquired by the Phillips Edison affiliates or other third parties.

The Company will pay to the Property Manager monthly property management fees equal to 4.5% of the annualized gross revenues of the properties managed by the Property Manager. In the event that the Company contracts directly with a non-affiliated third-party property manager in respect of a property, it will pay the Property Manager a monthly oversight fee equal to 1.0% of the annualized gross revenues of the property managed. In addition to the property management fee or oversight fee, if the Property Manager provides leasing services with respect to a property, the Company will pay the Property Manager leasing fees in an amount equal to the leasing fees charged by unaffiliated persons rendering comparable services in the same geographic location of the applicable property. The Company will reimburse the costs and expenses incurred by the Property Manager on its behalf, including legal, travel and other out-of-pocket expenses that are directly related to the management of specific properties, as well as fees and expenses of third-party accountants.

The Property Manager will hire, direct and establish policies for employees who will have direct responsibility for the operations of each real property it manages, which may include, but is not limited, to on-site managers and building and maintenance personnel. Certain employees of the Property Manager may be employed on a part-time basis and may also be employed by the Sub-advisor or certain of its affiliates. The Property Manager will also direct the purchase of equipment and supplies and will supervise all maintenance activity.

Dealer Manager – The Company's current dealer manager is Realty Capital Securities, LLC ("Dealer Manager"). The Dealer Manager is a member firm of the Financial Industry Regulatory Authority (FINRA) and was organized on August 29, 2007. The Dealer Manager is indirectly wholly-owned by the Company's ARC sponsor and will provide certain sales, promotional and marketing services in connection with the distribution of the shares of common stock offered. Excluding shares sold pursuant to the "friends and family" program, the Dealer Manager will be paid a sales commission equal to 7.0% of the gross proceeds from the sale of shares of the common stock sold in the primary offering and a dealer manager fee equal to 3.0% of the gross proceeds from the sale of shares of the common stock sold in the primary offering.

Share Purchases by Sub-advisor – The Sub-advisor has agreed to purchase on a monthly basis 0.10% of the shares sold in the Company's initial public offering at a purchase price of $9.00 per share, reflecting no dealer manager fee or selling commissions being paid on such shares. The Sub-advisor may not sell any of these shares while serving as the Sub-advisor.

5. ECONOMIC DEPENDENCY

The Company will be dependent on the Advisor, Sub-advisor or their respective affiliates, and the Property Manager for certain services that are essential to the Company, including the sale of the Company's shares of common stock, asset acquisition and disposition decisions, and other general and administrative responsibilities. In the event that the Advisor and/or the Property Manager are unable to provide such services, the Company would be required to find alternative service providers.

6. COMMITMENTS AND CONTINGENCIES

The Company is not subject to any material litigation nor, to management's knowledge, is any material litigation threatened against the Company.

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APPENDIX A

PRIOR PERFORMANCE TABLES

The following prior performance tables ("Tables") provide information relating to the real estate investment programs sponsored by: 1) Phillips Edison and its affiliates, four of which have investment objectives similar to ours and 2) ARC. Each of Phillips Edison's previous programs and investments and some of ARC's prior programs and investments were conducted through privately-held entities not subject to the up-front commissions, fees and expenses associated with this offering or all of the laws and regulations in which Phillips Edison – ARC Shopping Center REIT Inc. will be subject. In addition, Phillips Edison – ARC Shopping Center REIT Inc., is Phillips Edison's first publicly-offered investment program and Phillips Edison has never operated a public REIT before. Because of these facts, investors in Phillips Edison – ARC Shopping Center REIT Inc. should not assume that the prior performance of programs sponsored by Phillips Edison or ARC will be indicative of Phillips Edison – ARC Shopping Center REIT Inc.'s future performance.

The Tables below provide information on the performance of a number of private programs of Phillips Edison and public and private programs of ARC. This information should be read together with the summary information included in the "Prior Performance Summary" section of this prospectus.

The inclusion of the Tables does not imply that we will make investments comparable to those reflected in the Tables or that investors in our shares will experience returns comparable to the returns experienced in the programs referred to in the Tables. In addition, you may not experience any return on your investment. If you purchase our shares, you will not acquire any ownership in any of the programs to which the Tables relate.

The following tables are included herein for each of Phillips Edison and ARC:

TABLE I Experience in Raising and Investing Funds

TABLE II Compensation to Sponsor

TABLE III Operating Results of Prior Programs

TABLE IV Results of Completed Programs

TABLE V Sales or Disposals of Properties

Additional information relating to the acquisition of properties by Phillips Edison's and ARC's prior programs is contained in Table VI, which is included in Part II of the registration statement of which this prospectus is a part, which Phillips Edison – ARC Shopping Center REIT Inc. has filed with the Securities and Exchange Commission. Copies of any and all such information will be provided to prospective investors at no charge upon request.

Our determination as to which of Phillips Edison's and ARC's prior programs have investment objectives similar to ours was based primarily on the type of real estate in which the programs invested, whether through acquisitions or development of properties. Generally, we consider programs invested primarily in neighborhood and community shopping centers to have investment objectives similar to ours.

Table I
EXPERIENCE IN RAISING AND INVESTING FUNDS
(UNAUDITED)
Prior Performance is not Indicative of Future Results

Table I provides a summary of the experience of Phillips Edison in raising and investing in funds for programs that have had an offering close during the three years ended December 31, 2009. Information is provided as to the manner in which the proceeds of the offering have been applied. Phillips Edison Shopping Center Fund IV, LP (“Fund IV”) has investment objectives similar to ours. In construction of Fund IV, Phillips Edison was (is) focused on the acquisition of value-added and enhanced return assets. We intend to allocate approximately 90.0% of our portfolio to investments primarily in necessity-based neighborhood and community shopping centers throughout the United States with a focus on well-located grocery anchored shopping centers that are well occupied at the time of purchase and typically cost less than $20.0 million. We intend to allocate approximately 10.0% of our assets to enhanced return and other real estate related assets. Although this is our current target portfolio, we may make adjustments to our target portfolio based on real estate market conditions and investment opportunities.

	Similar Programs		**Other Program**
(in thousands)	**Phillips Edison Shopping Center Fund III, LP**	**Phillips Edison Shopping Center Fund IV, LP**	**Phillips Edison Strategic Investment Fund LLC**
Dollar amount offered	200,000	500,000	50,000
Dollar amount raised	275,000	119,910	65,760
Dollar amount raised (100%)	138%	24%	132%
Less offering expenses:			
Selling commissions and discounts	-	-	-
Organizational and offering expenses	816	906	77
Reserve for operations	-	-	-
Other (please footnote)	-	-	-
Percent available for investment	99.7%	99.2%	99.9%
Acquisition costs:			
Cash down Payment	323,982	22,020	22,367
Acquisition fees	-	-	-
Other (1)	12,334	649	807
Mortgage loan	659,945	52,242	37,481
Total acquisition costs	996,261	74,911	60,654
Percent leveraged	66%	70%	62%
Date offering began	Jan-05	Sep-07	Jan-07
Length of offering (in months)	12	20	4

Months to invest 90% available for investment (measured from date of offering) (2)	20	**NA**	**NA**

[(1)] Includes legal fees, environmental studies, title and other closing costs.
[(2)] As of this offering, Fund IV and the Strategic Investment Fund are currently in their investment periods and have not invested 90% of their committed capital. As assets are identified for investment equity, capital will be called to fund acquisitions throughout the remainder of the investment period.

Table II
COMPENSATION TO SPONSOR
(UNAUDITED)
Prior Performance is not Indicative of Future Results

Table II provides the amount and type of compensation paid to Phillips Edison affiliates during the three years ended December 31, 2009 in connection with each program sponsored by a Phillips Edison investment advisor that had offerings close during this period. All but one of the programs below have investment objectives similar to ours. In constructing the programs for the private portfolios, Phillips Edison was focused on the acquisition of value-added and enhanced return assets. We intend to allocate approximately 90.0% of our portfolio to investments primarily in necessity-based neighborhoods and community shopping centers throughout the United States with a focus on well-located grocery anchored shopping centers that are well occupied at the time of purchase and typically cost less than $20.0 million. We intend to allocate approximately 10.0% of our assets to enhanced return and other real estate related assets. Although this is our current target portfolio, we may make adjustments to our target portfolio based on real estate market conditions and investment opportunities. All figures are as of December 31, 2009.

	Similar Programs		Other Program
(in thousands)	Phillips Edison Shopping Center Fund III, LP	Phillips Edison Shopping Center Fund IV, LP	Phillips Edison Strategic Investment Fund LLC
Date offering commenced	Jan-05	Sep-07	Jan-07
Dollar amount raised	$ 275,000	$ 119,910	$ 65,760
Amount paid to sponsor from proceeds of offering:			
Underwriting fees	-	-	-
Acquisition fees:			
Real estate commissions	-	-	-
Advisory fees	-	-	-
Other	-	-	-
Total amount paid to sponsor	-	-	-
Dollar amount of cash generated from operations before deducting payments to sponsor	87,634	2,175	114
Amount paid to sponsor from operations:			
Property management fees	11,513	326	89
Partnership management fees	12,206	3,647	3,119
Reimbursements	3,570	170	-
Leasing commissions	8,314	249	34
Acquisition fees	-	-	500
Development fees	1,050	19	-
Totals	40,223	4,581	3,743
Dollar amount of sales and refinancing before deducting payments to sponsor:			
Cash	2,645	-	-
Notes	-	-	-
Amount paid to sponsor from sales and refinancing:			
Selling commissions	286	-	-
Incentive fees	-	-	-
Other	-	-	-
Totals	286	-	-

Table III
OPERATING RESULTS OF PRIOR PROGRAMS
(UNAUDITED)
Prior Performance is not Indicative of Future Results

Table III summarizes the operating results of programs sponsored by Phillips Edison that have had offerings close during the five years ended December 31, 2009. For these programs, this table shows: the income or loss of such programs (based upon U.S. generally accepted accounting principles (“GAAP”)); the cash generated from operations, sales and refinancings; and information regarding cash distributions. All but one of these programs has investment objectives similar to ours. In constructing the programs for the private portfolios, Phillips Edison was focused on the acquisition of value-added and enhanced return assets. We intend to allocate approximately 90% of our portfolio to investments primarily in necessity-based neighborhood and community shopping centers throughout the United States with a focus on well-located grocery anchored shopping centers that are well occupied at the time of purchase and typically cost less than $20.0 million. We intend to allocate approximately 10.0% of our assets to enhanced return and other real estate related assets. Although this is our current target portfolio, we may make adjustments to our target portfolio based on real estate market conditions and investment opportunities. All figures are as of December 31 of the year indicated.

Table III
OPERATING RESULTS OF PRIOR PROGRAMS (Continued)
(UNAUDITED)
Prior Performance is not Indicative of Future Results

(in thousands)	Phillips Edison Limited Partnership[4]				
	2005	**2006**	**2007**	**2008**	**2009**
Gross revenues	85,295	113,282	175,683	210,681	215,162
Profit on sale of properties	6,104	7,889	3,620	264	(524)
Other income (loss)	(4,165)	(40)	(122)	(2,123)	4,547
Less: Operating expenses (1)	34,359	44,092	71,678	96,315	89,344
Interest expense	32,341	45,514	84,444	110,143	79,435
Depreciation and amortization	29,325	40,002	71,955	92,578	83,766
Net income (loss) before minority interest	(8,791)	(8,477)	(48,896)	(90,214)	(33,360)
Net loss (income) allocated to minority interest holders	-	9,817	31,802	55,112	19,511
Net income (loss) - GAAP basis	(8,791)	1,340	(17,094)	(35,102)	(13,849)
Taxable Income: (2)					
- from operations	(1,377)	4,182	3,180	(8,273)	(3,293)
- from gain on sale	-	476	2,043	379	2,361
Cash generated (deficiency) from operations	13,787	22,154	32,135	35,272	44,296
Cash generated (deficiency) from sales	22,011	35,614	27,603	20,497	30,770
Cash generated from refinancing (3)	104,799	309,327	688,314	82,652	59,201
Total cash generated from operations, sales and refinancing	140,597	367,095	748,052	138,421	134,267
Less: Cash distributions to investors:					
- from operating cash flow	13,787	16,760	17,675	18,617	11,514
- from sales and refinancing	1,764	-	-	-	-
- from other	-	-	-	-	-
Cash generated (deficiency) after cash distributions (3)	125,046	350,335	730,377	119,804	122,753
Less: Special items (not including sales and refinancing)	-	-	-	-	-
Cash generated (deficiency) after cash distributions and special items	125,046	350,335	730,377	119,804	122,753
Tax and distribution data per $1,000 invested					
U.S. federal income tax results:					
Ordinary income (loss)					
- from operations	(6.18)	18.79	14.29	(62.57)	(24.91)

- from recapture	-	-	-	-	-
Capital gain (loss)	-	2.14	9.18	2.87	17.85
Cash distributions to investors					
Source (on a GAAP basis)					
- from investment income	-	5.60	-	-	-
- from return of capital	65.00	64.40	74.00	74.00	37.00
Total distribution on GAAP basis	$65.00	$70.00	$74.00	$74.00	$37.00
Source (on cash basis)					
- from sales	7.37	-	-	-	-
- from refinancings	-	-	-	-	-
- from operations	57.63	70.00	74.00	74.00	37.00
Total distributions on cash basis	$65.00	$70.00	$74.00	$74.00	$37.00
Amounts (in percentage terms) remaining in program properties as of December 31, 2009					66%

(1) Operating expenses include all general and administrative expenses.
(2) Program is compromised of partnerships, limited liability companies, real estate investment trusts and subchapter S corporations, which file tax returns for which the partners/members and stockholders are taxed on their respective shares of entity income, and accordingly, no provision for income taxes is included in the consolidated financial statements.
(3) Cash generated from financing / refinancing includes original mortgage proceeds when assets were acquired.
(4) Consolidated audited financial statements of Phillips Edison Limited Partnership and its subsidiaries. As well as being the general partner in all Phillips Edison -sponsored programs, Phillips Edison Limited Partnership has limited partner interests in the programs reported.

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Table III
OPERATING RESULTS OF PRIOR PROGRAMS
(UNAUDITED)
Prior Performance is not Indicative of Future Results

(in thousands)	Phillips Edison Shopping Center Fund III, L.P.				
	2005	**2006**	**2007**	**2008**	**2009**
Gross revenues	1,035	20,293	76,076	106,147	99,772
Profit on sale of properties	-	-	-	264	(551)
Other Income (loss)	-	-	(30)	(2,186)	(2,386)
Less: Operating expenses (1)	2,164	11,415	29,115	40,062	36,959
Interest expense	560	9,161	42,131	62,297	39,014
Depreciation and amortization	349	9,653	38,015	56,106	49,885
Net Income (loss) - GAAP basis	(2,038)	(9,936)	(33,215)	(54,240)	(29,023)
Taxable Income: (2)					
-from operations	(494)	(422)	8,549	4,940	(3,889)
-from gain on sale	-	-	-	-	-
Cash generated (deficiency) from operations	(1,415)	(104)	14,939	21,792	14,250
Cash generated (deficiency) from sales	-	-	-	1,778	4,956
Cash generated from refinancing (3)	33,895	275,380	582,575	(13,637)	(3,280)
Total cash generated from operations, sales and refinancing	32,480	275,276	597,514	9,933	15,926
Less: Cash distributions to investors:					
-from operating cash flow	-	-	-	-	-
-from sales and refinancing	-	-	22,500	-	-
-from other	-	-	-	-	-
Cash generated (deficiency) after cash distributions	32,480	275,276	575,014	9,933	15,926
Less: Special items (not including sales and refinancing)	-	-	-	-	-
Cash generated (deficiency) after cash distributions and special items	32,480	275,276	575,014	9,933	15,926
Tax and distribution Data per $1,000 Invested					
Federal income tax results:					
Ordinary income(loss)					
- from operations	(46.68)	(3.45)	31.09	18.43	(14.51)
- from recapture	-	-	-	-	-
Capital gain (loss)	-	-	-	-	-
Cash distributions to investors					
Source (on a GAAP basis)					
- from investment income	-	-	56.55	-	-
- from return of capital	-	-	25.27	-	-
Total distribution on GAAP basis	$ -	-	$ 81.82	$ -	$ -
Source (on cash basis)					
- from sales	-	-	-	-	-
- from refinancings	-	-	27.49	-	-
- from operations	-	-	54.32	-	-
Total distributions on cash basis	$ -	$ -	$ 81.82	$ -	$ -
Amounts (in percentage terms) remaining in program properties as of December 31, 2009					97%

(1) Operating expenses include all general and administrative expenses.
(2) Program qualifies as a REIT under the Internal Revenue Code for federal income tax purposes. As such, the program is generally not subject to U.S. federal income tax to the extent it distributes its REIT taxable income to its stockholders.
(3) Cash generated from financing / refinancing includes original mortgage proceeds and capital contributions when assets were acquired.

Table III
OPERATING RESULTS OF PRIOR PROGRAMS (Continued)
(UNAUDITED)
Prior Performance is not Indicative of Future Results

(in thousands)	Phillips Edison Shopping Center Fund IV, L.P. 2007	2008	2009
Gross revenues	-	2,950	7,702
Profit on sale of properties	-	-	-
Other income (loss)	-	-	-
Less: Operating expenses [1]	33	4,066	5,585
Interest expense	-	1,533	3,415
Depreciation and amortization	475	1,351	3,476
Net income (loss) - GAAP basis	(509)	(4,000)	(4,774)
Taxable Income: [2]			
-from operations	-	(1,373)	(87)
-from gain on sale	-	-	-
Cash generated (deficiency) from operations	(509)	(1,473)	(730)
Cash generated (deficiency) from sales	-	-	-
Cash generated from refinancing [3]	-	49,524	14,093
Total cash generated from operations, sales and refinancing	(509)	48,051	13,363
Less: Cash distributions to investors:			
-from operating cash flow	-	-	-
-from sales and refinancing	-	913	-
-from other	-	-	-
Cash generated (deficiency) after cash distributions [3]	(509)	47,138	13,363
Less: Special items (not including sales and refinancing)	-	-	-
Cash generated (deficiency) after cash distributions and special items	(509)	47,138	13,363
Tax and distribution data per $1,000 invested			
U.S. federal income tax results:			
Ordinary income(loss)			
- from operations	-	(61.42)	(3.38)
- from recapture	-	-	-
Capital gain (loss)	-	-	-
Cash distributions to investors [4]			
Source (on a GAAP basis)			
- from investment income	-	40.84	-
- from return of capital	-	-	-
Total distribution on GAAP basis	$ -	$ 40.84	$ -
Source (on cash basis)			
- from sales	-	-	-
- from refinancings	-	40.84	-
- from operations	-	-	-
Total distributions on cash basis	$ -	$ 40.84	$ -
Amounts (in percentage terms) remaining in program properties as of December 31, 2009			100%

[1] Operating expenses include all general and administrative expenses.
[2] Program qualifies as a REIT under the Internal Revenue Code for U.S. federal income tax purposes. To qualify as a REIT, the program must meet a number of organizational and operational requirements, including requirements to distribute at least 90% of the ordinary taxable income and to distribute to stockholders or pay tax on 100% of capital gains and to meet certain asset and income tests.
[3] Cash generated from financing / refinancing includes original mortgage financing and subsequent financings.
[4] As of this offering, this commingled fund is currently in its investment period and has not invested its entire committed capital. As such, as assets are identified for investment equity, capital will be called to fund the acquisition throughout the remainder of the investment period.

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Table III
OPERATING RESULTS OF PRIOR PROGRAMS (Continued)
(UNAUDITED)
Prior Performance is not Indicative of Future Results

(in thousands)	Phillips Edison Strategic Investment Fund		
	2007	**2008**	**2009**
Gross revenues	-	-	1,883
Profit on sale of properties	-	-	-
Other income (loss)	6	10	13,974
Less: Operating expenses [1]	22	1,840	2,718
Interest expense	-	9	411
Depreciation and amortization	77	-	798
Net income (loss) – GAAP Basis	(93)	(1,839)	11,930
Taxable income: [2]			
-from operations	-	-	(1,468)
-from gain on sale	-	-	-
Cash generated (deficiency) from operations	(93)	(1,839)	1,533
Cash generated (deficiency) from sales	-	-	
Cash generated from financing / refinancing [3]	-	2,736	60,297
Total cash generated from operations, sales and refinancing	(93)	897	61,830
Less: Cash distributions to investors:	-	-	
-from operating cash flow	-	-	-
-from sales and refinancing	-	-	-
-from other	-	-	-
Cash generated (deficiency) after cash distributions [3]	(93)	897	61,830
Less: Special items (not including sales and refinancing)			
Cash generated (deficiency) after cash distributions and special items	(93)	897	61,830
Tax and distribution data per $1,000 invested			
U.S. federal income tax results:			
Ordinary income(loss)			
- from operations	-	-	(48.98)
- from recapture	-	-	-
Capital gain (loss)	-	-	-
Cash distributions to investors			
Source (on a GAAP basis)			
- from investment income	-	-	-
- from return of capital	-	-	-
Total distribution on GAAP basis	-	-	-
Source (on cash basis)			
- from sales	-	-	-
- from refinancings	-	-	-
- from operations	-	-	-
Total distributions on cash basis	-	-	-
Amounts (in percentage terms) remaining in program properties as of December 31, 2009			100%

[1] Operating expenses include all general and administrative expenses.
[2] Program qualifies as a REIT under the Internal Revenue Code for U.S. federal income tax purposes. As such, the program is generally not subject to federal income tax to the extent it distributes its REIT taxable income to its stockholders.
[3] Cash generated from financing / refinancing includes original mortgage proceeds when assets were acquired.
[4] As of this offering, this commingled fund is currently in its investment period and has not invested its entire committed capital. As such, as assets are identified for investment equity, capital will be called to fund the acquisition throughout the remainder of the investment period.

Table IV
RESULTS OF COMPLETED PROGRAMS
(UNAUDITED)
Prior Performance is not Indicative of Future Results

Table IV summarizes the results of the programs sponsored by Phillips Edison that have completed its operations and sold all of its properties during the five years ended December 31, 2009. The programs represented in the table below had investment objectives that were similar to ours. Phillips Edison diversified the portfolios by geographic region and tenant mix as well as investment size and investment risk. In constructing the portfolios for these programs, Phillips Edison specialized in acquiring a mix of value-added, enhanced-return and core real estate assets with a focus primarily on value-added and enhanced-return assets. Like these funds, we will also seek to diversify our assets by investment risk by making investments in core properties and other real estate-related assets. We intend to allocate approximately 90% of our portfolio to investments primarily in necessity-based neighborhood and community shopping centers throughout the United States with a focus on well-located grocery anchored shopping centers that are well occupied at the time of purchase and typically cost less than $20.0 million. We intend to allocate approximately 10.0% of our assets to enhanced return and other real estate related assets. Although this is our current target portfolio, we may make adjustments to our target portfolio based on real estate market conditions and investment opportunities.

(in thousands, except per units)	**Phillips Edison Shopping Center Opportunity Fund, LLC** [1]	**Phillips Edison Shopping Center Opportunity Fund II, LLC** [2]
Dollar amount raised	19,880	57,203
Number of properties purchased	14	45
Date of closing of final offering	May-00	Mar-03
Date of first sale of property	Jul-04	Jul-04
Date of final sale of property	Jul-04	Jul-04
Tax and distribution data per $1,000 investment		
U.S. federal income tax results:		
Ordinary income (loss)		
-from operations	113.41	(114.55)
-from recapture	-	-
Capital gain (loss)	2.23	-
Deferred gain		
Capital	-	-
Ordinary	-	-
Cash distributions to investors:		
Source (on GAAP basis)		
-Investment income	1,036	259
-Return of capital	1,000	1,000
	2,036	1,259
Source (on cash basis)		
-Sales	1,059	1,152
-Refinancing	977	107
-Operations	-	-
-Other	-	-

[1] This program was a multi-investor, commingled fund that made investments through a limited liability company for which an affiliate of Messrs. Phillips and Edison served as the general partner. The investors in this partnership contributed a total of $19.9 million between May 2000 and October 2001.
[2] This program was a multi-investor, commingled fund that made investments through a limited liability company for which an affiliate of Messrs. Phillips and Edison served as the general partner. The investors in this partnership contributed a total of $57.2 million between January 2002 and June 2004.

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Table V
SALES AND DISPOSALS OF PROPERTIES
(UNAUDITED)
Prior Performance is not Indicative of Future Results

Table V presents summary information with respect to the results of sales or disposals of properties sponsored by Phillips Edison during the three years ended December 31, 2009. The table includes information about the sales proceeds received, the cash invested in the properties, the taxable gain or loss from the sales and the cash flow from the operation of the properties. Each of the programs represented in the table have or had investment objectives similar to ours. Phillips Edison diversified the portfolios by geographic region and tenant mix as well as investment size and investment risk. In constructing the portfolios for these programs, Phillips Edison specialized in acquiring a mix of value-added, enhanced-return and core real estate assets with a focus primarily on value-added and enhanced-return assets. Like these funds, we will also seek to diversify our assets by investment risk by making investments in core properties and other real estate-related assets.

We intend to allocate approximately 90% of our portfolio to investments primarily in necessity-based neighborhoods and community shopping centers throughout the United States with a focus on well-located grocery anchored shopping centers that are well occupied at the time of purchase and typically cost less than $20.0 million. We intend to allocate approximately 10.0% of our assets to enhanced return and other real estate related assets. Although this is our current target portfolio, we may make adjustments to our target portfolio based on real estate market conditions and investment opportunities.

				Selling Price, Net of Closing costs and GAAP Adjustments					Costs of Properties Including Closing and Soft Costs			
	Property	**Date Acquired**	**Date of Sale**	**Cash received net of closing costs**	**Mortgage balance at time of sale**	**Purchase money mortgage taken back by program**	**Adjustments resulting from application of GAAP**	**Total[1]**	**Original mortgage financing**	**Total acquisition cost, capital improvement closing and soft costs**	**Total**	**Excess (deficiency) of property operating cash receipts over cash expenditures total**
Phillips Edison Shopping Center Fund III, LP												
	Chuck E Cheese	6/27/07	6/8/08	617,012	747,500	-	-	1,364,512	747,500	360,758	1,108,258	(27,807)
	Ashland Station	12/20/06	11/13/09	72,493	1,207,733	-	-	1,280,226	2,236,771	711,660	2,948,431	184,478
				$ 878,100	$ 1,955,233	-	$ -	$ 2,644,737	$ 2,984,271	$ 1,072,417	$ 4,213,360	$ 156,672
Phillips Edison Limited Partnership												
	York and Walker	11/4/2004	1/13/06	1,828,569	4,407,940	-	-	6,236,509	1,766,759	2,801,515	4,568,274	-
	Lee Airport	11/9/2005	2/3/06	1,493,735	3,112,913	-	-	4,606,648	98,153	3,883,242	3,981,395	-
	Richey and Ordinance	2/24/2005	2/3/06	935,012	2,270,908	-	-	3,205,920	614,000	1,706,397	2,320,397	-
	Springville	4/27/2005	4/5/06	1,949,504	3,913,957	-	-	5,863,461	1,971,849	2,025,137	3,996,986	
	Rexburg Walgreens	11/1/2006	12/20/06	885,581	3,899,275	-	-	4,784,855	1,441,605	2,594,349	4,035,953	-
	24th & Myers	12/12/2005	2/22/07	1,121,381	4,946,150	-	-	6,067,531	1,559,782	3,471,051	5,030,834	-
	O'Reilly Auto Parts	4/7/2006	5/7/07	870,604	-	-	-	870,604	-	875,406	875,406	23,664
	O'Reilly Auto Parts	5/4/2006	5/31/07	751,348	-	-	-	751,348	-	904,038	904,038	-
	Heber City Walgreens	12/12/2006	12/10/07	1,577,936	4,594,220	-	-	6,172,155	1,969,967	2,610,953	4,580,920	-
	Reisterstown Staples	6/28/2006	12/28/07	1,551,154	4,140,780	-	-	5,691,934	4,120,000	1,034,034	5,154,034	93,519
	Oak Harbor	11/15/2006	2/7/08	274,519	6,230,938	-	-	6,505,457	2,822,200	3,464,265	6,286,465	-
	301& Hawthorne	7/18/2007	4/30/08	830,746	4,793,499	-	-	5,624,244	1,676,279	4,049,395	5,725,674	21,121
	Saratoga	5/1/2005	8/22/08	1,354,630	4,085,361	-	-	5,439,991	967,838	2,892,658	3,860,497	-
	Vernal	3/28/2006	6/3/09	1,061,767	2,989,002	-	-	4,050,769	343,486	3,413,783	3,757,268	97,448
	Brierhill & Churchville	12/2/2008	11/3/09	1,177,336	4,340,101	-	-	5,517,437	1,879,941	2,530,289	4,410,229	96,994
	River Road Walgreen's	1/5/2009	11/4/09	742,839	4,862,030	-	-	5,604,869	3,190,074	1,350,088	4,540,162	6,924
	Idaho Falls	6/1/2007	12/16/09	299,343	4,732,100	-	-	5,031,444	2,563,907	3,041,578	5,605,485	417,417
				$ 18,706,002	$63,319,174	$ -	$ -	$82,025,177	$26,985,839	$ 42,648,179	$69,634,018	$ 757,087

[1] Phillips Edison Limited Partnership recognized capital gain on the properties that it sold; Phillips Edison Shopping Center Fund III, L.P. recognized ordinary gain on the properties that it sold.

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TABLE I

EXPERIENCE IN RAISING AND INVESTING FUNDS FOR PUBLIC PROGRAM PROPERTIES

Table I provides a summary of the experience of American Realty Capital II, LLC and its affiliates as a sponsor in raising and investing funds for American Realty Capital Trust, Inc. as of and for the period from its inception on August 17, 2007 through December 31, 2009. Information is provided as to the manner in which the proceeds of the offerings have been applied and the timing and length of this offering. Proceeds raised by American Realty Capital Trust, Inc. have been invested over time as investment opportunities have arisen and no specific time period has been set for the investment of 90% of the funds. American Realty Capital Trust, Inc. is an ongoing offering through January 25, 2011 and proceeds are currently being raised through the offering period.

	(dollars in thousands)	Percentage of total Dollar Amount Raised
Dollar amount offered (total equity)	$1,500,000	
Dollar amount raised from investors	144,418	
Dollar amount raised from sponsor and affiliates from sale of special partnership units, and 20,000 of common stock	200	
Total dollar amount raised [1]	144,618	
Less offering expenses:		
Selling commissions and discounts retained by affiliates	2,823	1.95%
Organizational expenses	5,617	3.88%
Other	—	0.00%
Available for investment	$ 136,178	94.16%
Acquisition costs:		
Cash down payment – (deposit) [2]	$ 138,839	
Proceeds from mortgage financings	185,169	
Acquisition expenses	2,402	
Acquisition fees paid to sponsor	3,197	
Total acquisition costs	$ 329,607	227.92%
Cash used for acquisition costs and loans made secured by real estate	$ 144,438	
Percentage leverage (mortgage financing divided by total)	56.18%	
Date offering began	3/18/2008	
Number of offerings in the year	1	
Length of offerings (in months)	33	
Months to invest 90% of amount available for investment [3]	NA	

(1) Offering not yet completed, funds are still being raised.
(2) includes cash proceeds from short-term borrowings
(3) As of December 31, 2009, American Realty Capital Trust, Inc. is currently in its investment period and has not invested 90% of the amount offered. Assets are acquired as equity becomes available.

In the year ended December 31, 2009, American Realty Capital Trust, Inc. sold non-controlling interests in certain properties in three separate arrangements. The total amount contributed to these arrangements for the noncontrolling interests was $3.4 million. Due to the nature of these transactions, all of the related properties and associated financial data related to these arrangements are consolidated with the balances of American Realty Capital Trust, Inc.

TABLE I

EXPERIENCE IN RAISING AND INVESTING FUNDS FOR NON-PUBLIC PROGRAM PROPERTIES

Table I provides a summary of the experience of the American Realty Capital II, LLC and its affiliates as a sponsor in raising and investing funds in ARC Income Properties LLC from its inception on June 5, 2008 to December 31, 2009, ARC Income Properties II, LLC from its inception on August 12, 2008 to December 31, 2009, ARC Income Properties III, LLC from its inception on September 29, 2009 to December 31, 2009, and ARC Growth Fund, L.P. from its inception on July 24, 2008 to December 31, 2009. Information is provided as to the manner in which the proceeds of the offerings have been applied, the timing and length of this offering and the time period over which the proceeds have been invested.

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	ARC Income Properties, LLC		ARC Income Properties II, LLC		ARC Income Properties, III, LLC		ARC Growth Fund, LP	
		Percentage of total Dollar Amount Raised		Percentage of total Dollar Amount Raised		Percentage of total Dollar Amount Raised		Percentage of total Dollar Amount Raised
	(dollars in thousands)							
Dollar amount offered (unsecured debt)	$ 19,537		$13,000		$11,243		$ 7,850	
Dollar amount raised from investors	19,537		13,000		11,243		7,850	
Dollar amount contributed from sponsor and affiliates	1,975		—		—		—	
Total dollar amount raised	$ 21,512		$13,000		$11,243		$ 7,850	
Less offering expenses:								
Selling commissions and discounts retained by affiliates	$ 1,196	5.56%	$ 323	2.48%	$ 666	5.92%	$ —	0.00%
Organizational expenses	—	0.00%	—	0.00%	—	0.00%	—	0.00%
Available for investment	$ 20,316	94.44%	$12,677	97.52%	$10,577	94.08%	$ 7,850	100.00%
Acquisition costs and loans made secured by real estate:								
Equity investment (cash)	$ 11,302		$ 9,086		$10,329		$41,307	
Proceeds from mortgage financings	82,622[(1)]		33,399		14,934		19,876	
Acquisition expenses	4,734		1,905		20		1,094	
Acquisition fees paid to sponsor	2,959		423		662		1,316	
Total acquisition costs	$101,617	472.37%	$44,813	344.72%	$25,945	230.77%	$63,593	810.10%
Cash used for acquisition costs	$ 18,995		$11,414		$11,011		$43,717	

	ARC Income Properties, LLC	ARC Income Properties II, LLC	ARC Income Properties, III, LLC	ARC Growth Fund, LP
	Percentage of total Dollar Amount Raised	Percentage of total Dollar Amount Raised	Percentage of total Dollar Amount Raised	Percentage of total Dollar Amount Raised
Percentage leverage (mortgage financing divided by total acquisition costs)	81.31%	74.53%	57.56%	31.26%
Date offering began	6/09/2008	9/17/2008	9/29/2009	7/24/2008
Number of offerings in the year	1	1	1	1
Length of offerings (in months)	7	4	3	1
Months to invest 90% of amount available for investment	7	4	3	1

(1) Includes mortgage note assumed for ARC Income Properties, LLC.

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TABLE II

COMPENSATION TO SPONSOR FROM PUBLIC PROGRAM PROPERTIES

Table II summarizes the amount and type of compensation paid to American Realty Capital II, LLC and its affiliates by American Realty Capital Trust, Inc. as of and for the period from its inception on August 17, 2007 through December 31, 2009.

	(dollar in thousands)
Date offering commenced	3/18/2008
Dollar amount raised [1]	$ 144,618
Amount paid to sponsor from proceeds of offering	
Underwriting fees	$ 2,823
Acquisition fees:	
Real estate commissions	$ —
Advisory fees – acquisition fees	$ 3,197
Other – organizational and offering costs	$ 5,617
Other – financing coordination fees	$ 2,011
Dollar amount of cash generated from operations before deducting payments to sponsor	$ 1,487
Actual amount paid to sponsor from operations:	
Property management fees	$ 4
Partnership management fees	—
Reimbursements	—
Leasing commissions	—
Other (asset management fees)	145
Total amount paid to sponser from operations	$ 149
Dollar amount of property sales and refinancing before deducting payment to sponsor	
Cash	—
Notes	—
Amount paid to sponsor from property sale and refinancing:	
Real estate commissions	—
Incentive fees	—
Other	—

(1) Includes dollar amounts raised from investors and the Sponsor and its affiliates.

In the year ended December 31, 2009, American Realty Capital Trust, Inc. sold non-controlling interests in certain properties in three separate arrangements. The total amount contributed to these arrangements for the noncontrolling interests was $3.4 million. Due to the nature of these transactions, all of the related properties and associated financial data related to these arrangements are consolidated with the balances of American Realty Capital Trust, Inc.

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TABLE II
COMPENSATION TO SPONSOR FROM NON-PUBLIC PROGRAM PROPERTIES

Table II summarizes the amount and type of compensation paid to American Realty Capital II, LLC and its affiliates for ARC Income Properties LLC from its inception on June 5, 2008 to December 31, 2009, ARC Income Properties II, LLC from its inception on August 12, 2008 to December 31, 2009, ARC Income Properties III, LLC from its inception on September 29, 2009 to December 31, 2009, and ARC Growth Fund, L.P. from its inception on July 24, 2008 to December 31, 2009.

	ARC Income Properties, LLC	ARC Income Properties II, LLC	ARC Income Properties III, LLC	ARC Growth Fund, LP
		(dollars in thousands)		
Date offering commenced	6/092008	9/17/2008	9/29/2009	7/24/2008
Dollar amount raised [1]	$ 21,512	$ 13,000	$ 11,243	$ 7,850
Amount paid to sponsor from proceeds of offering				
Underwriting fees	$ 1,196	$ 323	666	—
Acquisition fees				
Real estate commissions	$ —	$	—	
Advisory fees – acquisition fees	$ 2,959	$ 423	662	1,316
Other – organizational and offering costs	$ —	$ —	—	—
Other – financing coordination fees	$ 939	$ 333	149	45
Dollar amount of cash generated from operations before deducting payments to sponsor	$ (1,195)	$ 1,731	3,537	6,163
Actual amount paid to sponsor from operations:				
Property management fees	$ —	$ —	$ —	$ —
Partnership management fees	—	—	—	—
Reimbursements	—	—	—	—
Leasing commissions	—	—	—	—
Other (explain)	—	—	—	—
Total amount paid to sponser from operations	$ —	$ —	$ —	$ —
Dollar amount of property sales and refinancing before deducting payment to sponsor				
Cash	—	—	—	11,880
Notes	—	—	—	18,281
Amount paid to sponsor from property sale and refinancing:				
Real estate commissions	—	—	—	—
Incentive fees	—	—	—	—
Other (disposition fees)	—	—	—	1,169
Other (refinancing fees)				39

(1) Includes dollar amount raised from investors and the Sponsor and its affiliates.

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TABLE III

OPERATING RESULTS OF PUBLIC PROGRAM PROPERTIES

Table III summarizes the consolidated operating results of American Realty Capital Trust, Inc. as of the dates indicated.

	Year ended December 31, 2009	Year ended December 31, 2008	Period from August 17, 2007 (date of inception) to December 31, 2007
		(dollars in thousands)	
Gross revenues	$ 15,511	$ 5,549	$ —
Profit (loss) on sales of properties	—		
Less:			
Operating expenses	1,158	2,002	1
Interest expense	10,352	4,774	—
Depreciation	6,581	2,534	—
Amortization	1,735	522	—
Net income (loss) before noncontrolling interests – GAAP Basis	(4,315)	(4,283)	(1)
Net income (loss) attributable to noncontrolling interests – GAAP Basis	49	—	—
Net income (loss) attributable to American Realty Capital Trust, Inc.	$ (4,266)	$ (4,283)	$ (1)
Taxable income (loss)			
From operations	$ (4,266)	$ (4,283)	$ (1)
From gain (loss) on sale		—	
Cash generated from (used by) operations [1]	$ (2,526)	$ 4,013	$ (200)
Cash generated from sales	—	—	—
Cash generated from refinancing	—	—	—
Cash generated from operations, sales and refinancing	$ (2,526)	$ 4,013	$ (200)
Less: Cash distribution to investors			
From operating cash flow	$ 1,818	$ 296	$ —
From sales and refinancing	—	—	—
From other	70	—	—
Cash generated after cash distributions	$ (4,414)	$ 3,717	$ (200)
Less: Special items			
Cash generated after cash distributions and special items	$ (4,414)	$ 3,717	$ (200)
Tax and distribution data per $1,000 invested			
Federal income tax results: [2] [3]			
Ordinary income (loss)			
from operations	—	(0.33)	—
from recapture	—	—	—
Capital gain (loss)	—	—	—
Cash distributions to investors			
Source (on GAAP Basis)			
Investment income	—	—	—
Return of capital	—	1.22	—
Source (on GAAP basis)			
Sales	—	—	—
Refinancing	—	—	—
Operations	—	1.22	—
Other	—	—	—

(1) Includes cash paid for interest

(2) Based on amount raised at end of each period

(3) Federal income tax information for the year ended December 31, 2009 is not finalized as of the date of this filing.

ARC Income Properties II, LLC, is a private offering of debt securities. The structure of this program is such that it is required to be consolidated with the financial results of American Realty Capital Trust, Inc. in accordance with generally accepted accounting principals and therefore it is included in Table III, Operating Results for American Realty Capital Trust, Inc. However since it on a stand alone basis is a privately funded program, we have also included it in information about private programs.

In the year ended December 31, 2009, American Realty Capital Trust, Inc. sold non-controlling interests in certain properties in three separate arrangements. The total amount contributed to these arrangements for the noncontrolling interests was $3.4 million. Due to the nature of these transactions, all of the related properties and associated financial data related to these arrangements are consolidated with the balances of American Realty Capital Trust, Inc.

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TABLE III

OPERATING RESULTS OF NON-PUBLIC PROGRAM PROPERTIES

Table III summarizes the consolidated operating results of ARC Income Property, LLC and ARC Income Property II, LLC., as of the dates indicated.

	ARC Income Properties, LLC		ARC Income Properties II, LLC		ARC Income Properties III, LLC	ARC Growth Fund, LP	
	Year ended December 31, 2009	Period from June 5, 2008 (Date of Inception) to December 31, 2008	Year ended December 31, 2009	Period from August 12, 2008 to December 31, 2008	Period from September 29, 2009 to December 31, 2009	Year ended December 31, 2009	Period from July 25, 2008 to December 31, 2008
			($ in thousands)				
Gross revenues	$ 5,347	$ 1,341	$ 3,423	$ 337	$ 341	$ 113	$ 8
Profit (loss) on sales of properties						(5,714)	9,746
Less:							
Operating expenses	2,847	5	7	—	33	560	2,004
Interest expense	6,576	1,609	3,185	173	387	1,323	597
Depreciation	2,676	909	1,758	200	127	539	344
Amortization	886	—	670	—	42	—	—
Net income – GAAP Basis	$ (7,638)	$ (1,182)	$ (2,197)	$ (36)	$ (248)	$ (8,023)	$ 6,809
Taxable income (loss)							
From operations	$ (7,638)	$ (1,182)	$ (2,197)	$ (36)	$ (248)	$ (2,309)	$ (2,937)
From gain (loss) on sale	$ —	$ —	$ —	$ —	$ —	$ (5,714)	$ 9,746
Cash generated from (used by) operations (1)	$ (1,195)	$ 1,154	$ (2,282)	$ 4,013	$ 3,537	$ (1,769)	$ (3,226)
Cash generated from sales	—	—	—	—	—	(447)	11,158
Cash generated from refinancing	—	—	—	—	—	—	—
Cash generated from operations, sales and refinancing (1)	(1,195)	1,154	(2,282)	4,013	3,537	(2,216)	7,932
Less: Cash interest payments made to investors							
From operating cash flow	$ —	$ —	$ —	$ —	$ —	$ —	$ —
From sales and refinancing	$ —	$ —	$ —	$ —	$ —	$ —	$ —
From other	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Cash generated after cash distributions	$ (1,195)	$ 1,154	$ (2,282)	$ 4,013	$ 3,537	$ (2,216)	$ 7,932

Less: Special items							
Cash generated after cash distributions and special items	$(1,195)	$1,154	$(2,282)	$4,013	$3,537	$(2,216)	$ 7,932

(1) Includes interest expense for payments to investors

Note-non-public programs are combined with other entities for federal income tax reporting purposes Therefore federal income tax results for these programs is not presented.

ARC Income Properties II, LLC, is a private offering of debt securities. The structure of this program is such that it is required to be consolidated with the financial results of American Realty Capital Trust, Inc. in accordance with generally accepted accounting principals and therefore it is included in Table III, Operating Results for American Realty Capital Trust, Inc. However since it on a stand alone basis is a privately funded program, we have also included it in information about private programs.

TABLE IV

RESULTS OF COMPLETED PUBLIC PROGRAMS OF THE ARC SPONSOR AND ITS AFFILIATES

Not applicable.

TABLE IV

RESULTS OF COMPLETED NON-PUBLIC PROGRAMS OF THE ARC SPONSOR AND ITS AFFILIATES

Not applicable.

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TABLE V

SALES OR DISPOSALS OF ARC PUBLIC PROGRAM PROPERTIES

Not applicable.

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TABLE V

SALES OR DISPOSALS OF NON-PUBLIC PROGRAM PROPERTIES

Table V provides summary information on the results of sales or disposals of properties by non-public prior programs having similar investment objectives to ours. All figures below are through December 31, 2009.

ARC Growth Partnership, LP [1]

			Selling Price Net of Closing Costs and GAAP Adjustments					Costs of properties Including Closing Costs and Soft Costs			
Property	Date Acquired	Date of Sale	Cash Received (cash deficit) Net of Closing Costs [1]	Mortgage Balance at Time of Sale	Purchase Money Mortgage Taken Back by Program [2]	Adjustments Resulting From Application of GAAP [3]	Total [4]	Original Mortgage Financing	Total Acquisition Costs, Capital Improvement Costs, Closing and Soft Costs [5]	Total	Excess (Deficit) of Property Operating Cash Receipts Over Cash Expenditures [6]
Bayonet Point, FL	July-08	July-08	$ 628	$ -	$ -	$ -	$ 628	$ -	$ 642	$ 642	$ -
Boca Raton, FL	July-08	July-08	2,434	-	-	-	2,434	-	2,000	2,000	-
Bonita Springs, FL	July-08	May-09	(459)	1,207	-	-	748	1,207	543	1,750	(29)
Clearwater, FL	July-08	September-08	253	539	-	-	792	539	371	910	(3)
Clearwater, FL	July-08	October-08	(223)	582	-	-	359	582	400	982	(3)
Destin, FL	July-08	July-08	1,358	-	-	-	1,358	-	1,183	1,183	-
Englewood, FL	July-08	November-08	138	929	-	-	1,067	929	632	1,561	(13)
Fort Myers, FL	July-08	July-08	2,434	-	-	-	2,434	-	1,566	1,566	-
Naples, FL	July-08	July-08	2,727	-	-	-	2,727	-	1,566	1,566	-
Palm Coast, FL	July-08	September-08	891	1,770	-	-	2,661	1,770	-530	1,240	(8)
Pompano Beach, FL	July-08	October-08	1,206	2,162	-	-	3,368	2,162	-411	1,751	(8)
Port St. Lucie, FL	July-08	August-09	(60)	654	-	-	594	654	648	1,302	(40)
Punta Gorda, FL	July-08	July-08	2,337	-	-	-	2,337	-	2,143	2,143	-
Vero Beach, FL	July-08	February-09	87	830	-	-	917	830	565	1,395	(13)
Cherry Hill, NJ	July-08	July-08	1,946	-	-	-	1,946	-	2,225	2,225	-
Cranford, NJ	July-08	July-08	1,453	-	-	-	1,453	-	725	725	-
Warren, NJ	July-08	July-08	1,375	-	-	-	1,375	-	1,556	1,556	-
Westfield, NJ	July-08	July-08	2,539	-	-	-	2,539	-	2,230	2,230	-
Lehigh Acres, FL	July-08	August-09	(207)	758	-	-	551	758	752	1,510	(28)
Alpharetta, GA	July-08	December-08	98	914	-	-	1,012	914	617	1,531	(9)
Atlanta, GA	July-08	September-08	825	1,282	-	-	2,107	1,282	862	2,144	(27)
Columbus, GA	July-08	December-08	(43)	111	-	-	68	111	85	196	(3)
Duluth, GA	July-08	July-08	1,851	-	-	-	1,851	-	1,457	1,457	-
Oakwood, GA	July-08	September-08	49	898	-	-	947	898	607	1,505	(1)
Riverdale, GA	July-08	August-09	(104)	471	-	-	367	471	286	757	(12)
Laurinburg, NC	July-08	July-08	188	-	-	-	188	-	197	197	-
Haworth, NJ	July-08	July-08	1,781	-	-	-	1,781	-	1,834	1,834	-
Fredericksburg, VA	August-08	August-08	2,432	-	-	-	2,432	-	2,568	2,568	-
Dallas, PA	August-08	August-08	1,539	-	-	-	1,539	-	366	366	-
Virginia Beach, VA	August-08	August-08	1,210	-	-	-	1,210	-	930	930	-
Baytown, TX	August-08	August-08	3,205	-	-	-	3,205	-	1,355	1,355	-
Bradenton, FL	November-08	November-08	778	-	-	-	778	-	748	748	-
Sarasota, FL	November-08	November-08	1,688	-	-	-	1,688	-	867	867	-
Tuscaloosa, AL	November-08	November-08	580	-	-	-	580	-	242	242	-
Palm Harbor, FL	November-08	November-08	1,064	-	-	-	1,064	-	790	790	-
Reading, PA	November-08	November-08	137	-	-	-	137	-	248	248	-
St. Augustine, FL	November-08	November-08	1,936	-	-	-	1,936	-	1,428	1,428	-
Cumming, GA	December-08	December-08	1,227	-	-	-	1,227	-	810	810	-

Suffolk, VA	December-08	February-09	115	172	-	-	287	172	129	301	(1)
Titusville, FL	December-08	December-08	321	-	-	-	321	-	260	260	-
West Caldwell, NJ	December-08	September-09	333	898	-	-	1,231	357	358	715	15
Palm Coast, FL	December-08	December-08	507	-	-	-	507	-	599	599	-
Mableton, GA	December-08	December-08	676	-	-	-	676	-	696	696	-
Warner Robins, GA	January-09	January-09	149	-	-	-	149	-	257	257	-
Philadelphia, PA	January-09	October-09	291	1,474	-	-	1,765	552	1,105	1,657	3
Stockholm, NJ	December-08	November-09	(29)	240	-	-	211	240	438	678	(46)
Sebastian, FL	July-08	December-09	(104)	654	-	-	550	654	1,302	1,956	(102)
Fort Myers, FL	July-08	December-09	(314)	795	-	-	481	795	1,582	2,377	(113)
			$ 43,243	$ 17,340	$ -	$ -	$ 60,583	$ 15,877	$ 41,829	$ 57,706	$ (441)

ARC Growth Partnership, LP mutually terminated the contractual agreement with Wachovia Bank, N.A. in March 2009, and has not acquired any vacant bank branches following this termination. ARC Growth Partnership, LP is currently in the process of selling its remaining assets.

(1) Sale of property was to a related party.

(2) No purchase money mortgages were taken back by any program.

(3) Financial information for programs is prepared in accordance with GAAP, therefore GAAP adjustments are not applicable.

(4) All taxable gains were categorized as capital gains. None of these sales were reported on the installment basis.

(5) Amounts shown do not include a pro rata share of the offering costs. There were no carried interests received in lieu of commissions in connection with the acquisition of property.

(6) Amounts exclude the amounts included under “Selling Price Net of Closing Costs and GAAP Adjustments” or “Costs of Properties Including Closing Costs and Soft Costs” and exclude costs incurred in administration of the program not related to the operation of the property.

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APPENDIX A-1: PRIOR PERFORMANCE OF AMERICAN FINANCIAL REALTY TRUST

AMERICAN FINANCIAL REALTY TRUST

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31, 2006, 2005 and 2004
(In thousands, except per share data)
(unaudited)

	Year Ended December 31,		
	2006	2005	2004
Revenues:			
Rental income	$ 253,485	$ 219,689	$ 148,695
Operating expense reimbursements	166,712	155,181	81,101
Interest and other income	6,425	5,202	3,143
Total revenues	426,622	380,072	232,939
Expenses:			
Property operating expenses:			
Ground rents and leasehold obligations	14,336	13,427	8,726
Real estate taxes	42,868	35,232	21,659
Property and leasehold impairments	5,500	144	446
Other property operating expenses	166,310	142,148	73,730
Total property operating expenses	229,014	190,951	104,561
Marketing, general and administrative	24,934	24,144	23,888
Broken deal costs	176	1,220	227
Repositioning	9,065	—	—
Amortization of deferred equity compensation	8,687	10,411	9,078
Outperformance plan – contingent restricted share component	—	—	(5,238)
Severance and related accelerated amortization of deferred compensation	21,917	4,503	1,857
Interest expense on mortgages and other debt	142,432	120,514	72,121
Depreciation and amortization	126,307	115,439	74,427
Total expenses	562,532	467,182	280,921
Loss before net gain on sale of land, equity in loss from joint venture, net loss on investments, minority interest and discontinued operations	(135,910)	(87,110)	(47,982)
Gain on sale of land	2,043	1,596	80
Equity in loss from joint venture	(1,397)	—	—
Net loss on investments	—	(530)	(409)
Loss from continuing operations before minority interest	(135,264)	(86,044)	(48,311)
Minority interest	2,686	1,984	1,835
Loss from continuing operations	(132,578)	(84,060)	(46,476)
Discontinued operations:			
Loss from operations before yield maintenance fees, net of minority interest of $1,850, $3,062 and $114 for the years ended December 31, 2006, 2005 and 2004, respectively	(79,174)	(29,182)	(1,252)
Yield maintenance fees, net of minority interest of $15,564, $16 and $103 for the years ended December 31, 2006, 2005 and 2004, respectively	(46,402)	(567)	(3,060)

	Year Ended December 31,		
	2006	2005	2004
Net gains on disposals, net of minority interest of $74,046, $562 and $934 for the years ended December 31, 2006, 2005 and 2004 respectively	237,556	20,194	28,543
Income (loss) from discontinued operations	111,980	(9,555)	24,231
Net loss	$ (20,598)	$ (93,615)	$ (22,245)
Basic and diluted income (loss) per share:			
From continuing operations	$ (1.04)	$ (0.71)	$ (0.45)
From discontinued operations	$ 0.87	$ (0.07)	$ 0.23
Total basic and diluted loss per share	$ (0.17)	$ (0.78)	$ (0.22)

See accompanying notes to consolidated financial statements.

AMERICAN FINANCIAL REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2006, 2005 and 2004
(In thousands)
(unaudited)

	Year Ended December 31,		
	2006	2005	2004
Cash flows from operating activities:			
Net loss	$ (20,598)	$ (93,615)	$ (22,245)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Depreciation	137,420	138,990	93,241
Minority interest	53,946	(4,500)	(1,118)
Amortization of leasehold interests and intangible assets	36,351	38,887	18,145
Amortization of above- and below-market leases	1,160	(120)	1,539
Amortization of deferred financing costs	13,708	12,656	5,006
Amortization of deferred compensation	13,031	13,440	10,273
Amortization of discount on pledged treasury securities	(359)	—	—
Non-cash component of Outperformance Plan	—	—	(5,238)
Non-cash compensation charge	273	262	244
Impairment charges	65,116	3,581	4,060
Net equity in loss from joint venture	1,397	—	—
Net gain on sales of properties and lease terminations	(315,077)	(23,006)	(30,076)
Net loss on sales of investments	—	530	409
Increase in restricted cash	(3,792)	(17,646)	(21,246)
Leasing costs	(18,154)	(8,404)	(17,349)
Payments received from tenants for lease terminations	1,947	440	2,061
Decrease (increase) in operating assets:			
Tenant and other receivables, net	(23,405)	(19,601)	(22,055)
Prepaid expenses and other assets	(2,777)	(81)	(16,466)
Increase (decrease) in operating liabilities:			
Accounts payable	4,447	(709)	3,138
Accrued expenses and other liabilities	(3,034)	(10,469)	44,972
Deferred revenue and tenant security deposits	31,711	50,002	71,325
Net cash (used in) provided by operating activities	(26,689)	80,637	118,620
Cash flows from investing activities:			
Payments for acquisitions of real estate investments, net of cash acquired	(192,669)	(806,951)	(2,006,703)
Capital expenditures	(50,043)	(41,559)	(15,786)
Proceeds from sales of real estate and non-real estate assets	1,421,613	125,583	245,990
(Increase) decrease in restricted cash	590	1,601	(10,461)
Investment in joint venture	(23,300)	—	—
Sales of investments	1,116	21,240	52,880
Purchases of investments	(33,082)	(659)	(10,032)
Net cash provided by (used in) investing activities	1,124,225	(700,745)	(1,744,112)
Cash flows from financing activities:			
Repayments of mortgages, bridge notes payable and credit facilities	(1,207,580)	(594,063)	(274,398)
Proceeds from mortgages, bridge notes payable and credit facilities	327,878	1,108,652	1,531,425
Proceeds from issuance of convertible senior notes, net	—	—	434,030
Payments for deferred financing costs, net	(2,118)	(838)	(25,758)
Proceeds from common share issuances, net	1,185	244,442	7,552
Redemption of Operating Partnership units	—	(4,405)	(31,112)
Contributions by limited partners	—	353	—
Dividends and distributions	(221,140)	(134,395)	(116,799)
Net cash (used in) provided by financing activities	(1,101,775)	619,746	1,524,940

See accompanying notes to consolidated financial statements.

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AMERICAN FINANCIAL REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2006, 2005 and 2004
(In thousands)
(unaudited)

	Year Ended December 31,		
	2006	2005	2004
Decrease in cash and cash equivalents	(4,239)	(362)	(100,552)
Cash and cash equivalents, beginning of year	110,245	110,607	211,159
Cash and cash equivalents, end of year	$106,006	$110,245	$ 110,607
Supplemental cash flow and non-cash information:			
Cash paid for interest	$248,170	$166,533	$ 76,582
Cash paid for income taxes	$ 687	$ 24	$ 1,693
Debt assumed in real estate acquisitions	$ —	$ 78,645	$ 48,072
Operating Partnership units issued to acquire real estate	$ —	$ —	$ 35,867
Non-cash acquisition costs	$ —	$ 2,367	$ —

See accompanying notes to consolidated financial statements.

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APPENDIX A-2: RESULTS OF NICHOLAS S. SCHORSCH'S COMPLETED PROGRAMS
(unaudited)

Year	Number of Properties Acquired	Aggregate Purchase Price of Properties Acquired	Number of Properties Sold	Aggregate Gross Proceeds from Sale of Properties	Aggregate Net Gain on Sales	Number of Properties Sold to AFR	Aggregate Gross Proceeds from Sale of Properties to AFR	Aggregate Net Gain on Sales to AFR
1998	105	$ 22,373,000	15	$ 8,054,000	$ 4,227,000	—	$ —	$ —
1999	33	18,825,000	16	8,418,000	4,468,000	—	—	—
2000	8	142,931,000	33	21,871,000	8,934,000	—	—	—
2001	71	24,126,000	45	22,921,000	4,107,000	—	—	—
2002	59	64,030,000	63	32,130,000	11,377,000	93	230,500,000	N/A(1)
2003	—	—	11	54,347,000	2,567,000	—	—	—
Total	276	$272,285,000	183	$147,741,000	$35,680,000	93	$230,500,000	$ —

(1) "The consideration received was principally limited partnership units in AFR's operating partnership and some cash. The net aggregate gain on the sale to AFR can not be determined since the registrant has no information as to what each investor did with his or her limited partnership units after the initial transfer to AFR in 2002."

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APPENDIX B

FORM OF SUBSCRIPTION AGREEMENT

PHILLIPS EDISON – ARC SHOPPING CENTER REIT INC.

INSTRUCTION PAGE

In no event may a subscription of shares be accepted until at least five business days after the date the subscriber receives the final prospectus. You will receive a confirmation of your purchase.

PLEASE MAIL the properly completed and executed ORIGINALS of the subscription agreement with your check made payable to: "Wells Fargo, NA, Escrow Agent for Phillips Edison – ARC Shopping Center REIT Inc."

Mail completed documents to:

Phillips Edison – ARC Shopping Center REIT Inc.
c/o DST Systems, Inc.
430 W. 7 th Street
Kansas City, MO 64105-1407
Phone (866) 771-2088
Fax (877) 694-1113

*For IRA Accounts, mail investor signed documents to the IRA Custodian for signatures.

If you have any questions, please call your registered representative or Realty Capital Securities, LLC at 1-877-373-2522.

Instructions to Subscribers

Section 1: Indicate investment amount (**Make all checks payable to "**Wells Fargo, NA**, Escrow Agent for Phillips Edison – ARC Shopping Center REIT Inc."**)

Section 2: Choose type of ownership

Non-Custodial Ownership

— Accounts with more than one owner must have **ALL PARTIES SIGN** where indicated on page 3.

— Be sure to attach copies of all plan documents for Pension Plans, Trusts or Corporate Partnerships required in section 2.

Custodial Ownership

For New IRA/Qualified Plan Accounts, please complete the form/application provided by your custodian of choice in addition to this subscription document and forward to the custodian for processing.

For existing IRA Accounts and other Custodial Accounts, information must be completed BY THE CUSTODIAN . Have all documents signed by the appropriate officers as indicated in the Corporate Resolution (which are also to be included).

Section 3: All names, addresses, Dates of Birth, Social Security or Tax I.D. numbers of all investors or Trustees

Section 4: Choose Dividend Allocation option

Section 5: To be signed and completed by your Financial Advisor (be sure to include CRD number for FA and BD Firm and the Branch Manager's signature)

Section 6: Have **ALL** owners initial and sign where indicated on Page 3

Section 7: All investors must complete and sign the substitute W9

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PHILLIPS EDISON – ARC SHOPPING CENTER REIT INC.
SUBSCRIPTION AGREEMENT

1. YOUR INITIAL INVESTMENT All subscription payments (other than those from Pennsylvania residents) will be placed in an account held by the escrow agent, Wells Fargo, NA, in trust for subscribers' benefit, and will be released to us only if we have sold a minimum of 250,000 shares to the public by , 2011, which is one year from the effective date of this offering. We will not sell any shares to Pennsylvania residents unless we sell a minimum of 5,000,000 shares, to all investors pursuant to this offering by , 2011, which is one year from the effective date of this offering. Pending a satisfaction of this condition, all subscription payments from Pennsylvania residents will be placed in an account held by the escrow agent, Wells Fargo, NA, in trust for subscribers' benefit, pending release to us. Funds in escrow will be invested in short-term investments that mature on or before , 2011, which is one year from the effective date of this offering, or that can be readily sold or otherwise disposed of for cash by such date without any dissipation of the offering proceeds invested.

Make all checks payable to "Wells Fargo, NA, Escrow Agent for Phillips Edison – ARC Shopping Center REIT Inc."

Investment Amount $ Brokerage Account Number

The minimum initial investment is 250 shares ($2,500) (If applicable)

Cash, cashier's checks/official bank checks in bearer form, foreign checks, money orders, third party checks, or traveler's checks will not be accepted.

☐ I/WE AM/ARE EMPLOYEE(S) OF REALTY CAPITAL SECURITIES, LLC, AN AFFILIATE, BROKER AND/OR AN IMMEDIATE FAMILY MEMBER OF ONE OF THE ABOVE. I/WE ACKNOWLEDGE THAT I/WE WILL **NOT BE PAID A COMMISSION** FOR THIS PURCHASE, BUT **WILL RECEIVE ADDITIONAL SHARES OR FRACTIONS THEREOF**.

☐ CHECK HERE IF ADDITIONAL PURCHASE AND COMPLETE NUMBER 3 BELOW.

2. FORM OF OWNERSHIP (*Select only one)*

Non-Custodial Ownership

____ **Individual**

____ **Joint Tenant** *(Joint accounts will be registered as joint tenants with rights of survivorship unless otherwise indicated)*

____ **Tenants in Common**

____ **TOD** – *Optional designation of beneficiaries for individual joint owners with rights of survivorship or tenants by the entireties.(Please complete Transfer on Death Registration Form. You may download the form at* ***www.americanrealtycap.com/materials***

____ **Uniform Gift/Transfer to Minors (UGMA/UTMA)**

Under the **UGMA/UTMA** of the State of __________

____ **Pension Plan** *(Include Plan Documents)*

____ **Trust** *(Include title and signature pages of Trust Documents)*

____ **Corporation or Partnership** (Include Corporate Resolution or Partnership Agreement, as applicable)

____ **Other** __________________ *(Include title and signature pages)*

Custodial Ownership

Third Party Administered Custodial Plan
(new IRA accounts will require an additional application)
☐ IRA ☐ ROTH/IRA ☐ SEP/IRA
☐ SIMPLE ☐ OTHER

Name of Custodian

Mailing Address

City, State Zip

Custodian Information ***(To be completed by Custodian above)***

Custodian Tax ID #

Custodian Account #

Custodian Phone

3. INVESTOR INFORMATION (Please print name(s) in which Shares are to be registered.)

A. Individual/Trust/Beneficial Owner

First Name: Middle Name:

Last Name: **Tax ID or SS#** :

Street Address: City: State: Zip:

Date of Birth: (mm/dd/yyyy) ____/____/______ If Non-U.S. Citizen, specify Country of Citizenship:

Daytime Phone #: U. S. Driver's License Number (if available): State of Issue:

CALIFORNIA INVESTORS: ALL CERTIFICATES REPRESENTING SHARES WHICH ARE SOLD IN THE STATE OF CALIFORNIA WILL BEAR THE FOLLOWING LEGEND CONDITIONS: IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THIS SECURITY OR ANY INTEREST THEREIN, OR TO RECEIVE ANY CONSIDERATION THEREFOR, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSIONER OF CORPORATIONS FOR THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED IN THE COMMISSIONER'S RULES.

Any subscriber seeking to purchase shares pursuant to a discount offered by us must submit such request in writing and set forth the basis for the request. Any such request will be subject to our verification.

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B. Joint Owner/Co-Trustee/Minor

First Name: Middle Name:

Last Name: **Tax ID or SS#** :

Street Address: City: State: Zip:

Date of Birth: (mm/dd/yyyy) ____/____/______ If Non-U.S. Citizen, specify Country of Citizenship:

Daytime Phone #:

C. Residential Street Address *(This section must be completed for verification purposes if mailing address in section 3A is a P.O. Box)*

Street Address:

City: State: Zip:

D. Trust/Corporation/Partnership/Other *(Trustee's information must be provided in sections 3A and 3B)*

Date of Trust: ____/____/______

Entity Name/Title of Trust: Tax ID Number:

E. Government ID *(Foreign Citizens only) Identification documents must have a reference number and photo. Please attach a photocopy.*

Place of Birth: City State/Providence Country

Immigration Status: Permanent resident ☐ Non-permanent resident ☐ Non-resident ☐

Check which type of document you are providing:

☐ US Driver's License ☐ INS Permanent resident alien card ☐ Passport with U.S. Visa ☐ Employment Authorization Document

☐ Passport without U.S. Visa Bank Name (required): Account No. (required):

☐ Foreign national identity documents Bank address (required): Phone No. required:

Number for the document checked above and country of issuance:

F. Employer: Retired: ☐

4. DISTRIBUTIONS *(Select only one)*

Complete this section to enroll in the Distribution Reinvestment Plan or to elect how you wish to receive your dividend distributions.

IRA accounts may not direct distributions without the custodian's approval.

I hereby subscribe for Shares of Phillips Edison – ARC Shopping Center REIT Inc. and elect the distribution option indicated below:

A. ____ Reinvest/Distribution Reinvestment Plan (see the final prospectus for details)

B. ____ Mail Check to the address of record

C. ____ Credit Dividend to my IRA or Other Custodian Account

D. Cash/Direct Deposit *(Please attach a pre-printed voided check (Non-Custodian Investors only)* . I authorize Phillips Edison – ARC Shopping Center REIT Inc. or its agent to deposit my distribution/dividend to my checking or savings account. This authority will remain in force until I notify Phillips Edison – ARC Shopping Center REIT Inc. in writing to cancel it. If Phillips Edison – ARC Shopping Center REIT Inc. deposits funds erroneously into my account, they are authorized to debit my account for an amount not to exceed the amount of the erroneous deposit.)

Name/Entity Name/Financial Institution:
Mailing Address: City: State: Zip:

Account Number: Your Bank's ABA/Routing Nbr:

Your Bank's Account Number: Checking Acct: Savings Acct:

PLEASE ATTACH COPY OF VOIDED CHECK TO THIS FORM IF FUNDS ARE TO BE SENT TO A BANK

* The above services cannot be established without a pre-printed voided check. For electronic funds transfers, signatures of bank account owners are required exactly as they appear on the bank records. If the registration at the bank differs from that on this Subscription Agreement, all parties must sign below.

Signature

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5. BROKER-DEALER/FINANCIAL ADVISOR INFORMATION (All fields must be completed)

The financial advisor must sign below to complete order. The financial advisor hereby warrants that he/she is duly licensed and may lawfully sell shares in the state designated at the investor's legal residence.

BROKER DEALER **Financial Advisor Name/RIA**

Advisor Mailing Address

City **State** **Zip**

Advisor No. **Branch No.**

Telephone No.

Email Address **Fax No.**

Broker Dealer CRD Number **Financial Advisor CRD Number**

☐ **AFFILIATED REGISTERED INVESTMENT ADVISOR (RIA):** All sales of securities must be made through a Broker-Dealer. If an RIA introduces a sale, the sale must be conducted through the RIA in his or her capacity as a Registered Representative of Broker-Dealer (Section 5 must be filled in).

I acknowledge that by checking the above box, I WILL NOT RECEIVE A COMMISSION.

The undersigned **FINANCIAL ADVISOR** further represents and certifies that in connection with this subscription for Shares, he/she has complied with and has followed all applicable policies and procedures under his firm's existing Anti-Money Laundering Program and Customer Identification Program.

Financial Advisor and /or RIA Signature: Date:

Branch Manager Signature: Date:

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6. SUBSCRIBER SIGNATURES

The undersigned further acknowledges and/or represents (or in the case of fiduciary accounts, the person authorized to sign on such subscriber's behalf) the following: (**you must initial each of the representations below**)

Owner	**Co-Owner**	a) I/We have a minimum net worth (not including home, home furnishings and personal automobiles) of at least $70,000 and estimate that (without regard to Phillips Edison – ARC Shopping Center REIT Inc.) I/we have a gross income due in the current year of at least $70,000; or I/we have a net worth (excluding home, home furnishings and automobiles) of at least $250,000, and such higher suitability as may be required by certain states and set forth on the reverse side hereof; in the case of sales to fiduciary accounts, the suitability standards must be met by the beneficiary, the fiduciary account or by the donor or grantor who directly or indirectly supplies the funds for the purchase of the shares.
Owner	**Co-Owner**	b) I/We have received the final prospectus of Phillips Edison – ARC Shopping Center REIT Inc.
Owner	**Co-Owner**	c) I/We am/are purchasing shares for my/our own account.
Owner	**Co-Owner**	d) I/We acknowledge that shares are not liquid.
Owner	**Co-Owner**	e) If an affiliate of Phillips Edison – ARC Shopping Center REIT Inc., I/we represent that the shares are being purchased for investment purposes only and not for immediate resale.

Owner Signature: Date:

Co-Owner Signature: Date:

Signature of Custodian(s) or Trustee(s) (if applicable). Current Custodian must sign if investment is for an IRA Account

Authorized Signature (Custodian or Trustee): Date:

CERTAIN STATES HAVE IMPOSED SPECIAL FINANCIAL SUITABILITY STANDARDS FOR SUBSCRIBERS WHO PURCHASE SHARES

General Standards for all Investors

- Investors must have either (a) a net worth of at least $250,000 or (b) an annual gross income of $70,000 and a minimum net worth of $70,000.

Kentucky

- Investors must have either (a) a net worth of $250,000 or (b) a gross annual income of at least $70,000 and a net worth of at least $70,000, with the amount invested in this offering not to exceed 10% of the Kentucky investor's liquid net worth.

Massachusetts, Michigan, Ohio, Iowa, Oregon, Pennsylvania and Washington

- Investors must have either (a) a minimum net worth of at least $250,000 or (b) an annual gross income of at least $70,000 and a net worth of at least $70,000. The investor's maximum investment in the issuer and its affiliates cannot exceed 10% of the Massachusetts, Michigan, Ohio, Iowa, Oregon, Pennsylvania or Washington resident's net worth.

Tennessee

- In addition to the suitability requirements described above, investors' maximum investment in our shares and our affiliates shall not exceed 10% of the resident's net worth.

Kansas

- In addition to the suitability requirements described above, it is recommended that investors should invest no more than 10% of their liquid net worth in our shares and securities of other real estate investment trusts. "Liquid net worth" is defined as that portion of net worth (total assets minus total liabilities) that is comprised of cash, cash equivalents and readily marketable securities.

Missouri

- In addition to the suitability requirements described above, no more than ten percent (10%) of any one (1) Missouri investor's liquid net worth shall be invested in the securities registered by us for this offering with the Securities Division.

California

- In addition to the suitability requirements described above, investors' maximum investment in our shares will be limited to 10% of the investor's net worth (exclusive of home, home furnishings and automobile).

Alabama and Mississippi

- In addition to the suitability standards above, shares will only be sold to Alabama and Mississippi residents that represent that they have a liquid net worth of at least 10 times the amount of their investment in this real estate investment program and other similar programs.

WE INTEND TO ASSERT THE FOREGOING REPRESENTATIONS AS A DEFENSE IN ANY SUBSEQUENT LITIGATION WHERE SUCH ASSERTION WOULD BE RELEVANT. WE HAVE THE RIGHT TO ACCEPT OR REJECT THIS SUBSCRIPTION IN WHOLE OR IN PART, SO LONG AS SUCH PARTIAL ACCEPTANCE OR REJECTION DOES NOT RESULT IN AN INVESTMENT OF LESS THAN THE MINIMUM AMOUNT SPECIFIED IN THE PROSPECTUS. AS USED ABOVE, THE SINGULAR INCLUDES THE PLURAL IN ALL RESPECTS IF SHARES ARE BEING ACQUIRED BY MORE THAN ONE PERSON. THIS SUBSCRIPTION AGREEMENT AND ALL RIGHTS HEREUNDER SHALL BE GOVERNED BY, AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO THE PRINCIPLES OF CONFLICT OF LAWS.

By executing this Subscription Agreement, the subscriber is not waiving any rights under federal or state law.

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GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

What Number to Give the Requester. – Social Security numbers (“SSN”) have nine digits separated by two hyphens: i.e., 000-00-0000. Employer identification numbers (“EIN”) have nine digits separated by only one hyphen: i.e., 00-0000000. The table below will help determine the number to give the payer. All “Section” references are to the Internal Revenue Code of 1986, as amended. “IRS” means the Internal Revenue Service.

For this type of account:	Give the SSN of:
1. An individual’s account	The individual
2. Two or more individuals (Joint account)	The actual owner of the account or, if combined funds, the first individual on the account [(1)]
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor [(2)]
4. (a) The usual revocable savings trust account (grantor also is trustee)	The grantor-trustee [(1)]
(b) So-called trust account that is not a legal or valid trust under State law	The actual owner [(1)]
5. Sole proprietorship or single-owner LLC	The owner [(3)]

For this type of account:	Give the EIN of:
6. Sole proprietorship or single-owner LLC	The owner [(3)]
7. A valid trust, estate, or pension trust	The legal entity [(4)]
8. Corporate or LLC electing corporate status on Form 8832	The corporation
9. Association, club, religious, charitable, educational, or other tax-exempt organization	The organization
10. Partnership or multi-member LLC	The partnership or LLC
11. Account with the Department of Agriculture in the name of a public entity (such as a State or local government, school district or prison) that receives agricultural program payments	The public entity
12. A broker or registered nominee	The broker or nominee

(1) List first and circle the name of the person whose number you furnish. If only one person on a joint account has a SSN, that person’s number must be furnished.

(2) Circle the minor’s name and furnish the minor’s SSN.

(3) You must show your individual name and you also may enter your business or “DBA” name on the second name line. You may use either your SSN or EIN (if you have one). If you are a sole proprietor, the IRS encourages you to use your SSN.

(4) List first and circle the name of the legal trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title.)

.**Note.** If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

Obtaining a Number

If you do not have a TIN, apply for one immediately. To apply for an SSN, get Form SS-5, Application for a Social Security Card, from your local Social Security Administration office or get this form online at *www.socialsecurity.gov/online/ss-5.pdf*. You also may get this form by calling 1-800-772-1213. Use Form W-7, Application for IRS Individual Taxpayer Identification Number, to apply for an ITIN, or Form SS-4, Application for Employer Identification Number, to apply for an EIN. You can apply for an EIN online by accessing the IRS website at *www.irs.gov/businesses* and clicking on Employer ID Numbers under Related Topics. You can get Forms W-7 and SS-4 from the IRS by visiting *www.irs.gov* or by calling 1-800-TAX-FORM (1-800-829-3676).

Payees Exempt from Backup Withholding

Backup withholding is not required on any payments made to the following payees:

- An organization exempt from tax under Section 501(a), an individual retirement account ("IRA"), or a custodial account under Section 403(b)(7) if the account satisfies the requirements of Section 401(f)(2).
- The United States or any of its agencies or instrumentalities.
- A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities.
- A foreign government or any of its political subdivisions, agencies or instrumentalities.
- An international organization or any of its agencies or instrumentalities.

Other payees that may be exempt from backup withholding include:

- A corporation.
- A foreign central bank of issue.
- A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States.
- A futures commission merchant registered with the Commodity Futures Trading Commission.
- A real estate investment trust.
- An entity registered at all times during the tax year under the Investment Company Act of 1940.
- A common trust fund operated by a bank under Section 584(a).
- A financial institution.
- A middleman known in the investment community as a nominee or custodian.
- A trust exempt from tax under Section 664 or described in Section 4947.

Exempt payees should complete a Substitute Form W-9 to avoid possible erroneous backup withholding. *Check the "Exempt TIN" box in Part 4 of the attached Substitute Form W-9, furnish your TIN, sign and date the form and return it to the payer. Foreign payees who are not subject to backup withholding should complete an appropriate Form W-8 and return it to the payer.*

Privacy Act Notice

Section 6109 requires you to provide your correct TIN to persons who must file information returns with the IRS to report interest, dividends, and certain other income paid to you, mortgage interest paid to you, mortgage interest you paid, the acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA, or Archer MSA or HSA. The IRS uses the numbers for identification purposes and to help verify the accuracy of your tax return. The IRS also may provide this information to the Department of Justice for civil and criminal litigation, and to cities, states, the District of Columbia and U.S. possessions to carry out their tax laws. The IRS also may disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. You must provide your TIN whether or not you are required to file a tax return. Payers

must generally withhold 28% of taxable interest, dividend, and certain other payments to a payee who does not give a TIN to a payer. Certain penalties also may apply.

Penalties

- *Failure to Furnish TIN*. If you fail to furnish your correct TIN to a requester, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.
- *Civil Penalty for False Information With Respect to Withholding*. If you make a false statement with no reasonable basis which results in no backup withholding, you are subject to a $500 penalty.
- *Criminal Penalty for Falsifying Information*. Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.
- *Misuse of TINs*. If the requester discloses or uses taxpayer identification numbers in violation of Federal law, the payer may be subject to civil and criminal penalties.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE IRS.

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7. SUBSTITUTE W-9

To prevent backup withholding on any payment made to a stockholder with respect to subscription proceeds held in escrow, the stockholder is generally required to provide current TIN (or the TIN of any other payee) and certain other information by completing the form below, certifying that the TIN provided on Substitute Form W-9 is correct (or that such investor is awaiting a TIN), that the investor is a U.S. person, and that the investor is not subject to backup withholding because (i) the investor is exempt from backup withholding, (ii) the investor has not been notified by the IRS that the investor is subject to backup withholding as a result of failure to report all interest or dividends or (iii) the IRS has notified the investor that the investor is no longer subject to backup withholding. If the box in Part 3 is checked and a TIN is not provided by the time any payment is made in connection with the proceeds held in escrow, 28% of all such payments will be withheld until a TIN is provided and if a TIN is not provided within 60 days, such withheld amounts will be paid over to the IRS. **See the guidelines below for instructions on how to fill out the Substitute W-9.**

SUBSTITUTE Form W-9 Department of the Treasury Internal Revenue Service Payer's Request for Taxpayer Identification Number ("**TIN**")	**Part 1** – PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.	Social security number OR Employer Identification Number
	Part 2 – Certification – Under penalties of perjury, I certify that: (1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me); (2) I am not subject to backup withholding because (a) I am exempt from withholding or (b) I have not been notified by the Internal Revenue Service (the "IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends or (c) the IRS has notified me that I am no longer subject to backup withholding; and (3) I am a U.S. person (including a U.S. resident alien)	
	CERTIFICATION INSTRUCTIONS – YOU MUST CROSS OUT ITEM (2) IN PART 2 ABOVE IF YOU HAVE BEEN NOTIFIED BY THE IRS THAT YOU ARE SUBJECT TO BACKUP WITHHOLDING BECAUSE OF UNDERREPORTING INTEREST OR DIVIDENDS ON YOUR TAX RETURNS. HOWEVER, IF AFTER BEING NOTIFIED BY THE IRS STATING THAT YOU WERE SUBJECT TO BACKUP WITHHOLDING YOU RECEIVED ANOTHER NOTIFICATION FROM THE IRS STATING YOU ARE NO LONGER SUBJECT TO BACKUP WITHHOLDING, DO NOT CROSS OUT ITEM (2). IF YOU ARE EXEMPT FROM BACKUP WITHHOLDING, CHECK THE BOX IN PART 4.	**Part 3** – Awaiting TIN ☐ **Part 4** – Exempt TIN ☐
	SIGNATURE: DATE: Name (Please Print): Address (Please Print):	

NOTE: FAILURE TO COMPLETE AND RETURN THIS SUBSTITUTE FORM W-9 MAY RESULT IN
BACKUP WITHHOLDING OF 28% OF ANY PAYMENTS MADE TO YOU FROM THE ESCROW ACCOUNT.
PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION
NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL INFORMATION.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 3 OF SUBSTITUTE FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me and that either (1) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center for Social Security Administration Office or (2) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number to the Depositary by the time of payment, 28% of all reportable payments made to me will be withheld.

SIGNATURE: Date:

APPENDIX C

DIVIDEND REINVESTMENT PLAN

Phillips Edison – ARC Shopping Center REIT Inc., a Maryland corporation (the "Company"), has adopted a Dividend Reinvestment Plan (the "DRP"), the terms and conditions of which are set forth below. Capitalized terms shall have the same meaning as set forth in the Company's charter unless otherwise defined herein.

1. Number of Shares Issuable. The number of shares of Common Stock authorized for issuance under the DRP is 30,000,000.

2. Participants. "Participants" are holders of the Company's shares of Common Stock who elect to participate in the DRP.

3. Distribution Reinvestment. The Company will apply that portion (as designated by a Participant) of the dividends and other distributions ("Distributions") declared and paid in respect of a Participant's shares of Common Stock to the purchase of additional shares of Common Stock for such Participant. Such shares will be sold through the broker-dealer and/or dealer manager through whom the Company sold the underlying shares to which the Distributions relate unless the Participant makes a new election through a different distribution channel. The Company will not pay selling commissions on shares of Common Stock purchased in the DRP.

4. Procedures for Participation. Qualifying stockholders may elect to become a Participant by completing and executing the Subscription Agreement, an enrollment form or any other Company-approved authorization form as may be available from the dealer manager or participating broker-dealers. To increase their participation, Participants must complete a new enrollment form and make the election through the dealer manager or the Participant's broker-dealer, as applicable. Participation in the DRP will begin with the next Distribution payable after receipt of a Participant's subscription, enrollment or authorization. Shares will be purchased under the DRP promptly after the date that the Company makes a Distribution. Distributions will be paid monthly as authorized by the Company's board of directors and declared by the Company.

5. Purchase of Shares. Until the Company establishes an estimated value per share of Common Stock that is not based on the price to acquire a share of Common Stock in the Company's primary offering or a follow-on public offering, Participants will acquire Common Stock at a price of $9.50 per share. Once the Company establishes an estimated value per share of Common Stock that is not based on the price to acquire a share of Common Stock in the Company's primary offering or a follow-on public offering, Participants will acquire Common Stock at a price equal to the estimated value of the Company's Common Stock, as estimated by the Company's advisor or other firm chosen by the board of directors for that purpose. The Company expects to establish an estimated value per share of Common Stock that is not based on the price to acquire a share of Common Stock in the Company's primary offering or a follow-on public offering after the completion of the Company's offering stage. The Company's offering stage will be complete when the Company is no longer offering equity securities – whether through its initial public offering or follow-on public offerings – and has not done so for 18 months. For the purpose of determining when the Company's offering stage is complete, equity offerings do not include offerings on behalf of selling stockholders or offerings related to any dividend reinvestment plan, employee benefit plan or the redemption of interests in Phillips Edison – ARC Shopping Center Operating Partnership, L.P., the Company's operating partnership. Participants in the DRP may purchase fractional shares so that 100% of the Distributions will be used to acquire shares. However, a Participant will not be able to

acquire shares under the DRP to the extent such purchase would cause it to exceed limits set forth in the Company's charter, as amended.

6. Taxation of Distributions. The reinvestment of Distributions in the DRP does not relieve Participants of any taxes that may be payable as a result of those Distributions and their reinvestment pursuant to the terms of this DRP.

7. Share Certificates. The shares issuable under the DRP shall be uncertificated until the board of directors determines otherwise.

8. Voting of DRP Shares. In connection with any matter requiring the vote of the Company's stockholders, each Participant will be entitled to vote all shares acquired by the Participant through the DRP.

9. Reports. Within 90 days after the end of the calendar year, the Company shall provide each Participant with (i) an individualized report on the Participant's investment, including the purchase date(s), purchase price and number of shares owned, as well as the amount of Distributions received during the prior year; and (ii) all material information regarding the DRP and the effect of reinvesting dividends, including the tax consequences thereof. The Company shall provide such information reasonably requested by the dealer manager or a participating broker-dealer, in order for the dealer manager or participating broker-dealer to meet its obligations to deliver written notification to Participants of the information required by Rule 10b-10(b) promulgated under the Securities Exchange Act of 1934.

10. Termination by Participant. A Participant may terminate participation in the DRP at any time by delivering to the Company a written notice. To be effective for any Distribution, such notice must be received by the Company at least ten business days prior to the last day of the month to which the Distribution relates. Any transfer of shares by a Participant will terminate participation in the DRP with respect to the transferred shares. Upon termination of DRP participation, Distributions will be distributed to the stockholder in cash.

11. Amendment or Termination of DRP by the Company. The Company may amend or terminate the DRP for any reason upon ten days' written notice to the Participants. The Company may provide notice by including such information (a) in a current report on Form 8-K or in its annual or quarterly reports, all publicly filed with the Securities and Exchange Commission or (b) in a separate mailing to the participants.

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

13. Governing Law. The DRP shall be governed by the laws of the State of Maryland.

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Phillips Edison — ARC Shopping Center REIT Inc.

Maximum Offering of
180,000,000 Shares
of Common Stock

Minimum Offering of
250,000 Shares of
Common Stock

PROSPECTUS

, 2010

Until , 2010, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as soliciting dealers.

We have not authorized any dealer, salesperson or other individual to give any information or to make any representations that are not contained in this prospectus. If any such information or statements are given or made, you should not rely upon such information or representation. This prospectus does not constitute an offer to sell any securities other than those to which this prospectus relates, or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful. This prospectus speaks as of the date set forth below. You should not assume that the delivery of this prospectus or that any sale made pursuant to this prospectus implies that the information contained in this prospectus will remain fully accurate and correct as of any time subsequent to the date of this prospectus.

Our shares are not FDIC insured, may lose value and are not bank guaranteed. See “Risk Factors” beginning on page 27, to read about risks you should consider before buying shares of our common stock.

PART II. INFORMATION NOT REQUIRED IN PROSPECTUS

Item 31. Other Expenses of Issuance and Distribution

The following table sets forth the costs and expenses payable by Phillips Edison – ARC Shopping Center REIT Inc. (the "Company") in connection with the distribution of the securities being registered other than selling commissions and the dealer manager fee.

Item	Amount
SEC registration fee	$127,271
FINRA filing fee	75,500
Legal fees and expenses	2,260,000
Blue sky fees and expenses	200,000
Accounting fees and expenses	600,000
Sales and advertising expenses	4,500,000
Issuer costs regarding bona fide training and education meetings and retail seminars	900,000
Printing	3,000,000
Shareholder relations, transfer agent and fulfillment costs	5,325,500
Due diligence expenses (retailing)	1,990,050
Legal fees—underwriter portion	200,000
Telephone and Internet	378,000
Miscellaneous expenses	3,164,000
Total	22,720,321

Item 32. Sales to Special Parties

The Company's directors and officers and (to the extent consistent with applicable laws and regulations) the employees of our advisor, our sub-advisor and their respective affiliated entities, business associates and others purchasing pursuant to the Company's "friends and family" program, participating broker-dealers, their retirement plans, their representatives and the family members, IRAs and qualified plans of their representatives will be allowed to purchase shares in the Company's primary offering at a discount from the public offering price. The Company expects to sell up to approximately $50.0 million in shares of our common stock in our primary offering, assuming we sell the maximum number of shares, pursuant to the Company's "friends and family" program. The purchase price for such shares will be $9.00 per share, reflecting the fact that selling commissions in the amount of $0.70 per share and the Dealer Manager fee in the amount of $0.30 per share will not be payable in connection with such sales. The net proceeds to the Company from such sales made net of commissions will be substantially the same as the net proceeds the Company receives from other sales of share in the primary offering.

Item 33. Recent Sales of Unregistered Securities

In connection with its organization, on December 3, 2009, the Company issued 20,000 shares of its common stock to Phillips Edison NTR LLC at a purchase price of $10.00 per share for an aggregate purchase price of $200,000. We expect to make a capital contribution to Phillips Edison – ARC Shopping Center Operating Partnership, L.P., our operating partnership, in the amount of $200,000 in exchange for 20,000 limited partner units of the operating partnership. No sales commission or other consideration will be paid in connection with such sales, which will be consummated without registration under the Securities Act in reliance upon the exemption from registration in Section 4(2) of the Securities Act as transactions not involving any public offering.

Item 34. Indemnification of Directors and Officers

Maryland law permits a corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages, except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment and which is material to the cause of action.

Maryland law requires a corporation (unless its charter provides otherwise, which the Company's charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or threatened to be made a party by reason of their service in those or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty,
- the director or officer actually received an improper personal benefit in money, property or services or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses.

Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

Except as restricted by Maryland law or the conditions set forth below, the Company's charter limits the liability of the Company's directors and officers to the Company and its stockholders for money damages.

Except as restricted by Maryland law or the conditions set forth below, the charter also requires that the Company (a) indemnify a director, an officer or the advisor or any of its affiliates against any and all losses or liabilities reasonably incurred by them in connection with or by reason of any act or omission performed or omitted to be performed on behalf of the Company in such capacity and (b) pay or reimburse their reasonable expenses in advance of the final disposition of a proceeding.

However, under the Company's charter, the Company shall not indemnify a director, the advisor or any of the advisor's affiliates (each an "Indemnitee") for any liability or loss suffered by an Indemnitee, nor shall it hold an Indemnitee harmless for any loss or liability suffered by the Company, unless all of the following conditions are met: (1) an Indemnitee has determined, in good faith, that the course of conduct that caused the loss or liability was in the best interests of the Company; (2) the Indemnitee was acting on behalf of or performing services for the Company; (3) such liability or loss was not the result of (A) negligence or misconduct by the Indemnitee, excluding an Independent Director, or (B) gross negligence or willful misconduct by an Independent Director; and (4) such indemnification or agreement to hold harmless is recoverable only out of the Company's net assets and not from its common stockholders. Notwithstanding the foregoing, an Indemnitee shall not be indemnified by the Company for any losses, liability or expenses arising from or out of an alleged violation of federal or state securities laws by such party unless one or more of the following conditions are met: (1) there has been a successful adjudication on the merits of each count involving alleged material securities law violations as to the particular Indemnitee; (2) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction as to the particular Indemnitee and (3) a court of competent jurisdiction approves a settlement of the claims against a particular Indemnitee and finds that indemnification of the settlement and the related costs should be made, and the court considering the request for indemnification has been advised of the position of the Securities and Exchange Commission (the "SEC") and of the published position of any state securities regulatory authority of a jurisdiction in which securities of the Company were offered or sold as to indemnification for violations of securities laws.

The charter further provides that the advancement of Company funds to an Indemnitee for legal expenses and other costs incurred as a result of any legal action for which indemnification is being sought is permissible only if all of the following conditions are satisfied: (1) the legal action relates to acts or omissions with respect to the performance of duties or services on behalf of the Company; (2) the legal action is initiated by a third party who is not a common stockholder or the legal action is initiated by a common stockholder acting in his or her capacity as such and a court of competent jurisdiction specifically approves such advancement; and (3) the Indemnitee provides the Company with written affirmation of the Indemnitee's good faith belief that the standard of conduct necessary for indemnification has been met and undertakes to repay the advanced funds to the Company, together with the applicable legal rate of interest thereon, if the Indemnitee is found not to be entitled to indemnification.

It is the position of the SEC that indemnification of directors and officers for liabilities arising under the Securities Act is against public policy and is unenforceable pursuant to Section 14 of the Securities Act.

The Company will also purchase and maintain insurance on behalf of all of its directors and executive officers against liability asserted against or incurred by them in their official capacities with the Company, whether or not the Company is required or has the power to indemnify them against the same liability.

Item 35. Treatment of Proceeds from Stock Being Registered

Not applicable.

Item 36. Financial Statements and Exhibits

(a) *Financial Statements.* See Index to Consolidated Balance Sheet and Prior Performance Tables.

(b) *Exhibits.* The following exhibits are filed as part of this registration statement:

Ex.	Description
1.1	Amended and Restated Exclusive Dealer Manager Agreement
1.2	Form of Soliciting Dealers Agreement
3.1	Form of Articles of Amendment and Restatement
3.2*	Form of Amended and Restated Bylaws

4.1	Form of Subscription Agreement, included as Appendix B to prospectus
4.2*	Statement regarding restrictions on transferability of shares of common stock (to appear on stock certificate or to be sent upon request and without charge to stockholders issued shares without certificates)
4.3	Dividend Reinvestment Plan, included as Appendix C to prospectus
4.4*	Share Repurchase Program
4.5	Form of Amended and Restated Escrow Agreement
5.1**	Opinion of DLA Piper LLP (US) re legality
8.1**	Opinion of DLA Piper LLP (US) re tax matters
10.1	Second Amended and Restated Advisory Agreement
10.2**	Form of Property Management Agreement
10.3*	Form of 2010 Independent Director Stock Plan
21.1*	Subsidiaries of the Company
23.1	Consent of Deloitte & Touche LLP
23.2**	Consent of DLA Piper LLP (US) (included in Exhibit 5.1)
23.3	Consent of CoStar Group, Inc.
23.4	Consent of International Council of Shopping Centers Inc.
24.1*	Power of Attorney, included on the Signature Page of the registration statement
99.1	Consent of Leslie T. Chao, Independent Director Nominee
99.2	Consent of Ethan Hershman, Independent Director Nominee
99.3	Consent of Ronald K. Kirk, Independent Director Nominee
99.4	Consent of Paul Massey, Independent Director Nominee

* Previously filed.

** To be filed by amendment

Item 37. Undertakings

(a) The Registrant undertakes to file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement (i) to include any prospectus required by Section 10(a)(3) of the Securities Act; (ii) to reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement; notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the SEC pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20.0% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and (iii) to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement.

(b) The Registrant undertakes (i) that, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new Registration Statement relating to the securities offered therein and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof, (ii) that all post-effective amendments will comply with the applicable forms, rules and regulations of the SEC in effect at the time such post-effective amendments are filed, and (iii) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(c) The Registrant undertakes that, for the purpose of determining liability under the Securities Act to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness; provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(d) For the purpose of determining liability of the Registrant under the Securities Act to any purchaser in the initial distribution of the securities, the Registrant undertakes that in a primary offering of securities pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser: (i) any preliminary prospectus or prospectus of the Registrant relating to the offering required to be filed pursuant to Rule 424, (ii) any free writing prospectus relating to the offering prepared by or on behalf of the Registrant or used or referred to by the Registrant, (iii) the portion of any other free writing prospectus relating to the offering containing material information about the Registrant or its securities provided by or on behalf of the Registrant, and (iv) any other communication that is an offer in the offering made by the Registrant to the purchaser.

(e) The Registrant undertakes to send to each stockholder, at least on an annual basis, a detailed statement of any transaction with the Advisor or its affiliates, and of fees, commissions, compensation and other benefits paid or accrued to the Advisor or its affiliates for the fiscal year completed, showing the amount paid or accrued to each recipient and the services performed.

(f) The Registrant undertakes to file a sticker supplement pursuant to Rule 424(c) under the Securities Act during the distribution period describing each significant property not identified in the prospectus at such time as there arises a reasonable probability that such property will be acquired and to consolidate all such stickers into a post-effective amendment filed at least once every three months with the information contained in such amendment provided simultaneously to the existing stockholders. Each sticker supplement will disclose all compensation and fees received by the Advisor and its affiliates in connection with any such acquisition. The post-effective amendment shall include audited financial statements meeting the requirements of Rule 3-14 of Regulation S-X only for the significant properties acquired during the distribution period if such financial statements have been filed or would be due under Items 2.01 and 9.01 of Form 8-K.

(g) The Registrant undertakes to file, after the end of the distribution period, a current report on Form 8-K containing the financial statements and any additional information required by Rule 3-14 of Regulation S-X, to reflect each commitment (i.e., the signing of a binding purchase agreement) made after the end of the distribution period involving the use of 10.0% or more (on a cumulative basis) of the net proceeds of the offering and to provide the information contained in such report to the stockholders at least once each quarter after the distribution period of the offering has ended.

(h) The Registrant undertakes to provide to the stockholders the financial statements required by Form 10-K for the first full fiscal year of operations.

(i) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(j) The Registrant undertakes to provide to the dealer manager at the closings specified in the dealer manager agreement the following: (i) if the securities are certificated, certificates in such denominations and registered in such names as required by the dealer manager to permit prompt delivery to each purchaser or (ii) if the securities are not certificated, a written statement of the information required on certificates that is required to be delivered to stockholders to permit prompt delivery to each purchaser.

Table VI

ACQUISITIONS OF PROPERTIES

(UNAUDITED)

Prior Performance is not Indicative of Future Results

Table VI presents summary information with respect to acquisitions of properties sponsored by Phillips Edison during the three years ended December 31, 2009. Each of the programs represented in the table have or had investment objectives similar to ours. Phillips Edison diversified the portfolios by geographic region and tenant mix as well as investment size and investment risk. In constructing the portfolios for these programs, Phillips Edison specialized in acquiring a mix of value-added, enhanced-return and core real estate assets with a focus primarily on value-added and enhanced-return assets. Like these funds, we will also seek to diversify our assets by investment risk by making investments in core properties and other real estate-related assets. We intend to allocate approximately 90.0% of our portfolio to investments primarily in necessity-based neighborhoods and community shopping centers throughout the United States with a focus on well-located grocery anchored shopping centers that are well occupied at the time of purchase and typically cost less than $20.0 million. We intend to allocate approximately 10.0% of our assets to enhanced return and other real estate related assets. Although this is our current targeted portfolio, we may make adjustments to our targeted portfolio based on real estate market conditions and investment opportunities.

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Table VI

ACQUISITIONS OF PROPERTIES (continued)

Prior Performance is not Indicative of Future Results

	Property	State	Property Type	Gross Leasable Space	Date Acquired	Total Financing(1)	Cash Down Payment	Cash Purchase Price plus Acquisition Fee	Other Cash Expenditures Capitalized	Total Costs
Phillips Edison Shopping Center Fund IV, LP										
	Hermiston Plaza	OR	Retail	150,396	1/25/08	7,267,427	3,732,573	11,000,000	55,311	11,055,311
	Deerfield Place	NE	Retail	129,812	4/25/08	4,356,200	2,293,800	6,650,000	125,957	6,775,957
	Village Shoppes at East Cherokee	GA	Retail	128,667	8/22/08	15,784,000	2,516,000	18,300,000	176,353	18,476,353
	Plaza North	NE	Retail	203,250	10/10/08	7,680,496	4,019,504	11,700,000	114,169	11,814,169
	Silver State	NV	Retail	155,647	12/5/08	9,702,030	4,997,970	14,700,000	111,415	14,811,415
4027	Village Center	AZ	Retail	170,801	7/14/2009	7,452,000	4,460,500	11,912,500	65,788	11,978,288
						$ 52,242,153	**$ 22,020,347**	**$ 74,262,500**	**$ 648,992**	**$ 74,911,492**

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Table VI

ACQUISITIONS OF PROPERTIES (continued)

Prior Performance is not Indicative of Future Results

	Property	State	Property Type	Gross Leasable Space	Date Acquired	Total Financing(1)	Cash Down Payment	Cash Purchase Price plus Acquisition Fee	Other Cash Expenditures Capitalized	Total Costs
Phillips Edison Shopping Center Fund III, LP										
	Walled Lake	MI	Retail	90,875	1/7/2007	6,280,227	3,269,773	9,550,000	104,053	9,654,053
	Blaine International	WA	Retail	127,444	5/7/2007	7,702,459	4,047,541	11,750,000	71,317	11,821,317
	Creekview Center	UT	Retail	194,583	5/7/2007	6,051,552	5,423,448	11,475,000	233,946	11,708,946
	Sandy Marketplace	OR	Retail	101,192	5/7/2007	6,578,193	3,421,807	10,000,000	74,054	10,074,054
	Acworth Avenue	GA	Retail	16,130	6/27/2007	2,437,500	1,270,085	3,707,585	41,621	3,749,206
	Alamosa Plaza	CO	Retail	19,875	6/27/2007	975,000	483,689	1,458,689	37,619	1,496,308
	Beacon Heights	GA	Retail	105,849	6/27/2007	3,087,500	1,614,783	4,702,283	42,969	4,745,252
	Bear Road Plaza	NY	Retail	59,483	6/27/2007	3,380,000	1,726,938	5,106,938	90,362	5,197,300
	Boulevard Plaza	NY	Retail	16,549	6/27/2007	3,224,000	1,634,456	4,858,456	100,694	4,959,150
	Bridgewater Marketplace	FL	Retail	57,960	6/27/2007	6,688,000	2,112,000	8,800,000	109,465	8,909,465
	Cedar Springs Crossing	SC	Retail	86,570	6/27/2007	9,437,000	1,863,000	11,300,000	67,760	11,367,760

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Table VI

ACQUISITIONS OF PROPERTIES (continued)

Prior Performance is not Indicative of Future Results

Property	State	Property Type	Gross Leasable Space	Date Acquired	Total Financing[1]	Cash Down Payment	Cash Purchase Price plus Acquisition Fee	Other Cash Expenditures Capitalized	Total Costs
Chuck E Cheese	NY	Retail	11,300	6/27/2007	747,500	360,758	1,108,258	41,223	1,149,481
Columbia Promenade	FL	Retail	65,883	6/27/2007	9,037,000	3,263,000	12,300,000	123,871	12,423,871
Concord Crossing	NC	Retail	55,930	6/27/2007	5,098,000	(98,000)	5,000,000	58,274	5,058,274
Cross Creek	MS	Retail	65,269	6/27/2007	4,225,000	2,228,874	6,453,874	40,983	6,494,857
CVS Center	OH	Retail	33,270	6/27/2007	650,000	314,934	964,934	33,558	998,492
D&L Plaza	NY	Retail	148,245	6/27/2007	16,424,000	4,776,000	21,200,000	341,676	21,541,676
Decatur Marketplace	IL	Retail	22,775	6/27/2007	2,223,000	1,155,253	3,378,253	37,285	3,415,538
Del-Ton Plaza	NY	Retail	55,473	6/27/2007	3,770,000	1,915,893	5,685,893	111,579	5,797,472
Eastwood Shopping Ctr	NY	Retail	155,761	6/27/2007	3,705,000	1,945,769	5,650,769	45,422	5,696,191
Fairview Square	VA	Retail	85,209	6/27/2007	9,987,000	913,000	10,900,000	66,898	10,966,898
Family Place At Las Vegas	NV	Retail	27,300	6/27/2007	3,705,000	1,961,616	5,666,616	32,054	5,698,670
Forestdale Plaza	NC	Retail	53,239	6/27/2007	5,167,500	2,747,771	7,915,271	32,250	7,947,521
Freeway Junction	GA	Retail	162,778	6/27/2007	8,645,000	4,575,604	13,220,604	72,057	13,292,661
Genito	VA	Retail	79,407	6/27/2007	5,167,500	2,725,537	7,893,037	53,311	7,946,348
Hamburg Village Sq.	NY	Retail	92,717	6/27/2007	8,450,000	4,327,259	12,777,259	218,430	12,995,689
Hannaford	NY	Retail	191,718	6/27/2007	12,350,000	6,393,438	18,743,438	249,316	18,992,754
Henrietta Jefferson Plaza	NY	Retail	159,517	6/27/2007	11,212,500	5,804,478	17,016,978	233,022	17,250,000
Henrietta Plaza	NY	Retail	245,426	6/27/2007	21,792,000	5,408,000	27,200,000	369,980	27,569,980
Horizon Park	FL	Retail	215,713	6/27/2007	18,915,000	9,945,003	28,860,003	186,506	29,046,509
Houston Square	GA	Retail	60,799	6/27/2007	4,718,000	1,582,000	6,300,000	75,744	6,375,744
Keller Plaza	MO	Retail	63,876	6/27/2007	3,900,000	2,057,288	5,957,288	38,098	5,995,386
Kensington Place	TN	Retail	70,607	6/27/2007	6,418,000	2,757,000	9,175,000	67,240	9,242,240
Lafayette Center	GA	Retail	78,422	6/27/2007	2,437,500	1,266,883	3,704,383	41,964	3,746,347
Lake Olympia Square	FL	Retail	87,556	6/27/2007	9,837,000	6,463,000	16,300,000	131,317	16,431,317
Lakeview Plaza	FL	Retail	54,788	6/27/2007	4,968,000	3,132,000	8,100,000	96,050	8,196,050
Memorial Square	VA	Retail	143,299	6/27/2007	5,720,000	3,019,485	8,739,485	53,801	8,793,286
Merchants Square	FL	Retail	74,837	6/27/2007	5,980,000	3,120,866	9,100,866	80,745	9,181,611
Metro Station	MS	Retail	52,617	6/27/2007	2,275,000	1,188,340	3,463,340	31,726	3,495,066
Monroe Shopping Ctr	NC	Retail	45,080	6/27/2007	2,015,000	1,053,573	3,068,573	29,361	3,097,934
Mooresville Marketplace	NC	Retail	60,314	6/27/2007	3,835,000	2,032,193	5,867,193	29,986	5,897,179

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Table VI

ACQUISITIONS OF PROPERTIES (continued)

Prior Performance is not Indicative of Future Results

Property	State	Property Type	Gross Leasable Space	Date Acquired	Total Financing[1]	Cash Down Payment	Cash Purchase Price plus Acquisition Fee	Other Cash Expenditures Capitalized	Total Costs
Pine Plaza	NY	Retail	83,273	6/27/2007	7,345,000	3,795,048	11,140,048	156,108	11,296,156
Pointe at Tampa Palms	FL	Retail	20,258	6/27/2007	5,070,000	2,650,938	7,720,938	72,546	7,793,484
Ridgeview Place	NY	Retail	64,783	6/27/2007	5,850,000	3,006,630	8,856,630	140,288	8,996,918
Shoppes at Citiside	NC	Retail	75,485	6/27/2007	10,696,000	(296,000)	10,400,000	61,320	10,461,320
Shoppes at Turnberry	OH	Retail	61,872	6/27/2007	4,745,000	2,508,418	7,253,418	43,795	7,297,213
Shoppes of Augusta	GA	Retail	21,000	6/27/2007	5,525,000	2,921,302	8,446,302	52,586	8,498,888
South Main Street Plaza	OH	Retail	52,399	6/27/2007	4,099,000	801,000	4,900,000	69,959	4,969,959
Southside Plaza	NY	Retail	63,140	6/27/2007	6,088,000	3,632,000	9,720,000	158,545	9,878,545
Squirewood Village	TN	Retail	46,122	6/27/2007	4,438,000	262,000	4,700,000	60,284	4,760,284
Stockbridge Plaza	GA	Retail	10,800	6/27/2007	2,210,000	1,152,049	3,362,049	37,403	3,399,452
The Crossroads	FL	Retail	63,894	6/27/2007	2,795,000	1,418,945	4,213,945	69,040	4,282,985
Tops Plaza Cortland	NY	Retail	134,223	6/27/2007	17,424,000	6,076,000	23,500,000	273,619	23,773,619
Tops Plaza Erie	PA	Retail	106,331	6/27/2007	15,225,000	2,775,000	18,000,000	249,657	18,249,657
Turfway Plaza	KY	Retail	133,985	6/27/2007	10,626,000	3,474,000	14,100,000	68,332	14,168,332
Wegman’s Plaza	NY	Retail	122,876	6/27/2007	7,150,000	3,685,204	10,835,204	156,120	10,991,324
Bi-Lo Center	NC	Retail	54,319	8/15/2007	6,925,000	575,000	7,500,000	79,079	7,579,079
Eastridge Crossing	NC	Retail	159,429	8/15/2007	4,250,000	250,000	4,500,000	111,224	4,611,224
North Aiken Bi-Lo	SC	Retail	59,204	8/15/2007	5,750,000	450,000	6,200,000	112,467	6,312,467
Redbud Commons	NC	Retail	63,937	8/15/2007	8,700,000	1,700,000	10,400,000	107,577	10,507,577
Thompson Square Mall	NY	Retail	241,052	8/15/2007	18,400,000	6,136,231	24,536,231	253,156	24,789,387
University Plaza	NY	Retail	162,879	8/15/2007	9,975,000	5,225,000	15,200,000	286,649	15,486,649
Pasco Square	FL	Retail	135,421	8/20/2007	9,685,000	(1,848,993)	7,836,007	99,301	7,935,308
Tops Plaza Canandaigua	NY	Retail	57,498	8/20/2007	5,102,233	5,322,532	10,424,765	99,568	10,524,333
Athens	AL	Retail	209,124	9/14/2007	8,540,976	2,574,850	11,115,826	171,417	11,287,243
Northgate	TX	Retail	196,590	11/1/2007	13,822,517	1,577,483	15,400,000	117,265	15,517,265
Airport Village	PA	Retail	70,531	12/1/2007	3,445,000	1,815,000	5,260,000	125,749	5,385,749
					$463,097,657	**$176,843,974**	**$639,941,630**	**$7,230,638**	**$647,172,268**

Table VI

ACQUISITIONS OF PROPERTIES (continued)

Prior Performance is not Indicative of Future Results

	Property	State	Property Type	Gross Leasable Space	Date Acquired	Total Financing[1]	Cash Down Payment	Cash Purchase Price plus Acquisition Fee	Other Cash Expenditures Capitalized	Total Costs
Phillips Edison Limited Partnership										
	Village at Mooresville	IN	Retail	171,646	1/1/2007	4,639,797	1,225,203	5,865,000	168,949	6,033,949
	Oak Harbor	WA	Retail	14,738	2/23/2007	5,136,634	1,075,065	6,211,699	74,766	6,286,465
	Quincy	IA	Retail	141,816	3/1/2007	3,518,751	986,249	4,505,000	176,901	4,681,901
	Country Club Station	NM	Retail	57,635	4/1/2007	4,847,107	1,452,893	6,300,000	82,214	6,382,214
	Powell Villa	OR	Retail	61,908	6/1/2007	6,293,500	1,906,500	8,200,000	62,046	8,262,046
	Idaho Falls	ID	Retail	14,820	6/1/2007	4,710,000	656,527	5,366,527	39,222	5,405,750
	301& Hawthorne	MD	Retail	14,740	7/18/2007	4,793,499	906,810	5,700,309	25,364	5,725,674
	Mayfair Village	TX	Retail	232,534	7/23/2007	17,681,166	5,368,834	23,050,000	98,866	23,148,866
	Southern Hills	OK	Retail	204,082	8/6/2007	7,828,469	2,396,531	10,225,000	60,979	10,285,979
	Buckingham	TX	Retail	64,773	8/17/2007	3,300,000	978,960	4,278,960	79,775	4,358,735
	12 West Marketplace	MN	Retail	82,911	8/23/2007	2,942,674	857,326	3,800,000	104,985	3,904,985
	Lassen	CA	Retail	79,187	11/1/2007	—	4,300,000	4,300,000	44,845	4,344,845
	Hillside	UT	Retail	13,192	11/13/2007	2,674,308	140,109	2,814,417	26,515	2,840,932
	New Market Madison	NC	Retail	169,343	12/1/2007	—	6,000,000	6,000,000	69,580	6,069,580
	Reisterstown Staples	MD	Retail	35,961	6/28/2006	4,140,780	977,987	5,118,767	35,267	5,154,034
	Commerce Square	TX	Retail	165,391	1/1/2008	—	10,000,000	10,000,000	68,663	10,068,663
	Upper Deerfield	NJ	Retail	110,488	1/1/2008	—	6,500,000	6,500,000	109,985	6,609,985
	Orchard Plaza	PA	Retail	86,099	3/1/2008	3,480,108	265,892	3,746,000	121,885	3,867,885
	Renton	WA	Retail	14,820	3/3/2008	6,678,540	323,420	7,001,960	39,194	7,041,154
	Albuquerque	NM	Retail	16,510	6/27/2008	5,057,379	1,158,300	6,215,678	28,914	6,244,592
	24/Market	MD	Retail	12,547	7/11/2008	2,352,512	382,259	2,734,771	44,813	2,779,584

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Table VI

ACQUISITIONS OF PROPERTIES (continued)

Prior Performance is not Indicative of Future Results

	Property	State	Property Type	Gross Leasable Space	Date Acquired	Total Financing[1]	Cash Down Payment	Cash Purchase Price plus Acquisition Fee	Other Cash Expenditures Capitalized	Total Costs
	Lake Steven	WA	Retail	15,004	10/3/2008	5,848,595	1,064,753	6,913,348	64,472	6,977,821
	Brierhill	MD	Retail	12,649	12/2/2008	4,340,101	(1,654)	4,338,448	71,781	4,410,229
STD	River Road	OR	Retail	14,820	1/5/2009	—	2,800,000	2,800,000	592	2,800,592
						$100,263,920	**$51,721,964**	**$151,985,884**	**$1,700,574**	**$153,686,458**

(1) Total financing at date of acquisition.

TABLE VI
ACQUISITIONS OF PROPERTIES BY PUBLIC PROGRAMS

The table below presents information concerning the acquisition of properties from its inception on August 17, 2007 to December 31, 2009 by American Realty Capital Trust, Inc. sponsored by American Realty Capital II, LLC and its predecessor entities and affiliates.

Name	Location	Type of Property	Number of Units	Total Gross Leasable Space (Sq. ft.)	Date of Purchase	Mortgage Financing at Date of Purchase	Cash Down Payment	Contract Purchase Price Plus Acquisition Fee	Other Cash Expenditures Expensed	Other Cash Expenditures Capitalized	Total Acquisition Cost
					(dollars in thousands)						
Federal Express	Pennsylvania	Distribution facility	1	55,440	March 2008	$ 6,965	$ 3,243	$ 9,791	$ —	$ 417	$ 10,208
First Niagaria (formerly Harleysville National Bank)	Pennsylvania	Bank Branches	15	177,774	March 2008	31,000	10,676	41,386	—	$ 290	41,676
Rockland Trust Company	Massachusetts	Bank Branches	18	121,057	May 2008	24,413	8,704	32,510	—	$ 607	33,117
PNC Bank (formerly National City bank)	Florida	Bank Branches	2	8,403	September and October 2008	4,500	2,353	6,731	—	$ 122	6,853
Rite Aid	Pennsylvania and Ohio	Pharmacies	6	74,919	September 2008	12,808	6,031	18,762	—	$ 77	18,839
PNC Bank	New Jersey, Ohio, Pennsylvania	Bank Branches	50	275,436	November 2008	33,399	11,414	42,709	—	$ 2,104	44,813
Federal Express Distribution Center	Texas	Distribution facility	1	152,640	July 2009	—	31,780	31,692	88	—	31,780
Walgreens	Texas	Pharmacies	1	14,820	July 2009	1,550	2,377	3,818	109	—	3,927
CVS	Various	Pharmacies	10	131,105	September 2009	23,750	17,050	40,649	151	—	40,800
CVS II	Various	Pharmacies	15	198,729	November 2009	33,068	26,810	59,788	90	—	59,878
Home Depot	Kansas	Distribution facility	1	465,600	December 2009	13,716	9,817	23,532	1		23,533
BSFS	Florida, Oklahoma	Retail	5	47,218	December 2009	—	12,449	12,415	34		12,449
Advance Auto	Michigan	Retail	1	7,000	December 2009	—	1,734	1,730	4		1,734
			126	1,730,141		$ 185,169	$144,438	$ 325,513	$ 477	$ 3,617	$ 329,607

In the year ended December 31, 2009, American Realty Capital Trust, Inc. sold non-controlling interests in certain properties in three separate arrangements. The total amount contributed to these arrangements for the noncontrolling interests was $3.4 million. Due to the nature of these transactions, all of the related properties and associated financial data related to these arrangements are consolidated with the balances of American Realty Capital Trust, Inc.

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TABLE VI
ACQUISITIONS OF PROPERTIES BY NON-PUBLIC PROGRAMS

The table below presents information concerning the acquisition of properties from non-public programs from their inception to December 31, 2009, sponsored by American Realty Capital II, LLC and its predecessor entities and affiliates.

Name	Location	Type of Property	Number of Units	Total Gross Leasable Space (Sq. ft.)	Date of Purchase	Mortgage Financing at Date of Purchase	Cash Down Payment	Contract Purchase Price Plus Acquisition Fee	Other Cash Expenditures Expensed	Other Cash Expenditures Capitalized	Total Acquisition Cost
					(dollars in thousands)						
ARC Income Properties, LLC – Citizens Bank	Various	Bank Branches	65	303,130	July to August 2009	$ 82,622	$ 18,995	$ 96,883	$ 2,802	1,932	$ 101,617
ARC Income Properties II, LLC – PNC Bank	New Jersey, Ohio, Pennsylvania	Bank Branches	50	275,436	November 2008	33,399	11,414	42,709	—	2,104	44,813
ARC Income Properties III, LLC – Home Depot	South Carolina	Distribution facility	1	465,600	Nov-09	14,934	11,011	25,925	20	20	25,945
ARC Growth Fund, LP – Wachovia Bank	Various	Bank Branches	52	229,544	July to December 2008	19,876	43,717	61,124	—	2,469	63,593
			168	1,273,710		$ 150,831	$ 85,137	$ 226,641	$ 2,822	$ 6,525	$ 235,968

(1) ARC Growth Partnership, LP mutually terminated the contractual agreement with Wachovia Bank, N.A. in March 2009, and has not acquired any vacant bank branches following this termination. ARC Growth Partnership, LP is currently in the process of selling its remaining assets.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-11 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Cincinnati, State of Ohio, on April 9, 2010.

Phillips Edison – ARC Shopping Center REIT Inc.

By: *
Jeffrey S. Edison
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated:

Name	Title	Date
* Michael C. Phillips	Co-Chairman of the Board	April 9, 2010
* Jeffrey S. Edison	Co-Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	April 9, 2010
/s/ Richard J. Smith Richard J. Smith	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	April 9, 2010
* William M. Kahane	Director	April 9, 2010
*By: */s/ John Bessey* John Bessey Attorney-in-fact	President	

Exhibit 1.1

Phillips Edison – ARC Shopping Center REIT Inc.
UP TO 180,000,000 SHARES OF COMMON STOCK

AMENDED AND RESTATED EXCLUSIVE DEALER MANAGER AGREEMENT

April 9, 2010

Realty Capital Securities, LLC
Three Copley Place, Suite 3300
Boston, Massachusetts 02116

Ladies and Gentlemen:

Phillips Edison **–** ARC Shopping Center REIT Inc. (the "**Company**") is a Maryland corporation that intends to qualify to be taxed as a real estate investment trust (a "**REIT**") for federal income tax purposes beginning with the taxable year ending December 31, 2010, or the first year during which the Company begins material operations. The Company proposes to offer (a) up to 150,000,000 shares of common stock, $.01 par value per share (the "**Shares**"), for a purchase price of $10.00 per Share, with a minimum initial investment of $2,500, in the primary offering (the "**Primary Offering**"), and (b) up to 30,000,000 Shares for a purchase price of $9.50 per Share for issuance through the Company's distribution reinvestment program (the "**DRP**" and together with the Primary Offering, the "**Offering**") (subject to the right of the Company to reallocate such Shares between the Primary Offering and the DRP), all upon the other terms and subject to the conditions set forth in the Prospectus (as defined in Section 1(a)).

The Company will be managed by American Realty Capital II Advisors, LLC (the "**Advisor**") pursuant to the advisory agreement to be entered into between the Company and the Advisor (the "**Advisory Agreement**") substantially in the form included as an exhibit to the Registration Statement (as defined in Section 1(a)). The Advisor will enter into a sub-advisory agreement (the "**Sub-Advisory Agreement**") with Phillips Edison & Company SubAdvisor LLC (the "**Sub-advisor**") substantially in the form included as an exhibit to the Registration Statement.

The parties hereto entered into an Exclusive Dealer Agreement on January 11, 2010 (the "**Original Agreement**") and the parties have agreed to make certain amendments and desire to amend and restate the Original Agreement. In consideration of the foregoing and of the mutual covenants and agreements contained herein, intending to be legally bound, the parties agree to the terms and conditions set forth in this Amended and Restated Exclusive Dealer Agreement (the "**Agreement**").

Upon the terms and subject to the conditions contained in this Agreement, the Company hereby appoints Realty Capital Securities, LLC, a Delaware limited liability company (the "**Dealer Manager**"), to act as the exclusive dealer manager for the Offering, and the Dealer Manager desires to accept such engagement.

1. <u>REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE SUB-ADVISOR</u>. The Company and the Sub-advisor hereby represent, warrant and agree as follows:

(a) REGISTRATION STATEMENT AND PROSPECTUS. In connection with the Offering, the Company has prepared and filed with the Securities and Exchange Commission (the "**<u>Commission</u>**") a registration statement on Form S-11 for the registration of the Shares under the Securities Act of 1933, as amended (the "**<u>Securities Act</u>**"), and the rules and regulations of the Commission promulgated thereunder (the "**<u>Securities Act Rules and Regulations</u>**"); one or more amendments to such registration statement have been or may be so prepared and filed. The registration statement on Form S-11 and the prospectus contained therein, as finally amended at the date the registration statement is declared effective by the Commission (the "**<u>Effective Date</u>**") are respectively hereinafter referred to as the "**<u>Registration Statement</u>**" and the "**<u>Prospectus</u>**", except that (i) if the Company files a post-effective amendment to such registration statement, then the term "Registration Statement" shall, from and after the declaration of the effectiveness of such post-effective amendment by the Commission, refer to such registration statement as amended by such post-effective amendment, and the term "Prospectus" shall refer to the amended prospectus then on file with the Commission, and (ii) if the Company files a prospectus or prospectus supplement pursuant to either Rule 424(b) or 424(c) of the Securities Act Rules and Regulations which differs from the prospectus on file at the time the Registration Statement or the most recent post-effective amendment thereto, if any, shall have become effective, then the term "Prospectus" shall refer to such prospectus or include such prospectus supplement, as applicable, filed pursuant to either Rule 424(b) or 424(c), as the case may be, from and after the date on which it shall have been filed. The term "preliminary Prospectus" as used herein shall mean a preliminary prospectus related to the Shares as contemplated by Rule 430 or Rule 430A of the Securities Act Rules and Regulations included at any time as part of the Registration Statement. As used herein, the terms "Registration Statement", "preliminary Prospectus" and "Prospectus" shall include the documents, if any, incorporated by reference therein. As used herein, the term "Effective Date" also shall refer to the effective date of each post-effective amendment to the Registration Statement, unless the context otherwise requires.

(b) DOCUMENTS INCORPORATED BY REFERENCE. The documents incorporated or deemed to be incorporated by reference in the Prospectus, at the time they hereafter are filed with the Commission, will comply in all material respects with the requirements of the Securities Exchange Act of 1934, as amended (the "**<u>Exchange Act</u>**") and the rules and regulations promulgated thereunder (the "**<u>Exchange Act Rules and Regulations</u>**"), and, when read together with the other information in the Prospectus, at the time the Registration Statement became effective and as of the applicable Effective Date of each post-effective amendment to the Registration Statement, did not and will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(c) COMPLIANCE WITH THE SECURITIES ACT, ETC. During the term of this Agreement:

(i) on (A) each applicable Effective Date, (B) the date of the preliminary Prospectus, (C) the date of the Prospectus and (D) the date any supplement to the Prospectus is filed with the Commission, the Registration Statement, the Prospectus and any amendments or supplements thereto, as applicable, have complied, and will comply, in all material respects with the Securities Act, the Securities Act Rules and Regulations, the Exchange Act and the Exchange Act Rules and Regulations; and

(ii) the Registration Statement does not, and any amendment thereto will not, in each case as of the applicable Effective Date, include any untrue statement of material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and the Prospectus does not, and any amendment or supplement thereto will not, as of the applicable filing date, include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading; *provided*, *however*, that the foregoing provisions of this Section 1(c) will not extend to any statements contained in, incorporated by reference in or omitted from the Registration Statement, the Prospectus or any amendment or supplement thereto that are based upon written information furnished to the Company by the Dealer Manager expressly for use therein.

(d) SECURITIES MATTERS. There has not been (i) any request by the Commission for any further amendment to the Registration Statement or the Prospectus or for any additional information, (ii) any issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the institution or, to the Company's knowledge, threat of any proceeding for that purpose, or (iii) any notification with respect to the suspension of the qualification of the Shares for sale in any jurisdiction or any initiation or, to the Company's knowledge, threat of any proceeding for such purpose. The Company is in compliance in all material respects with all federal and state securities laws, rules and regulations applicable to it and its activities, including, without limitation, with respect to the Offering and the sale of the Shares.

(e) CORPORATION STATUS. The Company is a corporation duly formed and validly existing under the General Corporation Law of Maryland, with all requisite power and authority to enter into this Agreement and to carry out its obligations hereunder.

(f) AUTHORIZATION OF AGREEMENT. This Agreement has been duly and validly authorized, executed and delivered by or on behalf of the Company and constitutes a valid and binding agreement of the Company enforceable in accordance with its terms (except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of the United States, any state or any political subdivision thereof which affect creditors' rights generally or by equitable principles relating to the availability of remedies or except to the extent that the enforceability of the indemnity and contribution provisions contained in this Agreement may be limited under applicable securities laws).

The execution and delivery of this Agreement and the performance of this Agreement, the consummation of the transactions contemplated herein and the fulfillment of the terms hereof, do not and will not (i) conflict with, or result in a breach of any of the terms and provisions of, or constitute a default under: (1) the Company's or any of its subsidiaries' declaration of trust, charter, by-laws, or other organizational documents, as the case may be, or (2) any indenture, mortgage, deed of trust, voting trust agreement, note, lease or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries or any of their properties is bound except, for purposes of this clause (2) only, for such conflicts, breaches or defaults that do not result in and could not reasonably be expected to result in, individually or in the aggregate, a Company MAE (as defined below in this Section 1(f)); or (ii) result in and could not reasonably be expected to result in, individually or in the aggregate, in any material respect any conflict with, breach of, or default under, any statute, rule or regulation or order of any court or other governmental agency or body having jurisdiction over the Company, any of its subsidiaries or any of their properties. No consent, approval, authorization or order of any court or other governmental agency or body has been or is required for the performance of this Agreement or for the consummation by the Company of any of the transactions contemplated hereby (except as have been obtained under the Securities Act, the Exchange Act, from the Financial Industry Regulatory Authority (the "**FINRA**") or as may be required under state securities or applicable blue sky laws in connection with the offer and sale of the Shares or under the laws of states in which the Company may own real properties in connection with its qualification to transact business in such states or as may be required by subsequent events which may occur). Neither the Company nor any of its subsidiaries is in violation of its declaration of trust, charter, by-laws or other organizational documents, as the case may be.

As used in this Agreement, "**Company MAE**" means any event, circumstance, occurrence, fact, condition, change or effect, individually or in the aggregate, that is, or could reasonably be expected to be, materially adverse to (A) the condition, financial or otherwise, earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, or (B) the ability of the Company to perform its obligations under this Agreement or the validity or enforceability of this Agreement or the Shares.

(g) ACTIONS OR PROCEEDINGS. As of the initial Effective Date, there are no actions, suits or proceedings against, or investigations of, the Company or its subsidiaries pending or, to the knowledge of the Company, threatened, before any court, arbitrator, administrative agency or other tribunal (i) asserting the invalidity of this Agreement, (ii) seeking to prevent the issuance of the Shares or the consummation of any of the transactions contemplated by this Agreement, or (iii) that if determined adversely to the Company or its subsidiaries, would reasonably be expected to result in Company MAE or affect adversely the federal income tax attributes of the Shares, except as may be described in the Prospectus. The Company promptly will give notice to the Dealer Manager of the occurrence of any action, suit, proceeding or investigation of the type referred to above arising or occurring on or after the initial Effective Date.

(h) ESCROW AGREEMENT. The Company will enter into an escrow agreement (the "**Escrow Agreement**") with the Dealer Manager and a bank to be agreed upon by the parties hereto (the "**Escrow Agent**"), substantially in the form included as an exhibit to the Registration Statement, which provides for the establishment of an escrow account (the "**Escrow Account**") to receive and hold subscription funds in respect of Shares of the Company. Once a minimum of $2,500,000 of subscription funds from Persons (as defined below) not affiliated with the Company or the Advisor (the "**Minimum Offering")** has been deposited in the Escrow Account, upon determination by the Company that it intends to break escrow, the Company shall deposit (or cause to be deposited) all subscription funds to a designated deposit account in the name of the Company (the "**Deposit Account**") at a bank which shall be subject to the reasonable prior approval of the Dealer Manager, subject to any higher or continuing escrow obligations imposed by certain states as described in the Prospectus. The Deposit Account shall be subject to a deposit control agreement executed by the depositary, the Company, and the Dealer Manager, which shall be substantially in the form included as an exhibit to the Registration Statement (the "**Control Agreement**"). As used herein, "**Person**" or "**Persons**" means any individual, firm, corporation, partnership, trust, incorporated or unincorporated association, joint venture, joint stock company, limited liability company, governmental authority or agency, or other entity of any kind.

(i) SALES LITERATURE. Any supplemental sales literature or advertisement (including, without limitation any "broker-dealer use only" material) furnished or approved by the Company for use in connection with this Offering (collectively, "**Approved Sales Literature**"), shall, to the extent required, be filed with and approved by the appropriate securities agencies and bodies, provided that the Dealer Manager will make all FINRA filings of such material. Any and all Approved Sales Literature did not or will not at the time provided for use include any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(j) AUTHORIZATION OF SHARES. The Shares have been duly authorized and, when issued and sold as contemplated by the Prospectus and upon payment therefor as provided in this Agreement and the Prospectus, will be validly issued, fully paid and nonassessable and will conform to the description thereof contained in the Prospectus.

(k) TAXES. Any taxes, fees and other governmental charges owed by the Company in connection with the execution and delivery of this Agreement or the execution, delivery and sale of the Shares have been or will be paid when due.

(l) INVESTMENT COMPANY. The Company is not, and neither the offer or sale of the Shares nor any of the activities of the Company will cause the Company to be, an "investment company" or under the control of an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended.

(m) TAX RETURNS. The Company has filed all material federal, state and foreign income tax returns required to be filed by or on behalf of the Company on or before the due dates therefor (taking into account all extensions of time to file) and has paid or

provided for the payment of all such material taxes indicated by such tax returns and all material assessments received by the Company to the extent that such taxes or assessments have become due, except as may be described in the Prospectus.

(n) REIT QUALIFICATIONS. The Company will make a timely election to be subject to tax as a REIT pursuant to Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "**Code**") for its taxable year ended December 31, 2010, or the first year during which the Company begins material operations. The Company has been organized and operated in conformity with the requirements for qualification and taxation as a REIT. The Company's current and proposed method of operation as described in the Registration Statement and the Prospectus will enable it to continue to meet the requirements for qualification and taxation as a REIT under the Code.

(o) INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM. The accountants who have certified certain financial statements appearing in the Prospectus are an independent registered public accounting firm within the meaning of the Securities Act and the Securities Act Rules and Regulations. Such accountants have not been engaged by the Company to perform any "prohibited activities" (as defined in Section 10A of the Exchange Act).

The Company and its subsidiaries each maintains a system of internal accounting and other controls sufficient to provide reasonable assurances that: (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles as applied in the United States and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as described in the Registration Statement, since the end of the Company's most recent audited fiscal year, there has been (A) no material weakness in the Company's internal control over financial reporting (whether or not remediated), and (B) no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

(p) PREPARATION OF THE FINANCIAL STATEMENTS. The financial statements filed with the Commission as a part of the Registration Statement and included in the Prospectus present fairly the financial position of the Company and its consolidated subsidiaries as of and at the dates indicated and the results of their operations and cash flows for the periods specified. Such financial statements have been prepared in conformity with generally accepted accounting principles as applied in the United States applied on a consistent basis throughout the periods involved, except as may be expressly stated in the related notes thereto. No other financial statements or supporting schedules are required by the Securities Act, the Securities Act Rules and Regulations, the Exchange Act or the Exchange Act Rules and Regulations to be included in the Registration Statement or any applicable Prospectus.

(q) MATERIAL ADVERSE CHANGE. Since the respective dates as of which information is given in the Registration Statement and the Prospectus, except as may otherwise be stated therein or contemplated thereby, there has not occurred a Company MAE, whether or not arising in the ordinary course of business.

(r) GOVERNMENT PERMITS. The Company and its subsidiaries possess such certificates, authorities or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct the business now operated by them, other than those the failure of which to possess or own would not have and could not reasonably be expected to result in a Company MAE. Neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such certificate, authority or permit which, if the subject of an unfavorable decision, ruling or finding, would result in a Company MAE.

(s) SUB-ADVISOR; SUB-ADVISORY AGREEMENT.

(i) The Sub-advisor is a limited partnership duly formed and validly existing under the laws of the State of Delaware, with all requisite power and authority to enter into this Agreement and to carry out its obligations hereunder.

(ii) Each of this Agreement and the Sub-advisory Agreement is duly and validly authorized, executed and delivered by or on behalf of the Sub-advisor and constitutes a valid and binding agreement of the Sub-advisor enforceable in accordance with its terms (except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of the United States, any state or any political subdivision thereof which affect creditors' rights generally or by equitable principles relating to the availability of remedies or except to the extent that the enforceability of the indemnity and contribution provisions contained in this Agreement may be limited under applicable securities laws).

(iii) The execution and delivery of each of this Agreement and the Sub-advisory Agreement and the performance thereunder by the Sub-advisor do not and will not (i) conflict with, or result in a breach of any of the terms and provisions of, or constitute a default under: (1) the Sub-advisor's or any of its subsidiaries' charter or by-laws, or other organizational documents, or (2) any indenture, mortgage, deed of trust, voting trust agreement, note, lease or other agreement or instrument to which the Sub-advisor or any of its subsidiaries is a party or by which the Sub-advisor or any of its subsidiaries or any of their properties is bound except, for purposes of this clause (2) only, for such conflicts, breaches or defaults that could not reasonably be expected to have or result in, individually or in the aggregate, (A) a material adverse effect on the condition, financial or otherwise, earnings, business affairs or business prospects of the Sub-advisor, or (B) a Company MAE; or (ii) result in and could not reasonably be expected to result in, individually or in the aggregate, in any material respect any conflict with, breach of, or default under, any statute, rule or regulation or order of any court or other governmental agency or body having jurisdiction over the Sub-advisor or any of its properties.

No consent, approval, authorization or order of any court or other governmental agency or body has been or is required for the performance of the Sub-advisory Agreement by the Sub-advisor. The Sub-advisor is not in violation of its agreement of limited partnership or other organizational documents.

(iv) There is no action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, now pending, or, to the knowledge of the Sub-advisor, threatened against or affecting the Sub-advisor, except as may be described in the Prospectus or that would not result in or have, individually or in the aggregate, a Company MAE or a material adverse effect on the condition, financial or otherwise, earnings, business affairs or business prospects of the Sub-advisor.

(v) The Sub-advisor possesses such certificates, authorities or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct the business now operated by it, other than those the failure to possess or own would not have or result in, individually or in the aggregate, (A) a material adverse effect on the condition, financial or otherwise, earnings, business affairs or business prospects of the Sub-advisor, (B) a Company MAE, or (C) a material adverse effect on the performance of the services under the Sub-advisory Agreement by the Sub-advisor, and the Sub-advisor has received any notice of proceedings relating to the revocation or modification of any such certificate, authority or permit.

(t) PROPERTIES. Except as may be disclosed in the Prospectus and except as would not result in a Company MAE, (i) all properties and assets described in the Prospectus are owned with good and marketable title by the Company and its subsidiaries, and (ii) all liens, charges, encumbrances, claims or restrictions on or affecting any of the properties and assets of any of the Company or its subsidiaries which are required to be disclosed in the Prospectus are disclosed therein.

(u) HAZARDOUS MATERIALS. Except as may be described in the Prospectus, the Company does not have any knowledge of (i) the unlawful presence of any hazardous substances, hazardous materials, toxic substances or waste materials (collectively, "**Hazardous Materials**") on any of the properties owned by it or its subsidiaries or subject to mortgage loans owned by the Company or any of its subsidiaries, or (ii) any unlawful spills, releases, discharges or disposal of Hazardous Materials that have occurred or are presently occurring off such properties as a result of any construction on or operation and use of such properties, which presence or occurrence in the case of clauses (i) and (ii) would result in a Company MAE. In connection with the properties owned by the Company and its subsidiaries or subject to mortgage loans owned by the Company or any of its subsidiaries, the Company has no knowledge of any material failure to comply with all applicable local, state and federal environmental laws, regulations, ordinances and administrative and judicial orders relating to the generation, recycling, reuse, sale, storage, handling, transport and disposal of any Hazardous Materials, except as may be disclosed in the Prospectus.

2. REPRESENTATIONS AND WARRANTIES OF THE DEALER MANAGER. The Dealer Manager represents, warrants and agrees to the Company during the term of this Agreement that:

(a) ORGANIZATION STATUS. The Dealer Manager is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, with all requisite power and authority to enter into this Agreement and to carry out its obligations hereunder.

(b) AUTHORIZATION OF AGREEMENT. This Agreement has been duly authorized, executed and delivered by the Dealer Manager, and assuming due authorization, execution and delivery of this Agreement by the Company and the Sub-advisor, will constitute a valid and legally binding agreement of the Dealer Manager enforceable against the Dealer Manager in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability and except that rights to indemnity and contribution hereunder may be limited by applicable law and public policy.

(c) ABSENCE OF CONFLICT OR DEFAULT. The execution and delivery of this Agreement, the consummation of the transactions herein contemplated and compliance with the terms of this Agreement by the Dealer Manager will not conflict with or constitute a default under (i) its organizational documents, (ii) any indenture, mortgage, deed of trust or lease to which the Dealer Manager is a party or by which it may be bound, or to which any of the property or assets of the Dealer Manager is subject, or (iii) any rule, regulation, writ, injunction or decree of any government, governmental instrumentality or court, domestic or foreign, having jurisdiction over the Dealer Manager or its assets, properties or operations, except in the case of clause (ii) or (iii) for such conflicts or defaults that would not individually or in the aggregate have or reasonably be expected to have a material adverse effect on the condition (financial or otherwise), business affairs, properties or results of operations of the Dealer Manager.

(d) BROKER-DEALER REGISTRATION; FINRA MEMBERSHIP. The Dealer Manager is, and during the term of this Agreement will be, duly registered as a broker-dealer pursuant to the provisions of the Exchange Act, a member in good standing of FINRA, and a broker or dealer duly registered as such in those states where the Dealer Manager is required to be registered in order to carry out the Offering as contemplated by this Agreement. Moreover, the Dealer Manager's employees and representatives have all required licenses and registrations to act under this Agreement. There is no provision in the Dealer Manager's FINRA membership agreement that would restrict the ability of the Dealer Manager to carry out the Offering as contemplated by this Agreement.

(e) DISCLOSURE. The information under the caption "Plan of Distribution" in the Prospectus insofar as it relates to the Dealer Manager, and all other information furnished to the Company by the Dealer Manager in writing specifically for use in the Registration Statement, any preliminary Prospectus or the Prospectus, does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein

or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(f) COMPLIANCE. The Dealer Manager will comply with all federal laws pertaining to the sale of securities, the laws of the jurisdictions in which the Dealer Manager sells the Shares, the Securities Act Rules and Regulations applicable to it, the Exchange Act Rules and Regulations applicable to it, the rules and regulations of FINRA, specifically including Rule 15c2-4 under the Exchange Act, as interpreted in NASD Notice to Members 84-64 and as it may be amended from time to time (which requires that during the escrow period checks be promptly transmitted by the Dealer Manager to the Escrow Agent as soon as practicable, but in any event by noon of the second business day following receipt by the Dealer Manager).

3. OFFERING AND SALE OF THE SHARES. Upon the terms and subject to the conditions set forth in this Agreement, the Company hereby appoints the Dealer Manager as its agent and exclusive distributor to solicit and to retain the Soliciting Dealers (as defined in Section 3(a)) to solicit subscriptions for the Shares at the subscription price to be paid in cash. The Dealer Manager hereby accepts such agency and exclusive distributorship and agrees to use its reasonable best efforts to sell or cause to be sold the Shares in such quantities and to such Persons in accordance with such terms as are set forth in this Agreement, the Prospectus and the Registration Statement. Unless this Agreement is earlier terminated pursuant to Section 11, the Dealer Manager shall use such reasonable best efforts during the Offering Period (as defined below).

As used in this Agreement, "**Offering Period**" means the period commencing on the initial Effective Date and ending on the earliest to occur of the following: (1) the acceptance by the Company of subscriptions for 150,000,000 Shares; (2) the termination of the Offering by the Company, which the Company shall have the right to terminate in its sole and absolute discretion at any time (it being understood and agreed that the termination of the Offering by the Company pursuant this clause (2) shall not constitute a termination of the Agreement pursuant to Section 11); (3) the termination or expiration of the effectiveness of the Registration Statement; and (4) the liquidation or dissolution of the Company.

Notwithstanding the foregoing, if the Company or an affiliate of the Company commences a public offering pursuant to the Registration Statement or another registration statement filed pursuant to the Securities Act within nine months from the date of the termination or expiration of the Offering Period, then, at the election of the Dealer Manager (such election to be given by notice thereof to the Company), the Dealer Manager's exclusive retention pursuant to this Agreement and the Offering Period shall be reinstated, and this Agreement shall be deemed amended *mutatis mutandis* in connection therewith; *provided, however,* that neither the Dealer Manager's exclusive retention nor the Offering Period shall be reinstated (x) if the public offering by the Company or an affiliate of the Company is for securities listed or approved for listing upon notice of issuance on a national securities exchange, (y) with respect to a public offering by an affiliate of the Company only, if the Offering Period lasted for at least three years or was terminated due to the acceptance by the Company of subscriptions for 150,000,000 Shares, or (z) if the Company previously has terminated this Agreement pursuant to Section 11(b).

The number of Shares, if any, to be reserved for sale by each Soliciting Dealer may be determined, from time to time, by the Dealer Manager upon prior consultation with the Company. In the absence of such determination, the Company shall, subject to the provisions of Section 3(b), accept Subscription Agreements based upon a first-come, first accepted reservation or other similar method. Under no circumstances will the Dealer Manager be obligated to underwrite or purchase any Shares for its own account and, in soliciting purchases of Shares, the Dealer Manager shall act solely as the Company's agent and not as an underwriter or principal.

(a) SOLICITING DEALERS. The Shares offered and sold through the Dealer Manager under this Agreement shall be offered and sold only by the Dealer Manager and other securities dealers the Dealer Manager may retain (collectively the "**Soliciting Dealers**"); *provided, however,* that (i) the Dealer Manager reasonably believes that all Soliciting Dealers are registered with the Commission, members of FINRA and are duly licensed or registered by the regulatory authorities in the jurisdictions in which they will offer and sell Shares or exempt from broker dealer registration with the Commission and all other applicable regulatory authorities, (ii) all such engagements are evidenced by written agreements, the terms and conditions of which substantially conform to the form of Soliciting Dealers Agreement approved by the Company and the Dealer Manager (the "**Soliciting Dealers Agreement**"), and (iii) the Company shall have previously approved each Soliciting Dealer (such approval not to be unreasonably withheld or delayed).

(b) SUBSCRIPTION DOCUMENTS. Each Person desiring to purchase Shares through the Dealer Manager, or any other Soliciting Dealer, will be required to complete and execute the subscription documents described in the Prospectus.

(c) COMPLETED SALE. A sale of a Share shall be deemed by the Company to be completed for purposes of Section 3(d) if and only if (i) the Company has received a properly completed and executed subscription agreement, together with payment of the full purchase price of each purchased Share, from an investor who satisfies the applicable suitability standards and minimum purchase requirements set forth in the Registration Statement as determined by the Soliciting Dealer, or the Dealer Manager, as applicable, in accordance with the provisions of this Agreement, (ii) the Company has accepted such subscription, and (iii) such investor has been admitted as a shareholder of the Company. In addition, no sale of Shares shall be completed until at least five (5) business days after the date on which the subscriber receives a copy of the Prospectus. The Dealer Manager hereby acknowledges and agrees that the Company, in its sole and absolute discretion, may accept or reject any subscription, in whole or in part, for any reason whatsoever or no reason, and no commission or dealer manager fee will be paid to the Dealer Manager with respect to that portion of any subscription which is rejected.

(d) DEALER-MANAGER COMPENSATION.

(i) Subject to the volume discounts and other special circumstances described in or otherwise provided in the "Plan of Distribution" section of the Prospectus or this Section 3(d), the Company agrees to pay the Dealer Manager selling commissions in the amount of seven percent (7%) of the selling price of each Share for which a sale is completed from the Shares offered in the Primary

Offering. The Company will not pay selling commissions for sales of Shares pursuant to the DRP, and the Company will pay reduced selling commissions or may eliminate commissions on certain sales of Shares, including the reduction or elimination of selling commissions in accordance with, and on the terms set forth in, the Prospectus. The Dealer Manager will reallow all the selling commissions, subject to federal and state securities laws, to the Soliciting Dealer who sold the Shares, as described more fully in the Soliciting Dealers Agreement.

(ii) Subject to the special circumstances described in or otherwise provided in the "Plan of Distribution" section of the Prospectus or this Section 3(d), as compensation for acting as the dealer manager, the Company will pay the Dealer Manager, a dealer manager fee in the amount of three percent (3%) of the selling price of each Share for which a sale is completed from the Shares offered in the Primary Offering (the "**Dealer Manager Fee**"). No Dealer Manager Fee will be paid in connection with Shares sold pursuant to the DRP. The Dealer Manager may retain or re-allow all or a portion of the Dealer Manager Fee, subject to federal and state securities laws, to the Soliciting Dealer who sold the Shares, as described more fully in the Soliciting Dealers Agreement.

(iii) All selling commissions payable to the Dealer Manager will be paid within thirty (30) days after the investor subscribing for the Share is admitted as a shareholder of the Company, in an amount equal to the selling commissions payable with respect to such Shares.

(iv) In no event shall the total aggregate underwriting compensation payable to the Dealer Manager and any Soliciting Dealers participating in the Offering, including, but not limited to, selling commissions and the Dealer Manager Fee exceed ten percent (10.0%) of gross offering proceeds from the Primary Offering in the aggregate.

(v) Notwithstanding anything to the contrary contained herein, if the Company pays any selling commission to the Dealer Manager for sale by a Soliciting Dealer of one or more Shares and the subscription is rescinded as to one or more of the Shares covered by such subscription, then the Company shall decrease the next payment of selling commissions or other compensation otherwise payable to the Dealer Manager by the Company under this Agreement by an amount equal to the commission rate established in this Section 3(d), multiplied by the number of Shares as to which the subscription is rescinded. If no payment of selling commissions or other compensation is due to the Dealer Manager after such withdrawal occurs, then the Dealer Manager shall pay the amount specified in the preceding sentence to the Company within a reasonable period of time not to exceed thirty (30) days following receipt of notice by the Dealer Manager from the Company stating the amount owed as a result of rescinded subscriptions.

(vi) Notwithstanding the foregoing, no commissions, payments or amounts whatsoever will be paid to the Dealer Manager under this Section 3(d) until an

investment or a subscription is accepted and such investor is admitted pursuant to the terms set forth in the Prospectus and herein.

(vii) The Company will not be liable or responsible to any Soliciting Dealer for direct payment for selling commissions to such Soliciting Dealer; the Dealer Manager is solely and exclusively responsible for the payment of selling commissions to Soliciting Dealers.

(e) REASONABLE *BONA FIDE* DUE DILIGENCE EXPENSES. The Company or the Sub-advisor shall reimburse the Dealer Manager or any Soliciting Dealer for reasonable *bona fide* due diligence expenses incurred by the Dealer Manager or any Soliciting Dealer, subject to the Company having given its prior approval of the incurrence of such expenses (such approval not to be unreasonably withheld or delayed). The Company shall only reimburse the Dealer Manager or any Soliciting Dealer for such approved *bona fide* due diligence expenses to the extent such expenses have actually been incurred and are supported by detailed and itemized invoice(s) provided to the Company.

4. EXCLUSIVITY AND RESTRICTION.

(a) As set forth in Section 3, the Company has appointed the Dealer Manager as its agent and exclusive distributor to solicit and to retain the Soliciting Dealers to solicit subscriptions for the Shares during the Offering Period (including any reinstatement thereof pursuant to the provisions of Section 3). During the period from the date hereof until the earlier to occur of (i) the end of the Offering Period (including any reinstatement thereof pursuant to the provisions of Section 3) and (ii) the termination of this Agreement pursuant to Section 11, the Company will not (and will cause its affiliates to not) engage or appoint any Person other than the Dealer Manager to distribute, solicit and/or retain securities dealers to solicit subscriptions for the Shares or other securities of the Company.

(b) During the period from the date hereof until the earlier to occur of (i) the end of the Offering Period (including any reinstatement thereof pursuant to the provisions of Section 3) and (ii) the termination of this Agreement pursuant to Section 11, the Dealer Manager will not (and will cause its affiliates to not) distribute or market any non-traded REIT significantly engaged in the acquisition, ownership, leasing, operation and/or management of anchored shopping centers in the United States with a purchase price of less than $20,000,000 (the "**Target Activities**"). For the avoidance of doubt, American Realty Capital Trust, Inc. and American Realty Capital New York Recovery REIT Inc., to the extent the primary investment focus of each such entity remains as set forth in such entity's respective prospectus on file with the Commission as of the date hereof, shall not be considered a non-traded REIT significantly engaged in the Target Activities for purposes of this Section 4(b).

5. CONDITIONS TO THE DEALER MANAGER'S OBLIGATIONS. The Dealer Manager's obligations hereunder shall be subject to the following terms and conditions (and if all such conditions are not satisfied or waived by the Dealer Manager on or before the initial Effective Date or at any time thereafter until the Termination Date (as defined in Section 11(a)), then no funds shall be released (1) from the Escrow Account if the Dealer Manager provides

notice to this effect to the Company and the Escrow Agent, and (2) from the Deposit Account if the Dealer Manager provides notice to this effect to the Company and Escrow Agent:

(a) The representations and warranties on the part of the Company and the Sub-advisor contained in this Agreement hereof shall be true and correct in all material respects and the Company and the Sub-advisor shall have complied with their covenants, agreements and obligations contained in this Agreement in all material respects;

(b) The Registration Statement shall have become effective and no stop order suspending the effectiveness of the Registration Statement shall have been issued by the Commission and, to the best knowledge of the Company and the Sub-advisor, no proceedings for that purpose shall have been instituted, threatened or contemplated by the Commission; and any request by the Commission for additional information (to be included in the Registration Statement or Prospectus or otherwise) shall have been complied with to the reasonable satisfaction of the Dealer Manager.

(c) The Registration Statement and the Prospectus, and any amendment or any supplement thereto, shall not contain any untrue statement of material fact, or omit to state a material fact that is required to be stated therein or is necessary to make the statements therein not misleading.

(d) On the initial Effective Date and at or prior to the fifth business day following the Effective Date of each post-effective amendment to the Registration Statement that includes or incorporates by reference new audited financial statements for the Company, the Dealer Manager shall have received from Deloitte & Touche LLP or such other independent registered public accountants for the Company, (i) a letter, dated the applicable date, addressed to the Dealer Manager, in form and substance satisfactory to the Dealer Manager, containing statements and information of the type ordinarily included in accountant's "comfort letters" to placement agents or dealer managers, delivered according to Statement of Auditing Standards No. 72 (or any successor bulletin), with respect to the audited financial statements and certain financial information contained in the Registration Statement and the Prospectus, and (ii) confirming that they are (A) independent registered public accountants as required by the Securities Act, and (B) in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X.

(e) At or prior to the fifth business day following the Effective Date of each post-effective amendment to the Registration Statement (other than post-effective amendments filed solely pursuant to Rule 462(d) under the Securities Act and other than the post-effective amendments referred to in Section 5(d)), the Dealer Manager shall have received from Deloitte & Touche LLP or such other independent public or certified public accountants for the Company, a letter, dated such date, in form and substance satisfactory to the Dealer Manager, to the effect that they reaffirm the statements made in the most recent letter furnished pursuant to Section 5(d), except that the specified date referred to therein for the carrying out of procedures shall be no more than three business days prior to the date of the letter furnished pursuant to this Section 5(e).

(f) On the Effective Date the Dealer Manager shall have received the opinion of DLA Piper LLP (US), counsel for the Company, and a supplemental "negative assurances" letter from such counsel, each dated as of the Effective Date, and each in the form and substance reasonably satisfactory to the Dealer Manager.

(g) At or prior to the Effective Date and at or prior to the fifth business day following the effective date of each post-effective amendment to the Registration Statement (other than post-effective amendments filed solely pursuant to Rule 462(d) under the Securities Act), the Dealer Manager shall have received a written certificate executed by the Chief Executive Officer or President of the Company and the Chief Financial Officer of the Company, in their capacities as officers of the Company, dated as of the applicable date, to the effect that: (i) the representations and warranties of the Company and the Sub-advisor set forth in this Agreement are true and correct in all material respects with the same force and effect as though expressly made on and as of the applicable date; and (ii) the Company and the Sub-advisor have complied in all material respects with all the agreements hereunder and satisfied all the conditions on their part to be performed or satisfied hereunder at or prior to the applicable date.

6. COVENANTS OF THE COMPANY AND THE SUB-ADVISOR. The Company and the Sub-advisor covenant and agree with the Dealer Manager as follows:

(a) REGISTRATION STATEMENT. The Company will use commercially reasonable efforts (i) to cause the Registration Statement and any subsequent amendments thereto to become effective as promptly as possible, and (ii) on an ongoing basis, maintain effective status with the Commission thereafter. The Company will furnish a copy of any proposed amendment or supplement of the Registration Statement or the Prospectus to the Dealer Manager. The Company will comply in all material respects with all federal and state securities laws, rules and regulations which are required to be complied with in order to permit the continuance of offers and sales of the Shares in accordance with the provisions hereof and of the Prospectus.

(b) COMMISSION ORDERS. If the Commission shall issue any stop order or any other order preventing or suspending the use of the Prospectus, or shall institute any proceedings for that purpose, then the Company will promptly notify the Dealer Manager and use its commercially reasonable efforts to prevent the issuance of any such order and, if any such order is issued, to use commercially reasonable efforts to obtain the removal thereof as promptly as possible.

(c) BLUE SKY QUALIFICATIONS. The Company will use commercially reasonable efforts to qualify the Shares for offering and sale under the securities or blue sky laws of such jurisdictions as the Dealer Manager and the Company shall mutually agree upon and to make such applications, file such documents and furnish such information as may be reasonably required for that purpose. The Company will furnish the Dealer Manager with a copy of such papers filed by the Company in connection with any such qualification. The Company will promptly advise the Dealer Manager of the issuance by such securities administrators of any stop order preventing or suspending the use of the Prospectus or of the institution of any proceedings for that purpose, and will use

its commercially reasonable efforts to prevent the issuance of any such order and if any such order is issued, to use its commercially reasonable efforts to obtain the removal thereof as promptly as possible. The Company will furnish the Dealer Manager with a Blue Sky Survey dated as of the initial Effective Date, which will be supplemented to reflect changes or additions to the information disclosed in such survey.

(d) AMENDMENTS AND SUPPLEMENTS. If, at any time when a Prospectus relating to the Shares is required to be delivered under the Securities Act, any event shall have occurred to the knowledge of the Company, or the Company receives notice from the Dealer Manager that it believes such an event has occurred, as a result of which the Prospectus or any Approved Sales Literature as then amended or supplemented would include any untrue statement of a material fact, or omit to state a material fact necessary to make the statements therein not misleading in light of the circumstances existing at the time it is so required to be delivered to a subscriber, or if it is necessary at any time to amend the Registration Statement or supplement the Prospectus relating to the Shares to comply with the Securities Act, then the Company will promptly notify the Dealer Manager thereof (unless the information shall have been received from the Dealer Manager) and will prepare and file with the Commission an amendment or supplement which will correct such statement or effect such compliance to the extent required, and shall make available to the Dealer Manager thereof sufficient copies for its own use and/or distribution to the Soliciting Dealers.

(e) REQUESTS FROM COMMISSION. The Company will promptly advise the Dealer Manager of any request made by the Commission or a state securities administrator for amending the Registration Statement, supplementing the Prospectus or for additional information.

(f) COPIES OF REGISTRATION STATEMENT. The Company will furnish the Dealer Manager with one signed copy of the Registration Statement, including its exhibits, and such additional copies of the Registration Statement, without exhibits, and the Prospectus and all amendments and supplements thereto, which are finally approved by the Commission, as the Dealer Manager may reasonably request for sale of the Shares.

(g) QUALIFICATION TO TRANSACT BUSINESS. The Company will take all steps necessary to ensure that at all times the Company will validly exist as a Maryland corporation and will be qualified to do business in all jurisdictions in which the conduct of its business requires such qualification and where such qualification is required under local law.

(h) AUTHORITY TO PERFORM AGREEMENTS. The Company undertakes to obtain all consents, approvals, authorizations or orders of any court or governmental agency or body which are required for the Company’s performance of this Agreement and under its charter and by-laws for the consummation of the transactions contemplated hereby and thereby, respectively, or the conducting by the Company of the business described in the Prospectus.

(i) SALES LITERATURE. The Company will furnish to the Dealer Manager as promptly as shall be practicable upon request any Approved Sales Literature (provided that the use of said material has been first approved for use by all appropriate regulatory agencies). Any Approved Sales Literature shall, to the extent required, be filed with and, to the extent required, approved by the appropriate securities agencies and bodies, provided that the Dealer Manager will make all FINRA filings, to the extent required. The Company will prepare (or cause to be prepared) all Approved Sales Literature. Each of the Company and the Sub-advisor will not (and will cause its affiliates to not) (i) show or give to any investor or prospective investor or reproduce any material or writing that is marked "broker-dealer use only" or otherwise bearing a legend denoting that it is not to be used in connection with the sale of Shares to members of the public; and (2) show or give to any investor or prospective investor in a particular jurisdiction any material or writing if such material bears a legend denoting that it is not to be used in connection with the sale of Shares to members of the public in such jurisdiction.

(j) CERTIFICATES OF COMPLIANCE. The Company shall provide, from time to time upon request of the Dealer Manager, certificates of its chief executive officer and chief financial officer of compliance by the Company of the requirements of this Agreement.

(k) USE OF PROCEEDS. The Company will apply the proceeds from the sale of the Shares as set forth in the Prospectus.

(l) CUSTOMER INFORMATION. Each of the Company and the Sub-advisor shall:

(i) abide by and comply with (A) the privacy requirements of the Gramm-Leach-Bliley Act of 1999 (the "**GLB Act**") that are applicable to it, (B) the privacy requirements of any other applicable federal or state law that are applicable to it, and (C) its own internal privacy policies and procedures, each as may be amended from time to time;

(ii) refrain from the use or disclosure of nonpublic personal information (as defined under the GLB Act) of all customers who have opted out of such disclosures except as necessary to service the customers or as otherwise necessary or required by applicable law; and

(iii) determine which customers have opted out of the disclosure of nonpublic personal information by periodically reviewing and, if necessary, retrieving an aggregated list of such customers from the Soliciting Dealers (the "List") to identify customers that have exercised their opt-out rights. If either party uses or discloses nonpublic personal information of any customer for purposes other than servicing the customer, or as otherwise required by applicable law, that party will consult the List to determine whether the affected customer has exercised his or her opt-out rights. Each party understands that it is prohibited from using or disclosing any nonpublic personal information of any customer that is identified on the List as having opted out of such disclosures.

(m) DEALER MANAGER'S REVIEW OF PROPOSED AMENDMENTS AND SUPPLEMENTS. Prior to amending or supplementing the Registration Statement, any preliminary prospectus or the Prospectus (including any amendment or supplement through incorporation of any report filed under the Exchange Act), the Company shall furnish to the Dealer Manager for review, a reasonable amount of time prior to the proposed time of filing or use thereof, a copy of each such proposed amendment or supplement, and the Company shall not file or use any such proposed amendment or supplement without the Dealer Manager's consent, which consent shall not be unreasonably withheld or delayed; *provided, however,* that the Company may file or use any such proposed amendment or supplement without the Dealer Manager's prior consent if the Company is advised by outside securities counsel that, at the time such advice is rendered, (i) the Company will be in imminent violation of any federal or state securities law, rule or regulation applicable to it and its activities, including, without limitation, with respect to the Offering and the sale of the Shares, or (ii) a suspension of the offer or sale of Shares in the Offering is imminent, in each case if the Company does not promptly file or use any such proposed amendment or supplement.

(n) CERTAIN PAYMENTS. Without the prior consent of the Dealer Manager, none of the Company, the Sub-advisor or any of their respective affiliates will make any payment (cash or non-cash) to any associated Person or registered representative of the Dealer Manager.

(o) DEPOSIT ACCOUNT AND ESCROW AGREEMENT. Upon the Company's delivery of notice to the Dealer Manager and the Escrow Agent that there are subscription funds from Persons unaffiliated with the Company or the Advisor in the Escrow Account in a minimum aggregate amount of $2,500,000 in respect of Shares of the Company and the Company desires to break escrow (the "Escrow Break Date"), subject to any continuing escrow obligations imposed by certain states as described in the Prospectus, the Company will deposit all subsequent subscription funds in the Deposit Account. At all times until the Termination Date, the Deposit Account shall be subject to the Control Agreement that will provide, among other things, that no funds shall be able to be withdrawn from the Deposit Account once the Dealer Manager provides notice to the Company and Escrow Agent that a condition set forth in Section 5 has not been satisfied or waived by the Dealer Manager. Such restriction on withdrawal shall continue until the Dealer Manager notifies the Company and Escrow Agent that funds in the Deposit Account can be released upon order of the Company.

The Company confirms that it is bound by the terms of the Escrow Agreement. The Company agrees that it will not represent or imply that the Escrow Agent has investigated the desirability or advisability of an investment in the Company or has approved, endorsed or passed upon the merits of an investment in the Shares, nor will the Company use the name of the Escrow Agent in any manner whatsoever in connection with the offer or sale of the Shares other than by acknowledgment that it has agreed to serve as escrow agent.

(p) REGULATORY FILINGS. Notwithstanding anything herein to the contrary, the Company shall provide the Dealer Manager for its prior approval (not to be unreasonably withheld or delayed) with a copy of any notice, filing, application, registration, document,

correspondence or other information that the Company proposes to deliver, make or file with any governmental authority or agency (federal, state or otherwise) or with FINRA (other than any non-material correspondence in respect of Blue Sky matters) in connection with the Offering, this Agreement or any of the transactions completed hereby.

7. COVENANTS OF THE DEALER MANAGER. The Dealer Manager covenants and agrees with the Company as follows:

(a) COMPLIANCE WITH LAWS; PROSPECTUS DELIVERY. With respect to the Dealer Manager's participation and the participation by each Soliciting Dealer in the offer and sale of the Shares (including, without limitation, any resales and transfers of Shares), the Dealer Manager agrees, and each Soliciting Dealer in its Soliciting Dealer Agreement will agree, to comply in all material respects in connection with the Offering with all applicable requirements of (i) the Securities Act, the Securities Act Rules and Regulations, the Exchange Act and the Exchange Act Rules and Regulations, (ii) all applicable state securities or blue sky laws and regulations in effect from time to time, and (iii) the Rules of the FINRA applicable to the Offering, from time to time in effect, specifically including, but not in any way limited to, Conduct Rules 2340, 2420, 2730, 2740 and 2750 and FINRA Rule 2310 therein. The Dealer Manager will not offer the Shares for sale in any jurisdiction unless and until it has been advised that the Shares are either registered in accordance with, or exempt from, the securities and other laws applicable thereto.

In addition, the Dealer Manager shall, in accordance with applicable law or as prescribed by any state securities administrator, provide, or require in the Soliciting Dealer Agreement that the Soliciting Dealer shall provide, to any prospective investor copies of the Prospectus and any supplements thereto during the course of the Offering and prior to the sale. The Company may provide the Dealer Manager with certain Approved Sales Literature to be used by the Dealer Manager and the Soliciting Dealers in connection with the solicitation of purchasers of the Shares. The Dealer Manager agrees not to deliver the Approved Sales Literature to any Person prior to the initial Effective Date. If the Dealer Manager elects to use such Approved Sales Literature after the initial Effective Date, then the Dealer Manager agrees that such material shall not be used by it in connection with the solicitation of purchasers of the Shares and that it will direct Soliciting Dealers not to make such use unless accompanied or preceded by the Prospectus, as then currently in effect, and as it may be amended or supplemented in the future. The Dealer Manager agrees that it will not use any Approved Sales Literature other than those provided to the Dealer Manager by the Company for use in the Offering. The use of any other sales material is expressly prohibited.

(b) NO ADDITIONAL INFORMATION. In offering the Shares for sale, the Dealer Manager shall not, and each Soliciting Dealer shall agree not to, give or provide any information or make any representation other than those contained in the Prospectus or the Approved Sales Literature. The Dealer Manager will not (i) show or give to any investor or prospective investor or reproduce any material or writing that is supplied to it by the Company or the Sub-advisor and marked "broker-dealer use only" or otherwise bearing a legend denoting that it is not to be used in connection with the sale of Shares to members

of the public; and (ii) show or give to any investor or prospective investor in a particular jurisdiction any material or writing that is supplied to it by the Company or the Sub-advisor if such material bears a legend denoting that it is not to be used in connection with the sale of Shares to members of the public in such jurisdiction.

(c) SALES OF SHARES. The Dealer Manager shall, and each Soliciting Dealer shall agree to, solicit purchases of the Shares only in the jurisdictions in which the Dealer Manager and such Soliciting Dealer are legally qualified to so act and in which the Dealer Manager and each Soliciting Dealer have been advised by the Company in writing that such solicitations can be made.

(d) SUBSCRIPTION AGREEMENT. The Dealer Manager will comply in all material respects with the subscription procedures and "Plan of Distribution" set forth in the Prospectus. Subscriptions will be submitted by the Dealer Manager and each Soliciting Dealer to the Company only on the form which is included as Exhibit B to the Prospectus. The Dealer Manager understands and acknowledges, and each Soliciting Dealer shall acknowledge, that the Subscription Agreement must be executed and initialed by the subscriber as provided for by the Subscription Agreement.

(e) SUITABILITY. The Dealer Manager will offer Shares, and in its agreement with each Soliciting Dealer will require that the Soliciting Dealer offer Shares, only to Persons that it has reasonable grounds to believe meet the financial qualifications set forth in the Prospectus or in any suitability letter or memorandum sent to it by the Company and will only make offers to Persons in the states in which it is advised in writing by the Company that the Shares are qualified for sale or that such qualification is not required. In offering Shares, the Dealer Manager will comply, and in its agreements with the Soliciting Dealers, the Dealer Manager will require that the Soliciting Dealers comply, with the provisions of all applicable rules and regulations relating to suitability of investors, including without limitation the FINRA Conduct Rules and the provisions of Article III.C. and III.E. of the Statement of Policy Regarding Real Estate Investment Trusts of the North American Securities Administrators Association, Inc. (the "**NASAA Guidelines**"). The Dealer Manager agrees that in recommending the purchase of the Shares to an investor, the Dealer Manager and each Person associated with the Dealer Manager that make such recommendation shall have, and each Soliciting Dealer in its Soliciting Dealer Agreement shall agree with respect to investors to which it makes a recommendation shall agree that it shall have, reasonable grounds to believe, on the basis of information obtained from the investor concerning the investor's investment objectives, other investments, financial situation and needs, and any other information known by the Dealer Manager, the Person associated with the Dealer Manager or the Soliciting Dealer that: (i) the investor is or will be in a financial position appropriate to enable the investor to realize to a significant extent the benefits described in the Prospectus, including the tax benefits where they are a significant aspect of the Company; (ii) the investor has a fair market net worth sufficient to sustain the risks inherent in the program, including loss of investment and lack of liquidity; and (iii) an investment in the Shares offered in the Primary Offering is otherwise suitable for the investor. The Dealer Manager agrees as to investors to whom it makes a recommendation with respect to the purchase of the Shares in the Primary Offering (and each Soliciting Dealer in its Soliciting Dealer Agreement shall agree, with respect to

Investors to whom it makes such recommendations) to maintain in the files of the Dealer Manager (or the Soliciting Dealer, as applicable) documents disclosing the basis upon which the determination of suitability was reached as to each investor. In making the determinations as to financial qualifications and as to suitability required by the NASAA Guidelines, the Dealer Manager and Soliciting Dealers may rely on (A) representations from investment advisers who are not affiliated with a Soliciting Dealer, banks acting as trustees or fiduciaries, and (B) information it has obtained from a prospective investor, including such information as the investment objectives, other investments, financial situation and needs of the Person or any other information known by the Dealer Manager (or Soliciting Dealer, as applicable), after due inquiry. Notwithstanding the foregoing, the Dealer Manager shall not, and each Soliciting Dealer shall agree not to, execute any transaction in the Company in a discretionary account without prior written approval of the transaction by the customer.

(f) SUITABILITY RECORDS. The Dealer Manager shall, and its agreements with each Soliciting Dealer will require that each Soliciting Dealer agree to, maintain, for at least six years or for a period of time not less than that required in order to comply with all applicable federal, state and other regulatory requirements, whichever is later, a record of the information obtained to determine that an investor meets the suitability standards imposed on the offer and sale of the Shares (both at the time of the initial subscription and at the time of any additional subscriptions) and a representation of the investor that the investor is investing for the investor's own account or, in lieu of such representation, information indicating that the investor for whose account the investment was made met the suitability standards. The Company agrees that the Dealer Manager can satisfy its obligation by contractually requiring such information to be maintained by the investment advisers or banks referred to in Section 7(e).

(g) SOLICITING DEALER AGREEMENTS. All engagements of the Soliciting Dealers will be evidenced by a Soliciting Dealer Agreement.

(h) ELECTRONIC DELIVERY. If the Dealer Manager or any Soliciting Dealer intends to use electronic delivery to distribute the Prospectus to any Person, the Dealer Manager will comply, and will require each Soliciting Dealer to agree that it will comply, with all applicable requirements of the Commission, the Blue Sky laws and/or FINRA and any other laws or regulations related to the electronic delivery of documents.

(i) COORDINATION. The Company and the Dealer Manager shall have the right, but not the obligation, to meet with key personnel of the other on an ongoing and regular basis to discuss the conduct of the officers.

(j) AML COMPLIANCE. Although acting as a wholesale distributor and not itself selling shares directly to investors, the Dealer Manager represents to the Company that it has established and implemented anti-money laundering compliance programs ("**AML Program**") in accordance with applicable law, including applicable FINRA Conduct Rules, Exchange Act Rules and Regulations and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) of 2001, as amended (the "**USA PATRIOT Act**"), specifically including,

but not limited to, Section 352 of the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001 (the "**Money Laundering Abatement Act**", and together with the USA PATRIOT Act, the "**AML Rules**"), reasonably expected to detect and cause the reporting of suspicious transactions in connection with the offering and sale of the Shares. The Dealer Manager further represents that it is currently in compliance with all AML Rules, specifically including, but not limited to, the Customer Identification Program requirements under Section 326 of the Money Laundering Abatement Act, and the Dealer Manager hereby covenants to remain in compliance with such requirements and shall, upon request by the Company, provide a certification to the Company that, as of the date of such certification (i) its AML Program is consistent with the AML Rules, and (ii) it is currently in compliance with all AML Rules, specifically including, but not limited to, the Customer Identification Program requirements under Section 326 of the Money Laundering Abatement Act.

(k) COOPERATION. Upon the expiration or earlier termination of this Agreement, the Dealer Manager will use reasonable efforts to cooperate with the Company and any other party that may be necessary to accomplish an orderly transfer and transfer to a successor dealer manager of the operation and management of the services the Dealer Manager is providing to the Company under this Agreement, provided that the Company shall not be in material breach or default of this Agreement. The Dealer Manager will not be entitled to receive any additional fee in connection with the foregoing provisions of this Section 7(k), but the Company will pay or reimburse the Dealer Manager for any out-of-pocket expenses reasonably incurred by the Dealer Manager in connection therewith.

(l) CUSTOMER INFORMATION. The Dealer Manager will use commercially reasonable efforts to provide the Company with any and all subscriber information that the Company requests in order for the Company to comply with the requirements under Section 6(l).

(m) PRIVACY REQUIREMENTS. The Dealer Manager shall:

(i) abide by and comply with (A) the privacy requirements of the GLB Act that are applicable to the Dealer Manager, (B) the privacy requirements of any other applicable federal or state law that are applicable to the Dealer Manager, and (C) its own internal privacy policies and procedures, each as may be amended from time to time; and

(ii) refrain from the use or disclosure of nonpublic personal information (as defined under the GLB Act) of all customers who have opted out of such disclosures except as necessary to service the customers or as otherwise necessary or required by applicable law.

(n) ESCROW AGREEMENT. The Dealer Manager confirms that it is bound by the terms of the Escrow Agreement. The Dealer Manager agrees that it will not represent or imply that the Escrow Agent has investigated the desirability or advisability of an investment in the Company or has approved, endorsed or passed upon the merits of an investment in the Shares, nor will the Dealer Manager use the name of the Escrow Agent

in any manner whatsoever in connection with the offer or sale of the Shares other than by acknowledgment that it has agreed to serve as escrow agent.

8. EXPENSES.

(a) Subject to Sections 8(b) and 8(c), the Dealer Manager shall pay all its own costs and expenses incident to the performance of its obligations under this Agreement.

(b) The Company agrees to pay all costs and expenses related to:

(i) the registration of the offer and sale of the Shares with the Commission;

(ii) expenses of printing the Registration Statement and the Prospectus and any amendment or supplement thereto as herein provided;

(iii) fees and expenses incurred in connection with any required filing with the FINRA;

(iv) all the expenses of agents of the Company, excluding the Dealer Manager, incurred in connection with performing marketing and advertising services for the Company; and

(v) expenses of qualifying the Shares for offering and sale under state blue sky and securities laws, and expenses in connection with the preparation and printing of the Blue Sky Survey.

(c) The Company shall reimburse the Dealer Manager and Soliciting Dealers for approved or deemed approved reasonable bona fide due diligence expenses in accordance with Section 3(e).

9. INDEMNIFICATION.

(a) INDEMNIFIED PARTIES DEFINED. For the purposes of this Agreement, an "**Indemnified Party**" shall mean a Person entitled to indemnification under Section 9, as well as such Person's officers, directors (including with respect to the Company, any Person named in the Registration Statement with his consent as about to become a director), employees, members, partners, affiliates, agents and representatives, and each Person, if any, who controls such Person within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act.

(b) INDEMNIFICATION OF THE DEALER MANAGER AND SOLICITING DEALERS. The Company will indemnify, defend and hold harmless the Dealer Manager and the Soliciting Dealers, and their respective Indemnified Parties, from and against any losses, claims, expenses (including reasonable legal and other expenses incurred in investigating and defending such claims or liabilities), damages or liabilities, joint or several, to which any such Soliciting Dealers or the Dealer Manager, or their respective Indemnified Parties, may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such losses, claims, expenses, damages or liabilities (or actions in

respect thereof) arise out of or are based upon: (i) in whole or in part, any material inaccuracy in a representation or warranty contained herein by the Company or the Sub-advisor, any material breach of a covenant contained herein by the Company or the Sub-advisor, or any material failure by the Company or the Sub-advisor to perform, its obligations hereunder or to comply with state or federal securities laws applicable to the Offering; (ii) any untrue statement or alleged untrue statement of a material fact contained (A) in any Registration Statement or any post-effective amendment thereto or in the Prospectus or any amendment or supplement to the Prospectus, (B) in any Approved Sales Literature or (C) in any blue sky application or other document executed by the Company or on its behalf specifically for the purpose of qualifying any or all of the Offered Shares for sale under the securities laws of any jurisdiction or based upon written information furnished by the Company under the securities laws thereof (any such application, document or information being hereinafter called a "**Blue Sky Application**"); or (iii) the omission or alleged omission to state a material fact required to be stated in the Registration Statement or any post-effective amendment thereof to make the statements therein not misleading or the omission or alleged omission to state a material fact required to be stated in the Prospectus or any amendment or supplement to the prospectus to make the statements therein, in light of the circumstances under which they were made, not misleading, and the Company will reimburse each Soliciting Dealer or the Dealer Manager, and their respective Indemnified Parties, for any reasonable legal or other expenses incurred by such Soliciting Dealer or the Dealer Manager, and their respective Indemnified Parties, in connection with investigating or defending such loss, claim, expense, damage, liability or action; *provided, however*, that the Company will not be liable in any such case to the extent that any such loss, claim, expense, damage or liability arises out of, or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with written information furnished to the Company by the Dealer Manager expressly for use in the Registration Statement or any post-effective amendment thereof or the Prospectus or any such amendment thereof or supplement thereto. This indemnity agreement will be in addition to any liability which the Company may otherwise have.

Notwithstanding the foregoing, as required by the Company's charter and Section II.G. of the NASAA REIT Guidelines, the indemnification and agreement to hold harmless provided in this Section 9(b) is further limited to the extent that no such indemnification by the Company of a Soliciting Dealer or the Dealer Manager, or their respective Indemnified Parties, shall be permitted under this Agreement for, or arising out of, an alleged violation of federal or state securities laws, unless one or more of the following conditions are met: (a) there has been a successful adjudication on the merits of each count involving alleged securities law violations as to the particular Indemnified Party; (b) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction as to the particular Indemnified Party; or (c) a court of competent jurisdiction approves a settlement of the claims against the particular Indemnified Party and finds that indemnification of the settlement and the related costs should be made, and the court considering the request for indemnification has been advised of the position of the Commission and of the published position of any state securities regulatory authority in which the securities were offered or sold as to indemnification for violations of securities laws.

(c) DEALER MANAGER INDEMNIFICATION OF THE COMPANY AND SUB-ADVISOR. The Dealer Manager will indemnify, defend and hold harmless the Company, the Sub-advisor, each of their Indemnified Parties and each Person who has signed the Registration Statement, from and against any losses, claims, expenses (including the reasonable legal and other expenses incurred in investigating and defending any such claims or liabilities), damages or liabilities to which any of the aforesaid parties may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such losses, claims, expenses, damages (or actions in respect thereof) arise out of or are based upon: (i) in whole or in part, any material inaccuracy in a representation or warranty contained herein by the Dealer Manager or any material breach of an agreement or covenant contained herein by the Dealer Manager; (ii) any untrue statement or any alleged untrue statement of a material fact contained (A) in any Registration Statement or any post-effective amendment thereto or in the Prospectus or any amendment or supplement to the Prospectus, (B) in any Approved Sales Literature, or (C) any Blue Sky Application; or (iii) the omission or alleged omission to state a material fact required to be stated in the Registration Statement or any post-effective amendment thereof to make the statements therein not misleading, or the omission or alleged omission to state a material fact required to be stated in the Prospectus or any amendment or supplement to the Prospectus to make the statements therein, in light of the circumstances under which they were made, not misleading; *provided, however*, that in each case described in clauses (ii) and (iii) to the extent, but only to the extent, that such untrue statement or omission was made in reliance upon and in conformity with written information furnished to the Company by the Dealer Manager expressly for use in the Registration Statement or any such post-effective amendments thereof or the Prospectus or any such amendment thereof or supplement thereto; or (iv) any use of sales literature, including “broker-dealer use only” materials, by the Dealer Manager that is not Approved Sales Literature. The Dealer Manager will reimburse the aforesaid parties for any reasonable legal or other expenses incurred in connection with investigation or defense of such loss, claim, expense, damage, liability or action. This indemnity agreement will be in addition to any liability which the Dealer Manager may otherwise have.

(d) SOLICITING DEALER INDEMNIFICATION OF THE COMPANY. By virtue of entering into the Soliciting Dealer Agreement, each Soliciting Dealer severally will agree to indemnify, defend and hold harmless the Company, the Dealer Manager, each of their respective Indemnified Parties, and each Person who signs the Registration Statement, from and against any losses, claims, expenses, damages or liabilities to which the Company, the Dealer Manager, or any of their respective Indemnified Parties, or any Person who signed the Registration Statement, may become subject, under the Securities Act or otherwise, as more fully described in the Soliciting Dealer Agreement.

(e) ACTION AGAINST PARTIES; NOTIFICATION. Promptly after receipt by any Indemnified Party under this Section 9 of notice of the commencement of any action, such Indemnified Party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 9, promptly notify the indemnifying party of the commencement thereof; *provided, however*, that the failure to give such notice shall not relieve the indemnifying party of its obligations hereunder except to the extent it shall have been actually prejudiced by such failure. In case any such action is brought against

any Indemnified Party, and it notifies an indemnifying party of the commencement thereof, the indemnifying party will be entitled, to the extent it may wish, jointly with any other indemnifying party similarly notified, to participate in the defense thereof, with separate counsel. Such participation shall not relieve such indemnifying party of the obligation to reimburse the Indemnified Party for reasonable legal and other expenses incurred by such Indemnified Party in defending itself, except for such expenses incurred after the indemnifying party has deposited funds sufficient to effect the settlement, with prejudice, of, and unconditional release of all liabilities from, the claim in respect of which indemnity is sought. Any such indemnifying party shall not be liable to any such Indemnified Party on account of any settlement of any claim or action effected without the consent of such indemnifying party, such consent not to be unreasonably withheld or delayed. Any indemnified party shall not be bound to perform or refrain from performing any act pursuant to the terms of any settlement of any claim or action effected without the consent of such indemnified party.

(f) REIMBURSEMENT OF FEES AND EXPENSES. An indemnifying party under Section 9 of this Agreement shall be obligated to reimburse an Indemnified Party for reasonable legal and other expenses as follows:

(i) In the case of the Company indemnifying the Dealer Manager, the advancement of Company funds to the Dealer Manager for legal expenses and other costs incurred as a result of any legal action for which indemnification is being sought shall be permissible (in accordance with Section II.G. of the NASAA REIT Guidelines) only if all of the following conditions are satisfied: (A) the legal action relates to acts or omissions with respect to the performance of duties or services on behalf of the Company; (B) the legal action is initiated by a third party who is not a shareholder of the Company or the legal action is initiated by a shareholder of the Company acting in his or her capacity as such and a court of competent jurisdiction specifically approves such advancement; and (C) the Dealer Manager undertakes to repay the advanced funds to the Company, together with the applicable legal rate of interest thereon, in cases in which the Dealer Manager is found not to be entitled to indemnification.

(ii) In any case of indemnification other than that described in Section 9(f)(i) above, the indemnifying party shall pay all legal fees and expenses reasonably incurred by the Indemnified Party in the defense of such claims or actions; *provided*, *however*, that the indemnifying party shall not be obligated to pay legal expenses and fees to more than one law firm in connection with the defense of similar claims arising out of the same alleged acts or omissions giving rise to such claims notwithstanding that such actions or claims are alleged or brought by one or more parties against more than one Indemnified Party. If such claims or actions are alleged or brought against more than one Indemnified Party, then the indemnifying party shall only be obliged to reimburse the expenses and fees of the one law firm (in addition to local counsel) that has been selected by a majority of the indemnified parties against which such action is finally brought; and if a majority of such indemnified parties is unable to agree on which law firm for which expenses or fees will be reimbursable by the indemnifying party, then

payment shall be made to the first law firm of record representing an Indemnified Party against the action or claim. Such law firm shall be paid only to the extent of services performed by such law firm and no reimbursement shall be payable to such law firm on account of legal services performed by another law firm.

10. CONTRIBUTION.

(a) If the indemnification provided for in Section 9 is for any reason unavailable to or insufficient to hold harmless an Indemnified Party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such Indemnified Party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, the Dealer Manager and the Soliciting Dealer, respectively, from the proceeds received in Primary Offering pursuant to this Agreement and the relevant Soliciting Dealer Agreement, or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, the Dealer Manager and the Soliciting Dealer, respectively, in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

(b) The relative benefits received by the Company, the Dealer Manager and the Soliciting Dealer, respectively, in connection with the proceeds received in the Primary Offering pursuant to this Agreement and the relevant Soliciting Dealer Agreement shall be deemed to be in the same respective proportion as the total net proceeds from the Primary Offering pursuant to this Agreement and the relevant Soliciting Dealer Agreement (before deducting expenses), received by the Company, and the total selling commissions and dealer manager fees received by the Dealer Manager and the Soliciting Dealer, respectively, in each case as set forth on the cover of the Prospectus bear to the aggregate offering price of the Shares sold in the Primary Offering as set forth on such cover.

(c) The relative fault of the Company, the Dealer Manager and the Soliciting Dealer, respectively, shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact related to information supplied by the Company, by the Dealer Manager or by the Soliciting Dealer, respectively, and the parties’ relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(d) The Company, the Dealer Manager and the Soliciting Dealer (by virtue of entering into the Soliciting Dealer Agreement) agree that it would not be just and equitable if contribution pursuant to this Section 10 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable contributions referred to above in this Section 10. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an Indemnified Party and referred to above in this

Section 10 shall be deemed to include any legal or other expenses reasonably incurred by such Indemnified Party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission or alleged omission.

(e) Notwithstanding the provisions of this Section 10, the Dealer Manager and the Soliciting Dealer shall not be required to contribute any amount by which the total price at which the Shares sold in the Primary Offering to the public by them exceeds the amount of any damages which the Dealer Manager and the Soliciting Dealer have otherwise been required to pay by reason of any untrue or alleged untrue statement or omission or alleged omission.

(f) No party guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any party who was not guilty of such fraudulent misrepresentation.

(g) For the purposes of this Section 10, the Dealer Manager's officers, directors, employees, members, partners, agents and representatives, and each Person, if any, who controls the Dealer Manager within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution of the Dealer Manager, and each officers, directors, employees, members, partners, agents and representatives of the Company, each officer of the Company who signed the Registration Statement and each Person, if any, who controls the Company, within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution of the Company. The Soliciting Dealers' respective obligations to contribute pursuant to this Section 10 are several in proportion to the number of Shares sold by each Soliciting Dealer in the Primary Offering and not joint.

11. TERMINATION OF THIS AGREEMENT.

(a) TERM; EXPIRATION. This Agreement shall become effective on the initial Effective Date and the obligations of the parties hereunder shall not commence until the initial Effective Date; provided, however, that the obligations of the parties under Sections 3(e), 3(f), 8, 9, 10 and 12 and this Section 11 shall commence on, and shall be effective as of, the date that this Agreement is executed. Unless earlier terminated pursuant to Section 11(b) or 11(c), this Agreement shall expire at the end of the Offering Period (subject to reinstatement of the Offering Period pursuant to the provisions of Section 3). This Agreement (i) may be earlier terminated by the Company pursuant to Section 11(b), and (ii) may be earlier terminated by the Dealer Manager pursuant to Section 11(c).

Notwithstanding the foregoing and anything herein to the contrary, any reinstatement of the Offering Period pursuant to the provisions of Section 3 shall be deemed to rescind any expiration of this Agreement. Any such reinstatement of the Offering Period shall not affect the ability of the Company or the Dealer Manager subsequently to terminate this Agreement pursuant to Section 11(b) or 11(c), respectively.

The date upon which this Agreement shall have expired or been terminated earlier shall be referred to in this Agreement as the "**Termination Date**".

(b) TERMINATION BY THE COMPANY. If any of the following events as detailed below occur, the Company has the option to terminate this Agreement immediately:

(i) For Cause (as defined below);

(ii) A court of competent jurisdiction enters a decree or order for relief in respect of the Dealer Manager in any involuntary case under the applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appoints a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Dealer Manager or for any substantial part of its property or orders the winding up or liquidation of the Dealer Manager's affairs;

(iii) The Dealer Manager commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, or consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Dealer Manager or for any substantial part of its property, or makes any general assignment for the benefit of creditors, or fails generally to pay its debts as they become due;

(iv) The Effective Date has not occurred by October 31, 2010;

(v) The Company has not sold at least 5,000,000 Shares in the Primary Offering by investors unaffiliated with the Company or the Advisor by the first anniversary of the Escrow Break Date;

(vi) The Company has not sold at least 30,000,000 Shares in the Primary Offering by investors unaffiliated with the Company or the Advisor by the second anniversary of the Escrow Break Date;

(vii) The Company has not sold at least 60,000,000 Shares in the Primary Offering by investors unaffiliated with the Company or the Advisor by the third anniversary of the Escrow Break Date;

(viii) There shall have occurred an event, circumstance, occurrence, fact, condition, change or effect, individually or in the aggregate, that materially affects or would reasonably be expected to materially affect the Dealer Manager's ability to perform its services under this Agreement and such event, circumstance, occurrence, fact, condition, change or effect has not ceased to exist within 30 days of receiving notice of such material adverse change from the Company; or

(ix) If both William Kahane and Nicholas Schorsch cease to be actively involved in the management of the Dealer Manager.

As used above, "**Cause**" means: (A) fraud, criminal conduct, willful misconduct or willful or grossly negligent breach of the Dealer Manager's obligations under this Agreement which materially adversely affects the Dealer Manager's ability to perform its duties; or (B) a material breach of this Agreement by the Dealer Manager which materially affects adversely affects the Dealer Manager's ability to perform its duties, provided that (1) the Dealer Manager does not cure any such material breach within 30 days of receiving notice of such material breach from the Company, or (2) if such material breach is not of a nature that can be remedied within such 30-day period, the Dealer Manager does not diligently take all reasonable steps to cure such breach and does not cure such breach within 60 days of receiving notice of such material breach.

(c) TERMINATION BY DEALER MANAGER. The Dealer Manager has the option to terminate this Agreement immediately, subject to the thirty (30)-day cure period, upon written notice of termination from the Dealer Manager to the Company, if any of the following events occur:

(i) For Good Reason (as defined below);

(ii) A court of competent jurisdiction enters a decree or order for relief in respect of the Company or any of its subsidiaries in any involuntary case under the applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appoints a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or any of its subsidiaries or for any substantial part of its property or orders the winding up or liquidation of the Company's or any of its subsidiaries' affairs;

(iii) The Company or any of its subsidiaries commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, or consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or any of its subsidiaries or for any substantial part of their property, or makes any general assignment for the benefit of creditors, or fails generally to pay its debts as they become due;

(iv) There shall have been a material change in the nature of the business which is conducted or contemplated to be conducted, or a material change in the manner of how such business is conducted or contemplated to be conducted, by the Company, as set forth in the Registration Statement at the initial Effective Date by the Company and its subsidiaries, considered as one entity;

(v) There shall have occurred a Company MAE, whether or not arising in the ordinary course of business;

(vi) A stop order suspending the effectiveness of the Registration Statement shall have been issued by the Commission and is not rescinded within 10 business days after the issuance thereof;

(vii) A material action, suit, proceeding or investigation of the type referred to in Section 1(g) shall have occurred or arisen on or after the initial Effective Date;

(viii) The Company materially reduces its dividend or suspends or terminates its share redemption program, in each case without the prior written consent of the Dealer Manager;

(ix) There is a material adverse change in the value of the Company's common shares that materially adversely affects the marketability of its shares; or

(x) The initial Effective Date has not occurred by October 31, 2010.

As used above, "**Good Reason**" means: (A) fraud, criminal conduct, willful misconduct or willful or grossly negligent breach of the Company's obligations under this Agreement; or (B) a material breach of this Agreement by the Company, provided that (1) the Company does not cure any such material breach within 30 days of receiving notice of such material breach from the Dealer Manager, or (2) if such material breach is not of a nature that can be remedied within such 30-day period, the Company does not diligently take all reasonable steps to cure such breach and does not cure such breach within 60 days of receiving notice of such material breach, unless extended by mutual consent of the parties.

(d) DELIVERY OF RECORDS UPON EXPIRATION OR EARLY TERMINATION. Upon the expiration or early termination of this Agreement for any reason, the Dealer Manager shall (i) promptly forward any and all funds, if any, in its possession which were received from investors for the sale of Shares into the Escrow Account for the deposit of investor funds, (ii) to the extent not previously provided to the Company, provide a list of all investors who have subscribed for or purchased shares and all broker-dealers with whom the Dealer Manager has entered into a Soliciting Dealer Agreement, (iii) notify Soliciting Dealers of such termination, and (iv) promptly deliver to the Company copies of any sales literature designed for use specifically for the Offering that it is then in the process of preparing. Upon expiration or earlier termination of this Agreement, the Company shall pay to the Dealer Manager all compensation to which the Dealer Manager is or becomes entitled under Section 3(d) at such time as such compensation becomes payable.

12. MISCELLANEOUS.

(a) SURVIVAL. The following provisions of the Agreement shall survive the expiration or earlier termination of this Agreement: Section 3(d); Section 6(l); Sections 7(f), 7(k) and 7(n); Section 8; Section 9; Section 10; Section 11; and Section 12. Notwithstanding anything else that may be to the contrary herein, the expiration or earlier termination of this Agreement shall not relieve a party for liability for any breach occurring prior to such expiration or earlier termination.

(b) NOTICES. All notices, consents, approvals, waivers or other communications required or permitted hereunder (each a "Notice") shall be in writing and shall be: (i) delivered personally or by commercial messenger; (ii) sent by a recognized overnight

courier service; or (iii) sent by facsimile transmission, provided confirmation of receipt is received by sender and such Notice is sent or delivered contemporaneously by an additional method provided hereunder; in each case above provided such Notice is addressed to the intended recipient thereof as set forth below:

If to the Company:	Phillips Edison – ARC Shopping Center REIT Inc. 11501 Northlake Drive Cincinnati, Ohio 45249 Facsimile No.: (513) 965-5660 Attention: John Bessey
	and
	175 E. 400 South Suite 402 Salt Lake City, Utah 84111 Facsimile No.: (801) 521-6952 Attention: Jeff Edison
	with a copy to (which shall not constitute a Notice):
	DLA Piper US LLP 4141 Parklake Avenue, Suite 300 Raleigh, NC 27612-2350 Facsimile No.: (919) 786-2202 Attention: Robert H. Bergdolt, Esq.
If to the Dealer Manager:	Realty Capital Securities, LLC Three Copley Place, Suite 3300B Boston, MA 02116 Facsimile No.: (857) 207-3399 Attention: Louisa Quarto President
	with a copy to (which shall not constitute a Notice):
	Proskauer Rose LLP 1585 Broadway New York, NY 10036 Facsimile No: (212) 969-2900 Attention: Peter M. Fass, Esq. James P. Gerkis, Esq.
If to the Sub-advisor:	Phillips Edison & Company SubAdvisor LLC 11501 Northlake Drive Cincinnati, Ohio 45249

Facsimile No.: (513) 965-5660
Attention: John Bessey

and
175 E. 400 South
Suite 402
Salt Lake City, Utah 84111
Facsimile No.: (801) 521-6952
Attention: Jeff Edison

Any party may change its address specified above by giving each party Notice of such change in accordance with this Section 12(b). Each Notice shall be effective and deemed given upon actual receipt (or refusal of receipt).

(c) SUCCESSORS AND ASSIGNS. No party shall assign (voluntarily, by operation of law or otherwise) this Agreement or any right, interest or benefit under this Agreement without the prior written consent of each other party. Subject to the foregoing, this Agreement shall be fully binding upon, inure to the benefit of, and be enforceable by, the parties hereto and their respective successors and assigns.

(d) INVALID PROVISION. The invalidity or unenforceability of any provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision were omitted.

(f) APPLICABLE LAW. This Agreement and any disputes relative to the interpretation or enforcement hereto shall be governed by and construed under the internal laws, as opposed to the conflicts of laws provisions, of the State of New York.

(g) WAIVER. EACH OF THE PARTIES HERETO WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) RELATED TO OR ARISING OUT OF THIS AGREEMENT. The parties hereto each hereby irrevocably submits to the exclusive jurisdiction of the courts of the State of New York and the Federal courts of the United States of America located in the Borough of Manhattan, New York City, in respect of the interpretation and enforcement of the terms of this Agreement, and in respect of the transactions contemplated hereby, and each hereby waives, and agrees not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement may not be enforced in or by such courts, and the parties hereto each hereby irrevocably agrees that all claims with respect to such action or proceeding shall be heard and determined in such a New York State or Federal court.

(f) ATTORNEYS' FEES. If a dispute arises concerning the performance, meaning or interpretation of any provision of this Agreement or any document executed in connection with this Agreement, then the prevailing party in such dispute shall be awarded any and all costs and expenses incurred by the prevailing party in enforcing, defending or

establishing its rights hereunder or thereunder, including, without limitation, court costs and attorneys and expert witness fees. In addition to the foregoing award of costs and fees, the prevailing also shall be entitled to recover its attorneys' fees incurred in any post-judgment proceedings to collect or enforce any judgment.

(g) NO PARTNERSHIP. Nothing in this Agreement shall be construed or interpreted to constitute the Dealer Manager or the Soliciting Dealers as being in association with or in partnership with the Company or one another, and instead, this Agreement only shall constitute the Dealer Manager as a broker authorized by the Company to sell and to manage the sale by others of the Shares according to the terms set forth in the Registration Statement, the Prospectus or this Agreement. Nothing herein contained shall render the Dealer Manager or the Company liable for the obligations of any of the Soliciting Dealers or one another.

(h) THIRD PARTY BENEFICIARIES. Except for the Persons referred to in Section 9 and Section 10, there shall be no third party beneficiaries of this Agreement, and no provision of this Agreement is intended to be for the benefit of any Person not a party to this Agreement, and no third party shall be deemed to be a beneficiary of any provision of this Agreement. Except for the Persons referred to in Section 9 and Section 10, no third party shall by virtue of any provision of this Agreement have a right of action or an enforceable remedy against any party to this Agreement. Each of the Persons referred to in Section 9 and Section 10 shall be a third party beneficiary of this Agreement.

(i) ENTIRE AGREEMENT. This Agreement contains the entire agreement and understanding among the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. The express terms hereof control and supersede any course of performance and/or usage of the trade inconsistent with any of the terms hereof. This Agreement may not be amended, supplemented or waived other than by an agreement in writing between the parties hereto; provided, however, the Dealer Manager may unilaterally waive at any time the provisions of the third paragraph of Section 3 upon notice to the Company.

(j) NONWAIVER. The failure of any party to insist upon or enforce strict performance by any other party of any provision of this Agreement or to exercise any right under this Agreement shall not be construed as a waiver or relinquishment to any extent of such party's right to assert or rely upon any such provision or right in that or any other instance; rather, such provision or right shall be and remain in full force and effect.

(k) ACCESS TO INFORMATION. The Company shall authorize the Company's transfer agent to provide information to the Dealer Manager and each Soliciting Dealer regarding recordholder information about the clients of such Soliciting Dealer who have invested with the Company on an on-going basis for so long as such Soliciting Dealer has a relationship with such clients. The Dealer Manager shall require in the Soliciting Dealer Agreement that Soliciting Dealers not disclose any password for a restricted website or portion of website provided to such Soliciting Dealer in connection with the Offering and

not disclose to any Person, other than an officer, director, employee or agent of such Soliciting Dealers, any material downloaded from such a restricted website or portion of a restricted website. The Dealer Manager and the Company shall meet on a regular basis (frequency to be determined by mutual agreement of the parties) to discuss and consult with one another regarding the Offering and shall cause their respective principals to meet in person or by phone with representatives of the other upon the reasonable request of the other party. The Dealer Manager will provide the Company with information regarding the Offering, including without limitation, copies of any agreements with Soliciting Dealers and access to books and records in respect of marketing efforts, as reasonably requested by the Company.

(l) COUNTERPARTS. This Agreement may be executed (including by facsimile transmission) with counterpart signature pages or in counterpart copies, each of which shall be deemed an original but all of which together shall constitute one and the same instrument comprising this Agreement.

(m) ABSENCE OF FIDUCIARY RELATIONSHIPS. The parties acknowledge and agree that (i) the Dealer Manager's responsibility to the Company, the Advisor or the Sub-advisor is solely contractual in nature, and (ii) the Dealer Manager does not owe the Company, the Advisor, the Sub-advisor any of their respective affiliates or any other Person any fiduciary (or other similar) duty as a result of this Agreement or any of the transactions contemplated hereby.

(n) DEALER MANAGER INFORMATION. Prior to the initial Effective Date, the parties will expressly acknowledge and agree as to the information furnished to the Company by the Dealer Manager expressly for use in the Registration Statement.

(o) PROMOTION OF DEALER MANAGER RELATIONSHIP. The Company and the Dealer Manager will cooperate with each other in good faith in connection with the promotion or advertisement of their relationship in any release, communication, sales literature or other such materials and shall not promote or advertise their relationship without the approval of the other party in advance, which shall not be unreasonably withheld or delayed.

(p) TITLES AND SUBTITLES. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

(q) CONSTRUCTION. For the avoidance of doubt, none of the Company, the Sub-advisor, any subsidiary of the Company, any subsidiary of the Sub-advisor and any other Person controlled by, controlling or under common control with Phillips Edison & Company shall be an affiliate of the Dealer Manager.

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return it to us, whereupon this instrument will become a binding agreement between you and the Company in accordance with its terms.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have each duly executed this Amended and Restated Exclusive Dealer Manager Agreement as of the day and year set forth above.

COMPANY:

PHILLIPS EDISON – ARC SHOPPING CENTER REIT INC.

By: /S/ JOHN B. BESSEY
Name: John B. Bessey
Title: President

SUB-ADVISOR:

PHILLIPS EDISON & COMPANY SUBADVISOR LLC

By: /S/ JOHN B. BESSEY
Name: John B. Bessey
Title: President

Accepted as of the date first above written:

DEALER MANAGER:

REALTY CAPITAL SECURITIES, LLC

By: /S/ LOUISA QUARTO
Name: Louisa Quarto
Title: President

[Signature Page to Amended and Restated Exclusive Dealer Manager Agreement among Phillips Edison – ARC Shopping Center REIT Inc., Phillips Edison & Company SubAdvisor LLC and Realty Capital Securities, LLC]

Exhibit 1.2

PHILLIPS EDISON – ARC SHOPPING CENTER REIT, INC.

FORM OF SOLICITING DEALER AGREEMENT

Ladies and Gentlemen:

Realty Capital Securities, LLC (the "**Dealer Manager**") entered into an amended and restated exclusive dealer manager agreement, dated as of __________, 2010 (the "**Dealer Manager Agreement**"), with Phillips Edison – ARC Shopping Center REIT, Inc., a Maryland corporation (the "**Company**") and Phillips Edison & Company SubAdvisor LLC (the "**Sub-advisor**"), under which the Dealer Manager agreed to use its reasonable best efforts to solicit subscriptions in connection with the public offering (the "**Offering**") for its common shares of beneficial interest, $.01 par value per share, of which amount: (i) up to 150,000,000 shares for a purchase price of $10.00 per share (subject in certain circumstances to discounts based upon the volume of shares purchased and for certain categories of purchasers) (the "**Primary Shares**"), and (ii) up to 30,000,000 shares for a purchase price of $9.50 per share (the "**DRP Shares**" and, together with the Primary Shares, the "**Shares**") commencing on the initial Effective Date (as defined below). Notwithstanding the foregoing, the Company has reserved the right to reallocate the Shares between Primary Shares and the DRP Shares. Unless otherwise defined herein, capitalized terms used herein shall have the respective meanings therefor as in the Dealer Manager Agreement.

In connection with the performance of the Dealer Manager's obligations under Section 3 of the Dealer Manager Agreement, the Dealer Manager is authorized to retain the services of securities dealers (the "**Soliciting Dealers**") who are members of the Financial Industry Regulatory Authority ("**FINRA**") to solicit subscriptions for Shares in connection with the Offering. You are hereby invited to become a Soliciting Dealer and, as such, to use your reasonable best efforts to solicit subscribers for Shares, in accordance with the following terms and conditions of this soliciting dealer agreement (this "**Agreement**"):

1. Registration Statement.

(a) A registration statement on Form S-11 (File No. 333-164313), including a preliminary prospectus, has been prepared by the Company and was filed with the Securities and Exchange Commission (the "**Commission**") on January 13, 2010, in accordance with the applicable requirements of the Securities Act of 1933, as amended (the "**Securities Act**"), and the applicable rules and regulations of the Commission promulgated thereunder (the "**Securities Act Rules and Regulations**") for the registration of the Offering. The Company has prepared and filed such amendments thereto and such amended prospectus as may have been required to the date hereof, and will file such additional amendments and supplements thereto as may hereafter be required. The registration statement on Form S-11 and the prospectus contained therein, as finally amended at the date the registration statement is declared effective by the Commission (the "**Effective Date**") are respectively hereinafter referred to as the "**Registration Statement**" and the "**Prospectus**", except that (i) if the Company files a post-effective amendment to such registration statement, then the term "Registration Statement" shall, from and after the declaration of the effectiveness of such post-effective amendment by the Commission, refer to such registration statement as amended by such post-effective amendment, and the term "Prospectus" shall refer to the

amended prospectus then on file with the Commission, and (ii) if the prospectus filed by the Company pursuant to either Rule 424(b) or 424(c) of the Securities Act Rules and Regulations shall differ from the prospectus on file at the time the Registration Statement or the most recent post-effective amendment thereto, if any, shall have become effective, then the term "Prospectus" shall refer to such prospectus filed pursuant to either Rule 424(b) or 424(c), as the case may be, from and after the date on which it shall have been filed. As used herein, the terms "Registration Statement", "preliminary Prospectus" and "Prospectus" shall include the documents, if any, incorporated by reference therein. As used herein, the term "Effective Date" also shall refer to the effective date of each post-effective amendment to the Registration Statement, unless the context otherwise requires.

2. Compliance with Applicable Rules and Regulations; License and Association Membership.

Upon the effectiveness of this Agreement, the undersigned dealer will become one of the "Soliciting Dealers" referred to in the Dealer Manager Agreement and is referred to herein as "**Soliciting Dealer**"). Soliciting Dealer agrees that solicitation and other activities by it hereunder shall comply with, and shall be undertaken only in accordance with, the terms of the Dealer Manager Agreement, the terms of this Agreement, the Securities Act, the Securities Act Rules and Regulations, the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") and the applicable rules and regulations promulgated thereunder (including specifically Rule 15c2-4 under the Exchange Act, as interpreted by in NASD Notice to Members 84-64 and as it may be amended from time to time, which requires that during the escrow period checks be promptly transmitted by the Soliciting Dealer to the Escrow Agent as soon as practicable but in any event by noon of the second business day following receipt by the Soliciting Dealer, the "**Exchange Act Rules and Regulations**"), the Blue Sky Survey (as defined below), the NASD Conduct Rules (including, without limitation, Rules 2340, 2420, 2730, 2740, and 2750 of the NASD Conduct Rules), FINRA Rule 2310 and the provisions of Article III.C. of the Statement of Policy Regarding Real Estate Investment Trusts of the North American Securities Administrators Association, Inc., as revised and amended on May 7, 2007 and as may be further revised and amended (the "**NASAA Guidelines**").

Soliciting Dealer's acceptance of this Agreement constitutes a representation to the Company and to the Dealer Manager that Soliciting Dealer is a properly registered or licensed broker-dealer, duly authorized to sell Shares under federal and state securities laws and regulations in all states where it offers or sells Shares, and that it is a member in good standing of FINRA. Soliciting Dealer represents and warrants that it is currently licensed as a broker-dealer in the jurisdictions identified on Schedule 1 to this Agreement and that its independent contractors and registered representatives have the appropriate licenses to offer and sell the Shares in such jurisdictions. This Agreement shall automatically terminate with no further action by either party if Soliciting Dealer ceases to be a member in good standing of FINRA or with the securities commission of the state in which Soliciting Dealer's principal office is located. Soliciting Dealer agrees to notify the Dealer Manager immediately if Soliciting Dealer ceases to be a member in good standing of FINRA or with the securities commission of any state in which Soliciting Dealer is currently registered or licensed.

3. Limitation of Offer; Investor Suitability.

(a) Soliciting Dealer will offer Shares only (i) to persons that meet the financial qualifications set forth in the Prospectus or in any suitability letter or memorandum sent to it by the Company or the Dealer Manager, and (ii) in accordance with Section 8, to persons in the jurisdictions in which it is advised in writing by the Company or the Dealer Manager that the Shares are qualified for sale or that qualification is not required (the "**Blue Sky Survey**"). Notwithstanding the qualification of Shares for sale in any respective jurisdiction (or exemption therefrom), Soliciting Dealer will not offer Shares and will not permit any of its registered representatives to offer Shares in any jurisdiction unless both Soliciting Dealer and such registered representative are duly licensed to transact securities business in such jurisdiction. In offering Shares, Soliciting Dealer shall comply with the provisions of the NASD Conduct Rules and applicable FINRA Rules set forth in the FINRA Manual, as well as other applicable rules and regulations relating to suitability of investors, including, but not limited to, the provisions of Section III.C. of the NASAA REIT Guidelines.

In offering the sale of Shares to any person, Soliciting Dealer will have reasonable grounds to believe (based on such information obtained from the investor concerning the investor's age, investment objectives, other investments, financial situation, needs or any other information known by Soliciting Dealer after due inquiry) that: (A) such person is in a financial position appropriate to enable such person to realize to a significant extent the benefits described in the Prospectus, including the tax benefits where they are a significant aspect of the Company; (B) the investor has a fair market net worth sufficient to sustain the risks inherent in the program, including loss of investment and lack of liquidity; (C) the purchase of the Shares is otherwise suitable for such person; and (D) such person has either: (1) a minimum annual gross income of $70,000 and a minimum net worth (exclusive of home, home furnishings and automobiles) of $70,000; or (2) a minimum net worth (determined with the foregoing exclusions) of $250,000 and meets the higher suitability standards, if applicable, imposed by the state in which the investment by such investor is made. Soliciting Dealer further will use its best efforts to determine the suitability and appropriateness of an investment in the Shares of each proposed investor solicited by a person associated with Soliciting Dealer by reviewing documents and records disclosing the basis upon which the determination as to suitability was reached as to each proposed investor, whether such documents and records relate to accounts which have been closed, accounts which are currently maintained or accounts hereinafter established. In making the determinations as to financial qualifications and as to suitability required by the NASAA Guidelines, Soliciting Dealer may rely on (x) representations from investment advisers who are not affiliated with Soliciting Dealer, banks acting as trustees or fiduciaries, and (y) information it has obtained from a prospective investor, including such information as the investment objectives, other investments, financial situation and needs of the person or any other information known by Soliciting Dealer after due inquiry. Notwithstanding the foregoing, Soliciting Dealer shall not execute any transaction with the Company in a discretionary account without prior written approval of the transaction by the customer.

(b) Soliciting Dealer shall maintain, for at least six years or for a period of time not less than that required in order to comply with all applicable federal, state and other regulatory requirements, whichever is later, a record of the information obtained to determine

that an investor meets the suitability standards imposed on the offer and sale of the Shares (both at the time of the initial subscription and at the time of any additional subscriptions) and a representation of the investor that the investor is investing for the investor's own account or, in lieu of such representation, information indicating that the investor for whose account the investment was made met the suitability standards. Soliciting Dealer may satisfy its obligation by contractually requiring such information to be maintained by the investment advisers or banks discussed above. Soliciting Dealer further agrees to comply with the record keeping requirements of the Exchange Act, including, but not limited to, Rules 17a-3 and 17a-4 promulgated under the Exchange Act. Soliciting Dealer agrees to make such documents and records available to the Dealer Manager and the Company upon request, and representatives of the Commission, FINRA and applicable state securities administrators upon Soliciting Dealer's receipt of an appropriate document subpoena or other appropriate request for documents from any such agency.

4. Delivery of Prospectus and Approved Sales Literature.

(a) Soliciting Dealer will: (i) deliver a Prospectus, as then supplemented or amended, to each person who subscribes for Shares at least five business days prior to the tender of such person's subscription agreement (the "**Subscription Agreement**"); (ii) promptly comply with the written request of any person for a copy of the Prospectus, as then supplemented or amended, during the period between the initial Effective Date and the termination of the Offering; (iii) deliver to any person, in accordance with applicable law or as prescribed by any state securities administrator, a copy of any prescribed document included within or incorporated by reference in the Registration Statement and any supplements thereto during the course of the Offering; (iv) not use any sales materials in connection with the solicitation of purchasers of the Shares except Approved Sales Literature; (v) to the extent the Company provides Approved Sales Literature, not use such materials unless accompanied or preceded by the Prospectus, as then currently in effect, and as may be supplemented in the future; and (vi) not give or provide any information or make any representation or warranty other than information or representations contained in the Prospectus or the Approved Sales Literature. Soliciting Dealer will not publish, circulate or otherwise use any other advertisement or solicitation material in connection with the Offering without the Dealer Manager's express prior written approval.

(b) Nothing contained in this Agreement shall be deemed or construed to make Soliciting Dealer an employee, agent, representative or partner of the Dealer Manager, the Company or the Sub-advisor, and Soliciting Dealer is not authorized to act for the Dealer Manager, the Company or the Sub-advisor.

(c) Soliciting Dealer will not send or provide supplements to the Prospectus or any Approved Sales Literature to any investor unless it has previously sent or provided a Prospectus and all supplements thereto to that investor or has simultaneously sent or provided a Prospectus and all supplements thereto with such Prospectus supplement or Approved Sales Literature.

(d) Soliciting Dealer will not show to or provide any investor or reproduce any material or writing which is supplied to it by the Dealer Manager and marked "broker-dealer

use only” or otherwise bearing a legend denoting that it is not to be used in connection with the offer or sale of Shares to members of the public.

(e) The Dealer Manager will supply Soliciting Dealer with reasonable quantities of the Prospectus (including any supplements thereto), as well as any Approved Sales Literature, for delivery to investors.

(f) Soliciting Dealer shall furnish a copy of any revised preliminary Prospectus to each person to whom it has furnished a copy of any previous preliminary Prospectus, and further agrees that it will mail or otherwise deliver all preliminary and final Prospectuses required for compliance with the provisions of Rule 15c2-8 under the Exchange Act.

5. Submission of Orders; Right to Reject Orders.

(a) Subject to certain individual state requirements and except for shares issued pursuant to the DRP, Shares may be sold only to investors who initially purchase a minimum of 250 Shares for $2,500 or a minimum increments of 100 Shares for $1,000 if the investor is purchasing through an IRA or other qualified account, subject to certain state requirements as described in the Prospectus. With respect to Soliciting Dealer’s participation in any resales or transfers of the Shares, Soliciting Dealer agrees to comply with any applicable requirements set forth in Section 2 and to fulfill the obligations pursuant to FINRA Rule 2310.

(b) Until the minimum offering of $2,500,000 in Shares has been sold, payments for Shares shall be made by checks payable to “Wells Fargo, NA, Escrow Agent for Phillips Edison – ARC Shopping Center REIT”. During such time, Soliciting Dealer shall forward original checks together with an original Subscription Agreement, executed and initialed by the subscriber as provided for in the Subscription Agreement, to Wells Fargo, NA (the “**Escrow Agent**”) at the address provided in the Subscription Agreement.

When Soliciting Dealer’s internal supervisory procedures are conducted at the site at which the Subscription Agreement and check were initially received by Soliciting Dealer from the subscriber, Soliciting Dealer shall transmit the Subscription Agreement and check to the Escrow Agent by the end of the next business day following receipt of the check and Subscription Agreement. When, pursuant to Soliciting Dealer’s internal supervisory procedures, Soliciting Dealer’s final internal supervisory procedures are conducted at a different location (the “**Final Review Office**”), Soliciting Dealer shall transmit the check and Subscription Agreement to the Final Review Office by the end of the next business day following Soliciting Dealer’s receipt of the Subscription Agreement and check. The Final Review Office will, by the end of the next business day following its receipt of the Subscription Agreement and check, forward both the Subscription Agreement and check to the Escrow Agent. If any Subscription Agreement solicited by Soliciting Dealer is rejected by the Dealer Manager or the Company, then the Subscription Agreement and check will be returned to the rejected subscriber within 10 business days from the date of rejection.

Once the minimum offering of $2,500,000 in Shares has been sold, subject to any continuing escrow obligations imposed by certain states as described in the Prospectus,

payments for Shares shall be made payable to "Phillips Edison – ARC Shopping Center REIT, Inc." At such time, Soliciting Dealer shall forward original checks together with an original Subscription Agreement, executed and initialed by the subscriber as provided for in the Subscription Agreement, to Phillips Edison – ARC Shopping Center REIT, Inc., c/o [__________], at the address provided in the Subscription Agreement.

(c) All orders, whether initial or additional, are subject to acceptance by and shall become effective upon confirmation by the Company or the Dealer Manager, each of which reserve the right to reject any order in their sole discretion for any or no reason. Orders not accompanied by the required instrument of payment for Shares may be rejected. Issuance and delivery of a Share will be made only after a sale of a Share is deemed by the Company to be completed in accordance with Section 3(c) of the Dealer Manager Agreement. If an order is rejected, cancelled or rescinded for any reason, then Soliciting Dealer will return to the Dealer Manager any selling commissions or dealer manager fees theretofore paid with respect to such order, and, if Soliciting Dealer fails to so return any such selling commissions, the Dealer Manager shall have the right to offset amounts owned against future commissions or dealer manager fees due and otherwise payable to Soliciting Dealer (it being understood and agreed that such right to offset shall not be in limitation of any other rights or remedies that the Dealer Manager may have in connection with such failure).

6. Soliciting Dealer Compensation.

(a) Subject to the terms and conditions set forth herein and in the Dealer Manager Agreement and, subject to the volume discounts and other special circumstances described in the "Plan of Distribution" section of the Prospectus, the Dealer Manager shall pay to Soliciting Dealer a selling commission of 7.0% of the gross proceeds from the Shares sold by it and accepted and confirmed by the Company. For purposes of this Section 6(a), Shares are "sold" only if an executed Subscription Agreement is accepted by the Company and the Company has thereafter distributed the commission to the Dealer Manager in connection with such transaction.

(b) Soliciting Dealer acknowledges and agrees that no selling commissions will be paid for sales of DRP Shares.

(c) Notwithstanding the foregoing, it is understood and agreed that no commission shall be payable with respect to particular Shares if the Dealer Manager or the Company rejects a proposed subscriber's Subscription Agreement. Accordingly, Soliciting Dealer shall have no authority to issue a confirmation (pursuant to Exchange Act Rule 10b-10) to any subscriber; such authority residing solely in the Dealer Manager, as the Dealer Manager and processing broker-dealer.

(d) The Dealer Manager may, in its sole discretion, re-allow a portion of the Dealer Manager Fee received by it to Soliciting Dealer. The Dealer Manager may, in its sole discretion, request the Company to reimburse, to Soliciting Dealer for reasonable accountable *bona fide* due diligence expenses, provided such expenses have actually been incurred, are supported by detailed and itemized invoices provided to the Company and the Company had theretofore given its prior written approval of incurrence of such expenses.

(e) Certain marketing expenses such as Soliciting Dealer conferences may be advanced to Soliciting Dealer and later deducted from the portion of the Dealer Manager Fee re-allowed to that Soliciting Dealer. If the Offering is not consummated, Soliciting Dealer will repay any such advance to the extent not expended on marketing expenses. Any such advance shall be deducted from the maximum amount of the Dealer Manager Fee that may otherwise be re-allowable to Soliciting Dealer. Notwithstanding anything herein to the contrary, Soliciting Dealer will not be entitled to receive any Dealer Manager Fee which would cause the aggregate amount of selling commissions, dealer manager fees and other forms of underwriting compensation (as defined in accordance with applicable FINRA rules) received by the Dealer Manager and all Soliciting Dealers to exceed 10.0% of the gross proceeds raised from the sale of the Primary Shares in the Offering.

(f) The Company will not be liable or responsible to any Soliciting Dealer for the payment of any selling commissions or any reallowance of fees to Soliciting Dealer, it being the sole and exclusive responsibility of the Dealer Manager for the payment of selling commissions or any reallowance to Soliciting Dealer. Soliciting Dealer acknowledges and agrees that the Dealer Manager's liability for commissions payable to Soliciting Dealer is limited solely to commissions received by the Dealer Manager from the Company in connection with Soliciting Dealer's sale of Shares.

7. Reserved Shares.

The number of Shares, if any, to be reserved for sale by each Soliciting Dealer may be decided by the mutual agreement, from time to time, of the Dealer Manager and the Company. The Dealer Manager reserves the right to notify Soliciting Dealer by United States mail or by other means of the number of Shares reserved for sale by Soliciting Dealer, if any. Such Shares will be reserved for sale by Soliciting Dealer until the time specified in the Dealer Manager's notification to Soliciting Dealer. Sales of any reserved Shares after the time specified in the notification to Soliciting Dealer or any requests for additional Shares will be subject to rejection in whole or in part.

8. Blue Sky Qualification.

(a) The Dealer Manager will inform Soliciting Dealer as to the jurisdictions in which the Dealer Manager has been advised by the Company that the Shares have been qualified for sale or are exempt under the respective securities or "blue sky" laws of such jurisdictions, but the Dealer Manager has not assumed and will not assume any obligation or responsibility as to Soliciting Dealer's right to act as a broker and/or dealer with respect to the Shares in any such jurisdiction. Soliciting Dealer agrees that Soliciting Dealer will not make any offers or sell any Shares except in jurisdictions in which the Dealer Manager may advise Soliciting Dealer that the Offering has been qualified or is exempt and in which Soliciting Dealer is legally qualified to make offers and further agrees to assure that each person to whom Soliciting Dealer sells Shares (at both the time of the initial purchase as well as at the time of any subsequent purchases) meets any special suitability standards which apply to sales in a particular jurisdiction, as described in the Blue Sky Survey and the Subscription Agreement. Neither the Dealer Manager nor the Company assume any obligation or

responsibility in respect of the qualification of the Shares covered by the Prospectus under the laws of any jurisdiction or Soliciting Dealer's qualification to act as a broker and/or dealer with respect to the Shares in any jurisdiction. The Blue Sky Survey which has been or will be furnished to Soliciting Dealer indicates the jurisdictions in which it is believed that the offer and sale of Shares covered by the Prospectus is exempt from, or requires action under, the applicable blue sky or securities laws thereof, and what action, if any, has been taken with respect thereto.

(b) It is understood and agreed that under no circumstances will Soliciting Dealer, as a Soliciting Dealer, engage in any activities hereunder in any jurisdiction in which Soliciting Dealer may not lawfully so engage or in any activities in any jurisdiction with respect to the Shares in which Soliciting Dealer may lawfully so engage unless Soliciting Dealer have complied with the provisions hereof.

9. Dealer Manager's Authority. Subject to the Dealer Manager Agreement, the Dealer Manager shall have full authority to take such action as it may deem advisable with respect to all matters pertaining to the Offering or arising thereunder. The Dealer Manager shall not be under any liability to Soliciting Dealer (except for (i) its own lack of good faith and (ii) for obligations expressly assumed by us hereunder) for or in respect of the validity or value of or title to, the Shares; the form of, or the statements contained in, or the validity of, the Registration Statement, the Prospectus or any amendment or supplement thereto, or any other instrument executed by the Company or by others; the form or validity of the Dealer Manager Agreement or this Agreement; the delivery of the Shares; the performance by the Company or by others of any agreement on its or their part; the qualification of the Shares for sale under the laws of any jurisdiction; or any matter in connection with any of the foregoing; provided, however, that nothing in this paragraph shall be deemed to relieve the Company or the Dealer Manager from any liability imposed by the Securities Act. No obligations or liability on the part of the Company or the Dealer Manager shall be implied or inferred herefrom.

10. Indemnification.

(a) Under the Dealer Manager Agreement, the Company has agreed to indemnify Soliciting Dealer and the Dealer Manager and each person, if any, who controls Soliciting Dealer or the Dealer Manager, in certain instances and against certain liabilities, including liabilities under the Securities Act in certain circumstances. Soliciting Dealer hereby agrees to indemnify the Company and each person who controls it as provided in the Dealer Manager Agreement and to indemnify the Dealer Manager to the extent and in the manner that Soliciting Dealer agrees to indemnify the Company in the Dealer Manager Agreement.

(b) In furtherance of, and not in limitation of the foregoing, Soliciting Dealer will indemnify, defend and hold harmless the Dealer Manager and the Company, and their officers, directors, employees, members, partners, affiliates, agents and representatives, and each person, if any, who controls such entity within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, and each person who has signed the Registration Statement ("**Indemnified Parties**"), from and against any losses, claims, damages or liabilities to which any of the Indemnified Parties, and each person who signed

the Registration Statement, may become subject, under the Securities Act or the Exchange Act, or otherwise, insofar as such losses, claims and expenses (including the reasonable legal and other expenses incurred in investigating and defending any such claims or liabilities), damages or liabilities (or actions in respect thereof) arise out of or are based upon (a) in whole or in part, any material inaccuracy in the representations or warranties contained in this Agreement or any material breach of a covenant contained herein by Soliciting Dealer, or (b) any untrue statement or any alleged untrue statement of a material fact contained (i) in any Registration Statement or any post-effective amendment thereto or in the Prospectus or any amendment or supplement to the Prospectus or (ii) in any Approved Sales Literature or (iii) any blue sky application or other document executed by the Company or on its behalf specifically for the purpose of qualifying any or all of the Shares for sale under the securities laws of any jurisdiction or based upon written information furnished by the Company under the securities laws thereof (collectively, "Blue Sky Application"), or (c) the omission or alleged omission to state a material fact required to be stated in the Registration Statement or any post-effective amendment thereof to make the statements therein not misleading or the omission or alleged omission to state a material fact required to be stated in the Prospectus or any amendment or supplement to the Prospectus or any Approved Sales Literature or Blue Sky Application, to make the statements therein, in light of the circumstances under which they were made, not misleading, *provided*, *however*, that in each case described in clauses (b) and (c) to the extent, but only to the extent, that such untrue statement or omission was made in reliance upon and in conformity with written information furnished to the Company or the Dealer Manager by Soliciting Dealer specifically for use with reference to Soliciting Dealer in the preparation of the Registration Statement or any such post-effective amendments thereof or the Prospectus or any such amendment thereof or supplement thereto, Approved Sales Literature or Blue Sky Application (d) any use of sales literature, including "broker dealer use only" materials, by Soliciting Dealer that is not Approved Sales Literature, (e) any untrue statement made by Soliciting Dealer or Soliciting Dealer's representatives or agents or omission by Soliciting Dealer or Soliciting Dealer's representatives or agents to state a fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading in connection with the offer and sale of the Shares in each case, other than statements or omissions made in conformity with the Registration Statement, Prospectus, Approved Sales Literature or any other materials or information furnished by or on behalf of the Company, or (f) any failure by Soliciting Dealer to comply with applicable laws governing money laundry abatement and anti-terrorist financing efforts in connection with the Offering, including applicable FINRA Rules, Exchange Act Rules and Regulations and the USA PATRIOT Act. Soliciting Dealer will reimburse the aforesaid parties for any reasonable legal or other expenses incurred in connection with investigation or defense of such loss, claim, damage, liability or action. This indemnity agreement will be in addition to any liability which Soliciting Dealer may otherwise have.

(c) Promptly after receipt by any indemnified party under this Section 10 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 10, promptly notify the indemnifying party of the commencement thereof; *provided*, *however*, the failure to give such notice shall not relieve the indemnifying party of its obligations hereunder except to the extent it shall have been prejudiced by such failure. In case any such action is brought against any indemnified party, and it notifies an indemnifying party of the commencement thereof, the indemnifying party will be entitled, to the extent it may wish, jointly with any

other indemnifying party similarly notified, to participate in the defense thereof, with separate counsel. Such participation shall not relieve such indemnifying party of the obligation to reimburse the indemnified party for reasonable legal and other expenses incurred by such indemnified party in defending itself, except for such expenses incurred after the indemnifying party has deposited funds sufficient to effect the settlement, with prejudice, of, and unconditional release of all liabilities from, the claim in respect of which indemnity is sought. Any such indemnifying party shall not be liable to any such indemnified party on account of any settlement of any claim or action effected without the consent of such indemnifying party, such consent not to be unreasonably withheld or delayed.

(d) An indemnifying party under Section 10 of this Agreement shall be obligated to reimburse an indemnified party for reasonable legal and other expenses as follows: the indemnifying party shall pay all legal fees and expenses reasonably incurred by the indemnified party in the defense of such claims or actions; provided, however, that the indemnifying party shall not be obligated to pay legal expenses and fees to more than one law firm in connection with the defense of similar claims arising out of the same alleged acts or omissions giving rise to such claims notwithstanding that such actions or claims are alleged or brought by one or more parties against more than one indemnified party. If such claims or actions are alleged or brought against more than one indemnified party, then the indemnifying party shall only be obliged to reimburse the expenses and fees of the one law firm (in addition to local counsel) that has been participating by a majority of the indemnified parties against which such action is finally brought; and in the event a majority of such indemnified parties is unable to agree on which law firm for which expenses or fees will be reimbursable by the indemnifying party, then payment shall be made to the first law firm of record representing an indemnified party against the action or claim. Such law firm shall be paid only to the extent of services performed by such law firm and no reimbursement shall be payable to such law firm on account of legal services performed by another law firm.

11. Contribution.

If the indemnification provided for in Section 10 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, the contributions provisions set forth in Section 10 of the Dealer Manager Agreement shall be applicable.

12. Company as Party to Agreement.

The Company shall be a third party beneficiary of Soliciting Dealer's representations, warranties, covenants and agreements contained in Sections 10 and 11. The Company shall have all enforcement rights in law and in equity with respect to those portions of this Agreement as to which it is third party beneficiary.

13. Privacy Laws; Compliance.

(a) Soliciting Dealer agrees to: (i) abide by and comply with (A) the privacy standards and requirements of the Gramm-Leach-Bliley Act of 1999 (the "**GLB Act**"); B) the

privacy standards and requirements of any other applicable federal or state law; and (C) Soliciting Dealer's own internal privacy policies and procedures, each as may be amended from time to time; (ii) refrain from the use or disclosure of nonpublic personal information (as defined under the GLB Act) of all customers, except as necessary to service the customers or as otherwise necessary or required by applicable law; and (iii) determine which customers have opted out of the disclosure of nonpublic personal information by periodically reviewing and, if necessary, retrieving an aggregated list of such customers (the "**List**") as provided by each to identify customers that have exercised their opt-out rights. If either party uses or discloses nonpublic personal information of any customer for purposes other than servicing the customer, or as otherwise required by applicable law, that party will consult the List to determine whether the affected customer has exercised his or her opt-out rights. Each party understands that it is prohibited from using or disclosing any nonpublic personal information of any customer that is identified on the List as having opted out of such disclosures.

14. Anti-Money Laundering Compliance Programs.

Soliciting Dealer represents to the Dealer Manager and to the Company that it has established and implemented anti-money laundering compliance programs in accordance with applicable law, including applicable FINRA Rules, rules and regulations promulgated under the Exchange Act and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) of 2001, as amended (the "**USA PATRIOT Act**"), specifically including, but not limited to, Section 352 of the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001 (the "**Money Laundering Abatement Act**," and together with the USA PATRIOT Act, the "**AML Rules**") reasonably expected to detect and cause the reporting of suspicious transactions in connection with the offering and sale of the Shares. Soliciting Dealer further represents that it currently is in compliance with all AML Rules, specifically including, but not limited to, the Customer Identification Program requirements under Section 326 of the Money Laundering Abatement Act, and Soliciting Dealer hereby covenants to remain in compliance with such requirements and shall, upon request by the Dealer Manager or the Company, provide a certification to the Dealer Manager or the Company that, as of the date of such certification (a) its AML Program is consistent with the AML Rules and (b) it is currently in compliance with all AML Rules, specifically including, but not limited to, the Customer Identification Program requirements under Section 326 of the Money Laundering Abatement Act. Upon request by the Dealer Manager at any time, Soliciting Dealer will (i) furnish a written copy of its AML Program to the Dealer Manager for review, and (ii) furnish a copy of the findings and any remedial actions taken in connection with its most recent independent testing of its AML Program.

15. Miscellaneous.

(a) Soliciting Dealer hereby authorizes and ratifies the execution and delivery of the Dealer Manager Agreement by the Dealer Manager as Dealer Manager for itself and on behalf of all Soliciting Dealers (including Soliciting Dealer party hereto) and authorizes the Dealer Manager to agree to any variation of its terms or provisions and to execute and deliver any amendment, modification or supplement thereto. Soliciting Dealer hereby agrees to be

bound by all provisions of the Dealer Manager Agreement relating to Soliciting Dealers. Soliciting Dealer also authorizes the Dealer Manager to exercise, in the Dealer Manager's discretion, all the authority or discretion now or hereafter vested in the Dealer Manager by the provisions of the Dealer Manager Agreement and to take all such actions as the Dealer Manager may believe desirable in order to carry out the provisions of the Dealer Manager Agreement and of this Agreement.

(b) This Agreement, except for the provisions of Sections 9, 10, 11, 12, 13 and this Section 15, may be terminated at any time by either party hereto by two days' prior written notice to the other party and, in all events, this Agreement shall terminate on the termination date of the Dealer Manager Agreement, except for the provisions of Sections 9, 10, 11, 12, 13 and this Section 15.

(c) Any communications from Soliciting Dealer should be in writing addressed to the Dealer Manager at:

Realty Capital Securities, LLC
Three Copley Place, Suite 3300B
Boston, Massachusetts 02166
Facsimile No.: (857) 207-3399
Attention: Louisa Quarto, President

with a copy to (which shall not constitute a notice):

Proskauer Rose LLP
1585 Broadway
New York, New York 10036
Facsimile No.: (212) 969-2900
Attention: Peter M. Fass, Esq.
James P. Gerkis, Esq.

Any notice from the Dealer Manager to Soliciting Dealer shall be deemed to have been duly given if mailed, communicated by electronic delivery or facsimile or delivered by overnight courier to Soliciting Dealer at Soliciting Dealer's address shown below.

(d) Nothing herein contained shall constitute the Dealer Manger, Soliciting Dealer, the other Soliciting Dealers or any of them as an association, partnership, limited liability company, unincorporated business or other separate entity.

(e) If this Agreement is executed before the initial Effective Date, then the Dealer Manager will notify Soliciting Dealer in writing when the initial Effective Date has occured. Soliciting Dealer agrees that Soliciting Dealer will not make any offers to sell the Shares or solicit purchasers for the Shares until Soliciting Dealer has received such written notice of the initial Effective Date from the Dealer Manager or the Company. This Agreement shall be effective for all sales by Soliciting Dealer on and after the initial Effective Date.

(f) The Company may authorize its transfer agent to provide information to the Dealer Manager and Soliciting Dealer regarding record holder information about the clients of Soliciting Dealer who have invested with the Company on an on-going basis for so long as Soliciting Dealer has a relationship with such client. Soliciting Dealer shall not disclose any password for a restricted website or portion of a website provided to Soliciting Dealer in connection with the Offering and shall not disclose to any person, other than an officer, director, employee or agent of Soliciting Dealer, any material downloaded from such restricted website or portion of a restricted website.

(g) Soliciting Dealer shall have no right to assign this Agreement or any of its rights hereunder or to delegate any of its obligations. Any purported assignment or delegation by Soliciting Dealer shall be null and void. The Dealer Manager shall have the right to assign any or all of its rights and obligations under this Agreement by written notice, and Soliciting Dealer shall be deemed to have consented to such assignment by execution hereof. Dealer Manager shall provide written notice of any such assignment to Soliciting Dealer.

(h) This Agreement may be executed (including by facsimile transmission) with counterpart signature pages or in counterpart copies, each of which shall be deemed an original but all of which together shall constitute one and the same instrument comprising this Agreement.

(i) The invalidity or unenforceability of any provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision were omitted.

(j) The failure of any party to insist upon or enforce strict performance by any other party of any provision of this Agreement or to exercise any right under this Agreement shall not be construed as a waiver or relinquishment to any extent of such party's right to assert or rely upon any such provision or right in that or any other instance; rather, such provision or right shall be and remain in full force and effect.

[Signature page follows.]

If the foregoing is in accordance with Soliciting Dealer’s understanding and agreement, please sign and return the attached duplicate of this Agreement. Soliciting Dealer’s indicated acceptance thereof shall constitute a binding agreement between Soliciting Dealer and the Dealer Manager.

Very truly yours,

REALTY CAPITAL SECURITIES, LLC

By: ______________________________

Name:
Title:

__________, 2010

The undersigned dealer confirms its agreement to act as a Soliciting Dealer pursuant to all the terms and conditions of the above Soliciting Dealer Agreement and the attached Dealer Manager Agreement. The undersigned dealer hereby represents that the it will comply with the applicable requirements of the Securities Act and the Exchange Act and the published rules and regulations of the Commission thereunder, and applicable blue sky or other state securities laws. The undersigned dealer represents and warrants that the undersigned dealer is duly registered as a broker-dealer under the provisions of the Exchange Act and the Exchange Act Rules and Regulations or is exempt from such registration. The undersigned dealer confirms that it and each salesperson acting on its behalf are members in good standing of FINRA and duly licensed by each regulatory authority in each jurisdiction in which the undersigned dealer or such salesperson will offer and sell Shares, or are exempt from registration with such authorities. The undersigned dealer hereby represents that it will comply with the Rules of FINRA and all rules and regulations promulgated by FINRA.

Dated: ___________, 2010

____
Name of Soliciting Dealer

____
Federal Identification Number

By: ______________________________
Name:
Authorized Signatory

Kindly have checks representing commissions forwarded as follows (if different than above): (Please type or print)

Name of Firm: ______________________________

Address: ______________________________
Street

____
City

____
State and Zip Code

____
(Area Code) Telephone No.

Attention: ______________________________

SCHEDULE 1
TO
SOLICITING DEALER AGREEMENT WITH
REALTY CAPITAL SECURITIES, LLC

Soliciting Dealer represents and warrants that it is currently licensed as a broker-dealer in the following jurisdictions:

- ☐ Alabama
- ☐ Alaska
- ☐ Arizona
- ☐ Arkansas
- ☐ California
- ☐ Colorado
- ☐ Connecticut
- ☐ Delaware
- ☐ District of Columbia
- ☐ Florida
- ☐ Georgia
- ☐ Hawaii
- ☐ Idaho
- ☐ Illinois
- ☐ Indiana
- ☐ Iowa
- ☐ Kansas
- ☐ Kentucky
- ☐ Louisiana
- ☐ Maine
- ☐ Maryland
- ☐ Massachusetts
- ☐ Michigan
- ☐ Minnesota
- ☐ Mississippi
- ☐ Missouri
- ☐ Montana
- ☐ Nebraska
- ☐ Nevada
- ☐ New Hampshire
- ☐ New Jersey
- ☐ New Mexico
- ☐ New York
- ☐ North Carolina
- ☐ North Dakota
- ☐ Ohio
- ☐ Oklahoma
- ☐ Oregon
- ☐ Pennsylvania
- ☐ Puerto Rico
- ☐ Rhode Island
- ☐ South Carolina
- ☐ South Dakota
- ☐ Tennessee
- ☐ Texas
- ☐ Utah
- ☐ Vermont
- ☐ Virgin Islands
- ☐ Virginia
- ☐ Washington
- ☐ West Virginia
- ☐ Wisconsin
- ☐ Wyoming

Exhibit 3.1

FORM OF

ARTICLES OF AMENDMENT AND RESTATEMENT
OF
PHILLIPS EDISON – ARC SHOPPING CENTER REIT INC.

FIRST: Phillips Edison – ARC Shopping Center REIT Inc., a Maryland corporation, desires to amend and restate its charter as currently in effect and as hereinafter amended.

SECOND: The following provisions are all the provisions of the charter currently in effect and as hereinafter amended:

ARTICLE I

NAME

The name of the corporation is Phillips Edison – ARC Shopping Center REIT Inc. (the "Corporation").

ARTICLE II

PURPOSE

Except as provided below, the purposes for which the Corporation is formed are to engage in any lawful act or activity (including, without limitation or obligation, qualifying as a real estate investment trust under Sections 856 through 860, or any successor sections, of the Internal Revenue Code of 1986, as amended (the "Code")), for which corporations may be organized under the MGCL and the general laws of the State of Maryland as now or hereafter in force. Notwithstanding the foregoing, for so long as the Corporation is externally advised by the Advisor, it shall not be a proper purpose of the Corporation to make any significant investment unless the Advisor has recommended that the Corporation make such investment.

ARTICLE III

PRINCIPAL OFFICE IN STATE AND RESIDENT AGENT

The name and address of the resident agent for service of process of the Corporation in the State of Maryland is The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, Maryland 21201. The address of the Corporation's principal office in the State of Maryland is c/o The Corporation Trust Incorporated, 351 West

Camden Street, Baltimore, Maryland 21201. The Corporation may have such other offices and places of business within or outside the State of Maryland as the board may from time to time determine.

ARTICLE IV

DEFINITIONS

As used herein, the following terms shall have the following meanings unless the context otherwise requires:

Acquisition Expenses. Expenses including but not limited to legal fees and expenses, travel and communications expenses, cost of appraisals, nonrefundable option payments on property not acquired, accounting fees and expenses, title insurance and miscellaneous expenses related to selecting and acquiring properties, or making or investing in loans, whether or not the acquisition or investment is made.

Acquisition Fees. The total of all fees and commissions, excluding Acquisition Expenses, paid by any party to any party in connection with making or investing in loans or the purchase, development or construction of property by the Corporation. Included in the computation of such fees or commissions shall be any real estate commission, selection fee, Development Fee, Construction Fee, nonrecurring management fee, origination fees, loan fees or points or any fee of a similar nature, however designated. Excluded shall be Development Fees and Construction Fees paid to any Person not affiliated with the Sponsor in connection with the actual development and construction of a project.

Advisor. The Person responsible for directing or performing the day-to-day business affairs of the Corporation, including a Person to which an Advisor subcontracts substantially all such functions.

Advisory Agreement. The agreement between the Corporation and the Advisor pursuant to which the Advisor will direct or perform the day-to-day business affairs of the Corporation.

Affiliate. An Affiliate of another Person includes any of the following:

(a) any Person directly or indirectly owning, controlling or holding, with power to vote, 10% or more of the outstanding voting securities of such other Person;

(b) any Person 10% or more of whose outstanding voting securities are directly or indirectly owned, controlled or held, with power to vote, by such other Person;

(c) any Person directly or indirectly controlling, controlled by or under common control with such other Person;

(d) any executive officer, Director, trustee or general partner of such other Person; and

(e) any legal entity for which such Person acts as an executive officer, Director, trustee or general partner.

Average Invested Assets. For a specified period, the average of the aggregate book value of the assets of the Corporation invested, directly or indirectly in equity interests in and loans secured by real estate, before deducting depreciation, bad debts or other non-cash reserves, computed by taking the average of such values at the end of each month during such period.

Business Day. Any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions in New York City are authorized or required by law, regulation or executive order to close.

Capital Stock. All classes or series of stock of the Corporation, including, without limitation, Common Stock and Preferred Stock.

Code. The term shall have the meaning as provided in Article II herein.

Common Stock. The term shall have the meaning as provided in Section 5.1 herein.

Common Stockholders. The registered holders of Common Stock.

Competitive Real Estate Commission. A real estate or brokerage commission paid for the purchase or sale of a property that is reasonable, customary and competitive in light of the size, type and location of the property.

Conflicts Committee. The term shall have the meaning as provided in Section 10.1 herein.

Construction Fee. A fee or other remuneration for acting as general contractor and/or construction manager to construct improvements, supervise and coordinate projects or to provide major repairs or rehabilitation on the Corporation’s property.

Contract Purchase Price. The amount actually paid or allocated in respect of the purchase, development, construction or improvement of an asset exclusive of Acquisition Fees and Acquisition Expenses.

Corporation. The term shall have the meaning as provided in Article I herein.

Development Fee. A fee for the packaging of the Corporation’s property, including the negotiation and approval of plans and any assistance in obtaining zoning

and necessary variances and financing for a specific property, either initially or at a later date.

Director(s). The members of the board of directors of the Corporation.

Excess Amount. The term shall have the meaning as provided in Section 8.8 herein.

Extension Amendment. The term shall have the meaning as provided in Section 5.11 herein.

Independent Directors. The Directors of the Corporation who are not associated and have not been associated within the last two years, directly or indirectly, with the Sponsor or Advisor of the Corporation.

(a) A Director shall be deemed to be associated with the Sponsor or Advisor if he or she:

(i) owns an interest in the Sponsor, the Advisor or any of their Affiliates;

(ii) is employed by the Sponsor, the Advisor or any of their Affiliates;

(iii) is an officer or Director of the Sponsor, the Advisor or any of their Affiliates;

(iv) performs services, other than as a Director, for the Corporation;

(v) is a Director for more than three REITs organized by the Sponsor or advised by the Advisor; or

(vi) has any material business or professional relationship with the Sponsor, the Advisor or any of their Affiliates.

(b) For purposes of determining whether or not a business or professional relationship is material pursuant to (a)(vi) above, the annual gross revenue derived by the Director from the Sponsor, Advisor and their Affiliates shall be deemed material *per se* if it exceeds 5% of the Director's:

(i) annual gross revenue, derived from all sources, during either of the last two years; or

(ii) net worth, on a fair market value basis.

(c) An indirect relationship shall include circumstances in which a Director's spouse, parent, child, sibling, mother- or father-in-law, son- or daughter-in-law or brother- or sister-in-law is or has been associated with the Sponsor, the Advisor, any of their Affiliates or the Corporation.

Independent Expert. A Person (selected by the Conflicts Committee) with no material current or prior business or personal relationship with the Advisor or a Director who is engaged to a substantial extent in the business of rendering opinions regarding the value of assets of the type held by the Corporation.

Initial Investment. An investment of $200,000 by the Advisor or an Affiliate thereof to acquire an equity interest in the Corporation.

Initial Public Offering. The initial public offering of Common Stock registered on Registration Statement No. 333-__________________ on Form S-11.

Leverage. The aggregate amount of indebtedness of the Corporation for money borrowed (including purchase money mortgage loans) outstanding at any time, both secured and unsecured.

Liquidity Event. A Liquidity Event shall mean a sale of substantially all the assets of the Corporation, a sale or merger of the Corporation, a Listing, or other similar transaction.

Listed. Approved for trading on any securities exchange registered as a national securities exchange under Section 6 of the Securities Exchange Act of 1934. The term “Listing” shall have the correlative meaning.

MGCL. The Maryland General Corporation Law, as amended from time to time.

NASAA REIT Guidelines. The Statement of Policy Regarding Real Estate Investment Trusts as revised and adopted by the North American Securities Administrators Association on May 7, 2007.

Net Assets. The total assets of the Corporation (other than intangibles) at cost, before deducting depreciation or other non-cash reserves, less total liabilities, calculated at least quarterly by the Corporation on a basis consistently applied.

Net Income. For any period, total revenues applicable to such period less the expenses applicable to such period other than additions to reserves for depreciation or bad debts or other similar non-cash reserves. If the Advisor receives an incentive fee, Net Income, for purposes of calculating Total Operating Expenses in Section 8.8, shall exclude the gain from the sale of the Corporation’s assets.

Non-Compliant Tender Offer. The term shall have the meaning as provided in Section 11.10 herein.

Organization and Offering Expenses. All expenses incurred by and to be paid from the assets of the Corporation in connection with or preparing the Corporation for registration of and subsequently offering and distributing its shares to the public, including, but not limited to, total underwriting and brokerage discounts and commissions (including fees of the underwriters’ attorneys); expenses for printing, engraving and mailing; salaries of employees while engaged in sales activity; charges of

transfer agents, registrars, trustees, escrow holders, depositaries and experts; and expenses of qualification of the sale of the securities under Federal and state laws, including taxes and fees, accountants' and attorneys' fees.

Person. An individual, corporation, association, business trust, estate, trust, partnership, limited liability company or other legal entity.

Plan of Liquidation. The term shall have the meaning as provided in Section 5.11 herein.

Preferred Stock. The term shall have the meaning as provided in Section 5.1 herein.

Prospectus. The term shall have the meaning as defined in Section 2(10) of the Securities Act of 1933, as amended (the "Securities Act"), including a preliminary prospectus, an offering circular as described in Rule 253 of the General Rules and Regulations under the Securities Act or, in the case of an intrastate offering, any document by whatever name known utilized for the purpose of offering and selling securities to the public.

REIT. Real estate investment trust under Sections 856 through 860 of the Code.

Roll-Up Entity. A partnership, real estate investment trust, corporation, trust or similar entity that would be created or would survive after the successful completion of a proposed Roll-Up Transaction.

Roll-Up Transaction. A transaction involving the acquisition, merger, conversion or consolidation, either directly or indirectly, of the Corporation and the issuance of securities of a Roll-Up Entity to the Common Stockholders.

Such term does not include:

(a) a transaction involving securities of the Corporation that have been Listed for at least 12 months; or

(b) a transaction involving the conversion to corporate, trust or association form of only the Corporation, if, as a consequence of the transaction, there will be no significant adverse change in any of the following:

(i) the voting rights of Common Stockholders;

(ii) the term of existence of the Corporation;

(iii) Sponsor or Advisor compensation; or

(iv) the Corporation's investment objectives.

SDAT. The State Department of Assessments and Taxation of Maryland.

Sponsor. Any Person directly or indirectly instrumental in organizing, wholly or in part, the Corporation or any Person who will control, manage or participate in the management of the Corporation, and any Affiliate of such Person. Not included is any Person whose only relationship with the Corporation is as that of an independent property manager of the Corporation's assets and whose only compensation is as such. Sponsor does not include wholly independent third parties such as attorneys, accountants and underwriters whose only compensation is for professional services. A Person may also be deemed a Sponsor of the Corporation (as to be determined by the Conflicts Committee) by:

(a) taking the initiative, directly or indirectly, in founding or organizing the business or enterprise of the Corporation, either alone or in conjunction with one or more other Persons;

(b) receiving a material participation in the Corporation in connection with the founding or organizing of the business of the Corporation, in consideration of services or property, or both services and property;

(c) having a substantial number of relationships and contacts with the Corporation;

(d) possessing significant rights to control the Corporation's properties;

(e) receiving fees for providing services to the Corporation which are paid on a basis that is not customary in the industry; or

(f) providing goods or services to the Corporation on a basis which was not negotiated at arms length with the Corporation.

Stockholder List. The term shall have the meaning as provided in Section 11.6 herein.

Tendered Shares. The term shall have the meaning as provided in Section 11.10 herein.

Termination of the Initial Public Offering. The Termination of the Initial Public Offering shall mean the earlier of (i) the date on which the Initial Public Offering expires or is terminated by the Corporation or (ii) the date on which all shares of Common Stock offered in the Initial Public Offering are sold, excluding shares offered thereunder that may be acquired pursuant to any dividend reinvestment plan approved by the Corporation.

Total Operating Expenses. All expenses paid or incurred by the Corporation, as determined under generally accepted accounting principles, that are in any way related to the operation of the Corporation or to Corporation business, including advisory fees, but excluding (a) the expenses of raising capital such as Organization and Offering Expenses, legal, audit, accounting, underwriting, brokerage, listing, registration and other fees, printing and other such expenses and taxes incurred in connection with the issuance, distribution, transfer, registration and stock exchange listing of the Capital Stock; (b) interest payments; (c) taxes; (d) non-cash expenditures such as depreciation, amortization and bad debt reserves; (e) incentive fees paid in compliance with Section 8.6,

notwithstanding the next succeeding clause (f); and (f) Acquisition Fees, Acquisition Expenses, real estate commissions on the resale of real property and other expenses connected with the acquisition, disposition and ownership of real estate interests, mortgage loans or other property, including the costs of foreclosure, insurance premiums, legal services, maintenance, repair and improvement of property.

2%/25% Guidelines. The term shall have the meaning as provided in Section 8.8 herein.

Unimproved Real Property. The real property of the Corporation that has the following three characteristics:

(a) an equity interest in real property which was not acquired for the purpose of producing rental or other operating income;

(b) there is no development or construction in progress on such land; and

(c) no development or construction on such land is planned in good faith to commence on such land within one year.

ARTICLE V

STOCK

Section 5.1. Authorized Shares. The Corporation has authority to issue 1,000,000,000 shares of common stock, $0.01 par value per share ("Common Stock"), and 10,000,000 shares of preferred stock, $0.01 par value per share ("Preferred Stock"). The aggregate par value of all authorized shares of Capital Stock having par value is $10,100,000. If shares of Capital Stock of one class are classified or reclassified into shares of Capital Stock of another class pursuant to this Article V, the number of authorized shares of Capital Stock of the former class shall be automatically decreased and the number of shares of Capital Stock of the latter class shall be automatically increased, in each case by the number of shares of Capital Stock so classified or reclassified, so that the aggregate number of shares of Capital Stock of all classes that the Corporation has authority to issue shall not be more than the total number of shares of Capital Stock set forth in the first sentence of this paragraph. The board of directors, with the approval of a majority of the Directors and without any action by the stockholders of the Corporation, may amend the charter from time to time to increase or decrease the aggregate number of shares of Capital Stock or the number of shares of Capital Stock of any class or series that the Corporation has the authority to issue.

Section 5.2. Common Stock. Subject to the provisions of Article VI and except as may otherwise be specified in the terms of any class or series of Common Stock, each share of Common Stock shall entitle the holder thereof to one vote. The board of directors may reclassify any unissued shares of Common Stock from time to time in one or more classes or series of Capital Stock.

Section 5.3. Preferred Stock. The board of directors may classify any unissued shares of Preferred Stock and reclassify any previously classified but unissued shares of Preferred Stock of any series from time to time in one or more series of Capital Stock.

Section 5.4. Classified or Reclassified Shares. Prior to the issuance of classified or reclassified shares of any class or series, the board of directors by resolution shall: (a) designate that class or series to distinguish it from all other classes and series of Capital Stock of the Corporation; (b) specify the number of shares to be included in the class or series; (c) set or change, subject to the provisions of Article VI and subject to the express terms of any class or series of Capital Stock of the Corporation outstanding at the time, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption for each class or series; and (d) cause the Corporation to file articles supplementary with the SDAT. Any of the terms of any class or series of Capital Stock set or changed pursuant to clause (c) of this Section 5.4 may be made dependent upon facts or events ascertainable outside the charter (including determinations by the board of directors or other facts or events within the control of the Corporation) and may vary among holders thereof, provided that the manner in which such facts, events or variations shall operate upon the terms of such class or series of Capital Stock is clearly and expressly set forth in the articles supplementary filed with the SDAT.

Section 5.5. Charter and Bylaws. The rights of all stockholders and the terms of all shares of Capital Stock are subject to the provisions of the charter and the bylaws.

Section 5.6. No Preemptive Rights. Except as may be provided by the board of directors in setting the terms of classified or reclassified shares of Capital Stock pursuant to Section 5.4 or as may otherwise be provided by contract approved by the board of directors, no holder of shares of Capital Stock of any class or series shall have any preemptive right to subscribe to or purchase any additional shares of any class or series, or any bonds or convertible securities of any nature.

Section 5.7. Issuance of Shares Without Certificates. Unless otherwise provided by the board of directors, the Corporation shall not issue stock certificates. The Corporation shall continue to treat the holder of uncertificated Capital Stock registered on its stock ledger as the owner of the shares noted therein until the new owner delivers a properly executed form provided by the Corporation for that purpose. With respect to any shares of Capital Stock that are issued without certificates, information regarding restrictions on the transferability of such shares that would otherwise be required by the MGCL to appear on the stock certificates will instead be furnished to stockholders upon request and without charge.

Section 5.8. Suitability and Minimum Investment of Stockholders. Until the Common Stock is Listed, the following provisions shall apply to purchases of shares of Common Stock:

(a) To purchase Common Stock, the purchaser must represent to the Corporation:

(i) that such purchaser (or, in the case of sales to fiduciary accounts, that the beneficiary, the fiduciary account or the grantor or donor who directly or indirectly supplies the funds to purchase the shares if the grantor or donor is the fiduciary) has a minimum annual gross income of $70,000 and a net worth (excluding home, home furnishings and automobiles) of not less than $70,000; or

(ii) that such purchaser (or, in the case of sales to fiduciary accounts, that the beneficiary, the fiduciary account or the grantor or donor who directly or indirectly supplies the funds to purchase the shares if the grantor or donor is the fiduciary) has a net worth (excluding home, home furnishings and automobiles) of not less than $250,000.

(b) The Sponsor, each Person selling shares on behalf of the Sponsor or the Corporation, and each broker or dealer or registered investment adviser recommending the purchase of shares to a customer shall make every reasonable effort to determine that the purchase of shares is a suitable and appropriate investment for each Common Stockholder. In making this determination, the Sponsor, each Person selling shares on behalf of the Sponsor or the Corporation, or each broker or dealer or registered investment adviser recommending the purchase of shares to a customer shall ascertain that the prospective Common Stockholder: (i) meets the minimum income and net worth standards set forth in Section 5.8; (ii) can reasonably benefit from the Corporation based on the prospective stockholder's overall investment objectives and portfolio structure; (iii) is able to bear the economic risk of the investment based on the prospective stockholder's overall financial situation; and (iv) has apparent understanding of (1) the fundamental risks of the investment; (2) the risk that the stockholder may lose the entire investment; (3) the lack of liquidity of the shares; (4) the restrictions on transferability of the shares; and (5) the tax consequences of the investment. The Sponsor, each Person selling shares on behalf of the Sponsor or the Corporation, or each broker or dealer or registered investment adviser recommending the purchase of shares to a customer shall make this determination on the basis of information it has obtained from a prospective stockholder, including information indirectly obtained from a prospective stockholder through such stockholder's investment adviser, financial advisor or bank acting as a fiduciary. Relevant information for this purpose will include at least the age, investment objectives, investment experience, income, net worth, financial situation and other investments of the prospective stockholder, as well as any other pertinent factors. The Sponsor, each Person selling shares on behalf of the Sponsor or the Corporation, or each broker or dealer or registered investment adviser recommending the purchase of shares to a customer shall cause to be maintained for at least six years records of the information used to determine that an investment in shares is suitable and appropriate for a Common Stockholder.

The Sponsor and each Person selling shares on behalf of the Sponsor or the Corporation may each rely upon (i) the Person directly recommending the purchase of shares to a customer if that Person is a FINRA member broker or dealer that has entered into a selling agreement with the Sponsor or the Corporation or their Affiliates or (ii) a registered investment adviser that has entered into an agreement with the Sponsor or the

Corporation or their Affiliates to make suitability determinations with respect to the customers of the registered investment adviser who may purchase shares.

(c) Each purchase of shares of Common Stock shall comply with the requirements regarding minimum initial and subsequent cash investment amounts set forth in any then effective registration statement of the Corporation as such registration statement has been amended or supplemented as of the date of such purchase or any higher or lower applicable state requirements with respect to minimum initial and subsequent cash investment amounts in effect as of the date of the issuance or transfer.

Section 5.9. Dividend Reinvestment Plans. The board may establish, from time to time, a dividend reinvestment plan or plans. Under any dividend reinvestment plan, (a) all material information regarding dividends to the Common Stockholders and the effect of reinvesting such dividends, including the tax consequences thereof, shall be provided to the Common Stockholders not less often than annually, and (b) each Common Stockholder participating in such plan shall have a reasonable opportunity to withdraw from the plan not less often than annually after receipt of the information required in clause (a) above.

Section 5.10. Distributions. The board of directors may from time to time authorize the Corporation to declare and pay to stockholders such dividends or other distributions as the board of directors in its discretion shall determine. The board of directors shall endeavor to authorize the Corporation to declare and pay such dividends and other distributions as shall be necessary for the Corporation to qualify as a REIT under the Code; provided, however, that stockholders shall have no right to any dividend or other distribution unless and until authorized by the board and declared by the Corporation.

Distributions in kind shall not be permitted, except for distributions of readily marketable securities or securities of the Corporation, distributions of beneficial interests in a liquidating trust established for the dissolution of the Corporation and the liquidation of its assets in accordance with the terms of the charter or distributions that meet all of the following conditions: (a) the board of directors advises each Common Stockholder of the risks associated with direct ownership of the property, (b) the board of directors offers each Common Stockholder the election of receiving such in-kind distributions and (c) in-kind distributions are made only to those Common Stockholders who accept such offer.

Section 5.11. Actions Required if Common Stock Not Listed. In the event that a Liquidity Event does not occur on or before the fifth anniversary of the Termination of the Initial Public Offering, then a majority of the Directors and a majority of the Independent Directors must either (a) adopt a resolution that sets forth a proposed amendment to the charter extending or eliminating this deadline (the “Extension Amendment”), declares that the Extension Amendment is advisable and directs that the proposed Extension Amendment be submitted for consideration at either an annual or special meeting of the Common Stockholders, or (b) adopt a resolution that declares that a proposed liquidation of the Corporation is advisable on substantially the terms and conditions set forth in, or referred to, in the resolution (the “Plan of Liquidation”) and

directs that the proposed Plan of Liquidation be submitted for consideration at either an annual or special meeting of the Common Stockholders. If the Directors seek the Extension Amendment as described above and the Common Stockholders do not approve the Extension Amendment, then the Directors shall take the steps set forth in clause (b) above. In the event that Listing occurs on or before the fifth anniversary of the Termination of the Initial Public Offering, the Corporation shall continue perpetually unless dissolved pursuant to any applicable provision of the MGCL.

ARTICLE VI

RESTRICTION ON TRANSFER AND OWNERSHIP OF SHARES

Section 6.1. Definitions. As used in this Article VI, the following terms shall have the following meanings:

Aggregate Stock Ownership Limit. 9.8% in value of the aggregate of the outstanding shares of Capital Stock. The value of the outstanding shares of Capital Stock shall be determined by the board of directors in good faith, which determination shall be conclusive for all purposes hereof.

Beneficial Ownership. Ownership of Capital Stock by a Person, whether the interest in the shares of Capital Stock is held directly or indirectly (including by a nominee), and shall include interests that would be treated as owned through the application of Section 544 of the Code, as modified by Section 856(h)(1)(B) of the Code. The terms “Beneficial Owner,” “Beneficially Owns,” “Beneficially Owning” and “Beneficially Owned” shall have the correlative meanings.

Charitable Beneficiary. One or more beneficiaries of the Trust as determined pursuant to Section 6.3.6, provided that each such organization must be described in Section 501(c)(3) of the Code and contributions to each such organization must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code.

Common Stock Ownership Limit. 9.8% (in value or in number of shares, whichever is more restrictive) of the aggregate of the outstanding shares of Common Stock of the Corporation. The number and value of outstanding shares of Common Stock of the Corporation shall be determined by the board of directors in good faith, which determination shall be conclusive for all purposes hereof.

Constructive Ownership. Ownership of Capital Stock by a Person, whether the interest in the shares of Capital Stock is held directly or indirectly (including by a nominee), and shall include interests that would be treated as owned through the application of Section 318(a) of the Code, as modified by Section 856(d)(5) of the Code. The terms “Constructive Owner,” “Constructively Owns,” “Constructively Owning” and “Constructively Owned” shall have the correlative meanings.

Excepted Holder. A stockholder of the Corporation for whom an Excepted Holder Limit is created by the board of directors pursuant to Section 6.2.7.

Excepted Holder Limit. The percentage limit established by the board of directors pursuant to Section 6.2.7 provided that the affected Excepted Holder agrees to comply with the requirements established by the board of directors pursuant to Section 6.2.7, and subject to adjustment pursuant to Section 6.2.8.

Initial Date. The date upon which shares of Common Stock are first issued in the Initial Public Offering.

Market Price. With respect to any class or series of outstanding shares of Capital Stock, the Closing Price for such Capital Stock on such date. The "Closing Price" on any date shall mean the last sale price for such Capital Stock, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, for such Capital Stock, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the principal national securities exchange on which such Capital Stock is listed or admitted to trading or, if such Capital Stock is not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by FINRA's OTC Bulletin Board service or, if such system is no longer in use, the principal other automated quotation system that may then be in use or, if such Capital Stock is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such Capital Stock selected by the board of directors or, in the event that no trading price is available for such Capital Stock, the fair market value of the Capital Stock, as determined in good faith by the board of directors.

Prohibited Owner. With respect to any purported Transfer, any Person who but for the provisions of Section 6.2.1 would Beneficially Own or Constructively Own shares of Capital Stock and, if appropriate in the context, shall also mean any Person who would have been the record owner of the shares that the Prohibited Owner would have so owned.

Restriction Termination Date. The first day on which the Corporation determines pursuant to Section 7.7 of the charter that it is no longer in the best interests of the Corporation to attempt to, or continue to, qualify as a REIT or that compliance with the restrictions and limitations on Beneficial Ownership, Constructive Ownership and Transfers of shares of Capital Stock set forth herein is no longer required in order for the Corporation to qualify as a REIT.

Transfer. Any issuance, sale, transfer, gift, assignment, devise or other disposition, as well as any other event that causes any Person to acquire Beneficial Ownership or Constructive Ownership, of Capital Stock or the right to vote or receive distributions on Capital Stock, or any agreement to take any such actions or cause any such events, including (a) the granting or exercise of any option (or any disposition of

any option), (b) any disposition of any securities or rights convertible into or exchangeable for Capital Stock or any interest in Capital Stock or any exercise of any such conversion or exchange right and (c) Transfers of interests in other entities that result in changes in Beneficial Ownership or Constructive Ownership of Capital Stock; in each case, whether voluntary or involuntary, whether owned of record, Constructively Owned or Beneficially Owned and whether by operation of law or otherwise. The terms "Transferring" and "Transferred" shall have the correlative meanings.

Trust. Any trust provided for in Section 6.3.1.

Trustee. The Person unaffiliated with the Corporation and a Prohibited Owner that is appointed by the Corporation to serve as trustee of the Trust.

Section 6.2. Capital Stock.

Section 6.2.1. Ownership Limitations. During the period commencing on the Initial Date and prior to the Restriction Termination Date:

(a) Basic Restrictions.

(i) (1) No Person, other than an Excepted Holder, shall Beneficially Own or Constructively Own shares of Capital Stock in excess of the Aggregate Stock Ownership Limit, (2) no Person, other than an Excepted Holder, shall Beneficially Own or Constructively Own shares of Common Stock in excess of the Common Stock Ownership Limit and (3) no Excepted Holder shall Beneficially Own or Constructively Own shares of Capital Stock in excess of the Excepted Holder Limit for such Excepted Holder.

(ii) No Person shall Beneficially Own or Constructively Own shares of Capital Stock to the extent that such Beneficial Ownership or Constructive Ownership of Capital Stock would result in the Corporation (1) being "closely held" within the meaning of Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year), or (2) otherwise failing to qualify as a REIT (including, but not limited to, Beneficial Ownership or Constructive Ownership that would result in the Corporation owning (actually or Constructively) an interest in a tenant that is described in Section 856(d)(2)(B) of the Code if the income derived by the Corporation from such tenant would cause the Corporation to fail to satisfy any of the gross income requirements of Section 856(c) of the Code); provided, however, that Section 6.2.1(a)(ii)(1) shall not apply any period prior to the second year for which the Corporation has elected to be taxable as a REIT.

(iii) Any Transfer of shares of Capital Stock that, if effective, would result in the Capital Stock being Beneficially Owned by less than 100 Persons (determined under the principles of Section 856(a)(5) of the Code) shall be void ab initio, and the intended transferee shall acquire no rights in such shares of Capital Stock; provided, however, that (1) this Section 6.2.1(a)(iii) shall not apply to a Transfer of shares of Capital Stock occurring in the Corporation's first taxable year for which a REIT election is made and (2) the board of directors may waive this Section 6.2.1(a)(iii) if, in

the opinion of the board of directors, such Transfer would not adversely affect the Corporation's ability to qualify as a REIT.

(b) Transfer in Trust. If any Transfer of shares of Capital Stock occurs that, if effective, would result in any Person Beneficially Owning or Constructively Owning shares of Capital Stock in violation of Section 6.2.1(a)(i) or Section 6.2.1(a)(ii),

(i) then that number of shares of Capital Stock the Beneficial Ownership or Constructive Ownership of which otherwise would cause such Person to violate Section 6.2.1(a)(i) or Section 6.2.1(a)(ii) (rounded to the nearest whole share) shall be automatically transferred to a Trust for the benefit of a Charitable Beneficiary, as described in Section 6.3, effective as of the close of business on the Business Day prior to the date of such Transfer and such Person shall acquire no rights in such shares; provided, however,

(ii) if the transfer to the Trust described in clause (i) of this sentence would not be effective for any reason to prevent the violation of Section 6.2.1(a)(i) or Section 6.2.1(a)(ii), then the Transfer of that number of shares of Capital Stock that otherwise would cause any Person to violate Section 6.2.1(a)(i) or Section 6.2.1(a)(ii) shall be void ab initio and the intended transferee shall acquire no rights in such shares of Capital Stock.

Section 6.2.2. Remedies for Breach. If the board of directors shall at any time determine in good faith that a Transfer or other event has taken place that results in a violation of Section 6.2.1(a) or that a Person intends to acquire or has attempted to acquire Beneficial Ownership or Constructive Ownership of any shares of Capital Stock in violation of Section 6.2.1(a) (whether or not such violation is intended), the board of directors or a committee thereof shall take such action as it deems advisable to refuse to give effect to or to prevent such Transfer or other event, including, without limitation, causing the Corporation to redeem shares, refusing to give effect to such Transfer on the books of the Corporation or instituting proceedings to enjoin such Transfer or other event; provided, however, that any Transfers or attempted Transfers or other events in violation of Section 6.2.1(a) shall automatically result in the transfer to the Trust described above and, where applicable, such Transfer (or other event) shall be void ab initio as provided above irrespective of any action (or non-action) by the board of directors.

Section 6.2.3. Notice of Restricted Transfer. Any Person who acquires or attempts or intends to acquire Beneficial Ownership or Constructive Ownership of shares of Capital Stock that will or may violate Section 6.2.1(a) or any Person who would have owned shares of Capital Stock that resulted in a transfer to the Trust pursuant to the provisions of Section 6.2.1(b) shall immediately give written notice to the Corporation of such event or, in the case of such a proposed or attempted transaction, give at least 15 days prior written notice and shall provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such Transfer on the Corporation's status as a REIT.

Section 6.2.4. Owners Required to Provide Information. Prior to the Restriction Termination Date:

(a) every owner of 5% or more (or such higher percentage as required by the Code or the Treasury Regulations promulgated thereunder) of the outstanding shares of Capital Stock, within 30 days after the end of each taxable year, shall give written notice to the Corporation stating the name and address of such owner, the number of shares of Capital Stock and other shares of the Capital Stock Beneficially Owned and a description of the manner in which such shares are held. Each such owner shall provide to the Corporation such additional information as the Corporation may request in order to determine the effect, if any, of such Beneficial Ownership on the Corporation's status as a REIT and to ensure compliance with the Aggregate Stock Ownership Limit.

(b) each Person who is a Beneficial Owner or Constructive Owner of Capital Stock and each Person (including the stockholder of record) who is holding Capital Stock for a Beneficial Owner or Constructive Owner shall provide to the Corporation such information as the Corporation may request, in good faith, in order to determine the Corporation's status as a REIT and to comply with requirements of any taxing authority or governmental authority or to determine such compliance.

Section 6.2.5. Remedies Not Limited. Subject to Section 7.7, nothing contained in this Section 6.2 shall limit the authority of the board of directors to take such other action as it deems necessary or advisable to protect the Corporation and the interests of its stockholders in preserving the Corporation's status as a REIT.

Section 6.2.6. Ambiguity. In the case of an ambiguity in the application of any of the provisions of this Section 6.2, Section 6.3 or any definition contained in Section 6.1, the board of directors shall have the power to determine the application of the provisions of this Section 6.2 or Section 6.3 with respect to any situation based on the facts known to it. In the event Section 6.2 or Section 6.3 requires an action by the board of directors and the charter fails to provide specific guidance with respect to such action, the board of directors shall have the power to determine the action to be taken so long as such action is not contrary to the provisions of Sections 6.1, 6.2 or 6.3.

Section 6.2.7. Exceptions.

(a) Subject to Section 6.2.1(a)(ii), the board of directors, in its sole discretion, may exempt (prospectively or retroactively) a Person from the Aggregate Stock Ownership Limit and the Common Stock Ownership Limit, as the case may be, and may establish or increase an Excepted Holder Limit for such Person if:

(i) the board of directors obtains such representations and undertakings from such Person as are reasonably necessary to ascertain that no Person's Beneficial Ownership or Constructive Ownership of such shares of Capital Stock will violate Section 6.2.1(a)(ii);

(ii) such Person does not and represents that it will not own, actually or Constructively, an interest in a tenant of the Corporation (or a tenant of any entity owned

or controlled by the Corporation) that would cause the Corporation to own, actually or Constructively, more than a 9.9% interest (as set forth in Section 856(d)(2)(B) of the Code) in such tenant and the board of directors obtains such representations and undertakings from such Person as are reasonably necessary to ascertain this fact (for this purpose, a tenant from whom the Corporation (or an entity owned or controlled by the Corporation) derives (and is expected to continue to derive) a sufficiently small amount of revenue such that, in the opinion of the board of directors, rent from such tenant would not adversely affect the Corporation's ability to qualify as a REIT shall not be treated as a tenant of the Corporation); and

(iii) such Person agrees that any violation or attempted violation of such representations or undertakings (or other action which is contrary to the restrictions contained in Sections 6.2.1 through 6.2.6) will result in such shares of Capital Stock being automatically transferred to a Trust in accordance with Section 6.2.1(b) and Section 6.3.

(b) Prior to granting any exception pursuant to Section 6.2.7(a), the board of directors may require a ruling from the Internal Revenue Service or an opinion of counsel, in either case, in form and substance satisfactory to the board of directors in its sole discretion, as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT. Notwithstanding the receipt of any ruling or opinion, the board of directors may impose such conditions or restrictions as it deems appropriate in connection with granting such exception.

(c) Subject to Section 6.2.1(a)(ii), an underwriter which participates in a public offering or a private placement of Capital Stock (or securities convertible into or exchangeable for Capital Stock) may Beneficially Own or Constructively Own shares of Capital Stock (or securities convertible into or exchangeable for Capital Stock) in excess of the Aggregate Stock Ownership Limit, the Common Stock Ownership Limit or both such limits, but only to the extent necessary to facilitate such public offering or private placement.

(d) The board of directors may only reduce the Excepted Holder Limit for an Excepted Holder: (i) with the written consent of such Excepted Holder at any time or (ii) pursuant to the terms and conditions of the agreements and undertakings entered into with such Excepted Holder in connection with the establishment of the Excepted Holder Limit for that Excepted Holder. No Excepted Holder Limit shall be reduced to a percentage that is less than the Common Stock Ownership Limit.

Section 6.2.8. Increase or Decrease in Aggregate Stock Ownership Limit and Common Stock Ownership Limit. Subject to Section 6.2.1(a)(ii), the board of directors may from time to time increase the Common Stock Ownership Limit and the Aggregate Stock Ownership Limit for one or more Persons and decrease the Common Stock Ownership Limit and the Aggregate Stock Ownership Limit for all other Persons; provided, however, that the decreased Common Stock Ownership Limit and/or Aggregate Stock Ownership Limit will not be effective for any Person whose percentage ownership in shares of Capital Stock is in excess of such decreased Common Stock Ownership

Limit and/or Aggregate Stock Ownership Limit until such time as such Person's percentage of shares of Capital Stock equals or falls below the decreased Common Stock Ownership Limit and/or Aggregate Stock Ownership Limit, but any further acquisition of shares of Capital Stock in excess of such percentage ownership of shares of Capital Stock will be in violation of the Common Stock Ownership Limit and/or Aggregate Stock Ownership Limit and, provided further, that the new Common Stock Ownership Limit and/or Aggregate Stock Ownership Limit would not allow five or fewer Persons to Beneficially Own more than 49.9% in value of the outstanding shares of Capital Stock.

Section 6.2.9. Legend. Should the Corporation issue stock certificates, each certificate for shares of Capital Stock shall bear substantially the following legend:

> The shares represented by this certificate are subject to restrictions on Beneficial Ownership, Constructive Ownership and Transfer for the purpose of the Corporation's maintenance of its status as a real estate investment trust (a "REIT") under the Internal Revenue Code of 1986, as amended (the "Code"). Subject to certain further restrictions and except as expressly provided in the Corporation's charter: (a) no Person may Beneficially Own or Constructively Own shares of the Corporation's Common Stock in excess of 9.8% (in value or number of shares) of the outstanding shares of Common Stock of the Corporation unless such Person is an Excepted Holder (in which case the Excepted Holder Limit for such Excepted Holder shall be applicable); (b) no Person may Beneficially Own or Constructively Own shares of Capital Stock of the Corporation in excess of 9.8% of the value of the total outstanding shares of Capital Stock of the Corporation, unless such Person is an Excepted Holder (in which case the Excepted Holder Limit for such Excepted Holder shall be applicable); (c) no Person may Beneficially Own or Constructively Own Capital Stock that would result in the Corporation being "closely held" under Section 856(h) of the Code or otherwise cause the Corporation to fail to qualify as a REIT; and (d) other than as provided in the Corporation's charter, no Person may Transfer shares of Capital Stock if such Transfer would result in the Capital Stock of the Corporation being owned by fewer than 100 Persons. Any Person who Beneficially Owns or Constructively Owns or attempts to Beneficially Own or Constructively Own shares of Capital Stock that causes or will cause a Person to Beneficially Own or Constructively Own shares of Capital Stock in excess or in violation of the above limitations must immediately notify the Corporation or, in the case of a proposed or attempted transaction, give at least 15 days prior written notice and provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such Transfer on the Corporation's status as a REIT. If any of the restrictions on Transfer or ownership are violated, the shares of Capital Stock represented hereby will be automatically transferred to a Trustee of a Trust for

the benefit of one or more Charitable Beneficiaries or, upon the occurrence of certain events, attempted Transfers in violation of the restrictions described above may be void ab initio. In addition, the Corporation may redeem shares of Capital Stock upon the terms and conditions specified by the board of directors in its sole discretion if the board of directors determines that ownership or a Transfer or other event may violate the restrictions described above.

Until the Common Stock is Listed, to purchase Common Stock, the purchaser must represent to the Corporation: (i) that such purchaser (or, in the case of sales to fiduciary accounts, that the beneficiary, fiduciary account or grantor or donor who directly or indirectly supplies the funds to purchase the shares if the grantor or donor is the fiduciary) has a minimum annual gross income of $70,000 and a net worth (excluding home, home furnishings and automobiles) of not less than $70,000; (ii) that such purchaser (or, in the case of sales to fiduciary accounts, that the beneficiary, fiduciary account or grantor or donor who directly or indirectly supplies the funds to purchase the shares if the grantor or donor is the fiduciary) has a net worth (excluding home, home furnishings and automobiles) of not less than $250,000; and/or (iii) that the purchaser (or, in the case of sales to fiduciary accounts, that the beneficiary, fiduciary account or grantor or donor who directly or indirectly supplies the funds to purchase the shares if the grantor or donor is the fiduciary) meets the more stringent suitability standards of such person's jurisdiction as set forth in any then effective registration statement of the Corporation as such registration statement has been amended or supplemented as of the date of such purchase. Until the Common Stock is Listed, unless a stockholder is transferring all of his shares of Common Stock, each issuance or transfer of shares of Common Stock for value shall comply with the requirements regarding minimum initial and subsequent cash investment amounts set forth in any then effective registration statement of the Corporation as such registration statement has been amended or supplemented as of the date of such issuance or transfer for value or any higher or lower applicable state requirements with respect to minimum initial and subsequent cash investment amounts in effect as of the date of the issuance or transfer.

All capitalized terms in this legend have the meanings defined in the charter of the Corporation, as the same may be amended from time to time, a copy of which, including the restrictions on Transfer and ownership, will be furnished to each holder of Capital Stock of the Corporation on request and without charge.

Instead of the foregoing legend, the certificate may state that the Corporation will furnish a full statement about certain restrictions on transferability to a stockholder on

request and without charge. Such statement shall also be sent on request and without charge to stockholders who are issued shares without a certificate.

Section 6.3. Transfer of Capital Stock in Trust.

Section 6.3.1. Ownership in Trust. Upon any purported Transfer or other event described in Section 6.2.1(b) that would result in a transfer of shares of Capital Stock to a Trust, such shares of Capital Stock shall be deemed to have been transferred to the Trustee as trustee of a Trust for the exclusive benefit of one or more Charitable Beneficiaries. Such transfer to the Trustee shall be deemed to be effective as of the close of business on the Business Day prior to the purported Transfer or other event that results in the transfer to the Trust pursuant to Section 6.2.1(b). The Trustee shall be appointed by the Corporation and shall be a Person unaffiliated with the Corporation and any Prohibited Owner. Each Charitable Beneficiary shall be designated by the Corporation as provided in Section 6.3.6.

Section 6.3.2. Status of Shares Held by the Trustee. Shares of Capital Stock held by the Trustee shall be issued and outstanding shares of Capital Stock of the Corporation. The Prohibited Owner shall have no rights in the shares held by the Trustee. The Prohibited Owner shall not benefit economically from ownership of any shares held in trust by the Trustee and shall have no rights to dividends or other distributions attributable to the shares held in the Trust.

Section 6.3.3. Distributions and Voting Rights. The Trustee shall have all voting rights and rights to distributions with respect to shares of Capital Stock held in the Trust, which rights shall be exercised for the exclusive benefit of the Charitable Beneficiary. Any distribution paid prior to the discovery by the Corporation that the shares of Capital Stock have been transferred to the Trustee shall be paid by the recipient of such distribution to the Trustee upon demand, and any distribution authorized but unpaid shall be paid when due to the Trustee. Any distribution so paid to the Trustee shall be held in trust for the Charitable Beneficiary. The Prohibited Owner shall have no voting rights with respect to shares held in the Trust, and, subject to Maryland law, effective as of the date that the shares of Capital Stock have been transferred to the Trustee, the Trustee shall have the authority with respect to the shares held in the Trust (at the Trustee's sole discretion) (a) to rescind as void any vote cast by a Prohibited Owner prior to the discovery by the Corporation that the shares of Capital Stock have been transferred to the Trustee and (b) to recast such vote in accordance with the desires of the Trustee acting for the benefit of the Charitable Beneficiary; provided, however, that if the Corporation has already taken irreversible corporate action, then the Trustee shall not have the authority to rescind and recast such vote. Notwithstanding the provisions of this Article VI, until the Corporation has received notification that shares of Capital Stock have been transferred into a Trust, the Corporation shall be entitled to rely on its share transfer and other stockholder records for purposes of preparing lists of stockholders entitled to vote at meetings, determining the validity and authority of proxies and otherwise conducting votes of stockholders.

Section 6.3.4. Sale of Shares by Trustee. Within 20 days of receiving notice from the Corporation that shares of Capital Stock have been transferred to the Trust, the Trustee of the Trust shall sell the shares held in the Trust to a Person, designated by the Trustee, whose ownership of the shares will not violate the ownership limitations set forth in Section 6.2.1(a). Upon such sale, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner and to the Charitable Beneficiary as provided in this Section 6.3.4. The Prohibited Owner shall receive the lesser of (a) the price paid by the Prohibited Owner for the shares or, if the Prohibited Owner did not give value for the shares in connection with the event causing the shares to be held in the Trust (*e.g.*, in the case of a gift, devise or other such transaction), the Market Price of the shares on the day of the event causing the shares to be held in the Trust or (b) the price per share received by the Trustee from the sale or other disposition of the shares held in the Trust. The Trustee may reduce the amount payable to the Prohibited Owner by the amount of distributions which have been paid to the Prohibited Owner and are owed by the Prohibited Owner to the Trustee pursuant to Section 6.3.3 of this Article VI. Any net sale proceeds in excess of the amount payable to the Prohibited Owner shall be immediately paid to the Charitable Beneficiary. If, prior to the discovery by the Corporation that shares of Capital Stock have been transferred to the Trustee, such shares are sold by a Prohibited Owner, then (i) such shares shall be deemed to have been sold on behalf of the Trust and (ii) to the extent that the Prohibited Owner received an amount for such shares that exceeds the amount that such Prohibited Owner was entitled to receive pursuant to this Section 6.3.4, such excess shall be paid to the Trustee upon demand.

Section 6.3.5. Purchase Right in Stock Transferred to the Trustee. Shares of Capital Stock transferred to the Trustee shall be deemed to have been offered for sale to the Corporation, or its designee, at a price per share equal to the lesser of (a) the price per share in the transaction that resulted in such transfer to the Trust (or, in the case of a devise or gift, the Market Price at the time of such devise or gift) or (b) the Market Price on the date the Corporation, or its designee, accepts such offer. The Corporation shall have the right to accept such offer until the Trustee has sold the shares held in the Trust pursuant to Section 6.3.4. Upon such a sale to the Corporation, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner. The Corporation may reduce the amount payable to the Prohibited Owner by the amount of distributions which have been paid to the Prohibited Owner and are owed by the Prohibited Owner to the Trustee pursuant to Section 6.3.3 of this Article VI. The Corporation may pay the amount of such reduction to the Trustee for the benefit of the Charitable Beneficiary.

Section 6.3.6. Designation of Charitable Beneficiaries. By written notice to the Trustee, the Corporation shall designate one or more nonprofit organizations to be the Charitable Beneficiary of the interest in the Trust such that (a) the shares of Capital Stock held in the Trust would not violate the restrictions set forth in Section 6.2.1(a) in the hands of such Charitable Beneficiary and (b) each such organization must be described in Section 501(c)(3) of the Code and contributions to each such organization must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code.

Section 6.4. Settlement. Nothing in this Article VI shall preclude the settlement of any transaction entered into through the facilities of any national securities exchange or automated inter-dealer quotation system. The fact that the settlement of any transaction is so permitted shall not negate the effect of any other provision of this Article VI and any transferee in such a transaction shall be subject to all of the provisions and limitations set forth in this Article VI.

Section 6.5. Enforcement. The Corporation is authorized specifically to seek equitable relief, including injunctive relief, to enforce the provisions of this Article VI.

Section 6.6. Non-Waiver. No delay or failure on the part of the Corporation or the board of directors in exercising any right hereunder shall operate as a waiver of any right of the Corporation or the board of directors, as the case may be, except to the extent specifically waived in writing.

ARTICLE VII

BOARD OF DIRECTORS

Section 7.1. Number of Directors. The number of Directors of the Corporation shall be seven, which number may be increased or decreased from time to time pursuant to the bylaws but shall never be less than three. A majority of the seats on the board of directors will be for Independent Directors. The Conflicts Committee shall nominate all individuals for the Independent Director positions. No reduction in the number of Directors shall cause the removal of any Director from office prior to the expiration of his term, except as may otherwise be provided in the terms of any Preferred Stock issued by the Corporation. The names of the Directors who shall serve on the board until the next annual meeting of the stockholders and until their successors are duly elected and qualified are:

Michael C. Phillips
Jeffrey S. Edison
William M. Kahane
____

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____

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These Directors may increase the number of Directors and fill any vacancy, whether resulting from an increase in the number of Directors or otherwise, on the board

of directors prior to the first annual meeting of stockholders in the manner provided in the bylaws.

The Corporation elects, at such time as it becomes eligible to make the election provided for under Section 3-804(c) of the MGCL, that, except as may be provided by the board of directors in setting the terms of any class or series of Preferred Stock, any and all vacancies on the board of directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining Directors do not constitute a quorum, and any Director elected to fill a vacancy shall serve for the remainder of the full term of the directorship in which such vacancy occurred. Notwithstanding the foregoing sentence, the Conflicts Committee shall nominate replacements for vacancies among the Independent Directors' positions.

Section 7.2. Term of Directors. Each Director shall hold office for one year, until the next annual meeting of stockholders and until his successor is duly elected and qualified. Directors may be elected to an unlimited number of successive terms.

Section 7.3. Experience. Each Director who is not an Independent Director shall have at least three years of relevant experience demonstrating the knowledge and experience required to successfully acquire and manage the type of assets being acquired by the Corporation. At least one of the Independent Directors shall have three years of relevant real estate experience.

Section 7.4. Committees. The board may establish such committees as it deems appropriate, provided that the majority of the members of each committee are Independent Directors.

Section 7.5. Fiduciary Obligations. The Directors are fiduciaries of the Corporation and its stockholders. The Directors have a fiduciary duty to the stockholders to supervise the relationship between the Corporation and the Advisor.

Section 7.6. Ratification of Charter. At or before the first meeting of the board of directors following the date of this amendment and restatement of the charter, the board of directors and the Conflicts Committee shall each review and ratify the charter by majority vote.

Section 7.7. REIT Qualification. If the Corporation elects to qualify for federal income tax treatment as a REIT, the board of directors shall use its reasonable best efforts to take such actions as are necessary or appropriate to preserve the status of the Corporation as a REIT; however, if the board of directors determines that it is no longer in the best interests of the Corporation to continue to be qualified as a REIT, the board of directors may revoke or otherwise terminate the Corporation's REIT election pursuant to Section 856(g) of the Code. The board of directors also may determine that compliance with any restriction or limitation on ownership and transfers of Capital Stock set forth in Article VI is no longer required for REIT qualification.

Section 7.8 Authorization by Board of Stock Issuance. The board of directors may authorize the issuance from time to time of shares of Capital Stock of any class or series, whether now or hereafter authorized, or securities or rights convertible into shares of Capital Stock of any class or series, whether now or hereafter authorized, for such consideration as the board of directors may deem advisable (or without consideration in the case of a stock split or stock dividend), subject to such restrictions or limitations, if any, as may be set forth in the charter or the bylaws. The issuance of Preferred Stock shall also be approved by a majority of the members of the Conflicts Committee not otherwise interested in the transaction and the members of the Conflicts Committee must have access to the Company's legal counsel or independent legal counsel.

Section 7.9. Determinations by the Board. The determination as to any of the following matters, made in good faith by or pursuant to the direction of the board of directors or the Conflicts Committee consistent with the charter or any shares of Capital Stock, shall be final and conclusive and shall be binding upon the Corporation and every holder of shares of its Capital Stock: (a) the amount of the net income of the Corporation for any period and the amount of assets at any time legally available for the payment of dividends, redemption of its Capital Stock or the payment of other distributions on its Capital Stock; (b) the amount of paid-in surplus, net assets, other surplus, annual or other cash flow, funds from operations, net profit, net assets in excess of capital, undivided profits or excess of profits over losses on sales of assets; (c) the amount, purpose, time of creation, increase or decrease, alteration or cancellation of any reserves or charges and the propriety thereof (whether or not any obligation or liability for which such reserves or charges shall have been created shall have been paid or discharged); (d) the fair value, or any sale, bid or asked price to be applied in determining the fair value, of any asset owned or held by the Corporation or any shares of Capital Stock; (e) the application of any provision of this charter in the case of any ambiguity, including, without limitation: (i) any provision of the definitions of any of the following: Affiliate, Independent Director and Sponsor, (ii) which amounts paid to the Advisor or its Affiliates are property-level expenses connected with the ownership of real estate interests, loans or other property, and which expenses are excluded from the definition of Total Operating Expenses, and (iii) whether expenses qualify as Organization and Offering Expenses; (f) whether substantial justification exists to invest in or make a mortgage loan contemplated by Section 9.11(b) because of the presence of other underwriting criteria; (g) any matters relating to the acquisition, holding and disposition of any assets by the Corporation; (h) any interpretation of the terms, preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption of any class or series of shares of Capital Stock; (i) the number of shares of Capital Stock of any class or series of the Corporation; (j) any conflict between the MGCL and the provisions set forth in the NASAA REIT Guidelines; or (k) any other matter relating to the business and affairs of the Corporation or required or permitted by applicable law, the charter or bylaws or otherwise to be determined by the board of directors; provided, however, that any determination by the board of directors as to any of the preceding matters shall not render invalid or improper any action taken or omitted prior to such determination and no Director shall be liable for making or failing to make such a determination; and provided, further, that to the extent the board determines that the MGCL conflicts with the provisions set forth in the

NASAA REIT Guidelines, the NASAA REIT Guidelines control to the extent any provisions of the MGCL are not mandatory.

Section 7.10. Compensation of Directors. The Conflicts Committee shall determine the compensation of the Independent Directors, which may include shares of Capital Stock of the Corporation.

Section 7.11. Tax on Disqualified Organizations. To the extent that the Corporation incurs any tax pursuant to Section 860E(e)(6) of the Code as the result of any "excess inclusion" income (within the meaning of Section 860E of the Code) of the Corporation that is allocable to a stockholder that is a "disqualified organization" (as defined in Section 860E(e)(5) of the Code), the board of directors may, in its sole discretion, cause the Corporation to allocate such tax solely to the stock held by such disqualified organization in the manner described in Treasury Regulation Section 1.860E-2(b)(4), by reducing from one or more distributions paid to such stockholder the tax incurred by the Corporation pursuant to Section 860E(e)(6) as a result of such stockholder's stock ownership.

Section 7.12 Removal of Directors. Subject to the rights of holders of one or more classes or series of Preferred Stock to elect or remove one or more Directors, any Director, or the entire board of directors, may be removed from office at any time, but only by the affirmative vote of at least a majority of the votes entitled to be cast generally in the election of Directors.

ARTICLE VIII

ADVISOR

Section 8.1. Appointment and Initial Investment of Advisor. The board of directors may appoint an Advisor to direct and/or perform the day-to-day business affairs of the Corporation. The board of directors may exercise broad discretion in allowing the Advisor to administer and regulate the operations of the Corporation, to act as agent for the Corporation, to execute documents on behalf of the Corporation and to make executive decisions that conform to general policies and principles established by the board of directors. The term of retention of any Advisor shall not exceed one year, although there is no limit to the number of times that a particular Advisor may be retained. Before the Initial Public Offering of the Corporation, the Advisor or an Affiliate of the Advisor shall have made the Initial Investment. The Advisor or any such Affiliate may not sell the equity interest acquired with its Initial Investment while the Advisor remains an Advisor but may transfer the interest in the Corporation acquired with its Initial Investment to its Affiliates.

Section 8.2. Supervision of Advisor. The board of directors shall evaluate the performance of the Advisor before entering into or renewing an Advisory Agreement, and the criteria used in such evaluation shall be reflected in the minutes of the meetings of the board of directors. The Conflicts Committee shall determine at least annually

whether the total fees and expenses incurred by the Corporation are reasonable in light of the investment performance of the Corporation, its Net Assets, its Net Income and the fees and expenses of other comparable unaffiliated REITs. The Conflicts Committee shall determine from time to time and at least annually that the compensation to be paid to the Advisor and its Affiliates is reasonable in relation to the nature and quality of services performed and that such compensation is within the limits prescribed by the charter. Each such determination shall be reflected in the minutes of the meetings of the board. The Conflicts Committee shall also supervise the performance of the Advisor and its Affiliates and the compensation paid to them by the Corporation to determine that the provisions of the Advisory Agreement are being met. Each such determination shall be based on factors such as (a) the amount of the fee paid to the Advisor in relation to the size, composition and performance of the Corporation's portfolio; (b) the success of the Advisor in generating opportunities that meet the investment objectives of the Corporation; (c) rates charged to other REITs and to investors other than REITs by advisors performing the same or similar services; (d) additional revenues realized by the Advisor and its Affiliates through their relationship with the Corporation, including loan administration, underwriting or broker commissions, servicing, engineering, inspection and other fees, whether paid by the Corporation or by others with whom the Corporation does business; (e) the quality and extent of service and advice furnished by the Advisor and its Affiliates; (f) the performance of the Corporation's portfolio, including income, conservation or appreciation of capital, frequency of problem investments and competence in dealing with distress situations; and (g) the quality of the Corporation's portfolio relative to the investments generated by the Advisor for its own account. The Conflicts Committee may also consider all other factors that it deems relevant, and its findings on each of the factors considered shall be recorded in the minutes of the board of directors. The board shall determine whether any successor Advisor possesses sufficient qualifications to perform the advisory function for the Corporation and whether the compensation provided for in its contract with the Corporation is justified.

Section 8.3. Fiduciary Obligations. The Advisor is a fiduciary of the Corporation and its stockholders.

Section 8.4. Termination. Either the Conflicts Committee (by majority vote) or the Advisor may terminate the Advisory Agreement on 60 days written notice without cause or penalty, and, in such event, the Advisor will cooperate with the Corporation and the board of directors in making an orderly transition of the advisory function.

Section 8.5. Disposition Fee on Sale of Property. If the Advisor or a Director or Sponsor or any Affiliate thereof provides a substantial amount of the services in the effort to sell the property of the Corporation, that Person may receive: (i) if a brokerage commission is paid to a Person other than an Affiliate of the Sponsor, an amount up to one-half of the total brokerage commissions paid but in no event an amount that exceeds 3% of the sales price of such property or properties or (ii) if no brokerage commission is paid to a Person other than an Affiliate of the Sponsor, an amount up to 3% of the sales price of such property or properties. In either case, however, the amount paid when added to all other commissions paid to unaffiliated parties in connection with such sale

shall not exceed the lesser of the Competitive Real Estate Commission or an amount equal to 6% of the sales price of such property or properties.

Section 8.6. Incentive Fees. An interest in the gain from the sale of assets of the Corporation may be paid to the Advisor or an entity affiliated with the Advisor provided that (a) the interest in the gain must be reasonable, and (b) if multiple Advisors are involved, incentive fees must be distributed by a proportional method reasonably designed to reflect the value added to the Corporation's assets by each respective Advisor and its Affiliates. Such an interest in gain from the sale of assets of the Corporation shall be considered presumptively reasonable if it does not exceed 15% of the balance of such net proceeds remaining after payment to Common Stockholders, in the aggregate, of an amount equal to 100% of the original issue price of the Common Stock, plus an amount equal to 6% of the original issue price of the Common Stock per annum cumulative. Distribution of incentive fees to the Advisor or an entity affiliated with the Advisor in proportion to the length of time served as Advisor while such property was held by the Corporation or in proportion to the fair market value of the asset at the time of the Advisor's termination and the fair market value of the asset upon its disposition by the Corporation shall be considered reasonable methods by which to apportion incentive fees. For purposes of this Section, the original issue price of the Common Stock shall be reduced by prior cash distributions to Common Stockholders of net proceeds from the sale of assets of the Corporation.

Section 8.7. Acquisition Fees. The Corporation shall not purchase a property or invest in or make a mortgage loan if the combined Acquisition Fees and Acquisition Expenses incurred in connection therewith are not reasonable or exceed 6% of the Contract Purchase Price or, in the case of a mortgage loan, 6% of the funds advanced unless a majority of the board of directors (including a majority of the members of the Conflicts Committee) not otherwise interested in the transaction approves the Acquisition Fees and Acquisition Expenses and determines the transaction to be commercially competitive, fair and reasonable to the Corporation.

Section 8.8. Reimbursement for Total Operating Expenses. Commencing upon the earlier to occur of four fiscal quarters after (i) the Corporation's acquisition of its first asset or (ii) six months after commencement of the Initial Public Offering, the Conflicts Committee shall have the responsibility of limiting Total Operating Expenses to amounts that do not exceed the greater of 2% of Average Invested Assets or 25% of Net Income (the "2%/25% Guidelines") for the four consecutive fiscal quarters then ended unless it has made a finding that, based on unusual and non-recurring factors that it deems sufficient, a higher level of expenses (an "Excess Amount") is justified. Any such finding and the reasons in support thereof shall be reflected in the minutes of the meetings. After the end of any fiscal quarter of the Corporation for which there is an Excess Amount for the 12 months then ended, such fact shall be disclosed in writing and sent to the Common Stockholders within 60 days of such quarter-end (or shall be disclosed to the Common Stockholders in the next quarterly report of the Corporation or by filing a Current Report on Form 8-K with the U.S. Securities and Exchange Commission within 60 days of such quarter end), together with an explanation of the factors the Conflicts Committee considered in determining that such Excess Amount was

justified. In the event that the Conflicts Committee does not determine that excess expenses are justified, the Advisor shall reimburse the Corporation at the end of the 12-month period the amount by which the aggregate annual expenses paid or incurred by the Corporation exceeded the 2%/25% Guidelines.

ARTICLE IX

INVESTMENT OBJECTIVES AND LIMITATIONS

Section 9.1. Investment Objectives. The board of directors shall establish written policies on investments and borrowing and shall monitor the administrative procedures, investment operations and performance of the Corporation and the Advisor to assure that such policies are carried out. The Conflicts Committee shall review the investment policies of the Corporation with sufficient frequency (not less often than annually) to determine that the policies being followed by the Corporation are in the best interests of the Common Stockholders. Each such determination and the basis therefor shall be set forth in the minutes of the meetings of the board of directors.

Section 9.2. Limitations on Acquisitions. The consideration paid for any real property acquired by the Corporation will ordinarily be based on the fair market value of such property as determined by a majority of the members of the board of directors, or the approval of a majority of the members of a committee of the board, provided that the members of the committee approving the transaction would also constitute a majority of the board. In all cases in which a majority of the members of the Conflicts Committee (by majority vote) so determine, and in all cases in which real property is acquired from the Advisor, a Sponsor, a Director or an Affiliate thereof, such fair market value shall be as determined by an Independent Expert.

The Corporation may not purchase or lease properties in which the Advisor, a Sponsor, a Director or an Affiliate thereof has an interest without a determination by a majority of the board of directors (including a majority of the members of the Conflicts Committee) not otherwise interested in the transaction that such transaction is fair and reasonable to the Corporation and at a price to the Corporation no greater than the cost of the property to the Affiliated seller or lessor unless there is substantial justification for the excess amount. Notwithstanding the preceding sentence, in no event may the Corporation acquire any such property at an amount in excess of its current appraised value.

Section 9.3. Limitations on Sales to, and Joint Ventures with, Affiliates. The Corporation shall not transfer or lease assets to a Sponsor, the Advisor, a Director or an Affiliate thereof unless a majority of the board of directors (including a majority of the members of the Conflicts Committee), not otherwise interested in such transaction, approves the transaction as being fair and reasonable to the Corporation. The Corporation may invest in a joint venture with a Sponsor, the Advisor, a Director or an Affiliate thereof; provided, however, that the Corporation may only so invest if the Conflicts Committee and the board of directors approve such investment (both by a

majority of their respective members who are not otherwise interested in such transaction) as being fair and reasonable to the Corporation and on substantially the same terms and conditions as those received by other joint venturers.

Section 9.4. Limitations on Other Transactions Involving Affiliates. A majority of the board of directors (including a majority of the members of the Conflicts Committee), not otherwise interested in such transaction, must conclude that all other transactions between the Corporation and a Sponsor, the Advisor, a Director or an Affiliate thereof are fair and reasonable to the Corporation and on terms and conditions not less favorable to the Corporation than those available from unaffiliated third parties.

Section 9.5. Limitations on the Issuance of Options and Warrants. Until the Common Stock of the Corporation is Listed, the Corporation shall not issue options or warrants to purchase Common Stock to the Advisor, a Director, the Sponsors or any Affiliate thereof, except on the same terms as such options or warrants, if any, are sold to the general public. The Corporation may issue options or warrants to persons other than the Advisor, a Director, the Sponsors or any Affiliate thereof prior to Listing the Common Stock, but not at exercise prices less than the fair market value of the underlying securities on the date of grant and not for consideration (which may include services) that in the judgment of the Conflicts Committee has a market value less than the value of such option or warrant on the date of grant. Options or warrants issuable to the Advisor, a Director, the Sponsors or any Affiliate thereof shall not exceed an amount equal to 10% of the outstanding shares of Common Stock on the date of grant.

Section 9.6. Limitations on the Repurchase of Common Stock. The Corporation may voluntarily repurchase shares of Common Stock from its stockholders; provided, however, that such repurchase does not impair the capital or operations of the Corporation. The Corporation may not pay a fee to the Advisor, a Sponsor, a Director or an Affiliate thereof in connection with the Corporation’s repurchase of shares of Common Stock.

Section 9.7. Limitations on Loans. The Corporation will not make any loans to a Sponsor, the Advisor, a Director or an Affiliate thereof except as provided in Section 9.11 or to wholly owned subsidiaries (directly or indirectly) of the Corporation. The Corporation will not borrow from such parties unless a majority of the board of directors (including a majority of the members of the Conflicts Committee), not otherwise interested in such transaction, approves the transaction as being fair, competitive and commercially reasonable and no less favorable to the Corporation than comparable loans between unaffiliated parties. These restrictions on loans apply to advances of cash that are commonly viewed as loans, as determined by the board of directors. By way of example only, the prohibition on loans would not restrict advances of cash for legal expenses or other costs incurred as a result of any legal action for which indemnification is being sought nor would the prohibition limit the Corporation’s ability to advance reimbursable expenses incurred by Directors or officers or the Advisor or its Affiliates.

Section 9.8. Limitations on Leverage. The aggregate borrowings of the Corporation, secured and unsecured, shall be reviewed by the board of directors at least quarterly. The maximum amount of such borrowings in relation to the Net Assets shall

not exceed 300% in the absence of a satisfactory showing that a higher level of borrowings is appropriate. Any excess in borrowings over such 300% level shall be approved by the Conflicts Committee (by majority vote) and disclosed to the Common Stockholders in the next quarterly report of the Corporation, along with justification for such excess.

Section 9.9. Limitations on Investments in Equity Securities. The Corporation may not invest in equity securities unless a majority of the board of directors (including a majority of the members of the Conflicts Committee), not otherwise interested in such transaction, approves such investment as being fair, competitive and commercially reasonable; provided, that an investment in equity securities of a "publicly traded entity" that is otherwise approved by a majority of the board of directors (including a majority of the members of the Conflicts Committee) not otherwise interested in the transaction shall be deemed fair, competitive and commercially reasonable if such investment is made through a trade effected on a recognized securities market. This provision is not intended to limit (i) acquisitions effected through the purchase of all of the equity securities of an existing entity, (ii) the investment in wholly owned subsidiaries of the Corporation or (iii) investments in asset-backed securities. For the purpose of this section, a "publicly traded entity" shall mean any entity having securities listed on a national securities exchange or included for quotation on an inter-dealer quotation system.

Section 9.10. Limitations on Investments in Commodities Contracts. The Corporation may not invest in commodities or commodity futures contracts, except for futures contracts used solely for the purpose of hedging in connection with the ordinary business of investing in real estate assets and mortgages.

Section 9.11. Limitations Regarding Mortgage Loans. The Corporation may not make or invest in mortgage loans unless an appraisal is obtained concerning the underlying property, except for those mortgage loans insured or guaranteed by a government or government agency. In cases in which a majority of the Conflicts Committee so determines, and in all cases in which the transaction is with the Advisor, a Director, a Sponsor or an Affiliate thereof, such an appraisal must be obtained from an Independent Expert concerning the underlying property. The Corporation shall keep the appraisal for at least five years and make it available for inspection and duplication by any Common Stockholder. In addition, a mortgagee's or owner's title insurance policy or commitment as to the priority of the mortgage or the condition of the title must be obtained. Further, the Advisor and the board of directors shall observe the following policies in connection with investing in or making mortgage loans:

(a) The Corporation shall not invest in real estate contracts of sale, otherwise known as land sale contracts, unless such contracts of sale are in recordable form and appropriately recorded in the chain of title.

(b) The Corporation shall not make or invest in mortgage loans, including construction loans, on any one property if the aggregate amount of all mortgage loans outstanding on the property, including the loans of the Corporation, would exceed an amount equal to 85% of the appraised value

of the property as determined by appraisal unless the board determines that a substantial justification exists because of the presence of other underwriting criteria. For purposes of this subsection, the "aggregate amount of all mortgage loans outstanding on the property, including the loans of the Corporation," shall include all interest (excluding contingent participation in income and/or appreciation in value of the mortgaged property), the current payment of which may be deferred pursuant to the terms of such loans, to the extent that deferred interest on each loan exceeds 5% per annum of the principal balance of the loan.

(c) The Corporation may not make or invest in any mortgage loans that are subordinate to any mortgage or equity interest of the Advisor, a Sponsor, a Director or an Affiliate of the Corporation.

Section 9.12. Limitations on Investments in Unimproved Real Property. The Corporation may not make investments in Unimproved Real Property or mortgage loans on Unimproved Real Property in excess of 10% of the Corporation's total assets.

Section 9.13. Limitations on Issuances of Securities. The Corporation may not (a) issue equity securities on a deferred payment basis or other similar arrangement; (b) issue debt securities in the absence of adequate cash flow to cover debt service unless the historical debt service coverage (in the most recently completed fiscal year) as adjusted for known changes is sufficient to service that higher level of debt as determined by the board of directors or a duly authorized executive officer of the Corporation; (c) issue equity securities that are assessable after receipt by the Corporation of the consideration for which the board of directors authorized their issuance; or (d) issue equity securities redeemable solely at the option of the holder, which restriction has no affect on the Corporation's ability to implement a share repurchase program. The Corporation may issue shares of Preferred Stock with voting rights; provided that, when a privately issued share of Preferred Stock is entitled to vote on a matter with the holders of shares of Common Stock, the relationship between the number of votes per such share of Preferred Stock and the consideration paid to the Corporation for such share shall not exceed the relationship between the number of votes per any publicly offered share of Common Stock and the book value per outstanding share of Common Stock. Nothing in this Section 9.13 is intended to prevent the Corporation from issuing equity securities pursuant to a plan whereby the commissions on the sales of such securities are in whole or in part deferred and paid by the purchaser thereof out of future distributions on such securities or otherwise.

Section 9.14. Limitations on Roll-Up Transactions. In connection with any proposed Roll-Up Transaction, an appraisal of all of the Corporation's assets shall be obtained from a competent Independent Expert. If the appraisal will be included in a Prospectus used to offer the securities of a Roll-Up Entity, the appraisal shall be filed with the Securities and Exchange Commission and, if applicable, the states in which registration of such securities is sought, as an exhibit to the registration statement for the offering. Accordingly, an issuer using the appraisal shall be subject to liability for violation of Section 11 of the Securities Act of 1933 and comparable provisions under

state laws for any material misrepresentations or material omissions in the appraisal. The Corporation's assets shall be appraised on a consistent basis. The appraisal shall be based on the evaluation of all relevant information and shall indicate the value of the assets as of a date immediately prior to the announcement of the proposed Roll-Up Transaction. The appraisal shall assume an orderly liquidation of the assets over a 12-month period. The terms of the engagement of the Independent Expert shall clearly state that the engagement is for the benefit of the Corporation and its stockholders. A summary of the appraisal, indicating all material assumptions underlying the appraisal, shall be included in a report to stockholders in connection with a proposed Roll-Up Transaction. In connection with a proposed Roll-Up Transaction, the Person sponsoring the Roll-Up Transaction shall offer to each Common Stockholder who votes against the proposed Roll-Up Transaction the choice of:

(a) accepting the securities of the Roll-Up Entity offered in the proposed Roll-Up Transaction; or

(b) one of the following:

(i) remaining as a Common Stockholder of the Corporation and preserving its interests therein on the same terms and conditions as existed previously; or

(ii) receiving cash in an amount equal to the stockholder's pro rata share of the appraised value of the Net Assets of the Corporation.

The Corporation is prohibited from participating in any proposed Roll-Up Transaction:

(a) that would result in the Common Stockholders having democracy rights in a Roll-Up Entity that are less than the rights set forth in Sections 11.1, 11.3, 11.4, 11.5 and 11.6 hereof;

(b) that includes provisions that would operate as a material impediment to, or frustration of, the accumulation of shares by any purchaser of the securities of the Roll-Up Entity (except to the minimum extent necessary to preserve the tax status of the Roll-Up Entity), or that would limit the ability of an investor to exercise the voting rights of its securities of the Roll-Up Entity on the basis of the number of shares of Common Stock held by that investor;

(c) in which investors' rights of access to the records of the Roll-Up Entity will be less than those described in Section 11.6 hereof; or

(d) in which any of the costs of the Roll-Up Transaction would be borne by the Corporation if the Roll-Up Transaction is not approved by the Common Stockholders.

Section 9.15. Limitations on Underwriting. The Corporation may not engage in underwriting or the agency distribution of securities issued by others.

ARTICLE X

CONFLICTS OF INTEREST

Section 10.1. Conflicts Committee.

(a) During any time that the Corporation is advised by the Advisor, there shall be a committee (the “Conflicts Committee”) of the board of directors composed of all of the Independent Directors. The Conflicts Committee is authorized to select and retain its own legal and financial advisors. In addition to those other powers delegated to the Conflicts Committee by this charter or by the board of directors, the Conflicts Committee may act on any matter that may be delegated to a committee under the MGCL. If a matter cannot be delegated to a committee under the MGCL but the Conflicts Committee has determined that the matter at issue is such that the exercise of independent judgment by the Directors who are not Independent Directors could reasonably be compromised, both the board of directors and the Conflicts Committee must approve the matter. Any board action regarding Organization and Offering Expenses or the selection of an Independent Expert or the matters covered in any of Sections 5.9, 7.6, 8.1, 8.2, 8.4, 8.5, 8.6, 8.7, 8.8, 9.1, 9.8, 10.1, 11.1, 12.2 or 12.3 shall require the approval of a majority of the Conflicts Committee.

(b) The Conflicts Committee may create a subcommittee of the Conflicts Committee and delegate to the subcommittee any of the powers of the Conflicts Committee. The members of any such subcommittee shall serve at the pleasure of the Conflicts Committee.

Section 10.2. Meetings of Conflicts Committee. Any notice of a meeting of the board of directors shall be deemed to be a notice of a meeting of the Conflicts Committee.

ARTICLE XI

STOCKHOLDERS

Section 11.1. Meetings of Stockholders. There shall be an annual meeting of the stockholders, to be held at such time and place as shall be determined by or in the manner prescribed in the bylaws, at which the Directors shall be elected and any other proper business may be conducted. The annual meeting will be held on a date that is a reasonable period of time following the distribution of the Corporation’s annual report to Common Stockholders but not less than 30 days after delivery of such report; the board of directors and the Conflicts Committee shall take reasonable efforts to ensure that this requirement is met. The holders of a majority of shares of Capital Stock entitled to vote who are present in person or by proxy at an annual meeting of stockholders at which a quorum is present may, without the necessity for concurrence by the board, vote to elect the Directors. The presence in person or by proxy of stockholders entitled to cast 50% of

all the votes entitled to be cast at the meeting on any matter constitutes a quorum. Special meetings of stockholders may be called in the manner provided in the bylaws, including by the president or by a majority of the Directors or a majority of the Independent Directors, and shall be called by an officer of the Corporation upon written request of Common Stockholders holding in the aggregate not less than 10% of the votes entitled to be cast on any issue proposed to be considered at any such special meeting. Upon receipt of a written request stating the purpose of such special meeting, our secretary shall provide all stockholders within 10 days of receipt of said request notice, whether in person or by mail, of a special meeting and the purpose of such special meeting to be held on a date not less than 15 days nor more than 60 days after the delivery of such notice. If the meeting is called by written request of stockholders as described in this Section 11.1, the special meeting shall be held at the time and place specified in the stockholder request; provided, however, that if none is so specified, at such time and place convenient to the stockholders.

Section 11.2. Extraordinary Actions. Notwithstanding any provision of law permitting or requiring any action to be taken or approved by the affirmative vote of the holders of shares entitled to cast a greater number of votes, any such action shall be effective and valid if taken or approved by the affirmative vote of holders of shares entitled to cast a majority of all the votes entitled to be cast on the matter.

Section 11.3. Voting Rights of Stockholders. The concurrence of the board shall not be required in order for the Common Stockholders to remove Directors or to amend the charter or dissolve the corporation. Without the approval of a majority of the shares of Common Stock entitled to vote on the matter, the board of directors may not (a) amend the charter to adversely affect the rights, preferences and privileges of the Common Stockholders; (b) amend charter provisions relating to Director qualifications, fiduciary duties, liability and indemnification, conflicts of interest, investment policies or investment restrictions; (c) liquidate or dissolve the Corporation other than before the initial investment in property; (d) sell all or substantially all of the Corporation’s assets other than in the ordinary course of the Corporation’s business or as otherwise permitted by law; or (e) cause the merger or similar reorganization of the Corporation.

Section 11.4. Voting Limitations on Shares Held by the Advisor, Directors and Affiliates. No shares of Common Stock may be transferred or issued to the Advisor, a Director, or any Affiliate thereof unless such prospective stockholder agrees that it will not vote or consent on matters submitted to the Common Stockholders regarding (a) the removal of such Advisor, Director or any of its Affiliates or (b) any transaction between the Corporation and any such Advisor, Director or any of its Affiliates. To the extent permitted by the MGCL, in determining the requisite percentage in interest of shares of Common Stock necessary to approve a matter on which the Advisor, a Director and any of their Affiliates may not vote or consent, any shares owned by any of them shall not be included.

Section 11.5. Right of Inspection. Any Common Stockholder and any designated representative thereof shall be permitted access to the records of the Corporation to which it is entitled under applicable law at all reasonable times and may inspect and copy any

such records for a reasonable charge. Inspection of the Corporation's books and records by the office or agency administering the securities laws of a jurisdiction shall be permitted upon reasonable notice and during normal business hours.

Section 11.6. Access to Stockholder List. An alphabetical list of the names, addresses and telephone numbers of the Common Stockholders of the Corporation, along with the number of shares of Common Stock held by each of them (the "Stockholder List"), shall be maintained as part of the books and records of the Corporation and shall be available for inspection by any Common Stockholder or the stockholder's designated agent at the home office of the Corporation upon the request of the Common Stockholder. The Stockholder List shall be updated at least quarterly to reflect changes in the information contained therein. A copy of such list shall be mailed to any Common Stockholder so requesting within 10 days of receipt by the Corporation of the request. The copy of the Stockholder List shall be printed in alphabetical order, on white paper and in a readily readable type size (in no event smaller than 10-point type). The Corporation may impose a reasonable charge for expenses incurred in reproduction pursuant to the stockholder request. A Common Stockholder may request a copy of the Stockholder List in connection with matters relating to stockholders' voting rights, and the exercise of stockholder rights under federal proxy laws. Each Common Stockholder who receives a copy of the Stockholder List shall keep such list confidential and shall sign a confidentiality agreement to the effect that such Common Stockholder will keep the Stockholder List confidential and share such list only with its employees, representatives or agents who agree in writing to maintain the confidentiality of the Stockholder List.

If the Advisor or the board neglects or refuses to exhibit, produce or mail a copy of the Stockholder List as requested, the Advisor and/ or the board, as the case may be, shall be liable to any Common Stockholder requesting the list for the costs, including reasonable attorneys' fees, incurred by that stockholder for compelling the production of the Stockholder List and for actual damages suffered by any Common Stockholder by reason of such refusal or neglect. It shall be a defense that the actual purpose and reason for the requests for inspection or for a copy of the Stockholder List is not for a proper purpose but is instead for the purpose of securing such list of stockholders or other information for the purpose of selling such list or copies thereof, or using the same for a commercial purpose other than in the interest of the applicant as a stockholder relative to the affairs of the Corporation. The Corporation may require the stockholder requesting the Stockholder List to represent that the list is not requested for a commercial purpose unrelated to the stockholder's interest in the Corporation. The remedies provided hereunder to stockholders requesting copies of the Stockholder List are in addition to, and shall not in any way limit, other remedies available to stockholders under federal law or the laws of any state.

Section 11.7. Reports. The Corporation shall cause to be prepared and mailed or delivered to each Common Stockholder as of a record date after the end of the fiscal year and each holder of other publicly held securities of the Corporation within 120 days after the end of the fiscal year to which it relates an annual report for each fiscal year ending after the Initial Public Offering of its securities that shall include: (a) financial statements

prepared in accordance with generally accepted accounting principles that are audited and reported on by independent certified public accountants; (b) the ratio of the costs of raising capital during the period to the capital raised; (c) the aggregate amount of advisory fees and the aggregate amount of other fees paid to the Advisor and any Affiliate of the Advisor by the Corporation, including fees or charges paid to the Advisor and any Affiliate of the Advisor by third parties doing business with the Corporation; (d) the Total Operating Expenses of the Corporation, stated as a percentage of Average Invested Assets and as a percentage of its Net Income; (e) a report from the Conflicts Committee that the policies being followed by the Corporation are in the best interests of its Common Stockholders and the basis for such determination; and (f) separately stated, full disclosure of all material terms, factors and circumstances surrounding any and all transactions involving the Corporation and the Advisor, the Sponsor, a Director or any Affiliate thereof occurring in the year for which the annual report is made, and the Conflicts Committee shall be specifically charged with a duty to examine and comment in the report on the fairness of such transactions. Alternatively, such information may be provided in a proxy statement delivered with the annual report. The board of directors, including the Independent Directors, shall take reasonable steps to ensure that the requirements of this Section 11.7 are met. The annual report may be delivered by any reasonable means, including through an electronic medium. Electronic delivery of the annual report or proxy statement shall comply with any then-applicable rules of the U.S. Securities and Exchange Commission.

Section 11.8. Rights of Objecting Stockholders. Holders of shares of Capital Stock shall not be entitled to exercise any rights of an objecting stockholder provided for under Title 3, Subtitle 2 of the MGCL unless the board, upon the affirmative vote of a majority of the entire board, shall determine that such rights shall apply, with respect to all or any classes or series of Capital Stock, to a particular transaction or all transactions occurring after the date of such determination in connection with which holders of such shares of Capital Stock would otherwise be entitled to exercise such rights.

Section 11.9. Liability of Stockholders. The shares of Common Stock of the Corporation shall be non-assessable by the Corporation upon receipt by the Corporation of the consideration for which the board of directors authorized their issuance.

Section 11.10. Tender Offers. If any Person makes a tender offer, including, without limitation, a “mini-tender” offer, such Person must comply with all of the provisions set forth in Regulation 14D of the Securities Exchange Act of 1934, as amended, including, without limitation, disclosure and notice requirements, which would be applicable if the tender offer was for more than 5% of the outstanding securities of the Corporation, provided, however, that such documents are not required to be filed with the Securities and Exchange Commission. In addition, any such Person must provide notice to the Corporation at least 10 Business Days prior to initiating any such tender offer. If any Person initiates a tender offer without complying with the provisions set forth above (a “Non-Compliant Tender Offer”), the Corporation, in its sole discretion, shall have the right to redeem such non-compliant Person’s shares of Capital Stock and any shares of Capital Stock acquired in such tender offer (collectively, the “Tendered Shares”) at the lesser of (i) with respect to Common Stock, the price then being paid per share of

Common Stock purchased in the Corporation's latest offering of Common Stock at full purchase price (not discounted for commission reductions nor for reductions in sale price permitted pursuant to the distribution reinvestment plan), (ii) the fair market value of the shares as determined by an independent valuation obtained by the Corporation or (iii) the lowest tender offer price offered in such Non-Compliant Tender Offer. The Corporation may purchase such Tendered Shares upon delivery of the purchase price to the Person initiating such Non-Compliant Tender Offer, and, upon such delivery, the Corporation may instruct any transfer agent to transfer such purchased shares to the Corporation. In addition, any Person who makes a Non-Compliant Tender Offer shall be responsible for all expenses incurred by the Corporation in connection with the enforcement of the provisions of this Section 11.10, including, without limitation, expenses incurred in connection with the review of all documents related to such tender offer and expenses incurred in connection with any purchase of Tendered Shares by the Corporation. The Corporation maintains the right to offset any such expenses against the dollar amount to be paid by the Corporation for the purchase of Tendered Shares pursuant to this Section 11.10. In addition to the remedies provided herein, the Corporation may seek injunctive relief, including, without limitation, a temporary or permanent restraining order, in connection with any Non-Compliant Tender Offer.

ARTICLE XII

LIABILITY OF DIRECTORS, OFFICERS, ADVISORS AND OTHER AGENTS

Section 12.1. Limitation of Director and Officer Liability. Except as prohibited by Maryland law or the restrictions provided in Section 12.3, no Director or officer of the Corporation shall be liable to the Corporation or its stockholders for money damages. Neither the amendment nor repeal of this Section 12.1, nor the adoption or amendment of any other provision of the charter or bylaws inconsistent with this Section 12.1, shall apply to or affect in any respect the applicability of the preceding sentence with respect to any act or failure to act that occurred prior to such amendment, repeal or adoption.

Section 12.2. Indemnification.

(a) Except as prohibited by Maryland law or the restrictions provided in Section 12.2(b), Section 12.3 and Section 12.4, the Corporation shall indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of the final disposition of a proceeding to (i) any individual who is a present or former Director or officer of the Corporation; (ii) any individual who, while a Director of the Corporation and at the request of the Corporation, serves or has served as a Director, officer, partner, member, manager or trustee of another corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or any other enterprise from and against any claim or liability to which such person may become subject or which such person may incur by reason of his service in such capacity; or (iii) the Advisor or any of its Affiliates acting as

an agent of the Corporation. Except as provided in Section 12.2(b), Section 12.3 and Section 12.4, the Corporation shall have the power with the approval of the board of directors to provide such indemnification and advancement of expenses to any Person who served a predecessor of the Corporation in any of the capacities described above or to any employee or agent of the Corporation or a predecessor of the Corporation or any employee of the Advisor or any of the Advisor's Affiliates acting as an agent of the Corporation.

(b) Notwithstanding the foregoing, the Corporation shall not indemnify the Directors or the Advisors or its Affiliates or any Person acting as a broker-dealer for any loss, liability or expense arising from or out of an alleged violation of federal or state securities laws by such party unless one or more of the following conditions are met: (i) there has been a successful adjudication on the merits of each count involving alleged securities law violations as to the particular indemnitee; (ii) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction as to the particular indemnitee; or (iii) a court of competent jurisdiction approves a settlement of the claims against a particular indemnitee and finds that indemnification of the settlement and the related costs should be made, and the court considering the request for indemnification has been advised of the position of the Securities and Exchange Commission and of the published position of any state securities regulatory authority in which securities of the Corporation were offered or sold as to indemnification for violations of securities laws.

(c) The rights of a director or officer to indemnification and advance of expenses provided hereby shall vest immediately upon election of such director or officer. No amendment of the charter or repeal of any of its provisions shall limit or eliminate the right of indemnification or advancement of expenses provided hereunder with respect to acts or omissions occurring prior to such amendment or repeal.

Section 12.3. Limitation on Exculpation and Indemnification. Notwithstanding the foregoing, the Corporation shall not provide for indemnification of the Directors or the Advisor or its Affiliates for any liability or loss suffered by any of them, nor shall any of them be held harmless for any loss or liability suffered by the Corporation, unless all of the following conditions are met:

(1) The Directors or the Advisor or its Affiliates have determined, in good faith, that the course of conduct that caused the loss or liability was in the best interests of the Corporation.

(2) The Directors or the Advisor or its Affiliates were acting on behalf of or performing services for the Corporation.

(3) Such liability or loss was not the result of:

(x) negligence or misconduct by the Directors (excluding the Independent Directors) or the Advisor or its Affiliates; or

(y) gross negligence or willful misconduct by the Independent Directors.

(4) Such indemnification or agreement to hold harmless is recoverable only out of the Corporation's Net Assets and not from its Common Stockholders.

Section 12.4. Limitation on Payment of Expenses. The Corporation shall pay or reimburse reasonable legal expenses and other costs incurred by the Directors or the Advisors or its Affiliates in advance of the final disposition of a proceeding only if all of the following are satisfied: (a) the proceeding relates to acts or omissions with respect to the performance of duties or services on behalf of the Corporation, (b) the directors or the Advisor or its Affiliates provide the Corporation with written affirmation of the particular indemnitee's good faith belief that such indemnitee has met the standard of conduct necessary for indemnification by the Corporation as authorized by Section 12.2 hereof, (c) the legal proceeding was initiated by a third party who is not a Common Stockholder or, if by a Common Stockholder acting in his or her capacity as such, a court of competent jurisdiction approves such advancement and (d) the Directors or the Advisor or its Affiliates undertake to repay the amount paid or reimbursed by the Corporation, together with the applicable legal rate of interest thereon, if it is ultimately determined that the particular indemnitee is not entitled to indemnification.

ARTICLE XIII

AMENDMENT

Subject to Section 11.3, the Corporation reserves the right from time to time to make any amendment to the charter, now or hereafter authorized by law, including any amendment altering the terms or contract rights, as expressly set forth in the charter, of any shares of outstanding Capital Stock.

ARTICLE XIV

GOVERNING LAW

The rights of all parties and the validity, construction and effect of every provision hereof shall be subject to and construed according to the laws of the State of Maryland without regard to conflicts of laws provisions thereof; provided that the foregoing choice of law shall not restrict the application of any state's securities laws to the sale of securities to its residents or within such state.

THIRD: The amendment and restatement of the charter of the Corporation as hereinabove set forth have been duly advised by the board of directors and approved by the stockholder of the Corporation as required by law.

FOURTH: The current address of the principal office of the Corporation is as set forth in Article III of the foregoing amendment and restatement of the charter.

FIFTH: The name and address of the Corporation's current resident agent are as set forth in Article III of the foregoing amendment and restatement of the charter.

SIXTH: The number of Directors of the Corporation and the names of those currently in office are as set forth in Section 7.1 of the foregoing amendment and restatement of the charter.

SEVENTH: The total number of shares of stock which the Corporation had authority to issue immediately prior to the foregoing amendment and restatement of the charter was 50,000, consisting of 50,000 shares of common stock, $0.01 par value per share. The aggregate par value of all shares of stock having par value was $500.

EIGHTH: The total number of shares of stock which the Corporation has authority to issue pursuant to the foregoing amendment and restatement of the charter of the Corporation is 1,010,000,000, consisting of 1,000,000,000 shares of common stock, $0.01 par value per share, and 10,000,000 shares of preferred stock, $0.01 par value per share. The aggregate par value of all authorized shares of stock having par value is $10,100,000.

NINTH: The undersigned Co-Chairman and Chief Executive Officer acknowledges the foregoing amendment and restatement of the charter to be the corporate act of the Corporation and as to all matters and facts required to be verified under oath, the undersigned Co-Chairman and Chief Executive Officer acknowledges that to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties of perjury.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Phillips Edison – ARC Shopping Center REIT Inc., has caused the foregoing amendment and restatement of the charter to be signed in its name and on its behalf by its Co-Chairman and Chief Executive Officer and attested to by its Secretary and Treasurer on this ___ day of ___________, 2010.

PHILLIPS EDISON – ARC SHOPPING CENTER REIT INC.

By: ________________________________ (SEAL)
Jeffrey S. Edison
Co-Chairman and Chief Executive Officer

ATTEST

By: ____________________________

____
Secretary and Treasurer

Exhibit 4.5

FORM OF SUBSCRIPTION ESCROW AGREEMENT

THIS SUBSCRIPTION ESCROW AGREEMENT (this "*Escrow Agreement*"), dated as of , 2010, is entered into by and among Realty Capital Securities, LLC (the "*Dealer Manager*"), Phillips Edison – ARC Shopping Center REIT Inc. (the "*Company*") and Wells Fargo Bank, National Association, as Escrow Agent (the "*Escrow Agent*").

WHEREAS, the Company intends to raise cash funds from investors (the "*Investors*") pursuant to a public offering (the "*Offering*") of not less than $2,500,000 (the "*Minimum Amount*") nor more than $1,500,000,000 of shares of common stock, par value $0.01 of the Company (the "*Securities*") pursuant to the registration statement on Form S-11 of the Company (No. 333-164313) (the "*Offering Document*"), as amended, a copy of which is attached as Exhibit A hereto.

WHEREAS, the Company desires to establish an escrow account with the Escrow Agent for funds contributed by the Investors with the Escrow Agent, to be held for the benefit of the Investors and the Company until such time as (i) subscriptions for the Minimum Amount of the Securities have been deposited into escrow or otherwise in accordance with the terms of this Escrow Agreement and (ii) in the case of subscriptions received from residents of Pennsylvania ("*Pennsylvania Investors*"), aggregate subscriptions from all Investors resulting in a total minimum capital raised of $50,000,000 (the "*Pennsylvania Minimum Amount*") and deposited into escrow or otherwise provided in accordance with the terms of this Escrow Agreement.

WHEREAS, the Company has entered into an Amended and Restated Exclusive Dealer Manager Agreement, dated April 9, 2010, with the Dealer Manager pursuant to which the Dealer Manager is authorized to solicit and collect Investor Funds (as defined below) on behalf of the Company.

WHEREAS, the Escrow Agent is willing to accept appointment as escrow agent only for the expressed duties outlined herein.

NOW, THEREFORE, in consideration of the premises set forth above and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. Proceeds to be Escrowed. On or before the first date of the Offering, the Company shall establish an escrow account with the Escrow Agent to be invested in accordance with Section 9 hereof entitled "ESCROW ACCOUNT FOR THE BENEFIT OF INVESTORS FOR COMMON STOCK OF PHILLIPS EDISON – ARC SHOPPING CENTER REIT INC." (with such abbreviations as may be required to comply with Escrow Agent's operating systems, the "*Escrow Account*"). All funds received from Investors in payment for the Securities ("*Investor Funds*") will be delivered to the Escrow Agent within one (1) business day following the day upon which such Investor Funds are received by the Company or its agents, and shall, upon receipt by the Escrow Agent, be retained in escrow by the Escrow Agent and invested as stated herein. During the term of this Escrow Agreement, the Company or its agents shall cause all checks received by and made payable to it in payment for the Securities to be endorsed in favor of the Escrow Agent and delivered to the Escrow Agent for deposit in the Escrow Account.

Proceeds received from Pennsylvania Investors shall be accounted for separately in a subaccount entitled "Escrow Account for the Benefit of Pennsylvania Investors for Phillips Edison – ARC Shopping Center REIT Inc." (with such abbreviations as may be required to comply with Escrow Agent's operating systems, the "*Pennsylvania Escrow Account*" and together with the Escrow Account, the *"REIT Escrow Accounts"*), until such Pennsylvania Escrow Account has terminated pursuant to Section 4 hereof. The

Company shall, and shall cause its agents to, cooperate with the Escrow Agent in separately accounting for subscription proceeds from Pennsylvania Investors in the Pennsylvania Escrow Account, and the Escrow Agent shall be entitled to rely upon information provided by the Company or its agents in this regard.

The Escrow Agent shall have no duty to make any disbursement, investment or other use of Investor Funds until and unless it has good and collected funds. In the event that any checks deposited in the REIT Escrow Accounts are returned or prove uncollectible after the funds represented thereby have been released by the Escrow Agent, then the Company shall promptly reimburse the Escrow Agent for any and all costs incurred for such, upon request, and the Escrow Agent shall deliver the returned checks to the Company. The Escrow Agent shall be under no duty or responsibility to enforce collection of any check delivered to it hereunder. The Escrow Agent reserves the right to deny, suspend or terminate participation by any Investor to the extent the Escrow Agent deems it advisable or necessary to comply with applicable laws or to eliminate practices that are not consistent with the purposes of the Offering.

2. Investors. Persons subscribing to purchase the Securities will be instructed by the Dealer Manager or any soliciting dealers to remit the purchase price in the form of checks (hereinafter “instruments of payment”) payable to the order of, or funds wired in favor of, “WELLS FARGO BANK, NA, ESCROW AGENT FOR PHILLIPS EDISON – ARC SHOPPING CENTER REIT INC.” Any checks received made payable to a party other than the Escrow Agent shall be returned to the soliciting dealer who submitted the check. By 12:00 p.m. (noon) the next business day after receipt of instruments of payment from the Offering, the Escrow Agent shall be furnished with a list of the Investors who have paid for the Securities showing the name, address, tax identification number, amount of Securities subscribed for, the amount paid and whether such Investors are Pennsylvania Investors. The information comprising the identity of Investors shall be provided to the Escrow Agent in the format set forth in the “List of Investors” attached hereto as Exhibit B. The Escrow Agent shall be entitled to conclusively rely upon the list of Investors in determining whether Investors are Pennsylvania Investors and shall have no duty to independently determine or verify the same.

All Investor Funds deposited in the REIT Escrow Accounts shall not be subject to any liens or charges by the Company or the Escrow Agent, or judgments or creditors’ claims against the Company, until and unless released to the Company as hereinafter provided. The Company understands and agrees that the Company shall not be entitled to any Investor Funds on deposit in the REIT Escrow Accounts and no such funds shall become the property of the Company, or any other entity except as released to the Company pursuant to Section 3 or Section 4 for Pennsylvania Investors. The Escrow Agent will not use the information provided to it by the Company for any purpose other than to fulfill its obligations as Escrow Agent. The Company, the Dealer Manager and the Escrow Agent will treat all Investor information as confidential. The Escrow Agent shall not be required to accept any Investor Funds which are not accompanied by the information on the List of Investors.

3. Disbursement of Funds. Once the Escrow Agent is in receipt of good and collected Investor Funds totaling at least the Minimum Amount from Investors (excluding funds from Pennsylvania Investors), the Escrow Agent shall notify the Company of same in writing. Additionally, at the end of the third business day following the Termination Date (as defined in Section 6), the Escrow Agent shall notify the Company of the amount of the Investor Funds received. If the Minimum Amount has been obtained on or before the Termination Date, the Escrow Agent shall promptly notify the Company and, upon receiving an acknowledgement of such notice written instructions from the Company’s General Counsel or Chief Financial Officer, the Escrow Agent shall disburse to the Company, by check or wire transfer, the funds in the Escrow Account representing the gross purchase price of the Securities. The Escrow Agent agrees that funds in the Escrow Account shall not be released to the Company until and unless the Escrow Agent receives written instructions to release the funds from the Company’s General Counsel or Chief Financial Officer.

If the Minimum Amount has not been obtained prior to the Termination Date, the Escrow Agent shall, within a reasonable time following the Termination Date, but in no event more than thirty (30) days after the Termination Date, refund to each Investor by check funds deposited in the Escrow Account, or shall return the instruments of payment delivered to Escrow Agent if such instruments have not been processed for collection prior to such time, directly to each Investor at the address provided in the list of Investors. Included in the remittance shall be a proportionate share of the income earned in the account allocable to each Investor's investment in accordance with the terms and conditions specified herein, except that in the case of Investors who have not provided an executed Form W-9 or substitute Form W-9 (or the applicable substitute Form W-8 for foreign investors), the Escrow Agent shall withhold the applicable percentage of the earnings attributable to those Investors in accordance with IRS regulations. Notwithstanding the foregoing, the Escrow Agent shall not be required to remit any payments until funds represented by such payments have been collected by Escrow Agent.

In the event the Escrow Agent receives written notice from the Company that the Company intends to reject an Investor's subscription, the Escrow Agent shall pay to the applicable Investor(s), within a reasonable time not to exceed ten (10) business days after receiving notice of the rejection, by first class United States Mail at the address appearing on the List of Investors, or at such other address as shall be furnished to the Escrow Agent by the Investor in writing, all collected sums paid by the Investor for Securities and received by the Escrow Agent, together with the interest earned on such Investor Funds.

4. Disbursement of Proceeds for Pennsylvania Investors. Notwithstanding the foregoing, proceeds from Pennsylvania Investors will not count towards meeting the Minimum Amount for purposes of Section 3. Proceeds received from Pennsylvania Investors will not be released from the Pennsylvania Escrow Account until the Pennsylvania Minimum Amount is obtained. If the Pennsylvania Minimum Amount is obtained at any time prior to the Termination Date, the Escrow Agent shall promptly notify the Company and, upon receiving acknowledgement of such notice and written instructions from the Company's General Counsel or Chief Financial Officer, the Escrow Agent shall disburse to the Company, by check or wire transfer, the funds in the Pennsylvania Escrow Account representing the gross purchase price of the Securities. The Escrow Agent agrees that funds in the Pennsylvania Escrow Account shall not be released to the Company until and unless the Escrow Agent receives written instructions to release the funds from the Company's General Counsel or Chief Financial Officer.

If the Pennsylvania Minimum Amount has not been obtained prior to the Termination Date, the Escrow Agent shall, within a reasonable time following the Termination Date, but in no event more than thirty (30) days after the Termination Date, refund to each Pennsylvania Investor by check funds deposited in the Pennsylvania Escrow Account, or shall return the instruments of payment delivered to Escrow Agent if such instruments have not been processed for collection prior to such time, directly to each Pennsylvania Investor at the address provided in the list of Investors. Included in the remittance shall be a proportionate share of the income earned in the account allocable to each Pennsylvania Investor's investment in accordance with the terms and conditions specified herein, except that in the case of Investors who have not provided an executed Form W-9 or substitute Form W-9, the Escrow Agent shall withhold the applicable percentage of the earnings attributable to those Investors in accordance with IRS regulations. Notwithstanding the foregoing, the Escrow Agent shall not be required to remit any payments until funds represented by such payments have been collected by Escrow Agent.

If the Escrow Agent is not in receipt of evidence of subscriptions accepted on or before the close of business on such date that is 120 days after the date that the Company first accepts a subscription from a Pennsylvania Investor (which date the Company or the Dealer Manager will provide to the Escrow Agent

in writing) (the "*Initial Escrow Period*"), and instruments of payment dated not later than that date, for the purchase of Securities providing for total purchase proceeds from all nonaffiliated sources that equal or exceed the Pennsylvania Minimum Amount, the Escrow Agent shall promptly notify the Company. Thereafter, the Company or its agents shall send to each Pennsylvania Investor by certified mail within ten (10) calendar days after the end of the Initial Escrow Period a notification substantially in the form of Exhibit F. If, pursuant to such notification, a Pennsylvania Investor requests the return of his or her subscription funds within ten (10) calendar days after receipt of the notification (the "*Request Period*"), the Escrow Agent shall promptly refund directly to each Pennsylvania Investor the collected funds deposited in the Pennsylvania Escrow Account on behalf of such Pennsylvania Investor or shall return the instruments of payment delivered, but not yet processed for collection prior to such time, to the address provided by the Dealer Manager or the Company or their respective agents to the Escrow Agent, which the Escrow Agent shall be entitled to rely upon, together with interest income (which interest shall be paid within five business days after the first business day of the succeeding month) in the amounts calculated pursuant to Section 9. Notwithstanding the above, if the Escrow Agent has not received an executed Form W-9 or substitute Form W-9 for such Pennsylvania Investor, the Escrow Agent shall thereupon remit an amount to such Pennsylvania Investor in accordance with the provisions hereof, withholding the applicable percentage for backup withholding required by the Internal Revenue Code, as then in effect, from any interest income earned on subscription proceeds (determined in accordance with Section 9) attributable to such Pennsylvania Investor. However, the Escrow Agent shall not be required to remit such payments until the Escrow Agent has collected funds represented by such payments.

The Investor Funds of Pennsylvania Investors who do not request the return of their Investor Funds within the Request Period shall remain in the Pennsylvania Escrow Account for successive 120-day escrow periods (a "*Successive Escrow Period*"), each commencing automatically upon the termination of the prior Successive Escrow Period, and the Company and Escrow Agent shall follow the notification and payment procedure set forth above with respect to the Initial Escrow Period for each Successive Escrow Period until the occurrence of the earliest of (i) the Termination Date, (ii) the receipt and acceptance by the Company of subscriptions for the purchase of Securities with total purchase proceeds that equal or exceed the Pennsylvania Minimum Amount and the disbursement of the Pennsylvania Escrow Account on the terms specified herein, or (iii) all funds held in the Pennsylvania Escrow Account having been returned to the Pennsylvania Investors in accordance with the provisions hereof.

5. *[Intentionally Omitted.]*

6. Term of Escrow. The "Termination Date" shall be the earlier of (i) the close of business on the one year anniversary of the date of this Escrow Agreement; (ii) the disbursement of all funds held in the REIT Escrow Accounts to the Company or to Investors pursuant to Section 3 or Section 4 for Pennsylvania Investors, and instruction from the Company to the Escrow Agent in writing, directing the termination each of the REIT Escrow Accounts; (iii) the date the Escrow Agent receives written notice from the Company that it is abandoning the sale of the Securities; or (iv) the date the Escrow Agent receives notice from the Securities and Exchange Commission or any other federal or state regulatory authority that a stop or similar order has been issued with respect to the Offering Document and has remained in effect for at least twenty (20) days. After the Termination Date the Company shall not deposit, and the Escrow Agent shall not accept, any additional amounts representing payments by prospective Investors.

7. Duty and Liability of the Escrow Agent. The sole duty of the Escrow Agent shall be to receive Investor Funds and hold them subject to release, in accordance herewith, and the Escrow Agent shall be under no duty to determine whether the Company or the Dealer Manager is complying with requirements of this Escrow Agreement, the Offering or applicable securities or other laws in tendering the Investor Funds to the Escrow Agent. No other agreement entered into between the parties, or any of them, shall be considered as adopted or binding, in whole or in part, upon the Escrow Agent notwithstanding that any

such other agreement may be referred to herein or deposited with the Escrow Agent or the Escrow Agent may have knowledge thereof, including specifically but without limitation the Offering Document, and the Escrow Agent's rights and responsibilities shall be governed solely by this Escrow Agreement. The Escrow Agent shall not be responsible for or be required to enforce any of the terms or conditions of any Offering Document or other agreement between the Company and any other party. The Escrow Agent may conclusively rely upon and shall be protected in acting upon any statement, certificate, notice, request, consent, order or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Escrow Agent shall have no duty or liability to verify any such statement, certificate, notice, request, consent, order or other document, and its sole responsibility shall be to act only as expressly set forth in this Escrow Agreement. Concurrent with the execution of this Escrow Agreement, the Company shall deliver to the Escrow Agent an authorized signers form in the form of Exhibit C to this Escrow Agreement. The Escrow Agent shall be under no obligation to institute or defend any action, suit or proceeding in connection with this Escrow Agreement unless first reasonably indemnified to its satisfaction. The Escrow Agent may reasonably consult counsel of its own choice with respect to any question arising under this Escrow Agreement and shall be protected in acting or not acting in reliance on such counsel's advice, except as otherwise provided herein. The Escrow Agent shall not be liable for any action taken or omitted by it, except to the extent that a court of competent jurisdiction determines that the Escrow Agent's gross negligence or willful misconduct was the primary cause of loss. The Escrow Agent is acting solely as escrow agent hereunder and owes no duties, covenants or obligations, fiduciary or otherwise, to any other person by reason of this Escrow Agreement, except as otherwise stated herein, and no implied duties, covenants or obligations, fiduciary or otherwise, shall be read into this Escrow Agreement against the Escrow Agent. In the event of any disagreement between any of the parties to this Escrow Agreement, or between any of them and any other person, including any Investor, resulting in adverse claims or demands being made in connection with the matters covered by this Escrow Agreement, or in the event that the Escrow Agent is in doubt as to what action it should take hereunder, the Escrow Agent may, at its option, refuse to comply with any claims or demands on it, or refuse to take any other action hereunder, so long as such disagreement continues or such doubt exists, and in any such event, the Escrow Agent shall not be or become liable in any way or to any person for its failure or refusal to act, and the Escrow Agent shall be entitled to continue so to refrain from acting until (i) the rights of all interested parties shall have been fully and finally adjudicated by a court of competent jurisdiction, or (ii) all differences shall have been adjudged and all doubt resolved by agreement among all of the interested persons, and the Escrow Agent shall have been notified thereof in writing signed by all such persons. Notwithstanding the foregoing, the Escrow Agent may in its discretion obey the order, judgment, decree or levy of any court, whether with or without jurisdiction and the Escrow Agent is hereby authorized in its sole discretion to comply with and obey any such orders, judgments, decrees or levies. In the event that any controversy should arise with respect to this Escrow Agreement the Escrow Agent shall have the right, at its option, to institute an interpleader action in any court of competent jurisdiction to determine the rights of the parties. IN NO EVENT SHALL THE ESCROW AGENT BE LIABLE, DIRECTLY OR INDIRECTLY, FOR ANY SPECIAL, INDIRECT OR CONSEQUENTIAL LOSSES OR DAMAGES OF ANY KIND WHATSOEVER (INCLUDING WITHOUT LIMITATION LOST PROFITS), EVEN IF THE ESCROW AGENT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSSES OR DAMAGES AND REGARDLESS OF THE FORM OF ACTION. The parties agree that the Escrow Agent has no role in the preparation of the Offering Document and makes no representations or warranties with respect to the information contained therein or omitted therefrom. The Escrow Agent shall have no obligation, duty or liability with respect to compliance with any federal or state securities, disclosure or tax laws concerning the Offering Document or the issuance, offering or sale of the Securities. The Escrow Agent shall have no duty or obligation to monitor the application and use of the Investor Funds once transferred to the Company, that being the sole obligation and responsibility of the Company.

8. Escrow Agent's Fee. The Escrow Agent shall be entitled to compensation for its services as stated in the fee schedule attached hereto as Exhibit D, which compensation shall be paid by the Company. The fee agreed upon for the services rendered hereunder is intended as full compensation for the Escrow Agent's services as contemplated by this Escrow Agreement; provided, however, that in the event that the conditions for the disbursement of funds under this Escrow Agreement are not fulfilled, or the Escrow Agent renders any material service not contemplated in this Escrow Agreement, or there is any assignment of interest in the subject matter of this Escrow Agreement, or any material modification hereof, or if any material controversy arises hereunder, or the Escrow Agent is made a party to any litigation pertaining to this Escrow Agreement, or the subject matter hereof, then the Escrow Agent shall be reasonably compensated for such extraordinary services and reimbursed for all costs and expenses, including reasonable attorney's fees, occasioned by any delay, controversy, litigation or event, and the same shall be recoverable from the Company. The Company's obligations under this Section 8 shall survive the resignation or removal of the Escrow Agent and the assignment or termination of this Escrow Agreement.

9. Investment of Proceeds. The Investor Funds shall be deposited in the REIT Escrow Accounts in accordance with Section 3 or Section 4 for Pennsylvania Investors. The Escrow Agent is hereby directed to invest all funds received under this Escrow Agreement, including principal and interest, in the Wells Fargo Bank Money Market Deposit Account, as directed in writing in the form of Exhibit E to this Escrow Agreement. The Escrow Agent shall invest the Investor Funds in alternative investments in accordance with written instructions as may from time to time be provided to the Escrow Agent and signed by the Company. In the absence of written investment instructions from the Company to the contrary, the Escrow Agent is hereby directed to invest the Investor Funds in the Wells Fargo Bank Money Market Deposit Account. Notwithstanding the foregoing, Investor Funds shall not be invested in anything other than "Short Term Investments" in compliance with Rule 15c2-4 of the Securities Exchange Act of 1934, as amended. The following are not permissible investments: (a) money market mutual funds, (b) corporate debt or equity securities, (c) repurchase agreements, (d) banker's acceptance, (e) commercial paper, and (f) municipal securities. Any interest received by the Escrow Agent with respect to the Investor Funds, including reinvested interest shall become part of the Investor Funds, and shall be disbursed pursuant to Section 3 or Section 4 for Pennsylvania Investors. The Company agrees that, for tax reporting purposes, all interest or other taxable income earned on the Investor Funds in any tax year shall be taxable to the Company.

The Escrow Agent shall be entitled to sell or redeem any such investments as necessary to make any payments or distributions required under this Escrow Agreement. The Escrow Agent shall have no responsibility or liability for any loss which may result from any investment made pursuant to this Escrow Agreement, or for any loss resulting from the sale of such investment. The parties acknowledge that the Escrow Agent is not providing investment supervision, recommendations, or advice.

The Company on the date of this Escrow Agreement shall provide the Escrow Agent with certified tax identification numbers by furnishing appropriate IRS forms W-9 or W-8 (or substitute forms W-9 or W-8) and other forms and documents that the Escrow Agent may reasonably request. The Company understands that if such tax reporting documentation is not so certified to the Escrow Agent, the Escrow Agent may be required by the Internal Revenue Code of 1986, as amended, to withhold a portion of any interest or other income earned on the Investor Funds pursuant to this Escrow Agreement.

The Company agrees to indemnify and hold the Escrow Agent harmless from and against any taxes, additions for late payment, interest, penalties and other expenses that may be assessed against the Escrow Agent on or with respect to any payment or other activities under this Escrow Agreement unless any such tax, addition for late payment, interest, penalties and other expenses shall be determined by a court of competent jurisdiction to have been caused by the Escrow Agent's gross negligence or willful misconduct. The terms of this Section shall survive the termination of this Escrow Agreement and the resignation or removal of the Escrow Agent.

10. Notices. All notices, requests, demands, and other communications under this Escrow Agreement shall be in writing and shall be deemed to have been duly given (a) on the date of service if served personally on the party to whom notice is to be given, (b) on written confirmation of receipt if sent by facsimile/email transmission to the facsimile number/email address given below, provided such facsimile/email transmission contains a document bearing an authorized signature (c) on the day after delivery to Federal Express or similar overnight courier or the Express Mail service maintained by the United States Postal Service, or (d) on the fifth day after mailing, if mailed to the party to whom notice is to be given, by first class mail, registered or certified, postage prepaid, and properly addressed, return receipt requested, to the party as follows:

If to the Company:

Phillips Edison – ARC Shopping Center REIT Inc.
11501 Northlake Drive
Cincinnati, Ohio 45249
Fax: **[•]**
Attention: John Bessey, President
Attention: Richard Smith, Chief Financial Officer

with a copy to:

DLA Piper LLP (US)
4141 Parklake Avenue
Suite 300
Raleigh, North Carolina 27612
Attention: Robert H. Bergdolt, Esq.

If to the Dealer Manager:

Realty Capital Securities, LLC
Three Copley Place
Suite 3300
Boston, MA 02116
Attention: Nicholas Corvinus, Chief Executive Officer

with a copy to:

Proskauer Rose LLP
1585 Broadway
New York, New York 10036
Fax: (212) 969-2900
Attention: Peter M. Fass, Esq.
Attention: James P. Gerkis, Esq.

If to Escrow Agent:

Wells Fargo Bank, National Association
45 Broadway, 14th Floor
New York, NY 10006
Fax: (212) 509-1716
Attention: Matt Sherman

Any party may change its address for purposes of this Section by giving the other party written notice of the new address in the manner set forth above.

11. Indemnification of Escrow Agent. The Company and the Dealer Manager hereby jointly and severally indemnify, defend and hold harmless the Escrow Agent from and against, any and all loss, liability, cost, damage and expense, including, without limitation, reasonable counsel fees and expenses, which the Escrow Agent may suffer or incur by reason of any action, claim or proceeding brought against the Escrow Agent arising out of or relating in any way to this Escrow Agreement or any transaction to which this Escrow Agreement relates unless such loss, liability, cost, damage or expense is finally determined by a court of competent jurisdiction to have been primarily caused by the willful misconduct of the Escrow Agent. The terms of this Section shall survive the termination of this Escrow Agreement and the resignation or removal of the Escrow Agent.

12. Successors and Assigns. Except as otherwise provided in this Escrow Agreement, no party hereto shall assign this Escrow Agreement or any rights or obligations hereunder without the prior written consent of the other parties hereto and any such attempted assignment without such prior written consent shall be void and of no force and effect. This Escrow Agreement shall inure to the benefit of and shall be binding upon the successors and permitted assigns of the parties hereto. Any corporation or association into which the Escrow Agent may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer all or substantially all of its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which the Escrow Agent is a party, shall be and become the successor Escrow Agent under this Escrow Agreement and shall have and succeed to the rights, powers, duties, immunities and privileges as its predecessor, without the execution or filing of any instrument or paper or the performance any further act.

13. Governing Law; Jurisdiction. This Escrow Agreement shall be construed, performed, and enforced in accordance with, and governed by, the internal laws of the State of New York, without giving effect to the principles of conflicts of laws thereof.

14. Severability. In the event that any part of this Escrow Agreement is declared by any court or other judicial or administrative body to be null, void, or unenforceable, said provision shall survive to the extent it is not so declared, and all of the other provisions of this Escrow Agreement shall remain in full force and effect.

15. Amendments; Waivers. This Escrow Agreement may be amended or modified, and any of the terms, covenants, representations, warranties, or conditions hereof may be waived, only by a written instrument executed by the parties hereto, or in the case of a waiver, by the party waiving compliance. Any waiver by any party of any condition, or of the breach of any provision, term, covenant, representation, or warranty contained in this Escrow Agreement, in any one or more instances, shall not be deemed to be nor construed as further or continuing waiver of any such condition, or of the breach of any other provision, term, covenant, representation, or warranty of this Escrow Agreement. The Company and the Dealer Manager agree that any requested waiver, modification or amendment of this Escrow Agreement shall be consistent with the terms of the Offering.

16. Entire Agreement. This Escrow Agreement contains the entire understanding among the parties hereto with respect to the escrow contemplated hereby and supersedes and replaces all prior and contemporaneous agreements and understandings, oral or written, with regard to such escrow.

17. Section Headings. The section headings in this Escrow Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Escrow Agreement.

18. Counterparts. This Escrow Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute the same instrument.

19. Resignation. The Escrow Agent may resign upon 30 days' advance written notice to the parties hereto. If a successor escrow agent is not appointed within the 30-day period following such notice, the Escrow Agent may petition any court of competent jurisdiction to name a successor escrow agent or may interplead the Investor Funds with such court, whereupon the Escrow Agent's duties hereunder shall terminate.

20. References to Escrow Agent. Other than the Offering Document and any amendments or supplements thereto, no printed or other matter in any language (including, without limitation, notices, reports and promotional material) which mentions the Escrow Agent's name or the rights, powers, or duties of the Escrow Agent shall be issued by the Company or the Dealer Manager, or on the Company's or the Dealer Manager's behalf, unless the Escrow Agent shall first have given its specific written consent thereto. Notwithstanding the foregoing, any amendment or supplement to the Offering Document (including the subscription agreement and exhibits thereto) that revises, alters, modifies, changes or adds to the description of the Escrow Agent or its rights, powers or duties hereunder shall not be issued by the Company or the Dealer Manager, or on the Company's or Dealer Manager's behalf, unless the Escrow Agent has first given specific written consent thereto.

IN WITNESS WHEREOF, the parties hereto have caused this Escrow Agreement to be executed the date and year first set forth above.

PHILLIPS EDISON – ARC
SHOPPING CENTRE REIT INC.

By: ______________________________

Name: John Bessey
Title: President

REALTY CAPITAL SECURITIES, LLC

By: ______________________________

Name: Nicholas S. Schorsch
Title: Chief Executive Officer

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Escrow Agent

By: ______________________________

Name:
Title:

Exhibit A

Copy of Offering Document

Exhibit B

List of Investors

Pursuant to the Escrow Agreement dated , 2010, by and between Phillips Edison – ARC Shopping Center REIT Inc., (the "*Company*"), and Wells Fargo Bank, National Association (the "*Escrow Agent*"), the Company hereby certifies that the following Investors have paid money for the purchase of shares of the Company's common stock, par value $0.01, and the money has been deposited with the Escrow Agent:

1. Name of Investor

Address
Tax Identification Number
Amount of Securities subscribed for
Amount of money paid and deposited with Escrow Agent
Is Investor a resident of Pennsylvania (Yes or No)?

2. Name of Investor

Address
Tax Identification Number
Amount of Securities subscribed for
Amount of money paid and deposited with Escrow Agent
Is Investor a resident of Pennsylvania (Yes or No)?

Company: ______________________________
By: ______________________________
Its: ______________________________
Date: ______________________________

Exhibit C

CERTIFICATE AS TO AUTHORIZED SIGNATURES

Account Name:

Account Number:

The specimen signatures shown below are the specimen signatures of the individuals who have been designated as Authorized Representatives of **Phillips Edison – ARC Shopping Center REIT Inc.** and are authorized to initiate and approve transactions of all types for the above-mentioned account on behalf of **Phillips Edison – ARC Shopping Center REIT Inc.**

Name/Title	***Specimen Signature***
Jeffrey S. Edison Chief Executive Officer	____________________ Signature
John Bessey President	____________________ Signature
Richard Smith Chief Financial Officer	____________________ Signature
[Title]	____________________ Signature
[Title]	____________________ Signature

Exhibit D

GENERAL SCHEDULE OF FEES
to act as ESCROW AGENT for the
Phillips Edison – ARC Shopping Center REIT Inc. Subscription Escrow up to $50,000,000

<u>Acceptance Fee</u>: **$500**

Initial Fees as they relate to Wells Fargo Bank acting in the capacity of Escrow Agent – includes review of the Escrow Agreement; acceptance of the Escrow appointment; setting up of Escrow Account(s) and accounting records; and coordination of receipt of funds for deposit to the Escrow Account(s).

Acceptance Fee payable at time of Escrow Agreement execution.

<u>Escrow Agent Annual Administration Fee</u>: **$5,000.00 on first offering, $3,500 on subsequent**
Pennsylvania Sub-Accounting Administration Fee: **$1500**

For ordinary administrative services by Escrow Agent – includes daily routine account management; investment transactions; cash transaction processing (including wire and check processing); monitoring claim notices pursuant to the agreement; disbursement of funds in accordance with the agreement; and mailing of trust account statements to all applicable parties. Float credit received by the bank for receiving funds that remain uninvested are deemed part of the Paying Agent/Escrow Agent's compensation. These fees do not contemplate paying interest to Investors or providing 1099s which would be the responsibility of ACS. If individual 1099s, interest checks, interest accrual calculations or any individual Investor information are required additional fees will be charged. For rejected subscriptions or a failed offering, the following fees will apply.

1099 Reporting $25 each
Interest Rate Calculations and Interest Checks/Wires $35 each
Returned Item Charges $35 each

The administrative fee is payable in advance, with the first year fee due upon opening of the account. The Annual Fee covers a full year or any part thereof, and therefore will not be prorated or refunded in the year of early termination. These fees do not include bank activity fees associated with Desktop Deposit system. Fees for these services will be provided separately by our Treasury Management Group.

Wells Fargo's bid is based on the following assumptions:

- Number of Escrow Accounts to be established: Two (2)
- Number of Deposits to Escrow Account: Electronically, approximately (10-20 per day)
- Number of Withdrawals from Escrow Fund: Not more than two per week.
- Term of Escrow: One (1) year
- **APPOINTMENT SUBJECT TO RECEIPT OF REQUESTED DUE DILIGENCE INFORMATION AS PER THE USA PATRIOT ACT**
- **THIS PROPOSAL ASSUMES THAT BALANCES IN THE ACCOUNT WILL BE INVESTED IN MONEY MARKET DEPOSIT ACCOUNT**
- **ALL FUNDS WILL BE RECEIVED FROM OR DISTRIBUTED TO A DOMESTIC OR AN APPROVED FOREIGN ENTITY**
- **IF THE ACCOUNT(S) DOES NOT OPEN WITHIN THREE (3) MONTHS OF THE DATE SHOWN BELOW, THIS PROPOSAL WILL BE DEEMED TO BE NULL AND VOID**

Out-of Pocket Expenses: **At Cost**

We will charge for out-of-pocket expenses in response to specific tasks assigned by the client or provided for in the escrow agreement. Possible expenses would be, but are not limited to, express mail and messenger charges, travel expenses to attend closing or other meetings. There are no charges for indirect out-of-pocket expenses.

This fee schedule is based upon the assumptions listed above which pertain to the responsibilities and risks involved in Wells Fargo undertaking the role of Escrow Agent. These assumptions are based on information provided to us as of the date of this fee schedule. Our fee schedule is subject to review and acceptance of the final documents. Should any of the assumptions, duties or responsibilities change, we reserve the right to affirm, modify or rescind our fee schedule. Extraordinary services (services other than the ordinary administration services of Escrow Agent described above) are not included in the annual administration fee and will be billed as incurred at the rates in effect from time to time.

Submitted on: , 2010

Exhibit E

Agency and Custody Account Direction
For Cash Balances
Wells Fargo Bank Money Market Deposit Accounts

Direction to use the following Wells Fargo Bank Money Market Deposit Accounts for Cash Balances for the escrow account (the “Account”) created under the Escrow Agreement to which this Exhibit is attached.

You are hereby directed to deposit, as indicated below, or as we shall direct further in writing from time to time, all cash in the Account in the following money market deposit account of Wells Fargo Bank, National Association (“Bank”):

Wells Fargo Bank Money Market Deposit Account (“MMDA”)

We understand that amounts on deposit in the MMDA are insured, subject to the applicable rules and regulations of the Federal Deposit Insurance Corporation (the “FDIC”), in the basic FDIC insurance amount of $250,000 per depositor, per insured bank. This includes principal and accrued interest up to a total of $250,000.

We acknowledge that we have full power to direct investments in the Account.

We understand that we may change this direction at any time and that it shall continue in effect until revoked or modified by us by written notice to you.

Phillips Edison Shopping Center REIT Inc.

____
Signature

____
Date

Exhibit F

[Form of Notice to Pennsylvania Investors]

You have tendered a subscription to purchase shares of common stock of Phillips Edison Shopping Center REIT Inc. (the “Company”). Your subscription is currently being held in escrow. The guidelines of the Pennsylvania Securities Commission do not permit the Company to accept subscriptions from Pennsylvania residents until an aggregate of $50,000,000 of gross offering proceeds have been received by the Company. The Pennsylvania guidelines provide that until this minimum amount of offering proceeds is received by the Company, every 120 days during the offering period Pennsylvania Investors may request that their subscription be returned. If you wish to continue your subscription in escrow until the Pennsylvania minimum subscription amount is received, nothing further is required.

If you wish to terminate your subscription for the Company’s common stock and have your subscription returned please so indicate below, sign, date, and return to the Escrow Agent, Wells Fargo Bank, National Association, at:

Wells Fargo Bank, N.A.
45 Broadway, 14th Floor
New York, NY 10006
Attention: Matthew Sherman

I hereby terminate my prior subscription to purchase shares of common stock of Phillips Edison Shopping Center REIT Inc. and request the return of my subscription funds. I certify to Phillips Edison Shopping Center REIT Inc. that I am a resident of Pennsylvania.

Signature: ______________________________

Name: ______________________________
(please print)

Date: ______________________________

Please send the subscription refund to:

____

____

____

Exhibit 10.1

Second Amended and Restated

Advisory Agreement

between

Phillips Edison – ARC Shopping Center REIT Inc.

and

American Realty Capital II Advisors, LLC

April 9, 2010

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Second Amended and Restated Advisory Agreement

This Second Amended and Restated Advisory Agreement, dated as of April 9, 2010 (this "**Agreement**"), is between Phillips Edison – ARC Shopping Center REIT Inc., a Maryland corporation (the "**Company**"), and American Realty Capital II Advisors, LLC, a Delaware limited liability company (the **"Advisor"**).

W I T N E S S E T H

WHEREAS, the parties entered into the Advisory Agreement on January 11, 2010 (the "**Original Agreement**");

Whereas, the parties entered into the Amended and Restated Advisory Agreement on March 1, 2010 (the "**Amended Agreement**");

WHEREAS, the parties have agreed to make certain amendments and desire to amend and restate the Amended Agreement;

WHEREAS, the Company desires to avail itself of the knowledge, experience, sources of information, advice, assistance and certain facilities available to the Advisor and to have the Advisor undertake the duties and responsibilities hereinafter set forth, on behalf of, and subject to the supervision of, the Board of Directors of the Company, all as provided herein; and

WHEREAS, the Advisor is willing to undertake to render such services, subject to the supervision of the Board of Directors of the Company, on the terms and subject to the conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

Article 1

Definitions

The following defined terms used in this Agreement shall have the meanings specified below:

"**Acquisition Expenses**" means any and all expenses, excluding the Acquisition Fees, incurred by the Company, the Advisor or any Affiliate of either in connection with the consideration, investigation, selection, evaluation, acquisition or development of any Property, Loan or other Permitted Investment, whether or not acquired or originated, as applicable, including legal fees and expenses, travel and communications expenses, brokerage fees, costs of appraisals, nonrefundable option payments on Properties, Loans or other Permitted Investments not acquired, accounting fees and expenses, title insurance premiums and the costs of performing due diligence.

“**Acquisition Fees**” means the fee payable to the Advisor pursuant to Section 8.1 plus all other fees and commissions, excluding Acquisition Expenses, paid by any Person to any Person in connection with making or investing in any Property or other Permitted Investment or the purchase, development or construction of any Property by the Company. Included in the computation thereof shall be any real estate commission, selection fee, Development Fee, Construction Fee, nonrecurring management fee, loan fees or points or any fee of a similar nature, however designated. Excluded in the computation thereof shall be Development Fees and Construction Fees paid to Persons not Affiliated with the Advisor or Sub-advisor in connection with the actual development and construction of a Property.

“**Advisor**” has the meaning set forth at the head of this Agreement.

“**Affiliate**” means, with respect to any Person, any of the following: (i) any other Person directly or indirectly controlling, controlled by, or under common control with such Person; (ii) any other Person directly or indirectly owning, controlling, or holding with the power to vote 10% or more of the outstanding voting securities of such Person; (iii) any legal entity for which such Person acts as an executive officer, director, trustee, or general partner; (iv) any other Person 10% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held, with power to vote, by such Person; and (v) any executive officer, director, trustee, or general partner of such Person. An entity shall not be deemed to control or be under common control with an Advisor- or Sub-advisor-sponsored program unless (A) the entity owns 10% or more of the voting equity interests of such program or (B) a majority of the board of directors (or equivalent governing body) of such program is composed of Affiliates of the entity. The term “**Affiliated**” shall have a meaning correlative thereto. For the avoidance of doubt, none of the Company, the Sub-advisor, any subsidiary of the Company, any subsidiary of the Sub-advisor and any other Person controlled by, controlling or under common control with Phillips Edison & Company shall be an Affiliate of the Advisor.

“**Appraised Value**” means the value according to an appraisal made by an Independent Appraiser.

“**Articles of Incorporation**” means the Articles of Incorporation of the Company under Title 2 of the Corporations and Associations Article of the Annotated Code of Maryland, as amended from time to time.

“**Asset Management Fee**” shall have the meaning set forth in Section 8.2.

“**Average Invested Assets**” means, for a specified period, the average of the aggregate book value of the assets of the Company invested, directly or indirectly, in Properties, Loans and other Permitted Investments secured by real estate before reserves for depreciation or bad debts or other similar non-cash reserves, computed by taking the average of such values at the end of each month during such specified period.

“**Board of Directors**” or “**Board**” means the persons holding such office, as of any particular time, under the Articles of Incorporation of the Company, whether they be the Directors named therein or additional or successor Directors.

“**Board Observer**” shall have the meaning set forth in Section 10.1.

“**Bylaws**” means the bylaws of the Company, as amended from time to time.

“**Cash from Financings**” means the net cash proceeds realized by the Company from the financing of Properties, Loans or other Permitted Investments or from the refinancing of any Company indebtedness (after deduction of all expenses incurred in connection therewith).

“**Cash from Sales and Settlements**” means the net cash proceeds realized by the Company (i) from the sale, exchange or other disposition of any of its assets or any portion thereof after deduction of all expenses incurred in connection therewith; (ii) from the prepayment, maturity, workout or other settlement of any Loan or Permitted Investment or portion thereof after deduction of all expenses incurred in connection therewith; and (iii) from regular principal payments on any Loan (or to the extent applicable, any Permitted Investment). In the case of a transaction described in clause (i) (C) of the definition of “Sale” and clause (i) (B) of the definition of “Settlement,” Cash from Sales and Settlements means the proceeds of any such transaction actually distributed to the Company from the Joint Venture or partnership. Cash from Sales and Settlements shall not include Cash from Financings.

“**Cash from Sales, Settlements and Financings**” means the total sum of Cash from Sales and Settlements and Cash from Financings.

“**Code**” means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto. Reference to any provision of the Code shall mean such provision as in effect from time to time, as the same may be amended, and any successor provision thereto, as interpreted by any applicable regulations as in effect from time to time.

“**Company**” means Phillips Edison – ARC Shopping Center REIT Inc., a corporation organized under the laws of the State of Maryland.

“**Competitive Real Estate Commission**” means a real estate or brokerage commission for the purchase or sale of property that is reasonable, customary, and competitive in light of the size, type, and location of the property.

“**Conflicts Committee**” shall have the meaning set forth in the Company’s Articles of Incorporation.

“**Construction Fee**” means a fee or other remuneration for acting as general contractor and/or construction manager to construct improvements, supervise and coordinate projects or to provide major repairs or rehabilitation on a Property.

“**Contract Sales Price**” means the total consideration received by the Company for the sale of a Property, Loan or other Permitted Investment.

“**Cost of Loans and other Permitted Investments**” means the sum of the cost of all Loans and Permitted Investments held by the Company, calculated each month on an ongoing basis, and calculated as follows for each Loan or Permitted Investment: the lesser of (i) the amount actually paid or allocated to acquire or fund the Loan or Permitted Investment (inclusive of expenses related thereto and the amount of any debt associated with or used to acquire or fund such Loan or Permitted Investment) and (ii) the outstanding principal amount of such Loan or Permitted Investment, as of the time of calculation. With respect to any Loan or Permitted Investment held by the Company through a Joint Venture or partnership of which it is, directly or indirectly, a co-venturer, such amount shall be the Company’s proportionate share thereof.

“**Cost of Real Estate Investments**” means the sum of (i) with respect to Properties wholly owned, directly or indirectly, by the Company, the amount actually paid or allocated to the purchase, development, construction or improvement of Properties, inclusive of expenses related thereto, plus the amount of any outstanding debt attributable to such Properties and (ii) in the case of Properties owned by any Joint Venture or partnership in which the Company or the Partnership is, directly or indirectly, a co-venturer or partner, the portion of the amount actually paid or allocated to the purchase, development, construction or improvement of Properties, inclusive of expenses related thereto, plus the amount of any outstanding debt associated with such Properties that is attributable to the Company’s investment in the Joint Venture or partnership.

“**Dealer Manager**” means (i) Realty Capital Securities, LLC, a Delaware limited liability company, or (ii) any successor dealer manager to the Company.

“**Development Fee**” means a fee for the packaging of a Property, including negotiating and approving plans, and undertaking to assist in obtaining zoning and necessary variances and necessary financing for the Property, either initially or at a later date.

“**Director**” means a member of the Board of Directors of the Company.

“**Disposition Fee**” shall have the meaning set forth in Section 8.3.

“**Distributions**” means any distributions of money or other property by the Company to owners of Shares, including distributions that may constitute a return of capital for federal income tax purposes.

“**Financing Fee**” shall have the meaning set forth in Section 8.4.

“**GAAP**” means accounting principles generally accepted in the United States.

“**Gross Proceeds**” means the aggregate purchase price of all Shares sold for the account of the Company through an Offering, without deduction for Organization and Offering Expenses.

“**include,**” “**included,**” “**including**” and “**such as**” are to be construed as if followed by the phrase “without limitation.”

“**Independent Appraiser**” means a person with no material current or prior business or personal relationship with the Advisor or the Directors, who is engaged to a substantial extent in the business of rendering opinions regarding the value of assets of the type held by the Company, and who is a qualified appraiser of real estate as determined by the Board. Membership in a nationally recognized appraisal society such as the American Institute of Real Estate Appraisers (“**M.A.I.**”) or the Society of Real Estate Appraisers (“**S.R.E.A.**”) shall be conclusive evidence of such qualification.

“**Initial Public Offering**” means the initial public offering of Shares registered on the Registration Statement pursuant to the Securities Act of 1933, as amended.

“**Invested Capital**” means the amount calculated by multiplying the total number of Shares purchased by Stockholders by the issue price, reduced by any amounts paid by the Company to repurchase Shares pursuant to the Company’s plan for redemption of Shares.

“**Joint Venture**” means any joint venture, limited liability company or other Affiliate of the Company that owns, in whole or in part, on behalf of the Company any Properties, Loans or other Permitted Investments.

“**Listed**” or “**Listing**” shall have the meaning set forth in the Company’s Articles of Incorporation.

“**Loans**” means mortgage loans and other types of debt financing investments made by the Company or the Partnership, either directly or indirectly, including through ownership interests in a Joint Venture or partnership, and including mezzanine loans, B-notes, bridge loans, convertible mortgages, wraparound mortgage loans, construction mortgage loans, loans on leasehold interests, and participations in such loans.

“**Management Fee Base**” means, for a specified period, the sum of the Cost of Real Estate Investments and the Cost of Loans and other Permitted Investments computed by taking the average of such values at the end of each month during such specified period.

“**NASAA Guidelines**” means the NASAA Statement of Policy Regarding Real Estate Investment Trusts as in effect on the date hereof.

“**Net Income**” means, for any period, the total revenues of the Company applicable to such period, less the total expenses applicable to such period excluding additions to reserves for depreciation, bad debts or other similar non-cash reserves; provided, however, that Net Income for purposes of calculating total allowable Operating Expenses shall exclude the gain from the sale of the Company’s assets.

“**Observer Period**” shall have the meaning set forth in Section 10.1.

“**Offering**” means any offering of Shares that is registered with the SEC pursuant to the Securities Act of 1933, as amended, excluding Shares offered under any employee benefit plan.

“**Operating Cash Flow**” means Operating Revenue Cash Flows minus the sum of (i) Operating Expenses, (ii) all principal and interest payments on indebtedness and other sums paid to lenders, (iii) the expenses of raising capital such as Organization and Offering Expenses, legal, audit, accounting, underwriting, brokerage, listing, registration, and other fees, printing and other such expenses and taxes incurred in connection with the issuance, distribution, transfer, registration and Listing of the Shares, (iv) taxes, (v) incentive fees paid in compliance with Section IV.F. of the NASAA Guidelines and (vi) Acquisition Fees, Acquisition Expenses, real estate commissions on resale of property, and other expenses connected with the acquisition, disposition, and ownership of real estate interests, loans or other property (other than commissions on the sale of assets other than real property), such as the costs of foreclosure, insurance premiums, legal services, maintenance, repair and improvement of property.

“**Operating Expenses**” means all costs and expenses incurred by the Company, as determined under GAAP, that in any way are related to the operation of the Company or to Company business, including fees paid to the Advisor, but excluding (i) the expenses of raising capital such as Organization and Offering Expenses, legal, audit, accounting, underwriting, brokerage, listing, registration, and other fees, printing and other such expenses and taxes incurred in connection with the issuance, distribution, transfer, registration and Listing of the Shares, (ii) interest payments, (iii) taxes, (iv) non-cash expenditures such as depreciation, amortization, bad loan reserves, impairments of value, and mark-to-market losses, (v) incentive fees paid in compliance with Section IV.F. of the NASAA Guidelines and (vi) Acquisition Fees, Acquisition Expenses, real estate commissions on resale of property, property management fees, and other expenses connected with the acquisition, disposition, and ownership of real estate interests, loans or other property (other than commissions on the sale of assets other than real property), such as the costs of foreclosure, insurance premiums, legal services, maintenance, repair and improvement of property.

“**Operating Revenue Cash Flows**” means the Company’s cash flow from ownership and/or operation of (i) Properties, (ii) Loans, (iii) Permitted Investments, (iv) short-term investments, and (v) interests in Properties, Loans and Permitted Investments owned by any Joint Venture or any partnership in which the Company or the Partnership is, directly or indirectly, a co-venturer or partner.

“**Organization and Offering Expenses**” means all expenses incurred by or on behalf of the Company in connection with or in preparing the Company for registration of and subsequently offering and distributing its Shares to the public, whether incurred before, on or after the date of this Agreement, which may include total underwriting and brokerage discounts and commissions (including fees of the underwriters’ attorneys); any expense allowance granted by the Company to the underwriter or any reimbursement of expenses of the underwriter by the Company; expenses for printing, engraving and mailing; compensation of employees while engaged in sales activity; charges of transfer agents, registrars, trustees, escrow holders, depositaries and experts; and expenses of qualification of the sale of the securities under Federal and state laws, including taxes and fees, accountants’ and attorneys’ fees.

“**Other Liquidity Event**” has the meaning set forth in Section 13.3(F).

“**Partnership**” means Phillips Edison – ARC Shopping Center Operating Partnership, L.P., a Delaware limited partnership formed to own and operate Properties, Loans and other Permitted Investments on behalf of the Company.

“**Permitted Investments**” means all investments (other than Properties and Loans) in which the Company acquires an interest, either directly or indirectly, including through ownership interests in a Joint Venture or partnership, pursuant to its Articles of Incorporation, Bylaws and the investment objectives and policies adopted by the Board from time to time, other than short-term investments acquired for purposes of cash management.

“**Person**” or “**person**” means an individual, corporation, partnership, estate, trust (including a trust qualified under Section 401(a) or 501(c) (17) of the Code), a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity, or any government or any agency or political subdivision thereof, and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended.

“**Property**” or “**Properties**” means any real property or properties transferred or conveyed to the Company, the Partnership, or any subsidiary of the Company or the Partnership, either directly or indirectly, and/or any real property or properties transferred or conveyed to a Joint Venture or partnership in which the Company is, directly or indirectly, a co-venturer or partner.

“**Property Manager**” means an entity that has been retained to perform and carry out at one or more of the Properties property-management services, excluding Persons retained or hired to perform facility management or other services or tasks at a particular Property, the costs for which are passed through to and ultimately paid by the tenant at such Property.

“**Registration Statement**” means the registration statement filed by the Company with the SEC pursuant to the Securities Act of 1933, as amended, on Form S-11, as amended from time to time, in connection with the Initial Public Offering.

“**REIT**” means a “real estate investment trust” under Sections 856 through 860 of the Code.

“**Sale**” or “**Sales**” means (i) any transaction or series of transactions whereby: (A) the Company or the Partnership sells, grants, transfers, conveys, or relinquishes its direct or indirect ownership of any Property, Loan or other Permitted Investment or portion thereof, including the transfer of any Property that is the subject of a ground

lease, and including any event with respect to any Property, Loan or other Permitted Investment that gives rise to a significant amount of insurance proceeds or condemnation awards; (B) the Company or the Partnership sells, grants, transfers, conveys, or relinquishes its ownership of all or substantially all of the direct or indirect interest of the Company or the Partnership in any Joint Venture or partnership in which it is, directly or indirectly, a co-venturer or partner; or (C) any Joint Venture or partnership (in which the Company or the Partnership is, directly or indirectly, a co-venturer or partner) sells, grants, transfers, conveys, or relinquishes its direct or indirect ownership of any Property, Loan or other Permitted Investment or portion thereof, including any event with respect to any Property, Loan or other Permitted Investment that gives rise to insurance claims or condemnation awards, but (ii) not including any transaction or series of transactions specified in clause (i) (A), (i) (B), or (i) (C) above in which the proceeds of such transaction or series of transactions are reinvested in one or more Properties, Loans or other Permitted Investments within 180 days thereafter.

"**SEC**" means the United States Securities and Exchange Commission.

"**Settlement**" means (i) the payment of principal, prepayment, maturity, workout or other settlement of any Loan or other Permitted Investment or portion thereof owned, directly or indirectly, by (A) the Company or the Partnership or (B) any Joint Venture or any partnership in which the Company or the Partnership is, directly or indirectly, a partner, but (ii) not including any transaction or series of transactions specified in clause (i) (A) or (i) (B) above in which the proceeds of such prepayment, maturity, workout or other settlement are reinvested in one or more Properties, Loans or other Permitted Investments within 180 days thereafter.

"**Shares**" means the shares of common stock of the Company, par value $.01 per share.

"**Stockholders**" means the registered holders of the Shares.

"**Stockholders' 7% Return**" means, as of any date, an aggregate amount equal to a 7% cumulative, non-compounded, annual return on Invested Capital (calculated like simple interest on a daily basis based on a three hundred sixty-five day year). For purposes of calculating the Stockholders' 7% Return, Invested Capital shall be determined for each day during the period for which the Stockholders' 7% Return is being calculated and shall be calculated net of (1) Distributions of Operating Cash Flow to the extent such Distributions of Operating Cash Flow provide a cumulative, non-compounded, annual return in excess of 7%, as such amounts are computed on a daily basis based on a three hundred sixty-five day year and (2) Distributions of Cash from Sales, Settlements and Financings, except to the extent such Distributions would be required to supplement Distributions of Operating Cash Flow in order to achieve a cumulative, non-compounded, annual return of 7%, as such amounts are computed on a daily basis based on a three hundred sixty-five day year.

"**Sub-advisor**" means (i) Phillips Edison & Company NTR LLC (formerly known as Phillips Edison & Company SubAdvisor LLC), a Delaware limited liability company, or (ii) any successor sub-advisor to the Advisor.

“**Sub-advisory Agreement**” means that Sub-advisory Agreement between the Advisor and the Sub-advisor, dated as of the date hereof.

“**Subordinated Incentive Fee**” means the fee payable to the Advisor under certain circumstances if the Shares are Listed, as calculated in Section 8.6.

“**Subordinated Performance Fee Due Upon Termination**” means the fee payable to the Advisor or its assignees under certain circumstances upon termination of this Agreement, as calculated in Section 13.3.

“**Subordinated Share of Cash Flows**” means any amount payable to the Advisor or its assignees pursuant to Section 8.5.

“**Termination**” means the termination of this Agreement in accordance with Articles 13 hereof.

“**Termination Date**” means the date of termination of the Agreement determined in accordance with Article 13 hereof.

“**2%/25% Guidelines**” has the meaning set forth in Section 9.2(C).

Article 2

Appointment

The Company hereby appoints the Advisor to serve as its advisor and asset manager on the terms and subject to the conditions set forth in this Agreement, and the Advisor hereby accepts such appointment.

Article 3

Duties Of The Advisor

The Advisor is responsible for managing, operating, directing and supervising the operations and administration of the Company and its assets. The Advisor undertakes to use its reasonable best efforts to present to the Company potential investment opportunities and to provide the Company with a continuing and suitable investment program consistent with the investment objectives and policies of the Company as determined and adopted from time to time by the Board. Subject to the limitations set forth in this Agreement, including Article 4 hereof, consistent with the provisions of the Articles of Incorporation and Bylaws and the continuing and exclusive authority of the Board over the supervision of the Company, the Advisor shall, either directly or by engaging an Affiliate, the Sub-advisor or third party, perform the following duties:

3.1 **Organizational and Offering Services**. The Advisor shall perform all services related to the organization of the Company or any Offering or private sale of the Company’s securities, other than services that (i) are to be performed by the Dealer Manager, (ii) the Company elects to perform directly or (iii) would require the Advisor to register as a broker-dealer with the SEC or any state.

3.2 **Acquisition Services**. The Advisor shall:

(A) Serve as the Company's investment and financial advisor and provide relevant market research and economic and statistical data in connection with the Company's assets and investment objectives and policies;

(B) Subject to Article 4 hereof and the investment objectives and policies of the Company: (a) locate, analyze and select potential investments; (b) structure and negotiate the terms and conditions of transactions pursuant to which investments in Properties, Loans and other Permitted Investments will be made; (c) acquire, originate and dispose of Properties, Loans and other Permitted Investments on behalf of the Company (including through Joint Ventures); (d) arrange for financing and refinancing and make other changes in the asset or capital structure of investments in Properties, Loans and other Permitted Investments; (e) select Joint Venture partners and structure corresponding agreements; and (f) enter into leases, service contracts and other agreements for Properties, Loans and other Permitted Investments;

(C) Perform due diligence on prospective investments and create due diligence reports summarizing the results of such work;

(D) Prepare reports regarding prospective investments that include recommendations and supporting documentation necessary for the Directors to evaluate the proposed investments;

(E) Obtain reports (which may be prepared by the Advisor, the Sub-advisor or their Affiliates), where appropriate, concerning the value of contemplated investments of the Company;

(F) Deliver to or maintain on behalf of the Company copies of all appraisals obtained in connection with the Company's investments; and

(G) Negotiate and execute approved investments and other transactions, including Settlements of Loans and other Permitted Investments.

3.3 **Asset Management Services**. The Advisor shall (or shall retain other Persons to (but shall remain responsible to the Company)):

(A) Real Estate and Related Services:

(1) Investigate, select and, on behalf of the Company, engage and conduct business with (including enter contracts with) and supervise the performance of such Persons as the Advisor deems necessary to the proper performance of its obligations as set forth

in this Agreement, including consultants, accountants, lenders, technical advisors, attorneys, brokers, underwriters, corporate fiduciaries, escrow agents, depositaries, custodians, agents for collection, insurers, insurance agents, banks, builders, developers, property owners, security investment advisors, mortgagors, the registrar and the transfer agent, construction companies, Property Managers and any and all Persons acting in any other capacity deemed by the Advisor necessary or desirable for the performance of any of the foregoing services;

(2) Negotiate and service the Company's debt facilities and other financings and negotiate on behalf of the Company with banks or other lenders for debt facilities to be made to the Company or with investment banking firms and broker-dealers or negotiate private sales of Shares or obtain debt facilities for the Company, but in no event in such a manner so that the Advisor shall be acting as a broker-dealer or underwriter; provided, however, that any fees and costs payable to third parties incurred by the Advisor in connection with the foregoing shall be the responsibility of the Company;

(3) Monitor applicable markets and obtain reports (which may be prepared by the Advisor, Sub-advisor or their Affiliates) where appropriate, concerning the value of investments of the Company;

(4) Monitor and evaluate the performance of each asset of the Company and the Company's overall portfolio of assets, provide daily management services to the Company and perform and supervise the various management and operational functions related to the Company's investments;

(5) Formulate and oversee the implementation of strategies for the administration, promotion, management, operation, maintenance, investment, improvement, financing and refinancing, marketing, leasing and disposition of Properties, Loans and other Permitted Investments on an overall portfolio basis;

(6) Consult with the Company's officers and the Board and assist the Board in the formulation and implementation of the Company's financial policies, and, as necessary, furnish the Board with advice and recommendations with respect to the making of investments consistent with the investment objectives and policies of the Company and in connection with any borrowings proposed to be undertaken by the Company;

(7) Oversee the performance by the Property Managers of their duties, including collection and proper deposits of rental payments and payment of Property expenses and maintenance;

(8) Conduct periodic on-site property visits to some or all (as the Advisor or its designee deems reasonably necessary) of the Properties to inspect the physical condition of the Properties and to evaluate the performance of the Property Managers;

(9) Review, analyze and comment upon the operating budgets, capital budgets and leasing plans prepared and submitted by each Property Manager and aggregate these property budgets into the Company's overall budget;

(10) Coordinate and manage relationships between the Company and any co-venturers or partners; and

(11) Consult with the Company's officers and the Board and provide assistance with the evaluation and approval of potential asset dispositions, sales and refinancings.

(B) Accounting and Other Administrative Services:

(1) Provide the day-to-day management of the Company and perform and supervise the various administrative functions reasonably necessary for the management of the Company;

(2) From time to time, or at any time reasonably requested by the Board, make reports to the Board on the Advisor's performance of services to the Company under this Agreement;

(3) Make reports to the Conflicts Committee each quarter of the investments that have been made by other programs sponsored by the Advisor, the Sub-advisor or any of their Affiliates, as well as any investments that have been made by the Advisor, Sub-advisor or any of their Affiliates directly;

(4) Provide or arrange for any administrative services and items, legal and other services, office space, office furnishings, personnel and other overhead items necessary and incidental to the Company's business and operations;

(5) Provide financial and operational planning services;

(6) Maintain accounting and other record-keeping functions at the Company and investment levels, including information concerning the activities of the Company as shall be required to prepare and to file all periodic financial reports, tax returns and any other information required to be filed with the SEC, the Internal Revenue Service and any other regulatory agency;

(7) Maintain and preserve all appropriate books and records of the Company;

(8) Provide tax and compliance services and coordinate with appropriate third parties, including the Company's independent auditors and other consultants, on related tax matters;

(9) Provide the Company with all necessary cash management services;

(10) Deliver to, or maintain on behalf of, the Company copies of all appraisals obtained in connection with Properties, Loans and Permitted Investments;

(11) Manage and coordinate with the transfer agent the monthly dividend process and payments to Stockholders;

(12) Consult with the Company's officers and the Board and assist the Board in evaluating and obtaining adequate insurance coverage based upon risk management determinations;

(13) Consult with the Company's officers and the Board and assist the Board in evaluating various liquidity events when appropriate;

(14) Provide the Company's officers and the Board with timely updates related to the overall regulatory environment affecting the Company, as well as managing compliance with such matters, including compliance with the Sarbanes-Oxley Act of 2002;

(15) Consult with the Company's officers and the Board relating to the corporate governance structure and appropriate policies and procedures related thereto;

(16) Perform all reporting, record keeping, internal controls and similar matters in a manner to allow the Company to comply with applicable law, including federal and state securities laws and the Sarbanes-Oxley Act of 2002;

(17) Notify the Board of all proposed material transactions before they are completed; and

(18) Do all things necessary to assure its ability to render the services described in this Agreement.

3.4 **Stockholder Services**. The Advisor shall (or shall retain other Persons to (but shall remain responsible to the Company)):

(A) Manage services for and communications with Stockholders, including answering phone calls, preparing and sending written and electronic reports and other communications;

(B) Oversee the performance of the transfer agent and registrar;

(C) Establish technology infrastructure to assist in providing Stockholder support and service; and

(D) Consistent with Section 3.1, perform the various subscription processing services reasonably necessary for the admission of new Stockholders.

3.5 **Other Services**. Except as provided in Article 7, the Advisor shall perform any other services reasonably requested by the Company (acting through the Conflicts Committee).

Article 4

Authority of Advisor

4.1 **General**. All rights and powers to manage and control the day-to-day business and affairs of the Company shall be vested in the Advisor. The Advisor shall have the power to delegate all or any part of its rights and powers to manage and control the business and affairs of the Company to such officers, employees, Affiliates, agents and representatives of the Advisor or the Company or to the Sub-advisor as it may deem appropriate. Any authority delegated by the Advisor to any other Person shall be subject to the limitations on the rights and powers of the Advisor specifically set forth in this Agreement or the Articles of Incorporation.

4.2 **Powers of the Advisor**. Subject to the express limitations set forth in this Agreement, to the continuing and exclusive authority of the Board over the supervision of the Company, and to the right of the Advisor to delegate its responsibilities pursuant to Section 4.1, the power to direct the management, operation and policies of the Company shall be vested in the Advisor, which shall have the power by itself and shall be authorized and empowered on behalf and in the name of the Company to carry out any and all of the objectives and purposes of the Company and to perform all acts and enter into and perform all contracts and other undertakings that it may in its sole discretion deem necessary, advisable or incidental thereto to perform its obligations under this Agreement.

4.3 **Approval by the Board**. Notwithstanding the foregoing, the Advisor may not take any action on behalf of the Company without the prior approval of the Board or duly authorized committees thereof if the Articles of Incorporation or Maryland General Corporation Law require the prior approval of the Board. The Advisor will deliver to the Board all documents required by it to evaluate a proposed investment (and any related financing).

4.4 **Modification or Revocation of Authority of Advisor**. The Board may, at any time upon the giving of notice to the Advisor, modify or revoke the authority or approvals set forth in Article 3 and this Article 4 hereof; provided, however, that such modification or revocation shall be effective upon receipt by the Advisor and shall not be applicable to investment transactions to which the Advisor has committed the Company prior to the date of receipt by the Advisor of such notification.

Article 5

Bank Accounts

The Advisor may establish and maintain one or more bank accounts in its own name for the account of the Company or in the name of the Company and may collect and deposit into any such account or accounts, and disburse from any such account or accounts, any money on behalf of the Company, under such terms and conditions as the Board may approve; provided, that no funds shall be commingled with the funds of the Advisor. The Advisor shall upon request render appropriate accountings of such collections and payments to the Board and the independent auditors of the Company.

Article 6

Records And Financial Statements

The Advisor, in the conduct of its responsibilities to the Company, shall maintain adequate and separate books and records for the Company’s operations in accordance with GAAP, which shall be supported by sufficient documentation to ascertain that such books and records are properly and accurately recorded. Such books and records shall be the property of the Company and shall be available for inspection by the Board and by counsel, auditors and other authorized agents of the Company, at any time or from time to time during normal business hours. Such books and records shall include all information necessary to calculate and audit the fees or reimbursements paid under this Agreement. The Advisor shall utilize procedures to attempt to ensure such control over accounting and financial transactions as is reasonably required to protect the Company’s assets from theft, error or fraudulent activity. All financial statements that the Advisor delivers to the Company shall be prepared on an accrual basis in accordance with GAAP, except for special financial reports that by their nature require a deviation from GAAP. The Advisor shall liaise with the Company’s officers and independent auditors and shall provide such officers and auditors with the reports and other information that the Company so requests.

Article 7

Limitation On Activities

Notwithstanding any provision in this Agreement to the contrary, the Advisor shall not take any action that, in its sole judgment made in good faith, would (i) adversely affect the ability of the Company to qualify or continue to qualify as a REIT under the

Code (unless the Board has determined that REIT qualification is not in the best interests of the Company and its Stockholders), (ii) subject the Company to regulation under the Investment Company Act of 1940, as amended, (iii) violate any law, rule, regulation or statement of policy of any governmental body or agency having jurisdiction over the Company, its Shares or its other securities, (iv) require the Advisor to register as a broker-dealer with the SEC or any state, or (v) violate the Articles of Incorporation or Bylaws. In the event an action that would violate (i) through (v) of the preceding sentence but such action has been ordered by the Board, the Advisor shall notify the Board of the Advisor's judgment of the potential impact of such action and shall refrain from taking such action until it receives further clarification or instructions from the Board. In such event, the Advisor shall have no liability for acting in accordance with the specific instructions of the Board so given.

Article 8

Fees

8.1 **Acquisition Fees**. As compensation for the investigation, selection, sourcing and acquisition or origination (by purchase, investment or exchange) of Properties, Loans and other Permitted Investments, the Company shall pay an Acquisition Fee to the Advisor or its assignees for each such investment (whether an acquisition or origination). With respect to the acquisition or origination of a Property, Loan or other Permitted Investment to be owned, directly or indirectly, by the Company or the Partnership, the Acquisition Fee payable to the Advisor or its assignee shall equal 1.0% of the sum of the amount actually paid or allocated to fund the acquisition, origination, development, construction or improvement of the Property, Loan or other Permitted Investment, inclusive of the Acquisition Expenses associated with such Property, Loan or other Permitted Investment and the amount of any debt associated with, or used to fund the investment in, such Property, Loan or other Permitted Investment. Acquisition Fees will also include any amounts incurred or reserved for capital expenditures that will be used to provide funds for capital improvements and repairs applied to any real property investment acquired where the Company plans to add value. With respect to the acquisition or origination of a Property, Loan or other Permitted Investment through any Joint Venture or any partnership in which the Company or the Partnership is, directly or indirectly, a co-venturer or partner, the Acquisition Fee payable to the Advisor or its assignee shall equal 1.0% of the portion that is attributable to the Company's or the Partnership's direct or indirect investment in such Joint Venture or partnership of the amount actually paid or allocated to fund the acquisition, origination, development, construction or improvement of the Property, Loan or other Permitted Investment, inclusive of the Acquisition Expenses associated with such Property, Loan or other Permitted Investment, plus the amount of any debt associated with, or used to fund the investment in, such Property, Loan or other Permitted Investment. Notwithstanding anything herein to the contrary, the payment of Acquisition Fees by the Company shall be subject to the limitations on Acquisition Fees contained in the Company's Charter. The Advisor shall submit an invoice to the Company following the closing or closings

of each acquisition or origination, accompanied by a computation of the Acquisition Fee. The Acquisition Fee payable to the Advisor or its assignees shall be paid at the closing of the transaction upon receipt of the invoice by the Company.

8.2 **Asset Management Fee**. The Company shall pay the Advisor or its assignees as compensation for the services described in Section 3.3 hereof a quarterly fee (the "**Asset Management Fee**") in an amount equal to 0.25% of the Management Fee Base. The Asset Management Fee is payable quarterly in advance, on January 1, March 1, July 1 and October 1, in the amount of 0.25% of the Management Fee Base for the preceding fiscal quarter. The Advisor shall submit an invoice to the Company, accompanied by a computation of the Asset Management Fee for the applicable period.

8.3 **Disposition Fees**. If the Advisor or Sub-advisor or any of their Affiliates provides a substantial amount of services (as determined by the Conflicts Committee) in connection with a Sale, then the Advisor or its assignees shall receive a fee at the closing (the "**Disposition Fee**") equal to 2.0% of the Contract Sales Price; provided, however, that the payment of any Disposition Fees by the Company shall be subject to the limitations contained in the Company's Articles of Incorporation. Any Disposition Fee payable under this Section 8.3 may be paid in addition to commissions paid to non-Affiliates, provided that the total commissions (including such Disposition Fee) paid to all Persons by the Company for each Sale shall not exceed an amount equal to the lesser of (i) 6.0% of the aggregate Contract Sales Price of each applicable Property, Loan or other Permitted Investment and (ii) the Competitive Real Estate Commission for each applicable Property, Loan or other Permitted Investment. Substantial assistance in connection with the Sale of a Property includes the preparation of an investment package for the Property (including a new investment analysis, rent rolls, tenant information regarding credit, a property title report, an environmental report, a list of prospective buyers, a structural report and exhibits) or such other substantial services performed by the Advisor or Sub-advisor or any of their Affiliates in connection with a Sale. The Disposition Fee payable to the Advisor or its assignees shall be paid at the closing of the transaction upon receipt of the invoice by the Company.

8.4 **Financing Fee**. In the event of any debt financing obtained by or for the Company, the Company will pay to the Advisor or its assignees upon the closing of such debt financing a fee (a "**Financing Fee**") equal to (i) 0.75% of the amount available under the financing for financings at the Company, Partnership, or any direct or indirect subsidiary level and (ii) 0.75% of the portion that is attributable to the Company's or the Partnership's direct or indirect investment in a Joint Venture or partnership in which the Company or the Partnership is, directly or indirectly, a co-venturer or partner. The Financing Fee includes the reimbursement of the specified costs incurred by the Advisor (or Sub-advisor) of engaging third parties to source debt financing. Nothing herein shall prevent the Advisor or Sub-advisor from entering fee-splitting arrangements with third parties

with respect to the Financing Fee. All or any portion of the Financing Fees not taken as to any fiscal year shall be deferred without interest and may be paid in such other fiscal year as the Advisor shall determine.

8.5 **Subordinated Share of Cash Flows**. The Company will pay, from time to time when available, Subordinated Share of Cash Flows to the Advisor or its assignees in an amount equal to 15% of Operating Cash Flow and 15% of Cash from Sales, Settlements and Financings remaining after the Stockholders have received Distributions of Operating Cash Flow and of Cash from Sales, Settlements and Financings such that the owners of all outstanding Shares have received Distributions in an aggregate amount equal to the sum of, as of such point in time:

(A) the Stockholders' 7% Return and

(B) Invested Capital.

When determining whether the above threshold has been met:

(1) Any stock dividend shall not be included as a Distribution; and

(2) Distributions paid on Shares redeemed by the Company (and thus no longer included in the determination of Invested Capital), shall not be included as a Distribution.

Following Listing, no Subordinated Share of Cash Flows will be paid to the Advisor or its assignees.

8.6 **Subordinated Incentive Fee**. Upon Listing, the Advisor or its assignees shall be entitled to the Subordinated Incentive Fee in an amount equal to 15.0% of the amount by which (i) the market value of the outstanding Shares, measured by taking the average closing price or the average of the bid and asked price, as the case may be, over a period of 30 days during which the Shares are traded, with such period beginning 180 days after Listing (the "**Market Value**"), plus the total of all Distributions paid to Stockholders (excluding any stock dividends and Distributions paid on Shares that have been redeemed by the Company) from the Company's inception until the date that Market Value is determined, exceeds (ii) the sum of (A) 100% of Invested Capital and (B) the total Distributions required to be paid to the Stockholders as of the date Market Value is determined in order to pay the Stockholders' 7% Return from inception through the date Market Value is determined. The Company shall have the option to pay such fee in the form of cash, Shares, a promissory note or any combination of the foregoing. The Subordinated Incentive Fee will be reduced by the amount of any prior payment to the Advisor or its assignees of a Subordinated Share of Cash Flows. In the event the Subordinated Incentive Fee is paid to the Advisor or its assignees following Listing, no additional Subordinated Share of Cash Flows will be paid to the Advisor.

8.7 **Other Services**. Should the Board request that the Advisor or the Sub-advisor or any Affiliate or director, officer or employee of any of the foregoing render services for the Company other than as set forth in this Agreement, such services shall be separately compensated at such rates and in such amounts as are agreed upon by the Advisor, Sub-advisor or such Affiliate or other Person, on the one hand, and the Board, including a majority of the Conflicts Committee, on the other hand, subject to the limitations contained in the Articles of Incorporation, and shall not be deemed to be services pursuant to the terms of this Agreement.

8.8 **Changes to Fee Structure**. In the event of Listing, the Company and the Advisor shall negotiate in good faith to establish a fee structure appropriate for a perpetual-life entity.

Article 9

Expenses

9.1 **General**. In addition to the compensation paid to the Advisor pursuant to Article 8 hereof, the Company shall pay directly or reimburse the Advisor or Sub-advisor, as the case may be, for all of the expenses paid or incurred by the Advisor, the Sub-advisor or their Affiliates on behalf of the Company or in connection with the services provided to the Company pursuant to this Agreement, including, but not limited to:

(A) All Organization and Offering Expenses; provided, however, that:

(1) the Company shall not reimburse the Advisor or Sub-advisor to the extent such reimbursement would cause the total amount spent by the Company on Organization and Offering Expenses (excluding underwriting and brokerage discounts and commissions) to exceed 1.5% of Gross Proceeds raised in an Offering as of the termination of such Offering;

(2) within 60 days after the end of the month in which an Offering terminates, the Advisor shall reimburse the Company to the extent the Company incurred Organization and Offering Expenses (excluding underwriting and brokerage discounts and commissions) exceeding 1.5% of Gross Proceeds raised in such Offering; and

(3) the Company shall not reimburse the Advisor or Sub-advisor for any Organization and Offering Expenses that the Conflicts Committee determines are not fair and commercially reasonable to the Company.

(B) Acquisition Fees and Acquisition Expenses incurred in connection with the selection and acquisition of Properties, Loans and other Permitted Investments, including such expenses incurred related to assets pursued or

considered but not ultimately acquired by the Company, provided that, notwithstanding anything herein to the contrary, the payment of Acquisition Fees and Acquisition Expenses by the Company shall be subject to the limitations contained in the Company's Articles of Incorporation;

(C) Third-party due diligence fees of up to 0.5% of the Gross Proceeds as set forth in a detailed and itemized invoice;

(D) The actual out-of-pocket cost of goods and services used by the Company and obtained from entities not Affiliated with the Advisor or Sub-advisor, including travel, meals and lodging expenses incurred by the Advisor or Sub-advisor in performing duties associated with the acquisition or origination of Properties, Loans or other Permitted Investments;

(E) Interest and other costs for borrowed money, including discounts, points and other similar fees;

(F) Taxes and assessments on income or Properties, taxes as an expense of doing business and any other taxes otherwise imposed on the Company and its business, assets or income;

(G) Out-of-pocket costs associated with insurance required in connection with the business of the Company or by its officers and Directors;

(H) Expenses of managing, improving, developing, operating and selling Properties, Loans and other Permitted Investments owned, directly or indirectly, by the Company, as well as expenses of other transactions relating to such Properties, Loans and other Permitted Investments, including prepayments, maturities, workouts and other settlements of Loans and other Permitted Investments;

(I) All out-of-pocket expenses in connection with payments to the Board and meetings of the Board and Stockholders;

(J) All out-of-pocket expenses associated with a Listing, if applicable, or with the issuance and distribution of Shares, such as selling commissions and fees, advertising expenses, taxes, legal and accounting fees, listing and registration fees, and other Organization and Offering Expenses;

(K) Personnel and related employment costs incurred by the Advisor, the Sub-advisor or their Affiliates in performing the services described in Article 3 hereof, including reasonable salaries and wages, benefits and overhead of all employees directly involved in the performance of such services, provided that no reimbursement shall be made for costs of such employees of the Advisor, Sub-advisor or their Affiliates to the extent that such employees perform services for which the Advisor receives Acquisition Fees or Disposition Fees;

(L) Out-of-pocket expenses of providing services for and maintaining communications with Stockholders, including the cost of preparation, printing, and mailing annual reports and other Stockholder reports, proxy statements and other reports required by governmental entities;

(M) Audit, accounting and legal fees, and other fees for professional services relating to the operations of the Company and all such fees incurred at the request, or on behalf of, the Board, the Conflicts Committee or any other committee of the Board;

(N) Out-of-pocket costs for the Company to comply with all applicable laws, regulations and ordinances;

(O) Expenses connected with payments of Distributions made or caused to be made by the Company to the Stockholders;

(P) Expenses of organizing, redomesticating, merging, liquidating or dissolving the Company or of amending the Articles of Incorporation or the Bylaws; and

(Q) All other out-of-pocket costs incurred by the Advisor or Sub-advisor in performing the Advisor's duties hereunder.

9.2 **Timing of and Additional Limitations on Reimbursements**.

(A) Expenses incurred by the Advisor or Sub-advisor on behalf of the Company and reimbursable pursuant to this Article 9 shall be reimbursed no less than monthly to the Advisor or Sub-advisor in the manner and proportion directed by the Advisor and Sub-advisor. The Advisor shall prepare a statement documenting the expenses of the Company during each quarter and shall deliver such statement to the Company within 45 days after the end of each quarter.

(B) Notwithstanding anything else in this Article 9 to the contrary, the expenses enumerated in this Article 9 shall not become reimbursable to the Advisor unless and until the Company has raised $2,500,000 in the Initial Public Offering.

(C) Commencing upon the end of the fourth fiscal quarter after the Company's acquisition of its first real estate asset, the following limitation on Operating Expenses shall apply: The Company shall not reimburse the Advisor or Sub-advisor at the end of any fiscal quarter for Operating Expenses that in the four consecutive fiscal quarters then ended (the "**Expense Year**") exceed (the "**Excess Amount**") the greater of 2% of Average Invested Assets or 25% of Net Income (the "**2%/25% Guidelines**") for such year unless the Conflicts Committee determines that such excess was justified, based on unusual and nonrecurring factors that the Conflicts Committee deems sufficient. If the Conflicts Committee

does not approve such excess as being so justified, the Advisor or Sub-advisor shall repay to the Company any Excess Amount paid to the Advisor or Sub-advisor during a fiscal quarter. If the Conflicts Committee determines such excess was justified, then, within 60 days after the end of any fiscal quarter of the Company for which total reimbursed Operating Expenses for the Expense Year exceed the 2%/25% Guidelines, the Advisor, at the direction of the Conflicts Committee, shall cause such fact to be disclosed to the Stockholders in writing (or the Company shall disclose such fact to the Stockholders in the next quarterly report of the Company or by filing a Current Report on Form 8-K with the SEC within 60 days of such quarter end), together with an explanation of the factors the Conflicts Committee considered in determining that such excess expenses were justified. The Company will ensure that such determination will be reflected in the minutes of the meetings of the Board. All figures used in the foregoing computation shall be determined in accordance with GAAP applied on a consistent basis.

Article 10

Voting Agreement

10.1 **Election of Directors**. The Company agrees that it will take such actions that are necessary to cause William M. Kahane, Nicholas Schorsch or another representative of the Advisor reasonably satisfactory to the Company and Sub-advisor to be a member of the initial Board of Directors of the Company if such representative executes an advance letter of resignation to become effective upon such time that the Advisor is no longer serving as the advisor to the Company. The Company agrees that if a representative of the Advisor is not a member of the Board of Directors of the Company during the Observer Period, the Advisor shall have the right to appoint William Kahane, Nicholas Schorsch or another representative of the Advisor reasonably satisfactory to Company and the Sub-advisor as a board observer (the "**Board Observer**") who shall be entitled to attend all meetings of the Company's Board of Directors and all committees thereof (excluding any committee meeting of independent directors to which none of the Company's management and non-independent directors is invited), participate in discussions of matters before the Board or any committee thereof and receive copies of all materials furnished to the Board or any committee thereof, including notices, minutes, consents and any and all other materials provided to directors (other than any materials that outside counsel for the Company has reasonably determined in writing that the furnishing thereof to the Board Observer would result in the loss of the Company's attorney/client privilege); provided, however, that the Board Observer shall have no voting rights with respect to actions taken or elected not to be taken by the Board or any committee thereof. Prior to attending any meeting of the Board or a committee thereof, the Board Observer shall agree in writing to a customary confidentiality agreement. As used in this letter agreement, "**Observer Period**" means the earlier to occur of (i) the fifth anniversary of the effective date of the Initial Public Offering and (ii) if the Company terminates this Agreement, the effective date of such termination.

10.2 **Other Voting of Shares**. The Advisor agrees that, with respect to any Shares now or hereinafter owned by it, the Advisor will not vote or consent on matters submitted to the stockholders of the Company regarding (i) the removal of the Advisor or any Affiliate of the Advisor or (ii) any transaction between the Company and the Advisor or any of its Affiliates. This voting restriction shall survive until such time that the Advisor is no longer serving as such.

Article 11

Relationship Of Advisor And Company; Other Activities Of The Advisor

11.1 **Relationship**. The Company and the Advisor are not partners or joint venturers with each other, and nothing in this Agreement shall be construed to make them such partners or joint venturers. Nothing herein contained shall prevent the Advisor or any of its Affiliates from engaging in or earning fees from other activities, including the rendering of advice to other Persons (including other REITs) and the management of other programs advised, sponsored or organized by the Advisor or any of its Affiliates. Nor shall this Agreement limit or restrict the right of any manager, director, officer, member, partner, employee or equityholder of the Advisor or any of its Affiliates to engage in or earn fees from any other business or to render services of any kind to any other Person. The Advisor may, with respect to any investment in which the Company is a participant, also render advice and service to each and every other participant therein, and earn fees for rendering such advice and service. Specifically, it is contemplated that the Company may enter into Joint Ventures or other similar co-investment arrangements with certain Persons, and pursuant to the agreements governing such Joint Ventures or other similar co-investment arrangements, the Advisor may be engaged to provide advice and service to such Persons, in which case the Advisor will earn fees for rendering such advice and service. The Advisor shall promptly disclose to the Board the existence of any condition or circumstance, existing or anticipated, of which it has knowledge, that creates or could create a conflict of interest between the Advisor's obligations to the Company and its obligations to or its interest in any other Person.

11.2 **Time Commitment**. The Advisor shall, and shall cause its Affiliates and their respective employees, officers and agents to, devote to the Company such time as shall be reasonably necessary to conduct the business and affairs of the Company in an appropriate manner consistent with the terms of this Agreement. The Company acknowledges that the Advisor and its Affiliates and their respective employees, officers and agents may also engage in activities unrelated to the Company and may provide services to Persons other than the Company or any of its Affiliates.

11.3 **Investment Opportunities**. The Advisor shall be required to use commercially reasonable efforts to present a continuing and suitable investment program to the Company that is consistent with the investment policies and objectives of the Company. So long as the Advisor acts in its capacity as advisor under this Agreement, neither the Advisor nor any Affiliate of the Advisor shall pursue any opportunity to acquire any Property, Loan or other Permitted Investment that is directly competitive with the Company's strategy, unless and until the opportunity is presented first to the Company; provided, however, that the Advisor or any Affiliate of the Advisor shall be permitted to pursue any opportunity in respect of (i) any net leased retail, office and industrial properties or other property consistent with the investment policies of American Reality Capital Trust, Inc., or (ii) any commercial real estate or other real estate investments that relate to office, retail, multi-family residential, industrial and hotel property types, located primarily in the New York metropolitan area or other property consistent with the investment policies of American Realty Capital New York Recovery REIT, Inc. If the Company passes on such acquisition, then the Advisor or its Affiliates may acquire the subject investment.

Article 12

The Phillips Edison and ARC Names

12.1 **The American Realty Capital and ARC Names**. The Advisor and its Affiliates have or may have a proprietary interest in the names "American Realty Capital" and "ARC." The Advisor hereby grants to the Company, to the extent of any proprietary interest the Advisor may have in any of the names "American Realty Capital" and "ARC," a non-transferable, non-assignable, non-exclusive royalty-free right and license to use the names "American Realty Capital" and "ARC" during the term of this Agreement. The Company agrees that the Advisor and its Affiliates will have the right to approve of any use by the Company of the names "American Realty Capital" or "ARC," such approval not to be unreasonably withheld or delayed. Accordingly, and in recognition of this right, if at any time the Company ceases to retain the Advisor or one of its Affiliates to perform advisory services for the Company, the Company will, promptly after receipt of written request from the Advisor, cease to conduct business under or use the names "American Realty Capital" and "ARC" or any derivative thereof and the Company shall change its name and the names of any of its subsidiaries to a name that does not contain the names "American Realty Capital" or "ARC" or any other word or words that might, in the reasonable discretion of the Advisor, be susceptible of indication of some form of relationship between the Company and the Advisor or any its Affiliates. At such time, the Company will also make any changes to any trademarks, servicemarks or other marks necessary to remove any references to any of the names "American Realty Capital" or "ARC." Consistent with the foregoing, it is specifically recognized that the Advisor or one or more of its Affiliates has in the past and may in the future organize, sponsor or otherwise permit to exist other investment vehicles (including vehicles for investment in real estate) and financial and service organizations having any of the names

"American Realty Capital" or "ARC" as a part of their name, all without the need for any consent (and without the right to object thereto) by the Company. Neither the Advisor nor any of its Affiliates makes any representation or warranty, express or implied, with respect to the names "American Realty Capital" or "ARC" licensed hereunder or the use thereof (including without limitation as to whether the use of the name "American Realty Capital" or "ARC" will be free from infringement of the intellectual property rights of third parties). Notwithstanding the preceding, the Advisor represents and warrants that it is not aware of any pending claims or litigation or of any claims threatened in writing regarding the use or ownership of the names "American Realty Capital" or "ARC."

12.2 **The Phillips Edison and PECO Names**. The Sub-advisor and its Affiliates have or may have a proprietary interest in the names "Phillips Edison" and "PECO." The Sub-advisor hereby grants to the Company, to the extent of any proprietary interest the Sub-advisor may have in the names "Phillips Edison" and "PECO," a non-transferable, non-assignable, non-exclusive royalty-free right and license to use the names "Phillips Edison" and "PECO" during the term of this Agreement. The Company and Advisor agree that the Sub-advisor and its Affiliates will have the right to approve of any use by the Company of the names "Phillips Edison" or "PECO," such approval not to be unreasonably withheld or delayed. Accordingly, and in recognition of this right, if at any time the Advisor ceases to retain the Sub-advisor or one of its Affiliates to perform advisory services for the Company, the Company will, promptly after receipt of written request from the Sub-advisor, cease to conduct business under or use the names "Phillips Edison" and "PECO" or any derivative thereof and the Company shall change its name and the names of any of its subsidiaries to a name that does not contain any of the names "Phillips Edison" and "PECO" or any other word or words that might, in the reasonable discretion of the Sub-advisor, be susceptible of indication of some form of relationship between the Company and the Sub-advisor or any its Affiliates. At such time, the Company will also make any changes to any trademarks, servicemarks or other marks necessary to remove any references to any of the names "Phillips Edison" or "PECO." Consistent with the foregoing, it is specifically recognized that the Sub-advisor or one or more of its Affiliates has in the past and may in the future organize, sponsor or otherwise permit to exist other investment vehicles (including vehicles for investment in real estate) and financial and service organizations having the names "Phillips Edison" or "PECO" as a part of their name, all without the need for any consent (and without the right to object thereto) by the Company. Neither the Sub-advisor nor any of its Affiliates makes any representation or warranty, express or implied, with respect to the names "Phillips Edison" or "PECO" licensed hereunder or the use thereof (including without limitation as to whether the use of the name "Phillips Edison" or "PECO" will be free from infringement of the intellectual property rights of third parties). Notwithstanding the preceding, the Sub-advisor represents and warrants that it is not aware of any pending claims or litigation or of any claims threatened in writing regarding the use or ownership of the names "Phillips Edison" or "PECO."

Article 13

Term And Termination Of The Agreement

13.1 **Term**. This Agreement shall have an initial term of one year from the date hereof and may be renewed for an unlimited number of successive one-year terms upon mutual consent of the parties. The Company (acting through the Conflicts Committee) will evaluate the performance of the Advisor annually before renewing this Agreement, and each such renewal shall be for a term of no more than one year. Any such renewal must be approved by the Conflicts Committee.

13.2 **Termination by Either Party**. This Agreement may be terminated upon 60 days' written notice without cause or penalty by either the Company (acting through the Conflicts Committee) or the Advisor. The provisions of Section 14.2 and Articles 1, 12, 13, 15 and 16 (other than Section 16.11) shall survive termination of this Agreement. Notwithstanding anything else that may be to the contrary herein, the expiration or earlier termination of this Agreement shall not relieve a party for liability for any breach occurring prior to such expiration or earlier termination.

13.3 **Payments on Termination and Survival of Certain Rights and Obligations**.

(A) After the Termination Date, the Advisor shall not be entitled to compensation for further services hereunder except the Advisor (and its assignees, including the Sub-advisor) shall be entitled to receive from the Company within 30 days after the effective date of such termination (1) all unpaid reimbursements of expenses and all earned but unpaid fees payable to the Advisor or its assignees prior to termination of this Agreement and (2) the Subordinated Performance Fee Due Upon Termination; provided, that no Subordinated Performance Fee Due Upon Termination will be paid if the Company has paid or is obligated to pay the Subordinated Incentive Fee.

(B) The Advisor shall promptly upon termination:

(1) pay over to the Company all money collected pursuant to this Agreement, if any, after deducting any accrued compensation and reimbursement for its expenses to which it is then entitled;

(2) deliver to the Board a full accounting, including a statement showing all payments collected by it and a statement of all money held by it, covering the period following the date of the last accounting furnished to the Board;

(3) deliver to the Board all assets and documents of the Company then in the custody of the Advisor; and

(4) cooperate with the Company to provide an orderly transition of advisory functions.

(C) After the Termination Date, the Sub-advisor shall be entitled to receive from the Company, within 30 days after the effective date of such termination (1) all unpaid reimbursements of expenses and all earned but unpaid fees payable to the Sub-advisor prior to the termination of this Agreement and (2) the Sub-advisor’s share of the Subordinated Performance Fee Due Upon Termination, if any; provided, that no Subordinated Performance Fee Due Upon Termination will be paid if the Company has paid or is obligated to pay the Subordinated Incentive Fee.

(D) After the termination of the Sub-advisory Agreement, to the extent payments are not provided for by Section 13.3(C) (i.e., if the Sub-advisory Agreement is terminated independently of the Advisory Agreement), the Sub-advisor shall be entitled to receive from the Company, within 30 days after the effective date of such termination, all unpaid reimbursements of expenses and all earned but unpaid fees payable to the Sub-advisor prior to the termination of the Sub-advisory Agreement.

(E) Promptly upon the termination of the Sub-advisory Agreement, the Sub-advisor shall promptly upon such termination:

(1) pay over to the Company all money, if any, collected and held on behalf of the Company pursuant to the Sub-advisory Agreement after deducting any accrued compensation and reimbursement for its expenses to which it is then entitled;

(2) deliver to the Board a full accounting, including a statement showing all payments collected by it and a statement of all money held by it, covering the period following the date of the last accounting furnished to the Board;

(3) deliver to the Board all assets and documents of the Company then in the custody of the Sub-advisor; and

(4) cooperate with the Company to provide an orderly transition of advisory functions.

(F) The “**Subordinated Performance Fee due upon Termination**” will equal the greater of (1) 15% of the amount, if any, by which (a) the Appraised Value of the Properties at the Termination Date, less amounts of all indebtedness secured by such Properties at the Termination Date, plus the fair market value of all other Loans and Permitted Investments of the Company at the Termination Date, less amounts of indebtedness related to such Loans and Permitted Investments at the Termination Date, plus total Distributions (excluding any stock dividends and Distributions paid on Shares that have been redeemed by the Company) through the

Termination Date exceeds (b) the sum of Invested Capital as of the Termination Date, plus total Distributions required to be made to the Stockholders in order to pay the Stockholders' 7% Return from inception through the Termination Date to the Stockholders as of the Termination Date, or (2) deemed real estate commissions equal to 3% of the contract sales price that would have been paid to the Advisor or its Affiliates (assuming the sale of substantially all of the assets of the Company at the Termination Date at a fair market value on such date) (provided that in no event may such deemed real estate commissions exceed the aggregate Competitive Real Estate Commission), less (3) any prior payment to the Advisor and/or Sub-advisor (as applicable) of a Subordinated Share of Cash Flows. The Advisor and Sub-advisor may each elect to defer its respective right to receive the Subordinated Performance Fee due upon Termination (or its applicable portion thereof) until (x) a Listing, (y) a merger in which the Stockholders receive in exchange for their Shares shares of a company that are traded on a national securities exchange, or (z) any other liquidity event occurs, including a liquidation, sale of substantially all of the Company's assets (an "**Other Liquidity Event**").

(G) If either the Advisor or Sub-advisor or both elect to defer their right to receive a Subordinated Performance Fee due upon Termination (or its applicable portion thereof) and there is a Listing or a merger in which the Stockholders receive in exchange for their Shares shares of a company that are traded on a national securities exchange, then the Advisor and/or Sub-advisor (each to the extent entitled pursuant to the assignment of such right to payment between the Advisor and Sub-advisor) will be entitled to receive a Subordinated Performance Fee due upon Termination (or its applicable portion thereof) equal to the greater of (1) 15% of the amount, if any, by which (a) the Appraised Value of the Company's Properties (determined by appraisal as of the date of Listing or merger, as applicable) owned as of the Termination Date, less amounts of all indebtedness secured by the Company's Properties at the Termination Date, plus the fair market value of all other Loans and Permitted Investments of the Company at the Termination Date, plus any assets acquired after Termination for which the Advisor or Sub-advisor would have been entitled to receive an Acquisition Fee (referred to herein as the "included assets"), less amounts of indebtedness related to such Loans and Permitted Investments or such included assets at the Termination Date, plus total Distributions (excluding any stock dividends and Distributions paid on Shares that have been redeemed by the Company) through the date of Listing or merger, as applicable, exceeds (b) the sum of Invested Capital as of the date of Listing or merger, as applicable, plus total Distributions required to be made to the Stockholders in order to pay the Stockholders' 7% Return from inception through the date of Listing or merger, as applicable, to the Stockholders as of the date of Listing or merger, as applicable, or (2) deemed real estate commissions equal to 3% of the contract sales price that would have been paid to the Advisor or its

Affiliates (assuming the sale of substantially all of the assets of the Company at the Termination Date at a fair market value on such date) (provided that in no event may such deemed real estate commissions exceed the aggregate Competitive Real Estate Commission), less (3) any prior payment to the Advisor and/or Sub-advisor (as applicable) of a Subordinated Share of Cash Flows.

(H) If the Advisor or Sub-advisor or both elect to defer their right to receive a Subordinated Performance Fee due upon Termination (or its applicable portion thereof) and there is an Other Liquidity Event, then the Advisor and/or Sub-advisor (each to the extent entitled pursuant to the assignment of such right to payment between the Advisor and Sub-advisor) will be entitled to receive a Subordinated Performance Fee due upon Termination (or its applicable portion thereof) in an amount equal to the sum of (1) 15% of the amount, if any, by which (a) the net sales proceeds of the Company's assets that were owned at the Termination Date, plus total Distributions (excluding any stock dividends and Distributions paid on Shares that have been redeemed by the Company) through the date of the Other Liquidity Event exceeds (b) the sum of Invested Capital as of the date of the Other Liquidity Event plus total Distributions required to be made to the Stockholders in order to pay the Stockholders' 7% Return from inception through the date of the Other Liquidity Event to the Stockholders as of the date of the Other Liquidity Event, plus (2) deemed real estate commissions equal to 3% of the contract sales price that would have been paid to the Advisor or its Affiliates (assuming the sale of substantially all of the assets of the Company at the Termination Date at a fair market value on such date) (provided that in no event may such deemed real estate commissions exceed the aggregate Competitive Real Estate Commission), less (3) any prior payment to the Advisor and/or Sub-advisor (as applicable) of a Subordinated Share of Cash Flows.

Article 14

Assignment

14.1 **Assignment of Agreement**. This Agreement may be assigned by the Advisor to an Affiliate with the consent of the Conflicts Committee. This Agreement shall not be assigned by the Company without the consent of the Advisor, except in the case of an assignment by the Company to a corporation or other organization that is a successor to all of the assets, rights and obligations of the Company, in which case such successor organization shall be bound hereunder and by the terms of said assignment in the same manner as the Company is bound by this Agreement.

14.2 **Assignment of Payments**. The Advisor may assign any rights to receive fees or other payments under this Agreement without obtaining the approval of the Board or Conflicts Committee, and the Company shall honor and pay directly the assignee of such assignment.

Article 15

Indemnification And Limitation Of Liability

15.1 **Indemnification**. Except as prohibited by the restrictions provided in this Section 15.1, Section 15.2 and Section 15.3, the Company shall indemnify, defend and hold harmless the Advisor, the Sub-advisor and their Affiliates, as well as their respective officers, directors, equity holders, members, partners and employees, from all liability, claims, damages or losses arising in the performance of their duties hereunder or under any sub-advisory agreement, and related expenses, including reasonable attorneys' fees, to the extent such liability, claims, damages or losses and related expenses are not fully reimbursed by insurance. Any indemnification of the Advisor or Sub-advisor may be made only out of the net assets of the Company and not from Stockholders.

Notwithstanding the foregoing, the Company shall not indemnify the Advisor or Sub-advisor or their Affiliates, as well as their respective officers, directors, equity holders, members, partners and employees, for any loss, liability or expense arising from or out of an alleged violation of federal or state securities laws by such party unless one or more of the following conditions are met: (i) there has been a successful adjudication on the merits of each count involving alleged material securities law violations as to the particular indemnitee; (ii) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction as to the particular indemnitee; or (iii) a court of competent jurisdiction approves a settlement of the claims against a particular indemnitee and finds that indemnification of the settlement and the related costs should be made, and the court considering the request for indemnification has been advised of the position of the Securities and Exchange Commission and of the published position of any state securities regulatory authority in which securities of the Company were offered or sold as to indemnification for violations of securities laws.

15.2 **Limitation on Indemnification**. Notwithstanding the foregoing, the Company shall not provide for indemnification of the Advisor, the Sub-advisor or their Affiliates or of their respective officers, directors, equity holders, members, partners and employees, for any liability or loss suffered by any of them, nor shall any of them be held harmless for any loss or liability suffered by the Company, unless all of the following conditions are met:

(A) The Advisor, the Sub-advisor or one of their Affiliates (as applicable) has determined, in good faith, that the course of conduct that caused the loss or liability was in the best interests of the Company.

(B) The Advisor, the Sub-advisor or one of Affiliates (as applicable) was acting on behalf of or performing services for the Company.

(C) Such liability or loss was not the result of negligence or misconduct by the Advisor, the Sub-advisor or one of their Affiliates (as applicable).

15.3 **Limitation on Payment of Expenses**. The Company shall pay or reimburse reasonable legal expenses and other costs incurred by any of the Advisor, the Sub-advisor or their Affiliates, or by any of their respective officers, directors, equity holders, members, partners and employees, in advance of the final disposition of a proceeding only if (in addition to any applicable procedures required by the Maryland General Corporation Law, as amended from time to time) all of the following are satisfied: (a) the proceeding relates to acts or omissions with respect to the performance of duties or services on behalf of the Company, (b) the legal proceeding was initiated by a third party who is not a stockholder or, if by a stockholder acting in his or her capacity as such, a court of competent jurisdiction approves such advancement and (c) such Person undertakes to repay the amount paid or reimbursed by the Company, together with the applicable legal rate of interest thereon, if it is ultimately determined that such Person is not entitled to indemnification.

Article 16

Miscellaneous

16.1 **Notices**. Any notice, request, demand, approval, consent, waiver or other communication required or permitted to be given hereunder or to be served upon any of the parties hereto (each a "**Notice**") shall be in writing and shall be (a) delivered in person, (b) sent by facsimile transmission (with the original thereof also contemporaneously given by another method specified in this Section 16.1), (c) sent by a nationally-recognized overnight courier service, or (d) sent by certified or registered mail (postage prepaid, return receipt requested), to the address of such party set forth herein.

To the Company or the Board:

Phillips Edison – ARC Shopping Center REIT Inc.
11501 Northlake Drive
Cincinnati, OH 45249

with a copy to (which shall not constitute Notice):

DLA Piper LLP (US)
4141 Parklake Drive , Suite 300
Raleigh, North Carolina 27612
Attention: Robert Bergdolt
Telephone: (919) 786-2002

Facsimile: (919) 786-2202

To the Advisor:

American Realty Capital II Advisors, LLC
405 Park Avenue
New York, New York 10022
Attention: Nicholas S. Schorsch
Jesse Galloway

with a copy to (which shall not constitute Notice):

Proskauer Rose LLP
1585 Broadway
New York, New York 10036
Attention: Peter M. Fass, Esq.
James P. Gerkis, Esq.
Telephone: (212) 969-3000
Facsimile: (212) 969-2900

To the Sub-advisor:

Phillips Edison NTR LLC
11501 Northlake Drive
Cincinnati, OH 45249

with a copy to (which shall not constitute Notice):

DLA Piper LLP (US) 4141
Parklake Drive , Suite 300
Raleigh, North Carolina 27612
Attention: Robert Bergdolt
Telephone: (919) 786-2002
Facsimile: (919) 786-2202

Any party may at any time give Notice in writing to the other party of a change in its address for the purposes of this Section 16.1. Each Notice shall be deemed given and effective upon receipt (or refusal or receipt).

16.2 **Modification**. This Agreement shall not be amended, supplemented, changed, modified, terminated or discharged, in whole or in part, except by an instrument in writing signed by the Company and the Advisor, or their respective successors or permitted assigns; provided, however, that no modification that impacts the rights or obligations of the Sub-advisor may be made without the Sub-advisor's consent and signature.

16.3 **Severability**. The provisions of this Agreement are independent of and severable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others of them may be invalid or unenforceable in whole or in part.

16.4 **Construction**. The provisions of this Agreement shall be construed and interpreted in accordance with the laws of the State of New York as at the time in effect, without regard to the principles of conflicts of laws thereof.

16.5 **Entire Agreement**. This Agreement contains the entire agreement and understanding among the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. The express terms hereof control and supersede any course of performance and/or usage of the trade inconsistent with any of the terms hereof.

16.6 **Waiver**. Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any other right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

16.7 **Gender**. Words used herein regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires.

16.8 **Titles Not to Affect Interpretation**. The titles of Articles and Sections contained in this Agreement are for convenience only, and they neither form a part of this Agreement nor are they to be used in the construction or interpretation hereof.

16.9 **Third Party Beneficiary**. The Sub-advisor is intended to be a third party beneficiary of the Company’s payment and indemnification obligations hereunder. Except for those Persons entitled to indemnification under Article 15 who shall be third party beneficiaries of this Agreement, no other Person is a third party beneficiary of this Agreement.

16.10 **Counterparts**. This Agreement may be executed with counterpart signature pages or in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterpart signatures pages or counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories.

16.11 **Restricted Stock**. Each of the Company, the Advisor and the Sub-advisor agrees that no restricted stock awards or grants shall be made by the Company to any Persons other than to (a) both the Advisor and the Sub-advisor, or (b) the members of the Conflicts Committee. To the extent that the Company makes restricted stock awards or grants to the Advisor and the Sub-advisor, the Company shall issue (and the Advisor and the Sub-advisor shall use reasonable efforts to cause the Company to issue) 15% of such restricted stock awards or grants to the Advisor and 85% of such restricted stock awards or grants to the Sub-advisor. In turn, each of the Advisor and the Sub-advisor may allocate, in its sole discretion and as it may determine, all or any part of such restricted stock award or grant so issued to it to its or its Affiliates' directors, officers, employees, members or to its respective Affiliates on such terms and conditions as may be determined by it. Notwithstanding Section 13.2, the provision of this Section 16.11 shall terminate upon termination of this Agreement in accordance with its terms.

[The remainder of this page is intentionally left blank.
Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first above written.

Phillips Edison – ARC Shopping Center REIT Inc.

By: /s/ John B. Bessey
John B. Bessey, President

American Realty Capital II Advisors, LLC

By: /s/ William Kahane
William Kahane, President

With respect to Sections 12.2 and 13.3, Article 9, Article 14, Article 15 and Article 16:

Phillips Edison NTR LLC (formerly known as Phillips Edison & Company Subadvisor LLC)

By: /s/ John B. Bessey
John B. Bessey, President

[Signature Page to Second Amended and Restated Advisory Agreement between Phillips Edison – ARC Shopping Center REIT Inc. and American Realty Capital II Advisors, LLC]

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Amendment No. 2 to Registration Statement No. 333-164313 of our report dated March 1, 2010, relating to the financial statement of Phillips Edison—ARC Shopping Center REIT Inc. appearing in the Prospectus, which is a part of such Registration Statement, and to the reference to us under the heading “Experts” in such Prospectus.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio
April 9, 2010

Exhibit 23.3

CONSENT

CoStar Group, Inc. hereby consents to the use by Phillips Edison – ARC Shopping Center REIT Inc. in its Registration Statement on Form S-11, as amended, of the statements and data provided in the Registration Statement attributed to CoStar Group, Inc.

CoStar Group, Inc.
2 Bethesda Metro Center
Bethesda, MD 20814

By: /s/ Gregory P. Troast
Name: Gregory P. Troast
Title: Regional Manager

March 1, 2010

Exhibit 23.4

CONSENT

International Council of Shopping Centers Inc. hereby consents to the use by Phillips Edison – ARC Shopping Center REIT Inc. in its Registration Statement on Form S-11, as amended, of the statements and data provided in the Registration Statement as highlighted in yellow and attributed to International Council of Shopping Centers Inc. as attached hereto as Exhibit A.

International Council of Shopping Centers Inc.
1221 Avenue of the Americas, 41st Floor
New York, NY 10020

By: /s/ Michael P. Niemira
Name: Michael P. Niemira
Title: Staff Vice President, Director of Research and Chief Economist

March 12, 2010

Exhibit 99.1

CONSENT OF LESLIE T. CHAO

I consent to the use of my name as a director nominee in the section “Management” in the Registration Statement to be filed by Phillips Edison–ARC Shopping Center REIT Inc. on Form S-11 and the related Prospectus and any amendments thereto.

Dated: December 1, 2009

/s/ Leslie T. Chao

Name: Leslie T. Chao

Exhibit 99.2

CONSENT OF ETHAN J. HERSHMAN

I consent to the use of my name as a director nominee in the section "Management" in the Registration Statement to be filed by Phillips Edison–ARC Shopping Center REIT Inc. on Form S-11 and the related Prospectus and any amendments thereto.

Dated: December 26, 2009

/s/ Ethan J. Hershman

Name: Ethan J. Hershman

Exhibit 99.3

CONSENT OF RONALD K. KIRK

I consent to the use of my name as a director nominee in the section “Management” in the Registration Statement to be filed by Phillips Edison–ARC Shopping Center REIT Inc. on Form S-11 and the related Prospectus and any amendments thereto.

Dated: February 22, 2010

/s/ Ronald K. Kirk

Name: Ronald K. Kirk

Exhibit 99.4

CONSENT OF PAUL J. MASSEY, JR.

I consent to the use of my name as a director nominee in the section "Management" in the Registration Statement to be filed by Phillips Edison–ARC Shopping Center REIT Inc. on Form S-11 and the related Prospectus and any amendments thereto.

Dated: December 3, 2009

/s/ Paul J. Massey, Jr.
Name: Paul J. Massey, Jr.

DLA Piper LLP (US)
4141 Parklake Avenue, Suite 300
Raleigh, North Carolina 27612-2350
www.dlapiper.com

Robert H. Bergdolt
robert.bergdolt@dlapiper.com
T 919.786.2002
F 919.786.2200

April 9, 2010

Via Overnight Delivery

Ms. Erin E. Martin, Attorney-Advisor
Division of Corporation Finance
U.S. Securities and Exchange Commission.
100 F Street, N.E., Mail Stop 3010 CF/AD8
Washington, DC 20549-6010

Re: Phillips Edison - ARC Shopping Center REIT Inc.
Amendment No. 1 to Registration Statement on Form S-ll Filed March 1, 2010
File No. 333-164313

Dear Ms. Martin:

On behalf of our client, Phillips Edison – ARC Shopping Center REIT Inc. ("we," "us" or the "Company"), and pursuant to applicable provisions of the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, please find the attached for filing with the Securities and Exchange Commission (the "Commission") via EDGAR, a complete copy of Amendment No. 2 to the above-referenced Registration Statement on Form S-11 ("Amendment No. 2").

Amendment No. 2 includes revisions in response to the comment letter from the staff of the Commission's Division of Corporation Finance (the "Staff") to Jeffrey S. Edison of the Company dated March 19, 2010 (the "Comment Letter"). This letter provides responses to the Comment Letter, with responses keyed to the numbered comments in the Comment Letter.

For the Staff's convenience, the Company is providing the Staff with four clean copies of Amendment No. 2 along with four additional copies marked to indicate the location of changes from the Company's filing of Amendment No. 1 to the above-referenced Registration Statement on Form S-11 on March 1, 2010, together with copies of this response letter as filed with the Commission. The page numbers included in our responses refer to the clean, unmarked version of Amendment No. 2 as filed on EDGAR.

<u>**Cover Page of Prospectus**</u>

1. **We note your response to comment 1 in our letter dated February 12, 2010 and that you deleted the disclosure that this offering will be conducted on a best efforts basis. Information required by Item 501 of Regulation S-K should be included in your cover page. Please revise accordingly.**

Response: We note the Staff's comment and believe that the cover page complies with Item 501 of Regulation S-K. In response to comment 9 in the Staff's letter dated February 12, 2010, we did delete one reference to the "best efforts" description of the offering to eliminate redundancy on the cover page. We respectfully direct the Staff's attention to paragraph two of the cover page where the "best efforts" nature of the offering is described.

Prospectus Summary, page 1

What is the experience of your ARC sponsors?, page 7

2. Please explain what comprises "transactional value" with respect to the prior experience of Mr. Schorsch.

Response: We have revised the disclosure as requested by the Staff.

What types of debt-related investments do you expect to make?

3. We note your disclosure that you may invest in debt and derivatives securities related to real estate assets, including credit default swaps. If material, please include a risk factor that discusses the risks associated with these types of investments such as counterparty defaults.

Response: We appreciate the Staff's comment. We do not believe that investments in derivative securities, including credit default swaps, will be a material part of our portfolio. We believe that the risks of our real estate-related investments provided on pages 55 to 58 describe the material risks related to those types of investments.

Management, page 90

Board of Directors, page 90

4. With respect to your directors, please briefly discuss the specific experience, qualifications, attributes or skills that led to the conclusion that the person should serve as a director, in light of your business and structure. Please refer to Item 401(e) of Regulation S-K for guidance.

Response: We appreciate the Staff's comment. In connection with naming our independent directors, we have provided the disclosure required by Item 401(e) of Regulation S-K.

The Advisory Agreement, page 97

5. We note your response to comment 22 in our letter dated February 12, 2010. Please include similar brief examples as to how the subordinated termination fees are calculated in the prospectus. For example, this disclosure could appear in a footnote to the discussion on page 98.

Response: We have revised our disclosure to include three examples of the calculation of the termination fee in footnote 11 beginning on page 114.

The Sub-advisor, page 99

6. We note your response to comment 23 in our letter dated February 12, 2010. We note that it appears that your sub-advisor has been delegated certain duties, such as the management of your day-to-day operations and portfolio of real estate assets, which appears to be important to your business. Therefore, please further explain to us why you believe that the sub-advisory agreement should not be filed as a material agreement in accordance with Item 601(b)(10) of Regulation S-K.

Response: We plan to supplementally seek confidential treatment of portions of the sub-advisory agreement from the Staff before we file it as an exhibit to the Registration Statement.

Conflicts of Interest, page 120

Receipt of Fees and Other Compensation by Our Sponsors and Their Respective Affiliates, page 123

7. **Please refer to the fourth bullet point in this section. Please expand this disclosure to clearly state that acquisition fees are based on the purchase price or cost of the investments acquired and may create an incentive for your advisor entities to accept a higher purchase price for those assets or to purchase assets that may not otherwise be in your best interest.**

Response: We have revised our disclosure as suggested by the Staff in the risk factor ending on page 35 and where recommended by the Staff in the Conflicts of Interest section of the Registration Statement on page 121.

Investment Objectives and Criteria, page 133

8. **We note your response to comment 35 in our letter dated February 12, 2010. Please include similar disclosure in your "Estimated Use of Proceeds" section.**

Response: We have revised the "Estimated Use of Proceeds" section as requested by the Staff.

Management's Discussion and Analysis of Financial Condition and Results of Operations, page 148

Liquidity and Capital Resources, page 137

9. **We note your disclosure that as of the prospectus date, deferred offering costs totaled $942,618. It appears that this amount is as of your audited balance sheet date. Please update your filing to disclose the amount incurred through the date of the prospectus, or a reasonable date near the prospectus date.**

Response: We have revised our disclosure as requested by the Staff.

Consolidated Financial Statements

Notes to Consolidated Balance Sheet

2. Summary of Significant Accounting Policies, page F-5

10. **We note your disclosure that you may invest in debt and derivative securities related to real estate assets, including credit default swaps. If material, please include your accounting policy for fair value measurement of financial instruments and your accounting policy for derivatives. Also, please consider including additional disclosures related to these investments elsewhere in your filing (i.e., critical accounting policies).**

Response: We appreciate the Staff's comment. We do not believe that investments in derivative securities, including credit default swaps, will be a material part of our portfolio. We believe that our accounting policies adequately describe the significant accounting policies related to our planned method of operation.

Appendix A—Prior Performance Tables, page A-l

Phillips Edison Tables

Table V—Sales and Disposals of Properties, page A-12

11. **We note your response to comment 46 in our letter dated February 12, 2010. Please note that the column "Original Mortgage Financing" should appear under the group of columns called "Costs of Properties Including Closing Costs and Soft Costs," not the group of columns called "Selling Price, Net of Closing Costs and GAAP Adjustments." Please revise accordingly.**

Response: We have revised the disclosure as requested.

12. **Refer to the comment above. We also note that you have not included all the footnotes as specified in Table V of Industry Guide 5. For example, please disclose the allocation of taxable gain for properties sold between ordinary and capital gain or advise. Please note that this comment also applies to Table V with respect to ARC Growth Partnership on page A-26.**

Response: We have revised the table disclosure to include a footnote describing the type of gain realized upon the sale of the properties shown in the table. Footnotes one through three, and five listed in Table V of Industry Guide 5 are not applicable to Phillips Edison's prior performance information. The table was prepared in accordance with the guidance provided in footnote six. We have also revised Table V with respect to ARC Growth Partnership to include the responsive footnote disclosure.

American Realty Capital Tables

Table III—Operating Results of Public Program Properties, page A-20

13. **We have reviewed your response to comment 49 in our letter dated February 12, 2010. Please include similar disclosure with this table to explain why the operating results ARC Income Properties II are included in this table and explain that you have also presented it separately.**

Response: We have revised the disclosure immediately following the table as requested by the Staff.

Appendix A-l: Prior Performance of American Financial Realty Trust

Consolidated Statements of Operations, page A-28

14. **We note that many of the line items presented in this statement of operation with respect to the years ended December 31, 2005 and 2004 do not match American Financial Realty Trust's statement of operations found in its Form 10-K for the fiscal year ended December 31, 2006. Please revise or advise.**

Response: We have made the revisions as requested.

Part II—Information Not Required in Prospectus, page II-1

Table VI—Acquisitions of Properties, page II-7

Phillips Edison, page II-7

15. **Please revise the line items of this table to more closely track the line items identified in Table VI of Industry Guide 5 or tell us why such disclosure is not appropriate.**

Response: We have revised the column headings in Table VI to more closely track those identified in Table VI of Industry Guide 5. We did not have any other cash expenditures expensed and, as a result, did not include that column in our table disclosure.

ARC, page II-18

16. Refer to the tables for both public and non-public ARC-sponsored programs. It does not appear that disclosure conforms with Table VI of Industry Guide 5. In addition, the amount of "Total acquisition cost" does not appear to include cash expenditures. Please revise or advise.

Response: We have revised our tabular disclosure to more closely track the tabular disclosure outlined in Table VI of Industry Guide 5.

We greatly appreciate the Staff's assistance in processing this filing. If you should have any questions about this letter or require any further information, please call Neil Miller at (202) 799-4215 or me at (919) 786-2002.

Very truly yours,

DLA Piper LLP (US)

/s/ Robert H. Bergdolt

Robert H. Bergdolt
Partner

cc: Tom Kluck, SEC Legal Branch Chief
Mark Rakip, SEC Accounting Branch
Jennifer Monick, SEC Accounting Branch
Jeffrey S. Edison, Phillips Edison – ARC Shopping Center REIT Inc.