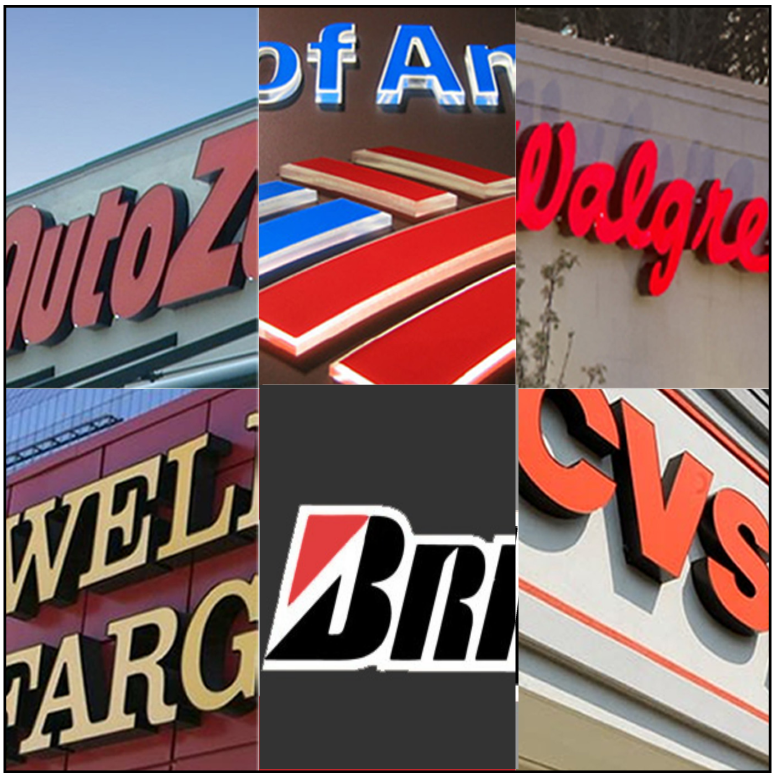
ARC

PROPERTY TRUST



2010 ANNUAL REPORT

INVESTMENTS IN NET LEASE PROPERTIES

Company Profile

ARC Property Trust (ARCTrust) is a private real estate investment trust that specializes in the development and acquisition of net lease properties in the New York to Washington DC corridor. Net Lease properties are real estate that is leased long term to nationally or regionally recognized tenants. ARCTrust is managed by a experienced team of professionals with a proven track record and whose belt and suspenders approach to real estate is intended to produce reliable dividends and to preserve wealth through steady growth and consistent income.

ASSETS	$28,000,000
LIABILITIES	$15,261,000
EQUITY	$ 9,000,000
REVENUES	$ 1,467,000

Letter to Shareholders

April 15, 2011

I am very pleased to write this first annual letter to Shareholders and to tell you about all of our accomplishments this year at ARC Property Trust Inc., ("ARCTrust").

Our goals for 2010 were to raise a substantial base of capital and to invest that capital in a portfolio of carefully selected net lease properties. We have accomplished those goals.

The initial stock offering was for $20million and as of April 15, 2011 we have already received more than $14,000,000 in capital. As a result of the favorable response we are increasing the offering to $30,000,000 to allow for further diversification.

Since the inception of ARCTrust we have acquired a base portfolio of net lease properties to credit worthy companies. Our tenants include CVS, Wells Fargo Bank, AutoZone, Walgreens, Firestone, and Bank of America. This portfolio acts as a great foundation for our future expansion.

We are very proud of this tenant roster, but equally important is the quality of the real estate and the favorable pricing we were able to achieve. Our "belt and suspenders" approach to real estate investing combines good credit companies and well-located real estate that provides reliable returns to our shareholders.

ARCTrust has established proprietary programs including i) a Developer Program that provides capital to developers who represent tenants in their expansion programs, ii) a Tenant Relationship Program for tenants to help them enhance their existing real estate through renovation, expansion, or control, and iii) a Taxable REIT Subsidiary that allows ARCTrust to sell properties sooner than otherwise allowed under a more formal REIT structure.

These programs are unique to our industry and were created from the experience of our management team over the past 25 years in the net lease property business. Our focus is to manufacture opportunities by working with reliable tenants, in reliable locations, to produce reliable dividends

I want express my appreciation to all the people who have helped make the achievements of our first year possible. We have a great team of professionals who work hard every day. I would also like to thank you, our shareholders, for your trust and confidence.

Sincerely,

Robert J. Ambrosi
Chairman

ARC PROPERTY TRUST, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010
AND FOR THE PERIOD FROM
NOVEMBER 20, 2009 (INCEPTION) TO
DECEMBER 31, 2009 (UNAUDITED)

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B&P

Bernstein & Pinchuk

ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
ARC Property Trust, Inc.

We have audited the accompanying consolidated balance sheet of ARC Property Trust, Inc. ("the Company") as of December 31, 2010, and the related consolidated statement of operations, consolidated statement of changes in shareholders' equity, and consolidated statement of cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Bernstein & Pinchuk LLP

New York, NY
April 14, 2011

Bernstein & Pinchuk LLP

NEW YORK OFFICE Seven Penn Plaza Suite 830 New York, NY 10001 Tel 212 279-7900 Fax 212 279-7901

BEIJING OFFICE Rm. 610, Tower E1, Oriental Plaza No. 1 East Chang An Avenue Dong Cheng District, Beijing, China 100738 Tel 86-10-85187992 Fax 86-10-85187993

中国北京市东城区东长安街1号 东方广场东一办公楼610室 100738 电话: 86-10-85187992 传真: 86-10-85187993

www.bpaccountants.com

ARC PROPERTY TRUST, INC.
Consolidated Balance Sheets

	December 31, 2010	December 31, 2009 (Unaudited)
Assets		
Property:		
Land	$ 17,164,952	$ 11,997,177
Land improvements	2,173,336	-
Building furniture and equipment	7,440,906	-
	26,779,194	11,997,177
Less: accumulated depreciation	147,809	-
Total property	**26,631,385**	**11,997,177**
Cash and cash equivalents	396,931	57,143
Restricted cash	91,056	-
Deferred rent receivable	90,978	5,963
Rent receivable	88,333	9,882
Purchase Deposit	211,000	-
Deferred acquisition costs-Lehigh Oil	39,255	-
Deferred financing and other fees, net of accumulated amortization of $154,034 and $16,832 for 2010 and 2009, respectively	656,091	361,029
Total assets	$ **28,205,029**	$ **12,431,194**
Liabilities and Shareholders' Equity		
Current liabilities:		
Mortgage notes payable-current	$ 2,109,262	$ 118,238
Line of credit	450,000	-
Line of credit from related parties	-	1,877,646
Accounts payable and accrued expenses	248,101	52,298
Due to related parties	96,719	465,457
Deferred income	49,926	-
Dividends payable	159,892	-
Total current liabilities	**3,113,900**	**2,513,639**
Mortgage notes payable-long term	15,189,383	9,936,129
Total liabilities	**18,303,283**	**12,449,768**
Commitments and contingencies		
Shareholders' Equity:		
Class A common shares: $.01 par value per share; authorized 5,000,000 shares 2,000,000 offered; 1,138,485 and none issued and outstanding as of December 31, 2010 and 2009, respectively	11,385	-
Additional paid-in capital	10,194,143	(17,971)
Cumulative net income (loss)	48,702	(603)
Cumulative distributions	(352,484)	-
Total shareholders' equity	**9,901,746**	**(18,574)**
Total liabilities and shareholders' equity	$ **28,205,029**	$ **12,431,194**

See notes to consolidated financial statements

ARC PROPERTY TRUST, INC.
Consolidated Statements of Operations

	For the year ended December 31, 2010	For the period from November 20, 2009 (inception) to December 31, 2009 (Unaudited)
Revenue:		
Rental revenue	$ 1,444,676	$ 80,963
Reimbursement real estate taxes	7,685	-
Interest income	15,277	-
Total revenue	**1,467,638**	**80,963**
Expenses:		
Interest expense	836,753	61,263
Depreciation and amortization	285,011	3,602
Management fees-affiliate	158,969	9,647
General and administrative expense	39,457	1,756
Professional expenses	84,102	3,328
Real estate taxes	7,685	-
Property operating expenses	3,288	-
State and local taxes	3,068	1,970
Total expenses	**1,418,333**	**81,566**
Net income (loss)	**$ 49,305**	**$ (603)**

See notes to consolidated financial statements

ARC PROPERTY TRUST INC.

Consolidated Statements of Shareholders' Equity

For the period from November 20, 2010 (inception) to December 31, 2010

	Class A Common Shares		Additional Paid-in	Cumulative Net income	Cumulative	Total Shareholders'
	Shares	Amount	Capital	(loss)	Distribution	Equity
Balance, November 20, 2009	-	$ -	$ -	$ -	$ -	$ -
Offering costs	-	-	(18,171)	-	-	(18,171)
Capital contributions	-	-	200	-	-	200
Net loss	-	-	-	(603)	-	(603)
Balance, December 31, 2009 (unaudited)	-	-	**(17,971)**	**(603)**	**-**	**(18,574)**
Offering costs	-	-	(1,161,353)	-	-	(1,161,353)
Capital contributions	1,138,485	11,385	11,373,467	-	-	11,384,852
Net income	-	-	-	49,305	-	49,305
Dividends	-	-	-	-	(352,484)	(352,484)
Balance, December 31, 2010	**1,138,485**	**$ 11,385**	**$ 10,194,143**	**$ 48,702**	**$ (352,484)**	**$ 9,901,746**

See notes to consolidated financial statements

ARC PROPERTY TRUST, INC.

Consolidated Statements of Cash Flows

	For the year ended December 31, 2010	For the period from November 20, 2009 (inception) to December 31, 2009 (Unaudited)
Cash Flows from Operating Activities:		
Net income (loss)	$ **49,305**	$ **(603)**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	285,011	3,602
Changes in operating assets and liabilities:		
Accounts receivable	(78,451)	(9,882)
Deferred rent receivable	(85,015)	(5,963)
Due to related parties (operating)	87,072	20,582
Accounts payable and accrued expenses	195,803	52,298
Deferred income	49,926	-
Net cash provided by operating activities	**503,651**	**60,034**
Cash Flows from Investing Activities:		
Restricted cash	(91,056)	-
Due to related parties (investing)	(455,810)	343,875
Purchase deposit	(211,000)	-
Deferred acquisition costs- Lehigh Gas	(39,255)	-
Construction costs	(4,173,093)	-
Acquisition of properties	(10,608,924)	(11,997,177)
Net cash used in investing activities	**(15,579,138)**	**(11,653,302)**
Cash Flows from Financing Activities:		
Payments for mortgage payable	(118,222)	(10,226)
Proceeds from mortgage notes payable	1,912,500	10,064,593
Proceeds from construction note payable	5,450,000	-
Proceeds from line of credit	450,000	-
Proceeds from (payments to) line of credit from related parties	(1,877,646)	1,877,646
Increase in deferred mortgage costs and other fees	(432,264)	(263,631)
Proceeds from capital contribution	-	200
Proceeds from sale of Common stock	11,384,852	-
Dividends paid	(192,592)	-
Payments for offering costs	(1,161,353)	(18,171)
Net cash provided by financing activities	**15,415,275**	**11,650,411**
Net Increase in Cash and Cash Equivalents	339,788	57,143
Cash and Cash Equivalents, Beginning of Period	57,143	-
Cash and Cash Equivalents, End of Period	$ **396,931**	$ **57,143**
Supplement Disclosure of Cash Flow Information:		
Interest paid	$ 810,796	$ 59,234
Income taxes paid	$ -	$ -

See notes to consolidated financial statements

1. GENERAL

ARC Property Trust, Inc. is a corporation formed under the laws of the State of Maryland on November 20, 2009. ARC Property Trust Inc. operated as a C Corporation in 2009 but converted to a real estate investment trust ("REIT") under Sections 856-860 of the Internal Revenue Code (the "Code") in 2010.

ARC Property Trust Inc. and subsidiaries (collectively "ARCTrust") specializes in the acquisition and development of Net Lease Properties throughout the United States. Net Lease properties are general purpose properties such as drug stores, bank branches, food markets, restaurants, department stores and other commercial buildings which are leased to one or more nationally or regionally recognized tenants. The Leases generally require tenants to pay most or all of the operating costs of the property and generally provide for periodic fixed increases in base rent or additional rent based on some index tied to inflation or percentage of tenant sales.

ARC Property Trust, Inc. is the general partner in ARC Property Trust Investments LP, a Delaware limited partnership. ARC Property Trust Investments LP is the 100% owner of Edgewater Hudson LLC, Washington Blackhorse LLC, Manalapan ARCTrust LLC, Allentown Lloyd LP, Allentown Lloyd GP LLC, Millville ARCTrust LLC, ARCTRust SPG LLC and Spring Valley Land AT LLC.

ARC Property Trust Investments LP is also the 100% owner of ARCTrust TRS Inc. ARCTrust TRS Inc. is a Taxable REIT Subsidiary as defined under Sections 856 of the Internal Revenue Code.

On December 1, 2009 the beneficial ownership interest in Edgewater Hudson LLC and Washington Blackhorse LLC were contributed to ARC Property Trust Investments LP by Robert Ambrosi and Marc Perel, officers of ARCTrust, and affiliates of the ARC Capital Advisors LP ("the Advisor"), in exchange for 20 Partnership Units valued at $200 which was included in additional paid-in capital. The Advisor performs services for ARCTrust pursuant to the terms of an advisory agreement (the "Advisory Agreement").

On January 10, 2010 ARCTrust commenced a private offering of 2,000,000 shares at $10 per share pursuant to a private placement memorandum. As of December 31, 2010, ARCTrust had $11,384,852 of gross proceeds representing 1,138,485 shares from investors, which, net of offering costs, has yielded $10,205,328.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Basis of Presentation and consolidation*** - The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (" U.S. GAAP") and include the accounts of ARCTrust and its wholly-owned subsidiaries, ARC Property Trust Investment LP , Edgewater Hudson LLC, Washington Blackhorse LLC, Manalapan ARCTrust LLC, Allentown Lloyd LP, Allentown Lloyd GP LLC, Millville ARCTrust LLC, ARCTRust SPG LLC, Spring Valley Land AT LLC and ARC Trust TRS Inc. as of December 31, 2010 and accounts of ARC Property Trust Inc. and its wholly owned subsidiaries, ARC Property Trust Investment LP, Edgewater Hudson LLC, Washington Blackhorse LLC, Allentown Lloyd LP, and Allentown Lloyd GP LLC as of December 31, 2009. All significant intercompany balances and transactions have been eliminated in consolidation.

b. ***Use of Estimates*** - The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c. ***Properties*** - Properties are carried at depreciated cost. Cost includes the purchase price, acquisition fees, and any other costs incurred in acquiring the properties. ARCTrust computes depreciation using the straight-line method over the estimated useful lives of the assets.

Asset	Useful Life
Land Improvements	15 years
Building	40 years

Furniture and equipment	5 years

Maintenance and repairs are charged to expense as incurred. Replacements and betterments, which significantly extend the useful life of a property, are capitalized.

d. ***Impairment*** **-** ARCTrust continually assesses the recoverability of its properties by determining whether the costs can be recovered through projected undiscounted cash flows. The amount of impairment, if any, is measured by comparing the carrying amounts to the fair values of such properties. The evaluation includes reviewing anticipated cash flows of the properties, based on current leases in place, coupled with an estimate of proceeds to be realized upon sale. However, estimating future sales proceeds is highly subjective and such estimates could differ materially from actual results.

ARCTrust applies the provisions of ASC No. 360 Sub topic 10 “Impairment or Disposal of Long-Lived Assets” (ASC 360-10) issued by the Financial Accounting Standards Board (“FASB”). ASC 360-10 updates and clarifies the accounts and reporting for the impairment of assets held in use and to be disposed of. The Statement, among other things, requires ARCTrust to classify the operations of properties to be disposed of as discontinued operations.

ARCTrust did not incur impairment costs in 2010.

e. ***Cash and Cash Equivalents*** - Cash and cash equivalents consist of highly liquid investments with an original maturity of three months or less. Restricted cash represents cash maintained for construction related escrow accounts, real estate taxes, and insurance.

At times ARCTrust may maintain cash balances in excess of the $250,000 FDIC Insurance limit. ARCTrust monitors the credit ratings of the financial institutions to mitigate this risk. ARCTrust maintains a number of accounts with well-established multi-national banks and as of December 31, 2010 had approximately $238,000 above the federally insured limit.

f. ***Rent Receivable*** **–** ARCTrust continuously monitors collections from its tenants and makes a provision for estimated losses based upon historical experience and any specific tenant collection issues that ARCTrust has identified.

g. ***Amortization*** **–** Deferred financing and other fees are amortized using the straight-line method over the life of the related mortgage or line of credit.

h. ***Income Taxes*** **–** ARCTrust operated as a C corporation in 2009 and because of this election was subject to the corporate income tax rates. ARCTrust converted to a REIT in 2010 under section 856-860 of the Code. Under these sections, a real estate investment trust which distributes at least 90% of its real estate investment trust taxable income to its shareholders each year and which meets certain other conditions will not be taxed on that portion of its taxable income which is distributed to its shareholders. ARCTrust pays state taxes, which are not significant, as applicable.

ARCTrust TRS Inc. operates as a Taxable REIT Subsidiary and is subject to corporate tax rates.

There were no federal income tax expenses for the year ended December 31, 2010 and for the period from November 20, 2009 through December 31, 2009.

i. ***Revenue Recognition*** - Rental revenue from tenant operating leases which provide for scheduled rental increases are recognized on a straight-line basis over the term of the respective leases.

j. ***Fair Value of Financial Instruments***

ARCTrust adopted the guidance of ASC 820 for fair value measurements, which clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

> Level 1- Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at measurement date

Level 2-Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3-Inputs are unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on best available information.

The carrying amounts reported in the balance sheets for cash, rent receivable, loans payable, accounts payable and accrued expenses, and the amounts due to related parties approximate their fair market value based on the short-term maturity of these instruments. ARCTrust did not have any nonfinancial assets or liabilities that are measured at fair value on a recurring basis as of December 31, 2010.

ASC 825-10 "Financial Instruments" allows entities to voluntarily choose to measure certain financial assets and liabilities at fair market value (fair value option). The fair value option may be elected on an instrument-by-instrument basis and is irrevocable unless a new election date occurs. If the fair value option is elected for an instrument, unrealized gains and losses for that instrument should be reported in earnings at each subsequent reporting date. ARCTrust did not elect to apply the fair value option to any outstanding instruments.

k. ***Industry Segments*** – ARCTrust operates in one industry segment, investments in credit lease properties.

l. ***Environmental Matters*** **-** Management is not aware of any environmental conditions with respect to any of the ARCTrust properties, which would be reasonably likely to have a material adverse effect on ARCTrust except as disclosed in Note #12. There can be no assurance, however, that the discovery of environmental conditions which were previously unknown, changes in law, the conduct of tenants or activities relating to properties in the vicinity of ARCTrust's properties, will not expose ARCTrust to material liability in the future. Changes in law increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions may result in significant unanticipated expenditures or may otherwise adversely affect the operations of ARCTrust's tenants, which would adversely affect ARCTrust's consolidated financial condition and results of operations.

m. ***Recently issued accounting pronouncements affecting ARCTrust*** **-** In February 2010, the FASB issued ASU 2010-09 "Subsequent Events (Topic 855)-Amendments to Certain Recognition and Disclosure Requirements." ASU 2010-09 requires an entity that is an SEC Filer to evaluate subsequent events through the date the financial statements are issued and removes the requirement that an SEC filer disclose the date through which subsequent events have been evaluated. ASC 2010-09 was effective upon issuance. The adoption of this standard had no effect on ARCTrust's consolidated financial position or results of operations.

The FASB has issued Accounting Standards Update (ASU) No. 2010-06, Fair Value Measurements and Disclosures about Fair Value Measurements. The ASU requires some new disclosures and clarifies some existing disclosure requirements about fair value measurements as set forth in Codification Subtopic 820-10. ASU 2010-06 amends Codification Subtopic 820-10 and now requires a reporting entity to use judgment in determining the appropriate classes of assets and liabilities and to provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. ASU 2010-06 is effective for the interim and annual reporting periods beginning after December 15, 2009. As this standard relates specifically to disclosures, the adoption will not have any impact on ARCTrust's financial position and results of operations.

3. OFFERING COSTS

Costs incurred to sell shares of ARCTrust consisting of selling commissions, placement fees, printing and other costs related to marketing shares for sale are considered selling and offering expenses. These costs were charged directly to shareholders' equity.

Pursuant to the terms of the agreement with the members of the Selling Group for the ARCTrust private placement offering which began on January 10, 2010, ARCTrust has agreed to pay a selling commission of up to 6% of the offering price. In addition, ARCTrust will pay an Offering Expense Allowance of 1% to members of the Selling Group, a placement agent fee of 1% and an underwriting consulting fee of 0.5%.

ARCTrust also incurred expenses in connection to the marketing and distributing of its shares. These costs include but are not limited to legal, accounting, printing and blue- sky expenses and the reimbursement by ARCTrust of reasonable out of pocket expenses directly related to the sale of shares. As of December 31, 2010 ARCTrust had incurred $1,179,524 in expenses related to the marketing and distribution of its shares.

4. PROPERTIES

On December 1, 2009, the beneficial ownership interest in Edgewater Hudson LLC was contributed to ARC Property Trust Investment LP by Robert Ambrosi and Marc Perel, officers of ARCTrust and affiliates of the Advisor for 10 partnership units in ARC Property Trust Investment LP. Edgewater Hudson LLC owns a 1.041 acre property located at 45 River Road, Edgewater, New Jersey ground leased to CVS Corp for 25 years at an annual rent of $605,000. The property includes a 13,361 square foot building to be built by CVS. The property was originally purchased on June 22, 2009 for $7,562,500 plus acquisition fees and other expenses.

On December 1, 2009, the beneficial ownership interest in Washington Blackhorse LLC was contributed to ARC Property Trust Investment LP by Robert Ambrosi and Marc Perel, officers of ARCTrust and affiliates of the Advisor for 10 partnership units in ARC Property Trust Investment LP, Washington Blackhorse LLC owns 1.87 acre property located at Black Horse Pike and Old Stage Coach Road, Washington, New Jersey, ground leased to Wells Fargo/Wachovia for 20 years at an initial annual rent of $295,000 and increases at the rate of 13.5% every five years thereafter. The property includes a 5,400 square foot building built by Wells Fargo/Wachovia. The property was originally purchased on June 29, 2009 for $3,900,000 plus acquisition fees and other expenses

On February 4, 2010, ARCTrust, through its subsidiary Manalapan ARCTrust LLC, purchased four acres of land in Manalapan, New Jersey. ARCTrust contracted to build a 14,820 square foot retail building for Walgreen Company under a 25 year lease to Walgreen at an annual rent of $530,000. The building was completed and rent commenced on October 4, 2010. ARCTrust paid $2,500,000 for the land and incurred construction costs of $4,173,093 exclusive of land costs.

On March 5, 2010, ARCTrust, through its subsidiary Allentown Lloyd, LP, purchased a 7,635 square foot building on 1.31 acres in Allentown, Pennsylvania. The building is leased to Firestone Tire Company under a fifteen-year lease with an initial rent of $234,115 and increases every five years thereafter of 6.5%. The purchase price for the building and land totaled $2,834,294, of which $1,734,294 was paid to Centres BFS, which built the building for Firestone Tire Company and had leased the land from an affiliate of the Advisor under a ground lease. ARCTrust paid $1,100,000 to the affiliate of the advisor for the land.

On July 8, 2010, ARCTrust, through its subsidiary Millville ARCTrust, LLC purchased a 7,381 square foot building on 1.222 acres in Millville, New Jersey. The building is leased to AutoZone Inc. under a twenty year lease at an annual rent of $165,000. The purchase price of for the building and land was $1,937,500 plus acquisition fees and other expenses.

On December 30, 2010, ARCTrust, through its Taxable REIT Subsidiary ARCTrust TRS, Inc., purchased a 2,875 square foot building on 1.05 acres in Mount Arlington, New Jersey. The building is leased to Bank of America under a fifteen year lease at an annual rent of $200,000. The purchase price for the building and land was $2,727,226 plus acquisition fees and other expenses.

5. RELATED PARTY TRANSACTIONS

ARCTrust is managed by ARC Capital Advisors LP (‘the Advisor”), which performs services for ARCTrust pursuant to the terms of an advisory agreement (the “Advisory Agreement”). Such services include serving as ARCTrust’s investment and financial advisor and providing consultation, analysis and supervision of ARCTrust’s activities in acquiring, financing, managing and disposing of properties. The Advisor also performs and supervises the various administrative duties of ARCTrust such as maintaining the books and records. The Chairman and President of ARCTrust is an affiliate of the Advisor.

Costs, expenses and other transactions incurred during 2010 and 2009 were as follows:

Acquisition Fee - Acquisition fees are generally equal to 3% of the purchase price of the property.

On February 4, 2010, ARCTrust incurred an acquisition fee in the amount of $198,857 in connection with the purchase of the Manalapan, NJ property. The acquisition fee for the Manalapan property was calculated using the average of the estimated fair market value for completed project of $7,066,667 (Rent of $530,000 at a capitalization rate of 7.5%) and the bona fide project costs estimated at $6,190,500.

On March 5, 2010, ARCTrust incurred an acquisition fee of $85,028 in connection with the purchase of the Allentown, PA property. The acquisition fee for the Allentown property was calculated using the purchase price of $2,834,294.

On July 8, 2010, ARCTrust incurred an acquisition fee in the amount of $58,125 in connection with the purchase of the Millville, NJ property. The acquisition fee for the Millvillle, NJ property was calculated using the purchase price of $1,937,500.

On December 30, 2010, ARCTrust TRS Inc. incurred an acquisition fee in the amount of $81,816 in connection with the purchase of the Mount Arlington, NJ property. The acquisition fee was paid by ARCTrust TRS Inc. The acquisition fee for the Mount Arlington, NJ property was calculated using the purchase price of $2,727,226.

On December 1, 2009, ARCTrust incurred acquisition fees in the amounts of $226,875 and $117,000 in connection with the contributions of the Edgewater, NJ and the Washington, NJ properties. The acquisition fee is based on the purchase prices paid by the company affiliated with the advisor to ARCTrust, of $7,562,500 and $3,900,000, respectively.

Unpaid acquisition fees included in due to related parties on the consolidated balance sheet were $0 and $343,875 at December 31, 2010 and 2009, respectively.

Financing Fee **-** The financing fee is generally equal to 1% of the principal amount financed.

On March 5, 2010, ARCTrust incurred a finance fee in the amount of $19,125 in connection with the Allentown, PA property. The finance fee was calculated on the mortgage of $1,912,500 taken on the property at the time of purchase.

The Advisor agreed to waive the finance fee on the Manalapan, NJ property.

On July 8, 2010, ARCTrust incurred a finance fee in the amount of $12,600 in connection with the line of credit secured by the Millville property. The finance fee was calculated on the total amount available on the line of $1,260,000.

On November 19, 2010, ARCTrust incurred a finance fee in the amount of $50,000 in connection with its corporate line of credit. The finance fee was calculated on the total amount available on the line of $5,000,000.

On December 1 2009, ARCTrust incurred finance fees in the amounts of $69,000 and $32,000 in connection with the contributions of the Edgewater, NJ and Washington, NJ properties. The finance fee is based on the mortgages in place of $6,900,000 and $3,200,000 respectively.

Unpaid finance fees included in due to related parties on the consolidated balance sheets were $0 and $101,000 at December 31, 2010 and 2009, respectively.

Asset Management Fees - The annual asset management fee is equal to one percent (1%) per year calculated monthly based upon the average invested assets. Fifty percent (50%) of the asset management fee will be subordinated to the payment of the preferred return to shareholders. One hundred percent (100%) of the asset management fee may be subordinated to the payment of the preferred return during the term of the offering. ARCTrust incurred asset management fees of $158,969 and $9,647 in 2010 and 2009, respectively.

Unpaid asset management fees, included in due to related parties on the consolidated balance sheets, were $96,719 and $9,647 at December 31, 2010 and 2009, respectively.

Disposition Fee - There were no disposition fees incurred for the year ended December 31, 2010 and for the period from November 20, 2009 through December 31, 2009. The disposition fee is generally equal to 2% of the contract sales price.

Development fee - In addition to the fees noted above ARC Trust paid ARC Dev. LLC, an affiliate of the advisor, a development fee for the Manalapan, NJ Walgreens project. The fee is based on 5% of the total costs of the construction project, which included obtaining approvals, leasing the building, supervising the construction and guaranteeing all aspects of the loan and bonding requirements. ARC Trust incurred net development fees of $301,340 and $0, in 2010 and 2009, respectively.

Unpaid development fees were $0 at December 31, 2010 and 2009.

6. LEASES

ARCTrust is entitled to certain rentals relating to the properties it owns. In addition to the base rent, the tenants are generally required to pay all operating costs related to the properties. Future minimum annual base rentals due under the non-cancelable operating leases in effect as of December 31, 2010 are as follows:

2011	$ 2,029,115
2012	2,029,115
2013	2,044,115
2014	2,098,642
2015	2,114,158
Thereafter	32,683,984
	$ 42,999,129

7. MORTGAGE NOTES PAYABLE

ARCTrust had the following mortgages payable at December 31, 2010 and December 31, 2009.

	2010	2009
Mortgage payable to State Bank of Long Island with an annual interest rate of 6% and a maturity date of July 1, 2019	$ 6,788,073	$ 6,868,827
Mortgage payable to State Bank of Long Island with an annual interest rate of 6% and a maturity date of July 1, 2016	3,148,072	3,185,540
Mortgage payable to FirstTrust Bank with an annual interest rate of 5.85% and a maturity date of February 3, 2015 (this mortgage was converted from a construction note see Note 8)	5,450,000	-
Mortgage payable to Wilmington Trust FSB with an annual rate of Libor plus 375 basis points and a floor of 5% and a Maturity date of September 3, 2011	1,912,500	-
Totals	$ 17,298,645	$ 10,054,367

All mortgage notes payable are collateralized on the underlying properties.

Interest expense incurred on mortgage notes payable for the year ended December 31, 2010, and for the period from November 20, 2009 through December 31, 2009 were $771,192 and $50,328, respectively.

At December 31, 2010, the payment of principal under the fixed and variable rate mortgages for the next five years and thereafter is as follows:

	Scheduled Amortization	Balloon Payments	Total
2011	$ 196,762	$ 1,912,500	$ 2,109,262
2012	232,532	-	232,532
2013	249,538	-	249,538
2014	264,975	-	264,975
2015	178,046	5,033,965	5,212,011
Thereafter	468,012	8,762,315	9,230,327
	$1,589,865	$15,708,780	$17,298,645

The amount of $2,109,262 due in 2011 is shown as Mortgage notes payable-current on the consolidated balance sheets at December 31, 2010.

8. CONSTRUCTION NOTE PAYABLE

On February 4, 2010, ARCTrust entered into a construction note payable on the Manalapan, NJ property totaling $5,450,000. The note carried a fixed rate of 5.85% and has a maturity of February 3, 2015. The final draw under the construction note was made on December 24, 2010. The construction note payable was converted to a mortgage note payable (see Note 7) on October 4, 2010, the rent commencement date on the property, and is included in mortgage note payable-long term on the consolidated balance sheets. Interest expense capitalized for the year ended December 31, 2010 was $210,665.

9. LINES OF CREDIT

ARCTrust had the following lines of credit at December 31, 2010 and 2009.

	2010	2009
On December 1, 2010, ARCTrust entered into a Line of credit with ARC Consolidated Funding LLC with a maximum amount available on the line of $3,000,000 an interest rate of 7% and a maturity date of December 1, 2015 This amount is shown as line of credit from related parties on the consolidated balance sheets at December 31, 2009. This line was terminated on July 8, 2010.	$ -	$ 1,877,646
On July 8, 2010, ARCTrust through its subsidiary Millville ARCTrust LLC entered into Line of Credit with National Penn Bank with a maximum amount available on the line of $1,260,000 secured by the Millville, NJ property, an interest rate of Libor plus 300 basis points and a floor of 5%. The line matures on July 7, 2011 but can be extended for two consecutive twelve month periods.	450,000	-
On October 29, 2010, ARCTrust through its subsidiary ARCTrust SPG LLC entered into a Line of credit with FirstTrust Bank with a maximum amount available on the line of $5,000,000 at annual interest rate of Libor plus 350 basis points and a floor of 5%. This line matures on October 28, 2013.	-	-
Totals	$ 450,000	$ 1,877,646

Interest expense incurred on two lines of credit for the year ended December 31, 2010, and for the period from November 20, 2009 through December 31, 2009 were $65,561 and $10,953, respectively.

10. DIVIDENDS TO SHAREHOLDERS

On March 9, 2010, the board of directors approved the payment of a dividend of $0.175 per share to shareholders of record on March 31, 2010. The dividend was prorated from the admittance date of each individual shareholder and totaled $10,809 and was paid on April 30, 2010.

On July 6, 2010, the board of directors approved the payment of a dividend of $0.175 per share to shareholders of record on June 30, 2010. The dividend was prorated from the admittance date of each shareholder and totaled $66,264 and was paid on July 30, 2010.

On October 5, 2010, the board of directors approved the payment of a dividend of $0.175 per share to shareholders of record on September 30, 2010. The dividend was prorated from the admittance date of each shareholder and totaled $115,519 and was paid on October 29, 2010.

On December 23, 2010, the board of directors approved the payment of a dividend of $0.175 per share to shareholders of record on December 31, 2010. The dividend is prorated from the admittance date of each shareholder and totaled $159,892. This amount appears on the December 31, 2010 consolidated balance sheets as dividends payable.

11. FUNDS FROM OPERATIONS

Funds from operations is a calculation used by Real Estate Investment Trusts to define cash flow from operation, in addition to the Cash From Operations section of the Cash Flow Statement. It is calculated by adding depreciation and amortization expense to net income. The Funds from Operations for the year ended December 31, 2010 is:

Net Income	$	49,305
Depreciation and Amortization		285,011
Funds from Operations	$	334,316

12. COMMITMENTS AND CONTINGENCIES

In the normal course of business, ARCTrust is subject to loss contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters, including, among others, government investigations, product and environmental liability, and tax matters. In accordance with ASC 450-20, "Accounting for Contingencies", ARCTrust records accruals for such loss contingencies when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated.

For the year ended December 31, 2010, ARCTrust recorded $25,000 in account payable and accrued expenses related to a claim brought by the tenant, CVS. See Note # 13.

13. SUBSEQUENT EVENTS

ARCTrust has evaluated subsequent events from the balance sheet date through April 14, 2011, the financial statements are available to be issued and noted the following material subsequent event:

On December 23, 2010, the board of directors approved the payment of a dividend of $0.175 per share to shareholders of record on December 31, 2010. The dividend is prorated from the admittance date of each shareholder and totaled $159,892. This amount was paid on January 31, 2011.

On March 15, 2011, the board of directors approved the payment of a dividend of $0.175 per share to shareholders of record on March 31, 2011 payable on April 30, 2011.

Edgewater Hudson LLC the owner of the Edgewater, New Jersey property was subject to a claim brought by the tenant, CVS, under the terms of CVS's lease. CVS claimed reimbursement for increased costs to construct their store due to environmental conditions encountered at their building site. Because Edgewater Hudson LLC, a subsidiary of ARCTrust, acquired the property and assumed the lease, ARCTrust was required to defend and evaluate CVS's claim. After evaluating CVS's claim, ARCTrust concluded it is in its' best interest to avoid the uncertainty and costliness of arbitration and or litigation and on March 22, 2011 entered into an agreement with CVS and agreed to pay CVS $200,000. At the same time ARCTrust demanded that the previous owner and developer of the property, I. Park Edgewater LLC ("I.Park) reimburse ARC Trust for a portion of the settlement amount. I.Park has agreed to pay ARCTrust $75,000. Additionally, the Advisor has agreed to contribute $100,000 of the settlement amount. Together, the contributions reduce the final liability to ARCTrust to $25,000. This amount is included in accounts payable and accrued expenses on the December 31, 2010 consolidated balance sheet. Because the costs arise out of and relate to the landlords obligation to deliver the site to CVS, the $25,000 has been capitalized as additional land costs and is included in land on the December 31, 2010 consolidated balance sheet.