



ARC Property Trust, Inc.
Follow-On Offering No. 3 of Shares of Common Stock
Up to \$30,000,000 of Shares of Common Stock
\$50,000 MINIMUM INVESTMENT (\$25,000 for IRAs)

ARC Property Trust, Inc. ("ARCTRUST") is a Maryland corporation formed in 2009 that operates as a real estate investment trust ("REIT") under U.S. federal tax laws. ARCTRUST specializes in the Development, Acquisition, and Financing of Net Lease Properties throughout the United States. ARCTRUST to date has raised \$115,793,094 in gross proceeds through a combination of an initial, first follow-on and second follow-on offering of its shares of Common Stock (the "Common Stock"), and has invested or committed those proceeds for investments in Net Lease Properties. Net Lease Properties are general purpose properties such as drug stores, bank branches, food markets, restaurants, department stores and other commercial buildings which are each leased to one or more Nationally or Regionally Recognized Tenants (hereinafter referred to simply as a "Tenant") under a long term lease. 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 a percentage of Tenant sales. Each investment is protected by both the direct contractual obligation of the Tenant as well as the underlying value of the real estate. Approximately 90.50% of the total amount of the money raised in this offering is expected to be invested in Net Lease Properties, including Acquisition Expenses, and the balance is expected to be used for fees and other costs of this offering. ARCTRUST is not a mutual fund or other type of "Investment Company" within the meaning of the Investment Company Act of 1940 and is not subject to regulation thereunder.

ARCTRUST is offering by this Confidential Private Placement Memorandum (the "Memorandum") to certain accredited investors, as such term is defined in Rule 501(a) promulgated under the Securities Act of 1933, as amended (the "Securities Act"), up to an aggregate of \$30,000,000 of shares (the "Shares") of its Common Stock at a price per Share of \$13.45 (the "Offering"). The Offering will continue until the earlier of the sale of all Shares offered hereby or March 31, 2017, subject to extension as provided herein. The Board of Directors of ARCTRUST (the "Board of Directors"), in its sole discretion, may extend the termination date of the Offering up to two times for a period of not more than six months each.

The securities offered hereunder have not been approved, disapproved, endorsed or recommended by the Securities and Exchange Commission or any state securities commission, nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this Memorandum. Any representation to the contrary is unlawful. Securities offered hereunder have not been registered under the Securities Act and may not be offered or sold in the United States or to or for the account or benefit of any U.S. person unless an exemption from the registration requirements of the Securities Act and applicable state securities laws is available. Hedging transactions involving securities offered hereunder may not be conducted unless in compliance with the Securities Act.

An investment in the Shares involves a high degree of risk. Offerees should thoroughly read this Memorandum, including the "Risk Factors" for a discussion of material risk factors relevant to an investment in the Shares, including, but not limited to, the following:

- there is currently no public market for the Shares and you may not be able to sell your Shares at the offering price, if at all;
- the Advisor and ARCTRUST's Board of Directors have complete discretion to decide which properties to invest in;
- each property developed or owned by ARCTRUST is or is expected to be occupied by a single Tenant and if that Tenant has difficulties, it could materially adversely affect ARCTRUST's financial condition; and
- if ARCTRUST does not qualify as a REIT, it will be taxed at regular corporate rates, thereby reducing the cash available for distribution to its stockholders.

	Price to Investors ⁽¹⁾	Selling Commissions and Allowances ⁽²⁾	Proceeds to ARCTRUST ⁽¹⁾⁽²⁾⁽³⁾
Per Share ⁽¹⁾	\$13.45	\$1.2778	\$12.1723
Total Offering ⁽¹⁾	\$30,000,000	\$2,850,000	\$27,150,000

(footnotes on following page)

The Date of this Memorandum is January 20, 2016.

- (1) Assumes the sale of approximately 2,230,483 Shares at \$13.45 per Share and no direct sales of Shares by ARCTRUST to investors, which direct sales may be made net of sales commissions, offering expense allowances and related expenses. See “Plan of Distribution.”
- (2) ARCTRUST has retained Chauner Securities, Inc. (“CSI”) on a best efforts basis as the managing dealer with respect to this Offering. ARCTRUST may engage other FINRA members to act as additional managing dealers (each an additional managing dealer or “AMD”) with respect to this Offering. CSI and any AMD have been retained as soliciting dealers and may earn selling commissions of up to six percent (6.0%) of the offering price of the Shares sold. In addition, ARCTRUST has agreed to pay CSI and any AMD compensation that includes, among other things, a one percent (1.0%) placement agent fee, a one-half percent (0.5%) underwriting consulting fee and a one percent (1.0%) offering expense allowance (which may be paid directly to members of the Selling Group). ARCTRUST may also pay wholesaling fees of up to two percent (2.0%) with respect to a portion of the Offering estimated at \$5,000,000 in gross proceeds. Since the wholesaling fees are not determinable at this time, such fees have been excluded from the table. ARCTRUST has also agreed to indemnify CSI, any AMD and other soliciting dealers against certain civil liabilities, including liabilities under the Securities Act. In addition, CSI will assist ARCTRUST on an ongoing basis by reviewing and commenting on reports and letters to, and responding to inquiries from, stockholders and by coordinating communication to the participating broker-dealers and will: (i) be paid a coordination fee calculated by taking the ratio of the number of Shares sold by CSI and participating broker-dealers obtained by CSI to the total number of Shares sold in the offering (the “CSI Ratio”) and multiplying this by up to a maximum of five percent (5.0%) of the amount of any operating cash distributions made in excess of the Preferred Return and (ii) be paid a coordination fee upon sales or refinances calculated by multiplying the CSI Ratio by five percent (5.0%) of the amount of sale and refinancing cash distributions. Similar fees may be paid to any AMD on the portion of the Selling Group organized by such AMD.
- (3) Before deducting other expenses payable by ARCTRUST in connection with this Offering, which are estimated to be approximately \$300,000, including, without limitation, expenses incurred in connection with marketing and distributing the Shares under applicable federal and state laws, legal, accounting, printing and blue sky expenses paid by ARCTRUST and the reimbursement by ARCTRUST of CSI’s and any AMD’s reasonable out-of-pocket expenses directly related to the Offering and the sale of the Shares to the Selling Group (other than Selling Commissions, offering expense allowances and placement agent, underwriting and wholesaling fees).

This Offering of Shares is not registered under the Securities Act and may not be registered under any applicable state or foreign securities laws. The Shares described in this Memorandum will be offered either in a private placement pursuant to Section 4(a)(2) of the Securities Act and the non-exclusive safe harbor of Rule 506 of Regulation D promulgated thereunder (“Regulation D”). Shares offered in reliance on Regulation D will be sold only to “accredited investors” as defined under Rule 501(a) of Regulation D. Purchasers of the Shares described in this Memorandum that are offered in reliance on Regulation D may only acquire the Shares as an investment, not with a view to or in connection with the sale or distribution of the Shares.

All Shares offered hereby will bear a restrictive legend confirming that such Shares are not registered for sale to the public under the Securities Act, or under the securities laws of any state or jurisdiction, and that consequently, the Shares offered hereby may not be sold, transferred or otherwise disposed of by an investor except pursuant to a registration statement or an exemption from the registration requirements of the Securities Act and any applicable state or other jurisdiction’s securities laws. Offerees should proceed on the assumption that they must bear the economic risk of investment in the Shares indefinitely. There is no expectation that ARCTRUST’s securities will be registered with the SEC pursuant to the Securities and Exchange Act of 1934, as amended, and accordingly, ARCTRUST will not be subject to its periodic reporting requirements. Nevertheless, ARCTRUST intends to prepare quarterly unaudited and annual audited financial statements. For additional information, see “Reports to Stockholders” below.

No one has been authorized to give any information or to make any representation with respect to ARCTRUST or the Shares that is not contained in this Memorandum or furnished by ARCTRUST as set forth under “Additional Information.” No offering literature may be used in connection with this Offering other than this Memorandum and information so furnished by ARCTRUST. If given, made or used, any other information, representation or offering literature must not be relied on as having been authorized by ARCTRUST, CSI or any AMD. The information contained herein has been prepared by ARCTRUST to assist interested parties in making their own evaluation of ARCTRUST and does not purport to contain all of the information that a potential investor may desire. In all cases, Offerees should conduct their own investigation and analysis of the data set forth in this Memorandum. Offerees and their advisors are invited to ask questions of and obtain additional information from ARCTRUST concerning ARCTRUST, the Shares, and the terms and conditions of the Offering and any other relevant matters. Offerees are not to construe the contents of this Memorandum as legal, tax, or investment advice. Each offeree should consult his, her, or its advisors as to legal, financial, tax and related matters concerning an investment in the Shares.

This Memorandum does not constitute an offer or solicitation by or to anyone in any jurisdiction in which such offer or solicitation would be unlawful. This Memorandum constitutes an offer only if an offeree’s name has been inserted in the space above on behalf of ARCTRUST, and then it is an offer only to the person named and only if the person named is an accredited investor. Receipt of this Memorandum under any other circumstances does not constitute an offer.

Offerees are urged to review this Memorandum carefully, to carry out their own investigation and evaluate and to obtain their own independent advice before making any investment decision. Offerees are reminded that the

information contained in this Memorandum is for general information only and does not take into account an offeree's individual objectives, financial situations, or needs.

This Memorandum has been reproduced in limited quantities and furnished to each offeree on a confidential basis solely for the purpose of evaluating a potential investment in ARCTRUST. By acceptance of this Memorandum, each offeree agrees not to use this Memorandum, any information contained herein or in any related and ancillary documents, for any purpose other than evaluating a potential investment in ARCTRUST. By acceptance of this Memorandum, each offeree agrees that the information contained herein and in any related or ancillary document constitutes proprietary information of ARCTRUST and must be treated as such. Without the prior written consent of ARCTRUST, no offeree shall, directly or indirectly, disclose or permit his/her/its affiliates or representatives to disclose, any such information to any other person or entity or to reproduce this Memorandum, in whole or in part. Each offeree further agrees that such confidentiality or other obligations shall apply to all information relating to ARCTRUST or the Offering that is to be provided to an offeree subsequent to the delivery of this Memorandum.

By accepting delivery of this Memorandum, each offeree agrees to promptly return to ARCTRUST this Memorandum and any other document or information furnished in connection with this Memorandum, if such offeree elects not to participate in the Offering or if ARCTRUST elects to terminate the Offering. These undertakings and prohibitions are intended for ARCTRUST's benefit and may be enforced by ARCTRUST.

This Memorandum includes certain information from other sources. Some information is also based on ARCTRUST's good faith estimates, which are derived from its review of these sources. Although ARCTRUST has obtained this information from sources it believes to be reliable, it has not independently verified this information and cannot give any guarantee as to its accuracy or completeness. Additionally, this Memorandum summarizes documents and other information in a manner ARCTRUST believes to be accurate, however, ARCTRUST refers offerees to the actual documents for a more complete understanding of what is discussed herein. All summaries contained herein are qualified in their entirety by this reference and by reference to the actual documents.

Except as otherwise indicated, this Memorandum speaks as of the date hereof and ARCTRUST does not intend to update the information contained herein. Neither the delivery of this Memorandum nor any sale made hereunder shall, under any circumstances, imply that there has been no change in the business, assets, financial, or other condition of ARCTRUST since the date hereof nor that the information contained in this Memorandum is correct as of any time subsequent to the date hereof.

The distribution of this Memorandum and the offer and sale of the Shares may be restricted by law in certain jurisdictions, and ARCTRUST is not making any representation to the Offeree regarding the legality of any investment in the Shares under applicable investment or similar laws. An Offeree must comply with all applicable laws and regulations in force in any jurisdiction which it purchases, offers, or sells securities or possesses or distributes this Memorandum and must obtain any consent, approval, or permission required by it for the purchase, offer, or sale by it of the Shares under the laws and regulations in force in any jurisdiction which it is subject and in which it makes such purchases, offers, or sales, and ARCTRUST shall not have any responsibility therefor.

The minimum investment is \$50,000 (\$25,000 for IRAs) payable in full upon subscription, although ARCTRUST may accept investments of lesser amounts. ARCTRUST may, in its discretion, accept or reject any subscription in whole or in part.

For Florida residents: These shares have not been registered under the Florida Securities and Investor Protection Act in reliance upon exemption provisions contained therein. Any sale made pursuant to such exemption is voidable by the purchaser within three (3) days after the first tender of consideration is made by the purchaser to the issuer, an agent of the issuer or an escrow agent, unless sales are made to fewer than five (5) purchasers in Florida. A withdrawal within such three (3) day period will be without any further liability to any person. To accomplish this withdrawal, a subscriber need only send a letter or facsimile to ARCTRUST at the address set forth in this Memorandum, indicating its intention to withdraw. Such letter or facsimile should be sent and/or postmarked prior to the end of the third day as described in this paragraph. It is advisable to send such letter by certified mail, return receipt requested, to ensure that it is received and also to evidence the time it was mailed. If the request is made orally, in person or by telephone, to an officer of ARCTRUST, a written confirmation that the request has been received should be requested.

Suitability Standards: Purchase of Shares in this Offering may not be suitable for certain investors. Investors should read carefully the information contained in the "Suitability Standards" section of the Memorandum. Investors should make their own decision whether this Offering meets their investment objectives and risk tolerance level.

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SUMMARY

The following summary description of the Offering is qualified in its entirety by the more detailed information (including the financial statements and the notes thereto) included elsewhere in this Memorandum. Prospective investors are urged to read this Memorandum in its entirety. Terms in the Memorandum that are capitalized and not otherwise defined herein are defined in the “Definitions” section.

Except where the context suggests otherwise, the terms “ARCTRUST,” “we,” “us,” “our,” “the company” and “our company” refer to ARC Property Trust, Inc. together with its subsidiaries, including without limitation to ARC Property Trust Investments, LP, a Delaware limited partnership (the “Operating Partnership”).

ARCTRUST

ARC Property Trust, Inc. (“ARCTRUST”) is a Maryland corporation formed on November 20, 2009 that operates as a REIT under U.S. federal tax laws and specializes in the Development, Acquisition and Financing of Net Lease Properties throughout the United States (“Investments”). Geographically, ARCTRUST is expected to continue to concentrate on the New York-to-Washington, DC corridor and Florida but may also invest in properties located in and around other major U.S. cities with international airports as a means of creating additional diversification. Net Lease Properties are general-purpose properties such as drug stores, bank branches, food markets, restaurants, department stores and other commercial buildings which are each leased to one or more Nationally or Regionally Recognized Tenants (hereinafter referred to simply as a “Tenant”). The leases generally require Tenants to pay most or all of the operating costs of the property, including real estate taxes and insurance and often provide for periodic fixed increases in base rent and sometimes additional rent based on a percentage of tenant sales.

We seek to invest in Net Lease Properties that are protected by both the direct contractual obligation of the Tenant and the underlying value of the real estate. In some cases, the obligations of a Tenant under a lease may also be guaranteed by a parent company of the Tenant. ARCTRUST believes this investment strategy reduces investment risk and combines the cash flow features of a corporate bond with the tax advantages and potential appreciation of real estate.

As of January 1, 2016, ARCTRUST has invested in 89 assets totaling \$244,459,310 using \$115,793,094 in gross proceeds from previous offerings, and is now offering additional Shares to raise capital for continued investment and growth in Net Lease Properties through selected Investments that are diversified with respect to property type, tenant, industry segment and location. We intend to strategically stagger lease expirations and debt maturities.

ARCTRUST intends to pursue three primary investment strategies:

1. Developing and joint venture developing properties to create new Net Leases;
2. Acquiring properties subject to existing long term Net Leases; and
3. Financing properties through making mortgage and other qualifying loans.

ARCTRUST intends to use the proceeds from the Offering to continue making investments (i) on an all-cash basis, (ii) subject to existing debt, (iii) by borrowing a portion of the purchase price through financing, or (iv) by drawing upon one of ARCTRUST’s lines of credit. We anticipate that Fixed Rate Financing will generally approximate 50% - 75% of the purchase price of a property or properties. ARCTRUST believes that leverage will enhance stockholder returns and is appropriate for Net Lease Properties because their income has historically been reliable and predictable. ARCTRUST expects that aggregate borrowings, including amounts drawn on lines of credit (if any), as of the time that the net proceeds of the Offering have been fully invested and at the time of each subsequent borrowing will be between 65% - 75% of the value of all properties, as determined by ARCTRUST.

ARCTRUST generally invests in Net Lease Properties with lease terms from ten (10) to twenty-five (25) years, however, we may also seek to acquire Net Lease Properties with terms less than ten (10) years that have below market rents where we believe there is a good chance of extending the leases or replacing the Tenant with one that will pay a higher rent. We believe that the Sponsor’s experience in building relationships with Tenants over the last 30 years will be valuable to ARCTRUST in negotiating with Tenants and potential Tenants with respect to new leases and extending existing leases, but there can be no guarantees that leases will be extended or renewed in the future.

ARCTRUST intends to hold its properties for an extended time (generally, at least five years), but may sell earlier if ARCTRUST concludes that it would be advantageous to do so. See, “Investment Objectives and Policies - Investment Policies - Holding Period for Investments and Application of Proceeds of Sales or Refinancings.”

One distinguishing characteristic of ARCTRUST is that we expect to invest a portion of the proceeds from this Offering in properties where improvements are to be constructed within a predetermined time period (“Development” or “Developments”). For each Development, ARCTRUST plans to enter into an agreement with a separate party (which may be an affiliate of Advisor) who will undertake the Development (the “Developer”). The Joint Venture Program is generally structured whereby ARCTRUST invests the equity capital required for a given project and receives a 12% return on its investment plus an equity ownership of 33% - 50%. Several projects have gone full cycle and exceeded the target returns. We anticipate that investments in Developments will be made where (a) a Net Lease has been fully executed with a Tenant, (b) all required entitlements (e.g., zoning and government approvals and access to utilities, water, sewer and roads) are in place to construct the improvements (c) the cost of improvements has been fixed in a written construction contract and (d) financing has been secured. However, we cannot guarantee that all of these conditions will be met at the time of investment.

Development transaction structures may include direct loans to a Developer, (see “Investment Objectives and Policies—Financing” below), preferred equity investments as a partner of the Developer, (see “Investments Objectives and Policies—Joint Ventures, DownREITs and Wholly Owned Subsidiaries” below), land purchase development contracts, forward commitments and land sale lease-backs in which ARCTRUST will take title to the land on which improvements will be made and lease the land to the Developer who will construct the improvements. In some cases, upon completion, ARCTRUST may purchase the improvements subject to a Net Lease to a Tenant and own the entire Net Lease Property. In cases where Development transactions are with Affiliates or entities in which non-independent Directors have an interest, ARCTRUST will submit the transaction to our Independent Director(s) for his consideration and approval or ratification.

We may allocate up to 7.5% of the net proceeds from this Offering and prior offerings for pre-development expenses, such as initial site investigations, land purchase contract costs, engineering and architectural concepts, tenant solicitation and lease negotiation along with pursuing public approvals and other entitlements for Developments in which we intend to invest. See, “Investment Objectives and Policies.”

ARCTRUST focuses on “Value Add” Acquisitions and generally seeks to acquire properties in good locations that have under market rents, higher reuse value or can be redeveloped. Another one of ARCTRUST’s investment strategies is to take advantage of ARC Properties’ long term relationships with tenants to acquire or finance the acquisition of stores with shorter remaining lease terms and add value to the properties by restructuring the leases to longer terms. However, in such cases, ARCTRUST cannot guarantee that it will be successful in restructuring the aforementioned leases.

ARCTRUST will Finance properties that meet ARCTRUST’s investment objectives, but may not meet all of its other criteria, such as being outside its core market or involve a tenant that is already well represented in the portfolio. ARCTRUST may assist a buyer who requires a short term loan to warehouse a property, needs additional time to restructure a lease or arrange financing. Often, these loans are structured as standby loans under very attractive terms to ARCTRUST that are not intended to be funded, but rather are used by the borrower as a safety mechanism. This allows the buyer to proceed to closing with an ARCTRUST loan in the event he or she cannot obtain a conventional mortgage loan in time to meet the tenant or seller requirements. The standby loan commitment, if exercised, generally provides for a one-year loan at 8%-12% interest that could be extended for a second year. ARCTRUST may also have a first right of refusal to buy the property at the sale price. ARCTRUST is paid a commitment fee regardless of whether the loan is actually funded and an exit fee upon repayment if a loan is funded. ARCTRUST has made a number of these loans and loan commitments that through the date of this Memorandum have earned aggregate fees of \$2,554,989. It is important to note that very few of the actual commitments have been converted to loans and in those cases ARCTRUST has received all applicable fees and interest.

Investment Objectives

ARCTRUST’s goal is to provide stockholders with a total return by achieving the following objectives:

- Target IRR of 12% over holding period with current dividends of 5.65% or greater per annum out of funds available therefor that may be partially free from current taxation,
- mortgage amortization that will increase equity in ARCTRUST’s properties through the regularly scheduled pay down of mortgage debt, and
- capital appreciation through the Investment in a carefully selected portfolio of real estate that has the potential to increase in value.

ARCTRUST believes the combination of select developments, joint ventures, good credit companies, well located real estate and long-term leases builds shareholder value through steady growth and consistent income. However, there can be no assurance that these objectives will be met.

Operating Partnership

ARCTRUST Develops, Acquires and Finances properties through the Operating Partnership. The Operating Partnership, in turn, holds each investment in a single purpose entity. By doing this, ARCTRUST benefits from the usual limited liability aspects of single purpose entities and at the same time has a ready vehicle to make investments at the limited partnership level in a tax advantaged manner or raise capital at the limited partnership level. The Operating Partnership structure also allows property sellers to contribute property to the Operating Partnership in exchange for limited partnership units through a tax-free contribution transaction. Such property sellers can invest with ARCTRUST and may be able to defer payment of taxes to the benefit of the seller and all ARCTRUST investors. For example, an exchange investor's deferred taxes may become equity invested in the Operating Partnership.

Management

ARCTRUST has entered into an agreement with ARC Capital Advisors, L.P., a New Jersey limited partnership (the "Advisor"), to manage ARCTRUST and to select ARCTRUST's real estate investments. The Advisor is an affiliate of ARC Properties, Inc., which is recognized internationally in the field of Net Lease Property Investment. Since 1985, the principals of the Advisor and ARC Properties, Inc. have been responsible for the development and acquisition of more than three hundred (300) properties with an aggregate value in excess of \$3 billion. The Advisor is located in Clifton, New Jersey. See, "The Advisor."

The Board of Directors oversees the management of ARCTRUST and its Advisor. There are currently ten Directors. All investment decisions on behalf of ARCTRUST are expected to be made by the Advisor pursuant to ARCTRUST's Investment Objectives and Policies established by the Board of Directors. ARCTRUST and the Advisor are headquartered at 1401 Broad Street, Clifton, New Jersey 07013, and ARCTRUST's telephone number is (973) 249-1000.

ARCTRUST's Current Portfolio

Selected information about ARCTRUST's Investments is set forth in the following tables. All of these Investments were selected for the purpose of inclusion in ARCTRUST, including those that were acquired by affiliates of the Advisor specifically for ARCTRUST. As of the date of this Memorandum, the Advisor is evaluating other potential investments and is engaging in discussions with developers, potential joint venture partners and sellers regarding the Investment in additional properties for ARCTRUST. See, "Description of Properties – General."

ARCTRUST's ability for the continued Development, Acquisition and Financing of additional properties depends upon the amount of funds available to ARCTRUST, the completion dates of any properties under construction and the terms of the commitment or agreements relating to those Investments. ARCTRUST will make decisions regarding Investments in light of the criteria set forth under "Investment Objectives and Policies." See, "Description of Properties – ARCTRUST's Current Portfolio."

<u>Tenant Name</u>	<u>Location</u>	<u>Building Square Ft.</u>	<u>Lease Term</u>	<u>Cost \$⁽¹⁾</u>
Bank of America	Mt. Arlington, NJ	2,875	2023	3,050,385
Walgreens	Springfield, NJ	13,369	2038	9,493,475
CVS	Washington, DC	11,585	2037	5,624,191
CVS	Charlotte (Huntersville), NC	10,172	2037	2,519,473
AutoZone	Millville, NJ	7,381	2027	2,120,598
Hhgregg ⁽²⁾	Midlothian, VA	21,752	2024	2,586,530
Container Store / Bank United / Sleep Number / Lime Fresh ⁽³⁾	Tampa, FL	31,250 / 3,000 2,270 / 3,200	2028 / 2033 2023 / 2023	5,980,000

<u>Tenant Name</u>	<u>Location</u>	<u>Building Square Ft.</u>	<u>Lease Term</u>	<u>Cost \$⁽¹⁾</u>
Olive Garden ⁽³⁾⁽⁴⁾ / Longhorn Steakhouse / AT&T / PFChang's	Tampa, FL	9,000 / 6,800 4,123 / 3,098	2028	5,148,000
Top Golf ⁽⁵⁾	Mt. Laurel, NJ	120,000	2015	1,730,000
Payless Shoe Source	Glen Cove, NY	3,620	2020	1,401,675
CVS	Raleigh (Garner), NC	10,128	2037	2,290,853
CVS	Raleigh (Garner), NC	10,125	2039	3,981,518
Mattress Firm	Raleigh, NC	4,000	2025	2,181,220
ARFA- British Petroleum (BP) / Shell Nine Locations	Philadelphia Metro., PA	631 / 780 / 3,233 3,730 / 2,265 1,860 / 2,238 2,070 / 1,992	2023/2035	18,279,547
Philadelphia Defenders/Del Frisco's	Philadelphia, PA	146,000	2027/2019	2,726,364
Bank of America	Middletown, CT	4,590	2022	3,869,255
Hhgregg	Chicago (N. Riverside), IL	30,000	2022	4,467,448
Art Van Furniture	Batavia, IL	42,500	2024	4,999,653
CVS	Indialantic, FL	15,525	2038	5,461,402
CVS	Palm Springs, FL	12,735	2038	4,943,176
Republic Bank	Louisville, KY	5,597	2022	1,706,991
7-Eleven	Fredericksburg, VA	3,162	2031	1,269,726
Wells Fargo	Washington, NJ	5,400	2028	4,197,273
Lehigh Gas - Exxon	Trenton, NJ	500 ⁽⁶⁾	2031	2,300,980
CVS ⁽⁷⁾	Union City, NJ	28,500	2020	5,791,961
Ruby Tuesday / Miller's Ale House ⁽⁸⁾	Willow Grove, PA	3,500 ⁽⁹⁾ / 9,437	2029 / 2037	4,313,513
Marriott Hotel ⁽¹⁰⁾	Willow Grove, PA	72,000	2018	2,239,472
Boston Market	Abington, PA	2,904	2028	3,080,794
PriceRite	Syracuse, NY	36,360	2027	6,471,351
CVS	Virginia Beach, VA	13,225	2039	4,892,599
Hobby Lobby	Gastonia, NC	55,000	2029	6,313,367
Stop & Shop Gas	Warwick, RI	500	2031	2,487,452
CVS	Midlothian, VA	10,125	2039	4,094,650
Sleepy' s	Hazleton, PA	11,988	2026	1,170,603
ACME Supermarket ⁽¹¹⁾	Morris Plains, NJ	32,450	2018	2,791,713
Rite Aid	Alexandria, VA	10,000	2019	2,148,228
Rite Aid	Chesapeake, VA	10,000	2019	1,471,826
Rite Aid	Norfolk, VA	10,000	2019	1,167,011
Walgreens	Richmond, VA	13,905	2028	4,439,210
Rite Aid	Richmond, VA	10,000	2019	1,451,506
Strayer University	Suitland, MD	36,956	2026	12,104,091
Wawa ⁽¹²⁾	Warwick, PA	5,585	2035	1,525,959
LA Fitness ⁽¹³⁾	West Orange, NJ	48,200	2030	3,079,876
Floor & Décor	Skokie, IL	73,000	2029	12,781,556
Stop & Shop Gas	Farmingville, NY	500	2033	3,557,270

<u>Tenant Name</u>	<u>Location</u>	<u>Building Square Ft.</u>	<u>Lease Term</u>	<u>Cost \$⁽¹⁾</u>
Dollar General	Capitol Heights, MD	7,200	2025	1,602,960
Rite Aid	Mt. Lebanon, PA	13,850	2025	5,514,611
Neighbors Health ⁽¹⁴⁾	Houston, TX	15,000	2029	2,320,500
Boston Market/Einstein Bagels	Orlando, FL	8,477	2019/2020	5,115,536
Exxon, Don Pablos & Mattress Firm	Sanford, FL	19,844	2021/2021 2019	5,752,672
Pollo Tropical	Winter Park, FL	3,424	2018	1,329,019
Dunkin Donuts, Burger King, Chick-Fil-A and Perkins	Winter Park, FL	18,459	2017/2019 2019/2018	6,125,630
Capital One Bank	Houston, TX	3,553	2029	1,941,481
CVS	Chicago, IL	15,000	2028	6,096,130
Walgreens ⁽¹⁵⁾	Jacksonville, FL	14,490	2020	1,726,761
CVS	Pasadena, TX	12,036	2031	4,050,523
ARFA – Shell/Amera/Gulf/Citgo Eight Locations	Philadelphia Metro., NJ	2,352 / 1,056 / 900 1,620 / 2,201 1,450 / 2,822 /1,968	2035	7,610,743
ShopRite/Wawa ⁽¹⁶⁾	Wissinoming, PA	109,956	2041	5,569,003
	TOTAL	1,312,349		244,459,310

1. Cost¹ is calculated as the property's purchase price, capitalized acquisition/financing costs and all fees paid to the Advisor at the time of investment.
2. ARCTRUST owns a 50% Tenant-in-common interest.
3. ARCTRUST owns a 52% investment in the Tampa Property through a Joint Venture Development.
4. The Olive Garden and Longhorn Steakhouse, both Darden Restaurants (S&P, BBB) NYSE: DRI are Phase II of the Tampa Property Joint Venture Development.
5. \$1,730,000 first mortgage loan to Mt. Laurel Beaver, LLC, an affiliate of the Advisor, at 12% interest with a one-year term and optional one-year term extension.
6. Approximate square footage for retail kiosk at motor fuel station operating 12 fuel pumps.
7. ARCTRUST owns a 90% investment in the Union City Property through a Joint Venture with an affiliate of the Advisor. The Union City, NJ CVS Property contains a 17,500 sq. ft. CVS store and 11,000 sq. ft. of other retailers.
8. ARCTRUST owns a 66-2/3% Tenant-in-common interest.
9. Buildable square footage. Ruby Tuesday is a pad site prepared for tenant's construction.
10. ARCTRUST Owns a 50% Tenant-in-common interest in property ground leased to Hospitality Properties Trust.
11. ARCTRUST owns a 90% investment in the Morris Plains Property through a Joint Venture.
12. ARCTRUST owns a 50% share in a joint venture development. During construction, ARCTRUST will receive 12% on its investment.
13. ARCTRUST made a mezzanine equity loan and receives 12% on its investment. ARCTRUST has an option to purchase the property upon completion.
14. ARCTRUST owns 32.43% of the beneficial interests of a Delaware Statutory Trust.
15. ARCTRUST owns a 50% interest in the Jacksonville Walgreens with an affiliated party of the sponsor.
16. ARCTRUST owns a 33% share in a joint venture development. During construction, ARCTRUST will receive 12% on its investment.

The Sponsor - Historical Performance of ARC Corporate Realty Trust, Inc. ("ACRT")

ARC Properties, Inc., the Advisor and their personnel have a long track record in the Development, Acquisition and Financing of Net Lease Properties. Beginning in 1993, ARC Properties, Inc. sponsored, and the advisor managed, ARC Corporate Realty Trust, Inc. ("ACRT"), that qualified and operated as a REIT specializing in Net Lease Properties. ACRT acquired 21 Net Lease Properties from 1993 to 2004 and then sold the assets and distributed proceeds to stockholders in 2008. Over that 16-year period every individual investment generated a positive IRR between 13.08% and 73.44%, with an average IRR of 24.42%, a weighted average IRR of 20.21% and a 0% loss factor. Stockholders in ACRT received IRRs ranging from 8.59% to 16.22% per year over a 16 year holding period. While dividends per share were identical for all stockholders, the IRRs varied due to the individual stockholder's holding period and share price paid. See, "Historical Performance of ARC Corporate Realty Trust, Inc."

It is important to understand that the historical performance data about ACRT set forth above, are reflective of the past performance of ACRT's assets and is not intended to be indicative of, or a guarantee or prediction of, the returns that ARCTRUST or the Advisor may achieve. The economic conditions that applied during the periods of time that ACRT operated may be very different than the conditions in which we operate. The Net Lease Property investments in ACRT's portfolio were mostly acquisitions. A larger percentage of ARCTRUST's investments will be developments which have different risks. See, "Historical Performance of ARC Corporate Realty Trust, Inc."

ARC CORPORATE REALTY TRUST, INC. PRIOR PORTFOLIO PERFORMANCE

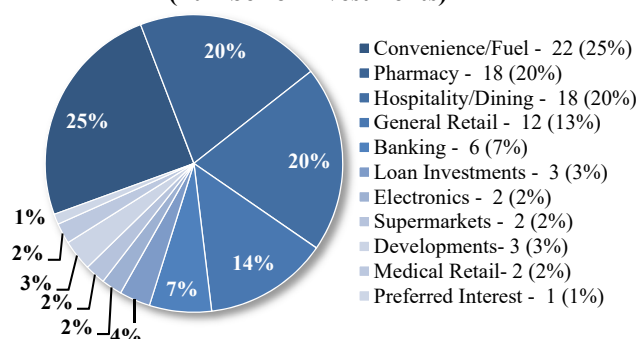
TENANT NAME	LOCATION	AREA	TYPE	BUY	SELL	IRR
Comp USA	Charlotte, NC	36,510 sf	Retail	1993	2000	19.38%
Fed Ex	Memphis, TN	30,000 sf	Office	1994	2004	14.35%
Walgreens	Memphis, TN	12,544 sf	Retail	1994	2007	22.32%
GartSports	Sacramento CA	40,145 sf	Retail	1994	2007	22.68%
United Technologies	Plymouth, IN	105,600 sf	Indus.	1995	2007	19.86%
Sears Home Life	San Antonio, TX	34,414 sf	Retail	1995	2008	13.08%
AT&T	Norcross, GA	22,359 sf	Office	1996	2006	23.93%
Hollywood Video	Marietta, GA	7,488 sf	Retail	1997	2007	15.43%
Office Max/Sports Authority	Lilburne, GA	66,925 sf	Retail	1997	2007	15.96%
Borders/Bed Bath & Beyond	Overland Park, KS	80,028 sf	Retail	1996	2006	20.72%
Circuit City/Office Max	Wichita, KS	68,037 sf	Retail	1996	2007	19.20%
Bergen County Board SS	Rochelle Park, NJ	80,000 sf	Office	1995	2007	22.39%
Toys R Us/NAI	New York, NY	139,000 sf	Retail	1999	2007	17.96%
Caromont Medical	Charlotte, NC	58,295 sf	Medical	2000	2007	29.79%
LA Fitness	Fort Washington, PA	41,000 sf	Retail	2002	2006	32.95%
Giant Food	Levittown, PA	40,100 sf	Retail	2003	2008	16.89%
Babies R Us/Levitz	Paramus, NJ	154,000 sf	Retail	2003	2006	27.63%
Vacant Land	Willow Grove, PA	0	Land	2003	2005	47.40%
Thomasville/AC Moore	Montgomeryville, PA	41,041 sf	Retail	2003	2007	15.09%
A&P Co.	Woodcliff Lake, NJ	70,000 sf	Retail	2004	2007	18.49%
Barnes and Noble	Philadelphia, PA	22,743 sf	Retail	2004	2005	73.44%
16 YEAR WEIGHTED AVERAGE					AVG.	(1)24.24%
					AVG.	(2)20.21%

- The above IRRs were calculated using net purchase and sale prices of the respective properties and take into account only rents and debt service during the period between the purchase and sale of the property by ACRT. The above IRRs do not reflect deductions for any fees taken by the Advisor of ACRT, including but not limited to, Investment Fees, management fees, financing fees or disposition fees, taxes or other expenses of ACRT.
- The above weighted average IRR was calculated by totaling all investments and adding together all annual cash flows from the properties owned by ACRT. It represents the IRR as though ACRT's portfolio were one investment.

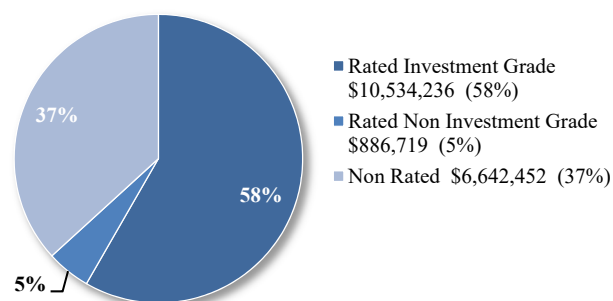
OPERATING HISTORY

ARCTRUST has raised \$115,793,094 in gross proceeds from a combination of ARCTRUST's initial offering of Shares that ended December 31, 2011, first follow-on offering that ended on January 31, 2014 and second follow-on offering that ended on December 31, 2015. ARCTRUST has used those proceeds to invest in a diversified portfolio of Developments, Acquisitions and loan assets. ARCTRUST currently owns or has an interest in 1,312,349 square feet of existing or to-be-built space with expected annual rental or interest income of \$18,036,407. See "Description of Investments, and Investment Objectives and Policies."

**Tenants and Investments by Investment Type
(number of investments)**

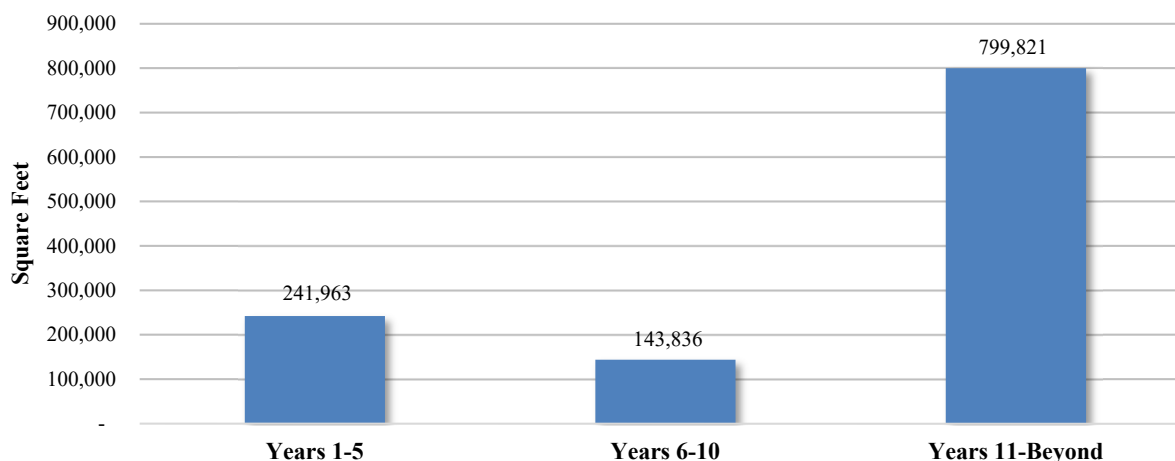


Annual Revenue by Tenant Credit Rating



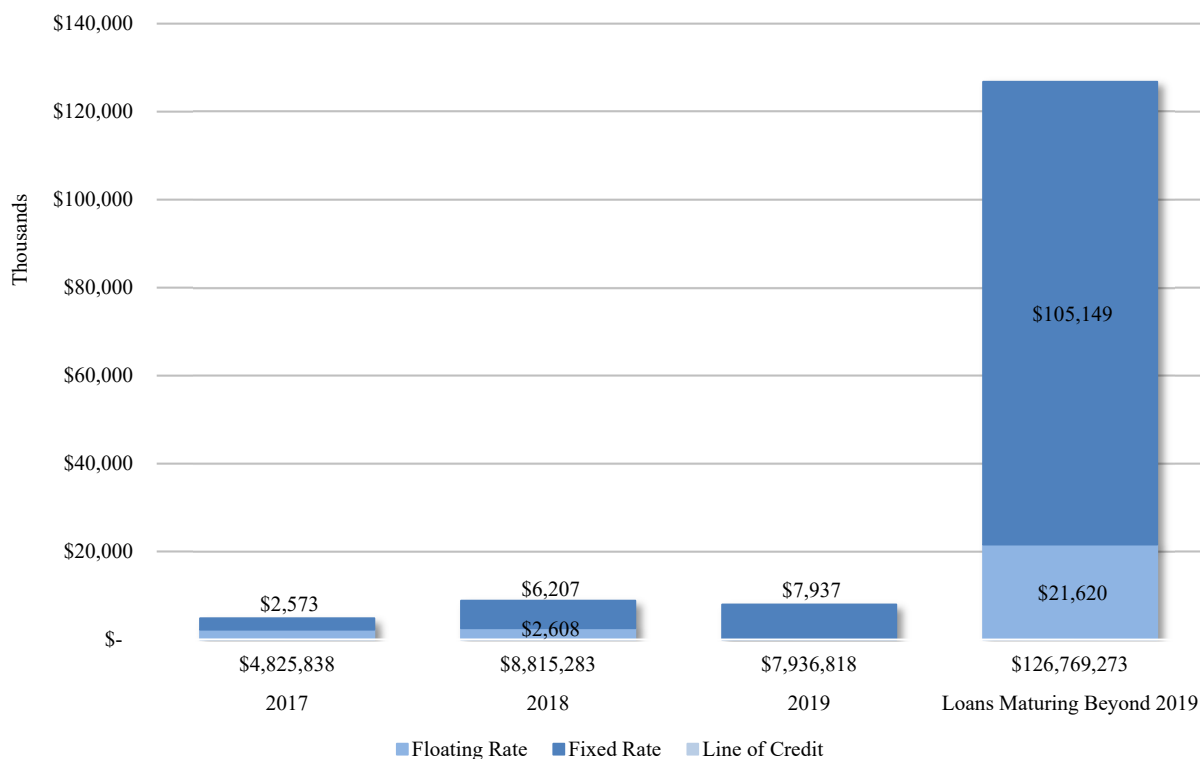
As of the date of this Memorandum, the average remaining initial term of ARCTRUST's leases is over 11 years. Fifty-one of ARCTRUST's eighty-six lease interests have remaining terms of ten years or more and twenty-one leases expire within the next five years. See "Description of Investments." below.

ARCTRUST's Lease Expirations



In 2015 ARCTRUST completed an evaluation of its existing mortgage debt and refinanced, extended and locked in long-term fixed interest rate financing where possible. As a result, a number of properties were moved from secured lines of credit to new permanent mortgages. As of the date of this Memorandum, ARCTRUST's assets, including investments in Joint Ventures, are financed through sixty-four mortgage loans totaling approximately \$149,878,042. Fifty mortgage loans, representing \$126,769,273 have maturities of five years or longer. Fifty mortgage loans, representing \$123,397,075, have fixed rates and the rest are variable interest rate loans. ARCTRUST has one unsecured and three secured lines of credit. As of the date of this Memorandum, ARCTRUST has \$0 proceeds drawn on its secured line of credit with National Penn Bank. See, "Capitalization and Sponsor Investment" below along with Exhibit B (Financial Statements of ARC Property Trust, Inc.), for a more detailed description of ARCTRUST's borrowings

Loan Maturity & Interest Rate Type by Year



ARCTRUST has grown steadily since it began operations. ARCTRUST's growth in assets to \$230,648,022 as of September 30, 2015 from \$184,893,957 as of September 30, 2014 is due largely to ARCTRUST's Investment in Net Lease Properties using the proceeds of ARCTRUST's stock offerings. ARCTRUST's growth in liabilities over the same period is due primarily to an increase in mortgages that finance ARCTRUST's Investments. See "Investment Objectives and Policies."

	9 Mos. Ended Sept. 30, 2015	9 Mos. Ended Sept. 30, 2014	Year Ended 2014	Year Ended 2013
Assets				
Total Property (book value)	\$196,883,438	\$127,678,310	\$156,780,916	\$92,961,605
Cash & Equivalents	2,912,559	1,718,173	2,204,141	8,798,828
Loans Receivable	8,669,751	7,455,980	16,368,361	7,647,272
Other Asset	22,182,274	13,862,958	9,540,539	6,668,976
Total Assets	\$230,648,022	\$150,715,421	\$184,893,957	\$116,076,681
Liabilities				
Current Liabilities & Credit Lines	\$16,603,652	\$12,775,139	\$27,891,605	\$9,009,538
Mortgage Notes Payable	122,185,256	74,553,880	86,888,272	51,517,737
Construction Loan Payable	1,400,000	660,250	664,189	51,517,737
Total Liabilities	\$140,188,908	\$87,989,269	\$115,444,066	\$60,527,275
Stockholder's Equity				
Paid-in-Capital	\$85,319,420	\$60,604,062	\$65,791,814	\$52,622,380
Cumulative Net Income	17,260,667	11,286,646	11,864,492	9,410,149
Deferred Stock Based Compensation	-	427,410	-	-
Cumulative Distributions	(15,113,285)	(9,856,480)	(10,972,805)	(6,684,873)
Minority Interest	2,992,312	264,514	766,390	201,750
Total Stockholder's Equity	\$90,459,114	\$62,726,152	\$69,449,891	\$55,549,406

As of September 30, 2015 the capitalized costs of ARCTRUST's assets acquired with the net proceeds from ARCTRUST's offerings of Common Stock, plus gains on sale of properties less depreciation and amortization of ARCTRUST's assets equaled a September 30, 2015 cost basis per Share of \$10.25. The Offering Price of \$13.45 is based on the December 31, 2015 market valuation of ARCTRUST's real estate assets performed by Colliers International Valuation and Advisory Services, Inc. See, "Determination of the Offering Price."

For the nine months ended September 30, 2015, ARCTRUST generated \$14,513,885 in revenue made up primarily of Rental Revenue and Gain on Sales of Properties. ARCTRUST's expenses of \$11,307,312 in the same period are made up principally of Interest on ARCTRUST's property mortgages and Depreciation and Amortization. See, "Discussion and Analysis of Operations."

	9 Mos. Ended Sept. 30, 2015	9 Mos. Ended Sept. 30, 2014	Year Ended 2014	Year Ended 2013
Revenues				
Rental Revenue	\$10,649,296	\$6,522,457	\$9,211,457	\$5,740,570
Fee & Interest Income	1,735,251	966,010	1,736,602	743,313
Other Income	2,129,338	1,199,814	1,864,533	1,260,284
Total Revenues	\$14,513,885	\$8,688,281	\$12,812,592	\$7,744,167
Expenses				
Interest Expense	\$3,944,212	\$2,136,259	\$3,144,864	\$1,896,754
Depreciation & Amortization	2,696,768	1,685,073	2,367,544	1,681,384
Asset Management Fees	1,673,111	1,001,730	1,407,295	799,010
Deferred Stock Based Compensation	480,836	427,410	587,689	-
Other Expenses	2,512,385	1,451,810	2,733,351	1,793,043
Total Expenses	\$11,307,312	\$6,702,282	\$10,240,743	\$6,170,191
Federal Taxes	(98,364)	(4,622)	(4,003)	-
Net Income before Non-recurring Transactions	\$3,108,209	\$1,981,377	\$2,567,846	\$1,573,976
Gain on Investments in Unconsolidated Joint Ventures	-	-	-	377,879
Gain on Sale of Properties	2,517,888	-	-	4,910,623
Loss on Early Retirement of Debt	-	(91,020)	(95,020)	(556,160)
Net Income Attributable to Non-controlling Interest	(229,922)	(13,860)	(18,483)	(11,136)
Net Income	\$5,396,175	\$1,876,497	\$2,454,343	\$6,295,182

FOLLOW-ON OFFERING NO. 3

Securities Offered:	Shares of Common Stock, par value \$0.01 per share, (collectively, the “Shares”).
Price Per Share:	\$13.45 (Thirteen dollars and Forty-five cents per share)
Total Number of Shares Offered:	2,230,483 Shares (subject to the Board of Directors’ discretion to increase the size of the Offering).
Terms of Offering:	<p>ARCTRUST has retained Chauner Securities, Inc. (“CSI”) on a best efforts basis as the managing dealer with respect to this Offering. ARCTRUST may engage other FINRA members to act as additional managing dealers (each an additional managing dealer or “AMD”) with respect to this Offering. The offering price of the Shares is \$13.45 per Share with estimated aggregate gross proceeds of up to \$30,000,000. See “Plan of Distribution.” ARCTRUST may offer and sell a portion of the Shares offered hereby to certain investors net of sales commissions, offering expense allowances and related expenses. See “Plan of Distribution.” No minimum amount of proceeds will be required in order for ARCTRUST to accept such Offering proceeds. Payment in full is due upon subscribing for Shares. ARCTRUST agrees to accept or reject subscriptions within 30 days of their receipt. An investor whose subscription for Shares has been accepted by ARCTRUST may not withdraw his investment. See “Plan of Distribution.”</p> <p>Shares will be issued periodically (but not less often than monthly) until the termination of the Offering. The Offering is scheduled to terminate at the earlier of the time all Shares being offered are sold or March 31, 2017 (the “Termination Date”). The Board of Directors, in its sole discretion, may extend the Termination Date up to two times for a period of not more than six months each (up to twelve additional months), or March 31, 2018, or may terminate the Offering prior to sale of all Shares. See “Plan of Distribution.”</p>
Sponsor Investment:	The Advisor and/or certain Directors, executive officers and affiliates of ARCTRUST and family members currently own 10.7% of ARCTRUST’s Shares and will purchase additional Shares in order to maintain a minimum ownership of 5.0% of ARCTRUST’s Shares. The Sponsor’s direct investment will be made net of selling commissions, placement agent fees, underwriting consulting fee, and offering allowance, all as defined herein.
Minimum Investment:	\$50,000 (3,717.4721 Shares) or \$25,000 (1,858.7361 Shares) for an IRA/SEP or other Qualified Plan. ARCTRUST reserves the right, in its sole discretion, to accept subscriptions in lesser amounts.
Investor Suitability Standards:	Shares will be sold only to investors whom ARCTRUST, CSI and any AMD reasonably believe are either accredited investors as defined in Regulation D under the Securities Act. These requirements are minimum eligibility requirements for investors. Being an accredited investor or otherwise being eligible to purchase Shares does not necessarily mean the Shares are a suitable investment. Each subscriber will be required to complete a Subscription Documents. Copies of the Subscription Documents to be completed by investors subscribing for Shares are attached as Exhibit A to this Memorandum. ARCTRUST, CSI and any AMD may reject subscriptions in whole or in part in their sole discretion. See “Plan of Distribution.” In addition, certain states may establish suitability standards for stockholders resident in such states. In the case of sales to fiduciary accounts, the suitability standards must be met by the fiduciary account or by the person who directly or indirectly supplies the funds for the purchase of the Shares.
Use of Proceeds:	Approximately 90.50% of the proceeds of this Offering are expected to be invested in real estate and related Acquisition Expenses, and the balance will be used for working capital and to pay expenses and fees to CSI, any AMD and other members of the Selling Group, the Advisor and other entities. A breakdown of ARCTRUST’s use of the gross proceeds from this Offering is provided under the caption “Use of Proceeds.”

Authorized Capital Stock:	ARCTRUST has 19,000,000 shares of Common Stock and 1,000,000 shares of Class S Common Stock authorized under its Charter (the “Charter”). All shares of Common Stock have equal dividend and liquidation rights. See “Description of Capital Stock.”
Stock Outstanding:	Prior to the Offering there were 10,182,289 shares of Common Stock and 4,339 shares of Class S Common Stock issued and outstanding. After the Offering, there will be up to 12,417,111 shares of Common Stock and Class S Common Stock outstanding, collectively, if all of the Shares offered hereby are sold.
Dividends:	Since Inception, ARCTRUST has paid quarterly dividends regularly and intends to continue to pay dividends on a quarterly basis on outstanding shares of Common Stock. ARCTRUST intends to pay dividends on outstanding shares of Class S Common Stock once per year. The timing and frequency of any dividends will be authorized by the Board of Directors and declared by ARCTRUST out of funds available for distribution. Additionally, our election of REIT status requires ARCTRUST to distribute at least 90% of ARCTRUST’s “REIT taxable income” to stockholders each year.
Valuation:	ARCTRUST’s Board of Directors has determined the selling price of the Shares based on a market valuation of ARCTRUST’s assets, including a valuation of ARCTRUST’s real estate assets completed by Colliers International Valuation and Advisory Services, Inc., an independent third-party real estate valuation firm. See “Determination of Offering Price.”
Transactions with Affiliates:	Any Investment in or sale of property between ARCTRUST and any of ARCTRUST’s Directors, the Advisor or any of their Affiliates, will only be consummated if the sale or purchase price is supported by a summary appraisal report or comparative income study performed by an Independent Appraiser or an arm’s length third party offer and the transaction has been submitted to our Independent Director(s) for consideration and approval. See “Conflicts of Interest – “Purchases from and Sales to Affiliates”; “Conflicts of Interest–Transactions between ARCTRUST and Affiliates” and “Investment Objectives and Policies–Investment Policies.”
Share Repurchase Program:	<p>ARCTRUST intends to repurchase up to \$5 million of qualifying Shares annually. Shares owned by a stockholder for three or more years may be submitted to ARCTRUST for repurchase under our Share Repurchase Program. The Share Repurchase Program is designed to provide eligible stockholders with liquidity by enabling them (or their estate, heirs or beneficiaries) to sell shares back to us. In the case of death or disability of a stockholder, the shares will be repurchased at a price equal to our current offering price or, if no offering is underway, at a Net Asset Value price based on our most recent Valuation. All other repurchases will be made at a price equal to our current offering price less a 5% administrative fee or, if no offering is underway, at a Net Asset Value price based on our most recent Valuation less a 5% administrative fee. Our Share Repurchase Program is subject to limitations and we cannot guarantee that ARCTRUST will be able to repurchase Shares in any given period. See, “Share Repurchase Program.”</p> <p>On or before December 31, 2023, subject to two (2) one (1) year extensions, the Board of Directors intends to consider additional or alternative means of generating liquidity, including (1) the sale of all or substantially all of our assets for cash or other consideration in a liquidation, (2) our sale or merger in a transaction that provides stockholders with a combination of cash and/or securities of a publicly traded company, (3) a listing of our Common Stock on a securities exchange or (4) further expansion of ARCTRUST’s Share Repurchase Program. We cannot assure you that we will be able to effect such a transaction or generate liquidity beyond our Share Repurchase Program within such timeframe or at all. It should be noted that ARCTRUST will continue in existence until its liquidation and dissolution or ARCTRUST is merged out of existence. See, “Investment Objectives and Policies – Liquidity/Share Repurchase Program.”</p>

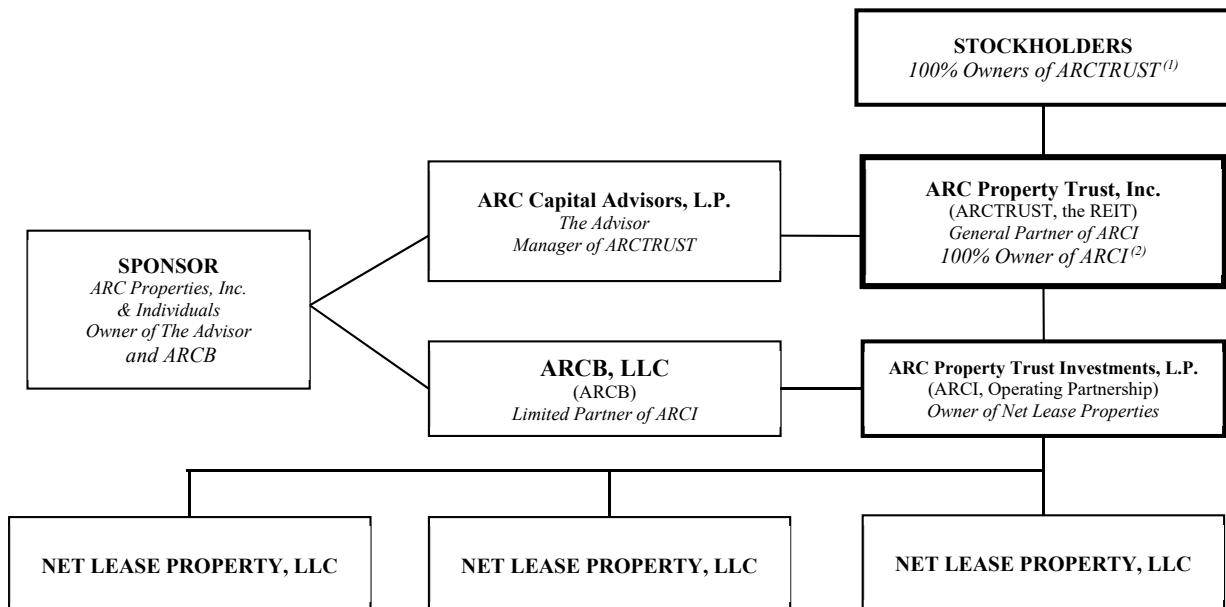
Federal Income Tax Consequences:

The section of the Memorandum entitled “Federal Income Tax Consequences” includes a discussion of tax issues which may be important to investors. The information provided under “Federal Income Tax Consequences” is not intended as tax advice for individual investors. Each investor is encouraged to obtain their own tax advice with regard to the acquisition of any Shares. The “Federal Income Tax Consequences” section also includes a discussion of the many rules that ARCTRUST will have to follow in order to continue to qualify as a REIT under the Code. Failure to qualify as a REIT or maintain such qualification will result in taxation of ARCTRUST as a corporation and reduce the cash available for distribution to stockholders.

Conflicts of Interest:

The Advisory Agreement between ARCTRUST and the Advisor is not the result of arm’s-length negotiations and the Advisor has certain conflicts of interest in its management of the Company. These conflicts will arise primarily from the compensation arrangements with the Advisor and from the involvement of the Advisor and its Affiliates in other activities that may conflict with those of ARCTRUST. The Advisor and its Affiliates have received and, in the future, will receive significant amounts of compensation, thereby reducing cash available for dividends and distributions. ARCTRUST submitted the Advisory Agreement to our Independent Director(s) for his consideration and approval prior to accepting any subscriptions for the shares in ARCTRUST’s initial private offering. See “Conflicts of Interest.”

The following chart shows the ownership structure of the various sponsor related entities that are affiliated with ARCTRUST.



- (1) The stockholders of ARCTRUST include the Advisor and/or certain directors and executive officers of ARCTRUST or affiliates or other personal or family investments resulting from the “sponsor investment” in ARCTRUST Shares.
- (2) Investments made directly into ARCI in exchange for Operating Partnership units will reduce ARCTRUST’s ownership percentage of ARCI. Such investment will not dilute stockholders’ ownership of ARCI.

DETERMINATION OF OFFERING PRICE

The Share price of \$13.45 per share was determined with the assistance of Colliers International Valuation and Advisory Service, Inc. (“Colliers”) through a three step process designed to determine the value per share that would be realized upon an assumed disposition of ARCTRUST’s assets. Colliers, founded in 1898, is a subsidiary of First Service Corporation (NASDAQ: FSRV) and is an international leader in the real estate valuation service business with more than 16,300 employees and 502 offices worldwide.

First, Colliers, an independent real estate valuation firm, examined ARCTRUST’s real estate assets. Colliers visited and inspected each property and reviewed ARCTRUST’s leases and agreements. Colliers gathered data on comparable sales in each market and analyzed the income from each property and generated an individual appraisal for each property.

Second, a pro-forma balance sheet for ARCTRUST, as of December 31, 2015, presuming disposition of ARCTRUST’s assets was generated using Colliers’ appraisals. As shown below, ARCTRUST’s assets less liabilities and disposition costs are estimated to total \$157,331,660 as of December 31, 2015. The result of \$157,331,660 divided by 11,695,508 Shares and stock options outstanding as of December 31, 2015 equals \$13.45 cents per Share.

Third, Colliers’ independent appraisals, ARCTRUST’s pro-forma December 31, 2015 balance sheet items and disposition costs were reviewed and approved by ARCTRUST’s Board of Directors establishing the per Share offering price.

Assets: As of December 31, 2015	Pro-forma ⁽¹⁾	
Property Assets:		
Land & Buildings	318,822,426	
Non-Property Assets:		
Cash	3,379,762	
Restricted Cash	2,318,080	
Interest Receivable	187,770	
Rent Receivable	7,290	
Loans Receivable	18,090,431	
Purchase Deposits	1,285,490	
Prepaid Expenses	200,535	
Deferred Transaction Costs	65,106	
Development Program Costs	4,202,812	
Investment in Beneficial Ownership Interest in RE	3,039,024	
Interest Rate Cap	106,425	
Subscriptions Receivable	<u>3,698,434</u>	
Total Assets		355,403,585
Liabilities:		
Current Liabilities:		
Lines of Credit	612,469	
Loan Payable Reinvestment Fund	5,400,000	
Due to Related Parties	313,371	
Taxes Payable	98,120	
Accounts Payable & Accrued Expenses	714,257	
Security Deposit	15,600	
Deferred Rental Income	164,460	
Deferred Interest Income	0	
Dividends Payable	1,619,083	
Due to Tenant	97,871	
Mortgage Notes Payable	<u>181,074,141</u>	
Total Liabilities		(190,109,372)
Disposition Adjustments⁽²⁾:		
Selling Expenses		
Advisory Fees	6,376,449	
Legal Expenses	1,480,000	
Transfer Taxes	2,445,082	
Mortgage Prepayment	1,866,663	
Contingency	<u>1,594,212</u>	
Total Disposition Adjustments		(13,772,036)

Liquidation Adjustments⁽³⁾

Exercise of Stock Options Paid	16,512,916
ARCB Limited Partnership Distribution	<u>(10,716,658)</u>
Total Liquidation Adjustments	<u>5,796,258</u>

NET STOCKHOLDER VALUE **157,318,164**

PRICE PER SHARE (11,695,508 Shares Outstanding Incl. Exercised Options) **\$13.45**

The forgoing determination of the Offering Price was prepared by ARCTRUST using GAAP accounting standards with the assistance of Colliers. However, ARCTRUST cannot assure that the offering price (or the valuation on which it was based) is accurate or fairly reflects a price that would have been reached by independent parties in arm's-length negotiations, or that it fairly reflects the value of the Shares in the marketplace given alternative investment opportunities. Copies of the Colliers appraisal reports are available to potential subscribers on request and without charge.

1. ARCTRUST's Proforma Balance Sheet as of December 31, 2015 represents the following changes from the quarter ending September 30, 2015 balance sheet. See, Exhibit B: (1) Land and Buildings increased by \$116,688,960 from September 30, 2015 due mainly to the increase in property values established by Colliers' independent appraisals, plus the inclusion of the full land and building values of the joint venture properties after applicable partnership adjustments (see item 8 in this footnote) and to the purchase of the Ambler, Audubon, Delran, Doylestown, Franklinville, Gibbsboro, Levittown, Lindenwold, Moorestown, Philadelphia, Turnersville, Warminster, West Berlin, Pasadena, Wissinoming/Harbison and Jacksonville (Walgreens) properties plus purchase contract values based on commitments to acquire properties in Jersey City and Ewing, NJ offset by the sale of Jacksonville (CVS). (2) Cash and Restricted cash decreased/increased by \$1,434,054 from \$4,263,788 at September 30, 2015 to \$5,697,842 on ARCTRUST's December 31, 2015 Proforma Balance Sheet. The increase is largely attributable to an increase in stock sales and to an increase in 1031 exchange cash from the sale of Williamstown and Jacksonville. (3) Deferred Rent Receivable (not shown above) decreased to \$0 on the ARCTRUST's Proforma Balance Sheet at December 31, 2015 from \$1,457,707 at September 30, 2015 because upon the liquidation of assets Deferred Rent Receivable has no cash value. (4) Interest Receivable at September 30, 2015 was \$205,471 compared to \$187,770 on the ARCTRUST's Proforma Balance Sheet at December 31, 2015. The decrease is due to the receipt of interest on the loans in December 2015. (5) Loans Receivable on the ARCTRUST's Proforma Balance Sheet at December 31, 2015 was estimated to be \$18,090,431 vs. \$8,669,751 on the September 30, 2015 balance sheet. The increase is due to an increase in loans made by ARCTRUST on the New Market Tax Credit portion of the Wissinoming/Harbison project. (6) Subscription receivables increased from \$0 to \$3,498,451 on the ARCTRUST's Proforma Balance Sheet at December 31, 2015 due to unfunded executed commitments for stock purchases at December 31, 2015. As of the date of this memorandum all stock purchase commitments have been funded. (7) Purchase Deposits (not shown above) on the ARCTRUST's Proforma Balance Sheet at December 31, 2015 increased to \$1,285,490 from \$1,115,000 on the September 30, 2015 balance sheet. The increase is due to additional properties under contract to close in the next few weeks. (8) Investments in Joint Venture was eliminated on the ARCTRUST's Proforma Balance Sheet at December 31, 2015 as the investments in joint ventures were included at their full value after applicable partnership adjustments in the land and building section of the balance sheet. (See item 1 in this footnote). (9) Deferred Financing and other fees (not shown above) were eliminated from the ARCTRUST's Proforma Balance Sheet at December 31, 2015 because they represent costs which have no cash value in liquidation. (10) Mortgage Notes Payable increased from \$125,507,730 at September 30, 2015 to \$181,074,141 on the ARCTRUST's Proforma Balance Sheet at December 31, 2015 due to the additional properties purchased reduced by the sale of properties noted in No. 1. As of December 31, 2015, all of ARCTRUST's mortgage obligations are current. (11) Lines of Credit outstanding at September 30, 2015 was \$10,337,287 compared to \$612,469 on the ARCTRUST's Proforma Balance Sheet at December 31, 2015. (12) Accounts payable and accrued expenses increased from \$599,856 at September 30, 2015 to \$714,257 on the ARCTRUST's Proforma Balance Sheet of December 31, 2015 due mainly to an increase in accrued mortgage interest and state taxes from the additional property purchases noted in No. 1. As of December 31, 2015 all accounts payable was current. (13) Due to related parties decreased from \$363,964 at September 30, 2015 to \$313,371 on the ARCTRUST's Proforma Balance Sheet at December 31, 2015 due mainly to the payment of accrued DST fees owed to the Advisor. (14) Deferred Interest Income remained unchanged from September 30, 2015. (15) Deferred Rental Income decreased by \$149,978 from September 30, 2015. The reduction is due mainly to the timing of rent payments. (16) Due to tenant remained unchanged from September 30, 2015. (17) Dividends Payable increased from \$1,454,042 at September 30, 2015 to \$1,619,083 on ARCTRUST's Proforma Balance Sheet at December 31, 2015. The increase is due to an increase in the number of shares outstanding.
2. For Selling Expenses calculated as of December 31, 2015, Advisory Fees are based on the terms of the Advisory Agreement. See, "Compensation to the Advisor and Affiliates," and "The Advisory Agreement." Transfer Tax rates are based on actual tax rates for the location of each property as of December 31, 2015. Mortgage prepayment costs are based on the actual terms of ARCTRUST's individual mortgage loan agreements. The Limited Partner Distribution represents distribution of liquidation proceeds to ARCB, LLC per the terms of the Limited Partnership Agreement. See, "Our Limited Partnership Agreement – Allocation of Benefits." Contingency is an estimate based, on the experience of the Advisor, of potential additional Disposition Adjustments that may be incurred in excess of the foregoing calculated amounts.
3. Liquidation adjustments represent assumed vesting and purchase of Stock Options along with limited partnership distributions in accordance with ARCTRUST's Operating Partnership Agreement. See, "Our Operating Partnership Agreement."

SUITABILITY STANDARDS

Investment in the Shares involves numerous and substantial risks. The illiquidity of the Shares and the nature of the current and proposed activities of ARCTRUST make the Shares suitable only for investors who have no need for liquidity with respect to their investment, who can bear the economic risk of loss of all of their investment in ARCTRUST, who are seeking a long-term investment, and who possess adequate means to provide for their usual needs and contingencies. In the case of offers made within the United States and offers made to U.S. persons, ARCTRUST intends to offer the Shares only to investors who qualify as “accredited investors,” as such term is defined in Rule 501(a) of Regulation D under the Securities Act. Such investors include but are not limited to:

- (1) a natural person who has an individual net worth, or joint net worth with the investor’s spouse, at the time of purchase, exceeding \$1,000,000, excluding the value of the primary residence of such natural person (but (a) any indebtedness secured by the residence that is greater than the appraised value of the residence and (b) any indebtedness secured by the residence that the investor has borrowed within the past 60 days not for the purpose of purchasing the residence should be included to reduce such natural person’s net worth);
- (2) a natural person who had an individual income, not including a spouse’s income, in excess of \$200,000 in each of the two most recent years, or had joint income with a spouse in each of those years in excess of \$300,000, and reasonably expects to reach the same income level in the current year;
- (3) a revocable grantor trust in which all of the grantors are accredited investors;
- (4) a Director or executive officer of ARCTRUST;
- (5) an IRA in which its participant is an accredited investor;
- (6) any entity (e.g., corporation, partnership, limited liability company, etc., but NOT an irrevocable trust) in which all of the equity owners are accredited investors;
- (7) a trust with total assets in excess of \$5,000,000 not formed for the specific purpose of acquiring the Shares, whose purchase of the Shares is directed by a sophisticated person who has such knowledge and experience of financial and business matters that he or she is capable of evaluating the merits and risks of investing in the Shares;
- (8) a corporation, business trust, partnership or limited liability company with total assets in excess of \$5,000,000 not formed for the specific purpose of acquiring the Shares;
- (9) an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), with total assets in excess of \$5,000,000 not formed for the specific purpose of acquiring the Shares; or
- (10) any of the following: (a) an “employee benefit plan” within the meaning of Title I of the Employee Retirement Income Security Act of 1974 (“ERISA”), if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment advisor, (b) an employee benefit plan with total assets in excess of \$5,000,000, or (c) self-directed plans, if the investment decisions are made solely by persons that are accredited investors.

To assure compliance with the securities laws, investors subscribing for Shares offered in reliance on Regulation D will be required affirmatively to represent, among other things, that such investor is acquiring the Shares for such investor’s own account, for investment purposes only, and not for, with a view to, or in connection with, resale or public distribution thereof.

Investment in the Shares is inadvisable for investors who may not be able to hold their Shares for an indefinite period. There is no public market for the Shares, and none is expected to develop. The Shares are subject to substantial restrictions on their transferability. Therefore, investors may not be able to liquidate their investment in the event of unforeseen financial difficulties or for any other reason.

The above-described suitability standards represent minimum suggested suitability standards for investors. The satisfaction of the standards by a prospective investor does not necessarily mean that the Shares are a suitable investment for that investor. Each prospective investor should determine independently, upon consultation with such investor’s investment, tax or other advisors, accountants and legal counsel, whether an investment in the Shares is suitable in light of the investor’s own circumstances. ARCTRUST may, but will not be obligated to, make such further inquiry and obtain such additional information as it deems appropriate with regard to the suitability of prospective investors.

Benefit Plans, Tax Qualified Retirement Plans and IRAs. A fiduciary making the decision to invest in the Shares on behalf of a prospective purchaser that is an ERISA Plan (as defined below), a tax-qualified retirement plan, or an IRA or other benefit plan (“Benefit Plan”) is advised to consult its own legal advisor regarding the specific considerations arising under ERISA, Section 4975 of the Code, and (to the extent not preempted) state law with respect to the purchase, ownership or sale of the Shares by such plan or IRA.

Each fiduciary of a Benefit Plan subject to Title I of ERISA (an “ERISA Plan”) should carefully consider whether an investment in the Shares is consistent with its fiduciary responsibilities under ERISA. In particular, the fiduciary requirements of Part 4 of Title I of ERISA require:

- (1) an ERISA Plan’s investment to be prudent and in the best interest of the ERISA Plan, its participants, and beneficiaries;
- (2) an ERISA Plan’s investments to be diversified in order to reduce the risk of large losses, unless it is clearly prudent not to do so;
- (3) an ERISA Plan’s investments to be authorized under ERISA and the terms of the governing documents of the ERISA Plan; and
- (4) that the fiduciary not cause the ERISA Plan to enter into transactions prohibited under Section 406 of ERISA.

In determining whether an investment in the Shares is prudent for purposes of ERISA, the appropriate fiduciary of an ERISA Plan should consider all of the facts and circumstances, including whether the investment is reasonably designed, as a part of the ERISA Plan’s portfolio for which the fiduciary has investment responsibility, to meet the objectives of the ERISA Plan, taking into consideration the risk of loss and opportunity for gain (or other return) from the investment, the diversification, cash flow and funding requirements of the ERISA Plan, and the liquidity and current return of the ERISA Plan’s portfolio. A fiduciary should also take into account the nature of ARCTRUST’s business, the length of ARCTRUST’s operating history and other matters described under “Risk Factors.”

The fiduciary of an IRA or of a Benefit Plan not subject Title I of ERISA because it is a governmental or church plan or because it does not cover common law employees (a “Non-ERISA Plan”) should consider that such an IRA or Non-ERISA Plan may only make investments that are authorized by the appropriate governing documents, not prohibited under Section 4975 of the Code, and permitted under applicable state law.

Status of ARCTRUST Under ERISA. In determining whether the fiduciary requirements of ERISA and the prohibited transaction provisions of ERISA and the Code apply to an entity’s operations because one or more investors in the entity’s equity interests is an ERISA Plan or is a Non-ERISA Plan or IRA subject to Section 4975 of the Code, it is necessary to determine whether such plan or IRA is deemed also to own an undivided interest in the assets of that entity under ERISA and the Department of Labor regulations defining “plan assets” (the “DOL Regulations”). An ERISA Plan fiduciary should also consider the relevance of these principles to ERISA’s prohibition on improper delegation of control over or responsibility for “plan assets” and ERISA’s imposition of co-fiduciary liability on a fiduciary who participates in, permits (by action or inaction) the occurrence of, or fails to remedy a known breach by another fiduciary. ERISA and the DOL Regulations provide that if participation in the entity by Benefit Plans (including IRAs) is significant, ERISA fiduciary standards should be applicable. Plan investment is considered significant if the aggregate plan equity exceeds 25% of the total equity. The Charter limits equity participation by Benefit Plan Investors to less than 25% in the aggregate so that such participation in our Common Stock by such Benefit Plan Investors will not be deemed to be “significant” as determined by reference to ERISA and the DOL Regulations. The Charter provides that any ownership or transfer of shares of Common Stock in violation of this restriction will result in the shares being automatically transferred to a charitable trust for the benefit of a charitable beneficiary, and the purported transferee will acquire no rights in such shares. We cannot, however, assure you that ownership or holding of our Common Stock by or on behalf of Benefit Plan Investors will always remain below the 25% threshold or that our assets will not otherwise constitute “plan assets” under ERISA and the DOL Regulations. See “ERISA Considerations—Investment by Benefit Plans in the Shares” and “Description of Capital Stock—Restrictions on Ownership and Transfer of ARCTRUST’s Capital Stock.”

The minimum investment generally is 3,717.4721 Shares. You may not transfer any of your Shares if such transfer would result in your owning less than the minimum investment amount, unless you transfer all of your Shares. In addition, you may not transfer 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 retirement plans, 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 \$1,000. You should note that an investment in 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 the Code, as amended.

In the case of sales to fiduciary accounts, the suitability standards must be met by the fiduciary account, by the person who directly or indirectly supplied the funds for the purchase of the shares or by the beneficiary of the account. Given the long-term nature of an investment in Shares, ARCTRUST's investment objectives and the relative illiquidity of Shares, these suitability standards are intended to help ensure that the Shares are an appropriate investment for prospective investors.

Foreign Benefit Plans. An investor making the decision to invest in the Shares on behalf of a Foreign Benefit Plan is advised to consult with its own legal advisor regarding the specific legal considerations arising under non-United States law related to the purchase, ownership or sale of Shares by the Foreign Benefit Plan. Considerations similar to those discussed above with respect to Benefit Plans subject to United States law, such as those relating to legal restrictions on permissible Foreign Benefit Plan holdings, prohibited transactions, taxation, fiduciary duty, and other considerations, may apply to Foreign Benefit Plans.

Restrictions Imposed by the USA PATRIOT Act and Related Acts

In accordance with the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT Act"), the Shares offered hereby may not be offered, sold, transferred or delivered, directly or indirectly, to any "Unacceptable Investor," which means anyone who is:

- a "designated national," "specially designated national," "specially designated terrorist," "specially designated global terrorist," "foreign terrorist organization," or "blocked person" within the definitions set forth in the Foreign Assets Control Regulations of the U.S. Treasury Department;
- acting on behalf of, or an entity owned or controlled by, any government against whom the United States maintains economic sanctions or embargoes under the Regulations of the U.S. Treasury Department;
- within the scope of Executive Order 13224 — Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism, effective September 24, 2001;
- subject to additional restrictions imposed by the following statutes or regulations and executive orders issued thereunder: the Trading with the Enemy Act, the National Emergencies Act, the Antiterrorism and Effective Death Penalty Act of 1996, the International Emergency Economic Powers Act, the United Nations Participation Act, the International Security and Development Cooperation Act, the Nuclear Proliferation Prevention Act of 1994, the Foreign Narcotics Kingpin Designation Act, the Iran Sanctions Act, the Cuban Democracy Act, the Cuban Liberty and Democratic Solidarity Act and the Foreign Operations, Export Financing and Related Programs Appropriations Act or any other law of similar import as to any non-U.S. country, as each such act or law has been or may be amended, adjusted, modified or reviewed from time to time; or
- designated or blocked, associated or involved in terrorism, or subject to restrictions under laws, regulations, or executive orders as may apply in the future similar to those set forth above.

RISK FACTORS

An investment in ARCTRUST involves significant risks, including risks related to investing in a corporation, risks related to investing in real estate, tax risks and other general investment risks. In addition to the factors set forth elsewhere herein, prospective investors should consider the following and should consult with tax, legal and business advisors prior to making any investment decision in the Shares. See “Discussion and Analysis of Operations” for risks specific to ARCTRUST’s current assets.

Risks Related to our Organization, Structure and Common Stock

Certain provisions of Maryland law may limit the ability of a third party to acquire control of ARCTRUST.

Certain provisions of the Maryland General Corporation Law (the “MGCL”) may have the effect of inhibiting a third party from making a proposal to acquire ARCTRUST or of impeding a change of control under circumstances that otherwise could provide the holders of shares of ARCTRUST’s Common Stock with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

- “business combination” provisions that, subject to limitations, prohibit certain business combinations between ARCTRUST and an “interested stockholder” (defined generally as any person who beneficially owns 10% or more of the voting power of ARCTRUST’s shares or an affiliate thereof) for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter imposes two super-majority stockholder voting requirements on these combinations; and
- “control share” provisions that provide that holders of “control shares” of ARCTRUST (defined as shares which, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a “control share acquisition” (defined as the direct or indirect acquisition of ownership or control of “control shares”) have no voting rights except to the extent approved by ARCTRUST’s stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

ARCTRUST has opted out of the control share provisions of the MGCL pursuant to a provision in the bylaws of ARCTRUST (the “Bylaws”). However, ARCTRUST may, by amendment to the Bylaws, become subject to the control share provisions of the MGCL in the future. ARCTRUST has also, by resolution of the Board of Directors, exempted business combinations between ARCTRUST and any person, provided that such business combination is first approved by ARCTRUST’s Board of Directors (including a majority of ARCTRUST’s Board of Directors who are not affiliates or associates of such person). Should ARCTRUST’s Board of Directors opt back into the statute or otherwise fail to approve a business combination, the business combination statute may discourage others from trying to acquire control of ARCTRUST and increase the difficulty of consummating any offer. See “Certain Provisions of Maryland Law and ARCTRUST’s Charter and Bylaws.”

Our ownership limitations and certain other provisions of applicable law and ARCTRUST’s Charter may restrict business combination opportunities that would otherwise be favorable to ARCTRUST’s stockholders. For ARCTRUST to qualify as a REIT under the Code, not more than 50% in value of the outstanding shares of stock of ARCTRUST may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) at any time during the last half of ARCTRUST’s taxable year (other than the first taxable year for which the election to be treated as a REIT has been made). The Charter, subject to certain exceptions, limits any person from acquiring more than 9.8% (in value or by number of shares, whichever is more restrictive) of ARCTRUST’s outstanding Common Stock or 9.8% (in value or by number of shares, whichever is more restrictive) of ARCTRUST’s outstanding stock without the prior approval of ARCTRUST’s Board of Directors. These restrictions on transferability and ownership may delay or impede a transaction or a change in control of ARCTRUST that might involve a premium price for the Common Stock or otherwise be in the best interest of ARCTRUST’s stockholders.

Our classified Board structure may limit the ability of a third party to acquire control of ARCTRUST.

ARCTRUST’s Board of Directors is divided into five classes of directors. The current terms of the first, second, third, fourth and fifth classes expire in 2016, 2017, 2018, 2019 and 2020, respectively. Directors of each class are chosen for five-year terms upon the expiration of their current terms and each year one class of directors is elected by the stockholders. Since the Board of Directors is classified, at least three annual meetings (instead of one), will generally be required to effect a change in the majority of the Board of Directors. The staggered terms of directors may reduce the possibility of a tender offer or an attempt to change control of ARCTRUST even though a tender offer or change in control might be in the best interest of ARCTRUST’s stockholders.

ARCTRUST's authorized but unissued shares of stock may prevent a change in control of ARCTRUST under circumstances that otherwise could provide our stockholders with the opportunity to realize a premium over the then-prevailing market price for their shares. ARCTRUST's Charter authorizes the Board of Directors to cause us to issue additional authorized but unissued shares of Common Stock and to classify or reclassify any unissued shares of Common Stock and to set the preferences, rights and other terms of such classified or reclassified shares. In addition, the Board of Directors may, without stockholder approval, amend the Charter to increase the aggregate number of ARCTRUST's shares of stock or the number of shares of stock of any class or series of stock. As a result, the Board of Directors may establish a class or series of shares of stock that could delay or prevent a transaction or a change in control that might involve a premium price for ARCTRUST's shares of Common Stock or otherwise be in the best interest of ARCTRUST's stockholders.

Certain provisions of ARCTRUST's Charter may make it difficult for stockholders to change directors and to influence management and the direction of the company. ARCTRUST's Charter contains provisions that make removal of its directors difficult, which could make it difficult for ARCTRUST's stockholders to effect changes to ARCTRUST's management. The Charter provides that, subject to the rights of holders of any class or series of preferred stock to elect or remove one or more directors, a director may be removed only for cause, as defined in the Charter, and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of directors. The Charter also provides that the number of directors may be established only by the Board, which prevents stockholders from increasing the number of directors and filling any vacancies created by such increase with their own nominees. Additionally, the Bylaws require stockholders seeking to call a special meeting, nominate an individual for election as a director, or propose other business at an annual meeting to comply with certain information and notice requirements. These provisions make it difficult to change ARCTRUST's management by removing and replacing directors, make it difficult to influence the direction of the company, and may prevent a change in control of ARCTRUST that ARCTRUST's stockholders believe is in their best interest.

ARCTRUST's Charter may discourage tender offers, and therefore, may prevent stockholders from realizing a premium on the sale of their shares. ARCTRUST's Charter includes a provision that may discourage a stockholder from launching a tender offer for shares of our Common Stock. ARCTRUST's Charter requires that any tender offer made by a person, including any "mini-tender" offer, must comply with most of the provisions of Regulation 14D of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The offeror must provide ARCTRUST notice of the tender offer at least ten (10) business days before initiating the tender offer. If the offeror does not comply with these requirements, we will have the right to repurchase that person's shares of our stock, and any shares of our stock acquired in such tender offer. In addition, the non-complying offeror will be responsible for all of our expenses in connection with that stockholder's noncompliance. This provision of our Charter may discourage a person from initiating a tender offer for shares of our stock and prevent you from receiving a premium price for your Shares in such a transaction.

The restrictions on the sale of the Shares and the absence of a public market for the Shares will make it difficult for you to sell the Shares. Transfers of Shares are substantially restricted by the Charter and by state and federal securities laws. Moreover, there is not now, nor can ARCTRUST assure that there will be, any market (public or otherwise) for the Shares. Consequently, investors may not be able to liquidate their investment in the event of an emergency or for any other reason. Accordingly, the Shares should be considered as a long-term investment only.

We rely heavily on the judgment of management and investors will not have the opportunity to evaluate Investments prior to execution of the transactions. Investors will be relying on the management ability of ARCTRUST's management, the Advisor (and its management) and the Board of Directors. Thus, no prospective investor should purchase any of the Shares offered hereby unless the prospective investor is willing to entrust all aspects of the management of ARCTRUST to the Advisor and the Board of Directors. Purchasers of Shares will not have an opportunity to evaluate the terms of the transaction or the relevant economic or financial data affecting any Investments made by ARCTRUST. Moreover, the ability of ARCTRUST to accomplish its stated investment objectives and the timing of the receipt by stockholders of distributions are dependent upon the success and timing of the investments owned and acquired. ARCTRUST cannot assure that any Investments are or will be desirable income-producing properties or will increase in value, or that desirable income-producing properties will be available or can be invested in on economically attractive terms.

We may change our business, investment and financing strategies without stockholder approval, and these changes may adversely affect our business. Except as provided in our Charter, we may change our business, investment and financing strategies without a vote of, or notice to, our stockholders, which could result in our making investments and engaging in business activities that are different from, and possibly riskier than, the investments and businesses described in this Memorandum. In particular, a change in our investment strategy, including the manner in which we allocate our resources across our portfolio or the types of assets in which we seek to invest, may increase our exposure to real estate market fluctuations. In addition, we may in the future increase the use of leverage at times and in amounts that we, in our discretion, deem prudent, and such decision would not be subject to stockholder

approval. Furthermore, our Board of Directors may determine that retail properties do not offer the potential for attractive risk-adjusted returns for an investment strategy. Changes to our strategies with regards to the foregoing could adversely affect our financial condition, results of operations and our ability to make distributions to our stockholders.

Our rights and the rights of our stockholders to take action against our directors and officers are limited which could limit your recourse in the event that we take certain actions which are not in your best interests. Under Maryland law generally, a director is required to perform his or her duties in good faith, in a manner that he or she reasonably believes to be in the company's best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Under Maryland law, directors are presumed to have acted with this standard of care. Our Charter limits the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- active and deliberate dishonesty by the director or officer that was established by a final judgment as being material to the cause of action adjudicated.

Our Charter authorizes us to indemnify our present and former directors and officers for actions taken by them in those and other capacities to the maximum extent permitted by Maryland law. Our Bylaws obligate us to indemnify each present and former director or officer, to the maximum extent permitted by Maryland law, 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 to us. In addition, we may be obligated to advance the defense costs incurred by our directors and officers. We have entered into indemnification agreements with our officers and directors granting them express indemnification rights. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist absent the current provisions in our Charter, Bylaws and indemnification agreements or that might exist with other companies.

Offering price may not be indicative of the proceeds you will receive from your investment. ARCTRUST's Board of Directors, together with the Advisor, determined the selling price of the Shares based on a current market valuation of ARCTRUST's assets, including independent third party appraisals of ARCTRUST's real estate assets by Colliers International Valuation and Advisory Services, Inc. See "Determination of Offering Price." Even though the offering price is based upon market research and independent appraisals, the offering price may not be indicative of the proceeds that you would receive upon our liquidation.

If we raise substantially less than the offering amount set forth in this Memorandum, our business may be negatively impacted. If ARCTRUST raises substantially less than the offering amount set forth in this Memorandum, ARCTRUST will make fewer investments, resulting in less diversification in terms of the number of investments owned, the geographic regions in which ARCTRUST's investments are located and the types of investments that ARCTRUST makes. Your investment in the Shares will be subject to greater risk to the extent that ARCTRUST lacks a diversified portfolio of investments beyond the assets ARCTRUST currently owns. In addition, ARCTRUST's inability to raise substantial funds may increase ARCTRUST's fixed operating expenses as a percentage of gross income, and ARCTRUST's financial condition and ability to pay distributions to you could be adversely affected.

We depend on key personnel for our continued operations and future success and a loss of certain key personnel could significantly hinder our ability to move forward with our business plan. If ARCTRUST's Advisor loses or is unable to obtain key personnel, ARCTRUST's ability to achieve its investment objectives could be delayed or hindered, which could adversely affect ARCTRUST's ability to pay distributions to you and the value of your investment. ARCTRUST's success depends to a significant degree upon the contributions of certain of ARCTRUST's executive officers and other key personnel of the Advisor (see sections below entitled "Advisor" and "Management") each of whom would be difficult to replace. The Advisor does not have an employment agreement with any of these key personnel and ARCTRUST cannot guarantee that all, or any particular one, will remain affiliated with ARCTRUST and/or ARCTRUST's Advisor. If any of ARCTRUST's key personnel were to cease their affiliation with the Advisor, ARCTRUST's operating results could suffer. Further, ARCTRUST does not intend to separately maintain key person life insurance on any personnel. ARCTRUST believes that ARCTRUST's future success depends, in large part, upon the Advisor's ability to hire and retain highly skilled managerial, operational and marketing personnel. Competition for such personnel is intense, and ARCTRUST cannot assure you that the Advisor will be successful in attracting and retaining such skilled personnel. If the Advisor loses or is unable to obtain the services of key personnel, ARCTRUST's ability to implement its investment strategies could be delayed or hindered, and the value of your investment may decline.

Payment of fees to the Advisor and its affiliates reduces cash available for investment and distribution. ARCTRUST does not have any paid employees and ARCTRUST is externally advised by the Advisor. The Advisor and its Affiliates perform services for us in connection with the offer and sale of the Shares, the selection and acquisition of ARCTRUST's investments, the management and leasing of ARCTRUST's properties, the servicing of ARCTRUST's mortgage loans, if any, and the administration of ARCTRUST's other investments. The Advisor (and its management) is paid substantial fees for these services, which reduces the amount of cash available for investment in properties or distribution to stockholders. For a more detailed discussion of the fees paid and payable to such entities in respect of this Offering, see "Conflicts of Interest," "Management", "Compensation to Advisor and Its Affiliates", and "The Advisor" sections of this Memorandum.

ARCTRUST may be unable to pay or maintain cash distributions or increase distributions over time. ARCTRUST does not intend to use the proceeds of this Offering to pay distributions. There are many factors that can affect the availability and timing of cash distributions to ARCTRUST's stockholders. Distributions will be based principally on cash available from ARCTRUST's operations. The amount of cash available for distributions is affected by many factors, such as ARCTRUST's ability to make Investments as offering proceeds become available, rental income from ARCTRUST's properties, and ARCTRUST's operating expense levels, as well as many other variables. Actual cash available for distributions may vary substantially from estimates. ARCTRUST may not be able to pay distributions and any distributions ARCTRUST does make may not increase over time. In addition, rents from ARCTRUST's properties may not increase, the securities ARCTRUST may buy may not increase in value or provide constant or increased distributions over time, and ARCTRUST's acquisitions of real properties, mortgage loans or any investments in securities may decrease ARCTRUST's cash available for distributions to stockholders. ARCTRUST's actual results may differ significantly from the assumptions used by ARCTRUST's Board of Directors in establishing the distribution rate to ARCTRUST's stockholders. In addition, ARCTRUST may not have sufficient cash from operations to make a distribution required to maintain ARCTRUST's REIT status.

In addition, to the extent ARCTRUST's investments are in development or redevelopment projects, or in other properties that have significant capital requirements and/or delays in their ability to generate income, ARCTRUST's ability to make distributions may be negatively impacted. Accordingly, the amount of distributions paid at any time may not reflect current cash flow from ARCTRUST's operations.

To the extent distributions are paid from cash resulting from a deferral of Asset Management Fees and/or from borrowings (including borrowings secured by ARCTRUST's assets) in anticipation of future cash flow, ARCTRUST will have less capital available to invest in real estate and other real estate-related investments, which may negatively impact ARCTRUST's ability to make investments and substantially reduce current returns and capital appreciation.

If ARCTRUST pays distributions from sources other than ARCTRUST's cash flow from operations, ARCTRUST will have fewer funds available for the acquisition of properties, and your overall return may be reduced. ARCTRUST may make distributions from any legal source. If ARCTRUST funds distributions from financing or the net proceeds from this Offering, ARCTRUST will have fewer funds available for acquiring and developing properties and other investments, and the overall value of your investment may be reduced. Additionally, if we fund distributions from our net proceeds, such distributions will likely constitute a return of capital to our investments for federal income tax purposes, which would have the effect of reducing each stockholders' adjusted tax basis in its shares of Common Stock.

Future issuances of equity securities could dilute the interest of holders of our Common Stock. Our future growth will depend, in large part, upon our ability to raise additional capital. If we were to raise additional capital through the issuance of equity securities, we could dilute the interests of holders of our Common Stock. The interests of our common stockholders could also be diluted by the issuance of shares of Common Stock pursuant to any stock incentive plans.

Risks Relating to Our Properties and Our Business

ARCTRUST's operating history and past financing sources may not reflect its future operations and financial sources. Investors should not rely upon the past performance of ARCTRUST or other real estate investment programs sponsored by affiliates of the Advisor to predict ARCTRUST's future results. The prior performance of real estate investment programs sponsored by affiliates of Mr. Ambrosi, Mr. Steuterman, Mr. Perel and the Advisor may not be indicative of ARCTRUST's future results. Additionally, while ARCTRUST has obtained certain financing for its current investments in real estate with the Connect One Bank (formerly Union Center National Bank), KeyBank, Provident Bank and National Penn Bank Lines of Credit which provide working capital and liquidity to acquire or develop properties as funds are raised through this Offering, ARCTRUST may not be successful in obtaining

additional sources of financing. If ARCTRUST's capital resources are insufficient to support operations, ARCTRUST's flexibility in pursuing market opportunities may be negatively impacted.

ARCTRUST may not be able to implement its investment strategies successfully. Additionally, ARCTRUST cannot assure that its property portfolio will expand at all, or if it will expand at any specified rate or to any specified size. In addition, investment in additional real estate assets is subject to a number of risks. Because ARCTRUST may invest in markets other than the ones in which its current properties are located or properties which may be leased to tenants other than those to which ARCTRUST has historically leased properties, ARCTRUST may also be subject to the risks associated with investment in new markets or with new tenants that may be relatively unfamiliar to ARCTRUST's management team.

ARCTRUST's development and property acquisitions are subject to a number of risks, including:

- abandonment of development or acquisition activities after expending resources to determine feasibility;
- construction and/or lease-up delays;
- cost overruns, including construction costs that exceed original estimates;
- failure to achieve expected occupancy and/or rent levels within the projected time frame, if at all;
- inability to operate successfully in new markets where new properties are located;
- inability to successfully integrate new properties into existing operations;
- difficulty obtaining financing on acceptable terms or paying operating expenses and debt service costs associated with redevelopment properties prior to sufficient occupancy;
- delays or failures to obtain necessary zoning, occupancy, land use and other governmental permits;
- exposure to fluctuations in the general economy due to the significant time lag between commencement and completion of redevelopment projects; and
- changes in zoning and land use laws.

If any of these events occur, overall project costs may significantly exceed initial cost estimates, which could result in reduced returns or losses from such investments. In addition, we may not have sufficient liquidity to fund such projects, and delays in the completion of a redevelopment project may provide various tenants the right to withdraw from a property or give tenants the opportunity to reduce rent. Any of these situations may delay or eliminate proceeds or cash flows ARCTRUST expects from these projects, which could have an adverse effect on ARCTRUST's financial condition.

The Advisor has substantial investment discretion, and investors will not have the opportunity to evaluate potential investments. ARCTRUST will seek to invest substantially all of the offering proceeds available for Investment, after the payment of fees and expenses, in the development, acquisition and financing of freestanding single-tenant commercial properties net leased to Tenants. ARCTRUST may also, in the discretion of ARCTRUST's Advisor, invest in other types of real estate or in entities that invest in real estate. In addition, the Advisor may make or invest in mortgage, bridge or mezzanine loans or participations therein on ARCTRUST's behalf if ARCTRUST's Board of Directors determines, due to the state of the real estate market or in order to diversify ARCTRUST's investment portfolio or otherwise, that such investments are advantageous to us. ARCTRUST reviews the creditworthiness of tenants, but the Board of Directors has wide discretion in approving investments, and investors will not have the opportunity to evaluate potential investments or tenants.

Negative market conditions or adverse events affecting our existing or future tenants, or the industries in which our tenants operate, could have an adverse impact on our ability to attract new tenants, re-lease space, collect rent or renew leases, which could adversely affect our cash flow from operations and inhibit growth. Cash flow from operations depends in part on the ability to lease space to quality tenants on economically favorable terms. We could be adversely affected by various facts and events impacting our tenants over which we have limited or no control, such as:

- Inability to retain existing tenants and attract new tenants;
- Declines in our tenants' creditworthiness and ability to pay rent, which may be affected by their operations, the current economic situation and competition within their industries from other operators; and
- Defaults by and bankruptcies of tenants, failure of tenants to pay rent on a timely basis, or failure of tenants to comply with their contractual obligations.

At any time, any tenant may experience a downturn in its business that may weaken its operating results or overall financial condition. As a result, a tenant may delay lease commencement, fail to make rental payments when due, decline to extend a lease upon its expiration, become insolvent, or declare bankruptcy. Any tenant bankruptcy or insolvency, leasing delay or failure to make rental or other payments when due could result in the termination of the tenant's lease and material losses to us. If a Tenant defaults on its lease payments to ARCTRUST, ARCTRUST will not only lose the net cash flow from such Tenant but also might divert cash flow generated by other properties to meet the mortgage payments on the defaulted property in order to prevent a foreclosure.

If tenants do not renew their leases as they expire, we may not be able to rent or sell the properties. Furthermore, leases that are renewed, and some new leases for properties that are re-leased, may have terms that are less economically favorable than expiring lease terms, or may require us to incur significant costs, such as renovations, tenant improvements, or lease transaction costs. Negative market conditions may cause us to sell vacant properties for less than their carrying value, which could result in impairments. Any of these events could adversely affect cash flow from operations and our ability to make distributions to stockholders and service indebtedness. A significant portion of the costs of owning property, such as real estate taxes, insurance, and maintenance, are not necessarily reduced when circumstances cause a decrease in rental revenue from the properties. In a weakened financial condition, tenants may not be able to pay these costs of ownership and we may be unable to recover these operating expenses from them. The federal income tax laws may also restrict ARCTRUST's ability to deal with a new Tenant after termination of a lease.

Further, the occurrence of a tenant bankruptcy or insolvency could diminish the income we receive from the tenant's lease or leases. In addition, a bankruptcy court might authorize the tenant to terminate its leases with us. If that happens, our claim against the bankrupt tenant for unpaid future rent would be subject to statutory limitations that most likely would result in rent payments that would be substantially less than the remaining rent we are owed under the leases or we may elect not to pursue claims against the tenant for terminated leases. In addition, any claim we have for unpaid past rent, if any, may not be paid in full, or at all. Moreover, in the case of tenant's leases that are not terminated as a result of its bankruptcy, we may be required or elect to reduce the rent payable under those leases or provide other concessions, reducing amounts we receive under those leases. As a result, tenant bankruptcies may have a material adverse effect on our results of operations. Any of these events could adversely affect cash from operations and our ability to make distributions to stockholders and service indebtedness.

Downturns in the industries in which our tenants operate could also adversely affect our tenants, which in turn could also have a material adverse effect on our financial position, results of operations and our ability to pay the principal of and interest on our indebtedness and to make distributions to our stockholders. In addition, some of our properties are leased to tenants that may have more limited financial and other resources, and therefore, they are more likely to be adversely affected by a downturn in their respective businesses or in the regional, national, or international economy.

The value of ARCTRUST's leases may be reduced if a current tenant were to leave the property. Leases in net lease transactions frequently give the tenant greater discretion in using the leased premises than ordinary property leases (e.g., with respect to rights to sublease and to make alterations in the leased premises). These leases may also permit early termination of the lease under specified circumstances. ARCTRUST may enter into net leases for properties which are especially suited to the needs of particular tenants. The value of these properties might be affected adversely by the failure of tenants to renew such leases. Some Net Lease Properties may be suited to the needs of particular tenants and may require extensive renovations to adapt it for new purposes and new tenants may be granted rent concessions with respect to such property. It may also be difficult for ARCTRUST to sell a specially suited property to a party other than the tenant.

ARCTRUST may have insufficient cash flow to meet its debt service obligations or may have trouble accessing the credit or capital markets, which may negatively impact its operations. A significant portion of ARCTRUST's investments involve the borrowing of a portion of the purchase price of the property and securing the borrowing with a mortgage at the time of acquisition or thereafter. Borrowing presents an additional element of risk in the event that the cash receipts from operations are insufficient to meet debt payment obligations. As of the date of this Memorandum, ARCTRUST's assets are financed through substantial mortgage loans and lines of credit. Certain of ARCTRUST's mortgage loans may not be fully paid by the time the applicable leases (not including renewal periods) expire. If the tenants do not renew their leases, ARCTRUST may not have sufficient cash receipts to make the required payments on the mortgages unless it is able to re-lease the properties. If ARCTRUST does not pay its mortgage obligations as required, a lender could foreclose on the property subject to such mortgage and ARCTRUST could lose part or all of its investment in the property.

Lenders from which ARCTRUST borrows (and in some cases tenants) may seek to impose restrictions on prepayment, future borrowing, distribution and operating policies of ARCTRUST. It is not possible to ascertain in advance what restrictions may be imposed. Lenders may also seek to include provisions making the termination or

replacement of the Advisor an event of default or an event requiring the immediate prepayment of the full outstanding balance of the Loan. See “Investment Objectives and Policies—Investment Policies—Use of Borrowing.”

If ARCTRUST is required to make balloon payments on its debt, it may be required to sell a property when it is disadvantageous to do so. It is likely that ARCTRUST will finance some properties with mortgages that do not provide for the repayment of the entire principal amount of the mortgage loan or a substantial portion thereof during its term and therefore require “balloon” payments at maturity. Balloon payments are payments of a significant portion of the amount originally borrowed when the loan is due. The ability of ARCTRUST to repay at maturity the outstanding principal amount of the balloon loan may be dependent on ARCTRUST’s ability to sell the property or obtain adequate refinancing, which in turn will be dependent upon, among other things, economic conditions in general and the value of the property in particular at the time the loan is due. ARCTRUST cannot assure that it will be able to refinance a balloon loan at maturity or that the terms of any new loan will be as favorable as the prior loan.

If ARCTRUST is unable to refinance a balloon loan at maturity, ARCTRUST may be forced to sell the property securing repayment of the balloon loan (or another property), which sale would be affected by economic conditions in general and possibly by the availability of financing to the purchaser. ARCTRUST cannot assure that the proceeds of such sale would be sufficient to fully repay the balloon loan. Any such refinancing or sale may affect the rate of return to stockholders and such sale may affect the projected time of disposition of ARCTRUST’s assets.

Interest-only indebtedness may increase ARCTRUST’s risk of default and ultimately may reduce ARCTRUST’s funds available for distribution to you. ARCTRUST may finance ARCTRUST’s 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, ARCTRUST 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 ARCTRUST’s scheduled payments and may increase ARCTRUST’s risk of default under the related mortgage loan. If the mortgage loan has an adjustable interest rate, the amount of ARCTRUST’s 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 ARCTRUST’s stockholders because cash otherwise available for distribution will be required to pay principal and interest associated with these mortgage loans. See “Capitalization and Sponsor Investment.”

Indebtedness under our lines of credit are subject to, and we may incur additional indebtedness in the future subject to, floating interest rates, and as a result, increases in interest rates on such indebtedness would reduce our cash flows and our ability to pay dividends to our stockholders. In addition, if we are required to repay existing debt during period of higher interest rates, we may need to sell one or more of our investments in order to repay the debt, which might reduce the realization of return on such investments.

We cannot assure you that we will be able to access the capital and credit markets to obtain additional debt or equity financing or that we will be able to obtain financing on terms favorable to us. Our inability to obtain financing could have negative effects on our business. Among other things, we could have great difficulty acquiring, re-developing or maintaining our properties, which would materially and adversely affect our business strategy and portfolio, and may result in our (1) liquidity being adversely affected; (2) inability to repay or refinance our indebtedness on or before its maturity; (3) making higher interest and principal payments or selling some of our assets on terms unfavorable to us to service our indebtedness; or (4) issuing additional capital stock, which could further dilute the ownership of our existing stockholders.

Delay in investing in real estate may adversely affect ARCTRUST’s financial condition. The return on an investment in ARCTRUST will depend, in part, on how quickly ARCTRUST is able to invest in suitable properties. ARCTRUST could be delayed in completing an Investment in an identified property by an inability to obtain financing, whether because of the unattractiveness of financial or other terms of such financing or because of a lack of lenders making mortgage loans on any terms. ARCTRUST cannot assure that its capital will be fully committed to property Investments in a timely manner. Prior to the consummation of Investments, ARCTRUST’s capital will be invested in Permitted Temporary Investments, certificates of deposit from banks or financial institutions with a net worth of at least \$100,000,000 and other short-term investments that are easily convertible into cash. The rate of return on such investments may be less than the returns from investments in property.

ARCTRUST’s ability to invest the proceeds of the Offering promptly in desirable income-producing Investments may be adversely affected by a decline in the interest rates on long-term corporate debt securities and by an increase in corporate liquidity, since possible lessees may prefer to raise capital by issuing debt securities or using internally generated cash rather than by entering into net lease transactions. Future changes to the laws or regulations

affecting corporate acquisitions and reorganizations may also reduce the number of properties ARCTRUST can purchase.

We may not be successful in identifying and consummating suitable Investment opportunities in our existing or new geographic target markets, which may impede our growth and negatively affect our cash available for distribution to stockholders. Our ability to expand through Investment opportunities is integral to our business strategy and requires that we identify suitable opportunities which meet our criteria and that are compatible with our strategy. We may not be successful in identifying suitable properties or other assets which meet our Investment criteria or in consummating Investments on satisfactory terms or at all for a number of reasons, including, among other things, unsatisfactory results of our due diligence investigations, failure to obtain financing for the Investment on favorable terms or at all, and our misjudgment of the value of the opportunities.

The return on your investment in ARCTRUST may be less than a direct investment in real property. If the total amount received by ARCTRUST from the sale of its properties is less than the total amount invested in ARCTRUST, a portion of the dividends paid by ARCTRUST will represent a return of the money originally invested in ARCTRUST and not a return on the investment. ARCTRUST's investments are subject to debt service obligations, the terms of which may not be more favorable than terms an investor could obtain individually. In addition, an individual investing directly in real estate would not have to pay the Offering Expenses expected to be paid by ARCTRUST (approximately 9.50% of the Gross Offering Proceeds) and certain other costs. Therefore, ARCTRUST must realize a greater level of appreciation in the value of its real estate in order for an investor to realize the same return he or she would realize if he or she invested directly in the real estate purchased by ARCTRUST.

Investments in connection with recapitalization and other financial restructurings are risky, and may have an adverse impact on our business and the return on your investment. Investments in connection with recapitalizations and other financial restructurings could have a material adverse effect on ARCTRUST's financial condition. A portion of ARCTRUST's property acquisitions or Loans may be made in connection with recapitalizations and other financial restructurings. The lessee or borrower typically will have substantially greater debt and a substantially lower net worth than it had prior to the transaction. Consequently, the lessee or borrower may be particularly vulnerable to adverse conditions in its business or industry, adverse economic conditions generally and increases in interest rates. Furthermore, if the lessee or borrower has new management, it will be more difficult for the Advisor to determine the likelihood of the lessee's or borrower's being successful in its business and of being able to pay rents throughout the term of a lease with ARCTRUST. Since the creditworthiness and financial strength of the tenant has a direct impact on the value of a single tenant occupied property, a decrease in the creditworthiness and financial stability of a lessee could have a material adverse impact on the value of property acquired by ARCTRUST in connection with recapitalizations and other financial restructurings.

Structuring ARCTRUST's Investments as a Loan may subject ARCTRUST to additional risks. The Advisor may structure an ARCTRUST Investment as a Loan in situations in which a standard lease transaction would have an adverse impact on the seller of a property or would be otherwise inappropriate for ARCTRUST. All Loans are subject to some degree of risk, including, but not limited to, the risk of a default by the borrower on the Loan and the added responsibility on the part of ARCTRUST of foreclosing in order to protect its investment. Under some circumstances, ARCTRUST may not be able to foreclose on a property subject to a Loan and therefore may be unable to acquire an equity interest in the property. The borrower's ability to make loan payments and the amount ARCTRUST may realize after a default will be subject to the risks generally associated with mortgage lending, including, but not limited to:

- general or local economic conditions;
- neighborhood property values;
- interest rates;
- real estate tax rates;
- other operating expenses;
- the supply of and demand for properties of the type involved;
- the inability of the borrower to obtain or maintain full occupancy of the property;
- zoning laws;
- rent control laws;
- other governmental rules and fiscal policies;
- acts of God; and
- acts of war.

Additionally, the principal amount of Loans made by ARCTRUST may be repaid, in whole or part, in lump-sum “balloon” payments. Accordingly, the borrower’s ability to make such payment may be dependent upon its ability to obtain refinancing. In the case of a leasehold Loan, a default by ARCTRUST under the lease could result in the loss of ARCTRUST’s investment unless ARCTRUST has the right and ability to cure such default.

Loans with fees and options are subject to additional risks should borrowers default. As described under “Investment Objectives and Policies,” ARCTRUST may make some Loans which provide for the payment of fees in addition to payments of base interest, or loans which include options to acquire underlying real property. In making loans with commitment fees, usage fees, exit or prepayment fees and options to purchase the underlying real property, ARCTRUST may accept a lower interest rate or higher loan to value ratios than other lenders. If Borrowers default or become unable to pay designated fees or should ARCTRUST not be able to exercise its purchase options, then ARCTRUST may not realize the intended benefits of making such loans. Accordingly, ARCTRUST cannot assure that any amounts will be realized from ARCTRUST’s fee structures or purchase options.

ARCTRUST might lose its priority in a bankruptcy if ARCTRUST is treated like a partner. It is also possible that as a result of ARCTRUST’s interest in the rents or proceeds from a sale, financing or refinancing, a court in a bankruptcy or similar proceeding may treat ARCTRUST as a partner or joint venturer with the borrower and ARCTRUST, accordingly, would lose the priority its security interest would otherwise have given it in such situation.

The geographic concentration of our properties could make us vulnerable to an economic downturn, regulatory changes or acts of nature in those areas, resulting in a decrease in our revenues or other negative impacts on our results of operations. Although ARCTRUST may invest anywhere, ARCTRUST concentrates its investments on the New York to Washington, DC corridor and Florida. As a result of these concentrations, the conditions of local economies, changes in state or local governmental rules and regulations, acts of nature and other factors in these states could result in a decrease in the demand for the products offered by the businesses operating on the properties in those states, which would have an adverse impact on our tenants’ revenues, costs and results of operations, thereby adversely affecting their ability to meet their obligations to us.

Changes in zoning laws may prevent us from restoring a property in the event of a substantial casualty loss. Due to changes, among other things, in applicable building and zoning ordinances and codes, or zoning laws, affecting certain of our properties that have come into effect after the construction of the properties, certain properties may not comply fully with current zoning laws, including use, parking and setback requirements, but may qualify as permitted non-conforming uses. Such changes may limit our or our tenant’s ability to restore the premises of a property to its previous condition in the event of a substantial casualty loss with respect to the property or the ability to refurbish, expand or renovate such property to remain compliant. If we are unable to restore a property to its prior use after a substantial casualty loss, we may be unable to re-lease the space at a comparable rent or sell the property at an acceptable price, which may materially and adversely affect us.

The current state of financial and debt markets could have a material adverse impact on ARCTRUST’s earnings and financial condition. Lenders and credit rating agencies in the commercial real estate debt markets have heightened underwriting standards. In some instances, this results in increased costs and lower leverage for debt financing. Should the overall cost of borrowing increase, or permitted leverage decrease, ARCTRUST may determine to use less leverage than currently anticipated. Higher costs of debt financing or lower levels of borrowing may result in lower yields from ARCTRUST Developments and Acquisitions, which may reduce future cash flow available for distribution.

Failure to mitigate our exposure to interest rate volatility may materially and adversely affect us. To hedge against fluctuations in interest rates on loans secured by ARCTRUST’s assets and investments, ARCTRUST may purchase or create derivative financial instruments that may be costly and ineffective and may reduce the overall returns ARCTRUST is able to pay. Derivative instruments may include, among others, interest rate swap contracts, interest rate cap or floor contracts. ARCTRUST’s actual hedging decisions will be determined in light of the facts and circumstances existing at the time of the hedge and may differ from time to time. To the extent that ARCTRUST uses derivative instruments, ARCTRUST will be exposed to credit risk, basis risk and legal enforceability risk. In this context, credit risk is the failure of the counterparty to perform under the terms of the derivative contract. If the fair value of a derivative contract is positive, the counterparty owes ARCTRUST, which creates credit risk for ARCTRUST. ARCTRUST intends to manage credit risk by dealing only with major financial institutions that have high credit ratings. Basis risk occurs when the index upon which the contract is based is more or less variable than the index upon which the hedged asset or liability is based, thereby making the hedge less effective. ARCTRUST intends to manage basis risk by matching, to a reasonable extent, the contract index to the index upon which the hedged asset or liability is based. Finally, legal enforceability risks encompass general contractual risks, including the risk that the counterparty will breach the terms of, or fail to perform its obligations under, the derivative contract. ARCTRUST intends to manage legal enforceability risks by ensuring, to the best of ARCTRUST’s ability, that ARCTRUST contracts with reputable counterparties and that each complies with the terms and conditions of their

contracts. Our efforts may not be effective in reducing our exposure to interest rate changes. Failure to effectively mitigate our exposure to changes in interest rates may materially and adversely affect us by increasing our cost of capital and reducing the net returns we earn on our portfolio.

Our expenses may remain constant or increase, even if income from our properties decreases, causing our financial condition and results of operations to be adversely affected. Costs associated with our business, such as mortgage payments, real estate and personal property taxes, insurance, utilities and corporate expenses, are relatively inflexible and generally do not decrease, and may increase, when a property is not fully occupied, rental rates decrease, a tenant fails to pay rent or fees or other circumstances cause our revenues to decrease. If we are unable to decrease our operating costs when our revenue declines, our financial condition, results of operations and ability to make distributions to our stockholders may be adversely affected. In addition, inflationary price increases could result in increased operating costs for us and our tenants and, to the extent we are unable to pass along those price increases or are unable to recover operating expenses from tenants, our operating expenses may increase, which could adversely affect our financial condition, results of operations and ability to make distributions to our stockholders. Conversely, deflation can result in a decline in general price levels caused by a decrease in the supply of money or credit. The predominant effects of deflation are high unemployment, credit contraction and weakened consumer demand, all of which may negatively affect our business.

In providing financing to purchasers of ARCTRUST property, ARCTRUST faces risks relating to defaults in such financing and delays in disposing of such properties. ARCTRUST may find it necessary or desirable to provide financing to purchasers of properties it wishes to sell. ARCTRUST may find it necessary to provide financing in circumstances where lenders are not willing to make loans secured by commercial real estate or may find it desirable where a purchaser is willing to pay a higher price for the property than it would without the financing. This financing may cause any intended liquidation of ARCTRUST to be delayed beyond the time of the disposition of properties and until such time as any Loans are repaid or sold. Any Loans provided in financings are also subject to default.

The appraisals ARCTRUST obtains in connection with the acquisition of property may be unreliable and therefore ARCTRUST may pay more for a property than it is worth. ARCTRUST's practice has been to obtain or review a recent appraisal in connection with each acquisition of a property. However, appraisals are merely estimates of value and may not reflect true worth or realizable value of a property. ARCTRUST may acquire a property that has a Total Property Cost in excess of such Appraised Value (other than from the Advisor or its Affiliates). Therefore, ARCTRUST may pay more for a property than the property is worth.

Accounting standards for certain lease transactions may limit the number of sale-leaseback transactions ARCTRUST engages in. Under certain accounting standards, leases are classified for financial reporting purposes as either capital leases or operating leases, with capital leases required to appear as assets and liabilities on a lessee's balance sheet. Transactions in which ARCTRUST acquires a deed to a property may or may not be recognized as a purchase for financial reporting purposes due to the inclusion of certain provisions in the lease of the property. These accounting standards might make sale-leaseback transactions less desirable for the seller-tenant that wants to treat a sale-leaseback with ARCTRUST as an operating lease and, therefore, might reduce the prospective number of sale-leaseback opportunities.

ARCTRUST faces substantial competition for investments and this competition has increased over the past few years as markets have recovered. In connection with the making of investments, ARCTRUST may experience significant competition from banks, insurance companies, savings and loan associations, mortgage bankers, pension funds, limited partnerships, other REITs and other entities with objectives similar to those of ARCTRUST (including certain Affiliates) and which may have greater financial resources or experience. Competition for investments could reduce the return which ARCTRUST might otherwise be able to obtain, and ARCTRUST cannot assure that it will be able to compete successfully.

The geographic real estate markets in which we operate have made substantial recoveries over the past few years. As a result, we expect that the other real estate investors will continue to compete with us to acquire existing property and to develop new properties. In addition, the recovery over the past few years of the real estate markets in the geographies in which we operate has limited the supply of suitable investment opportunities. This competition could increase prices for properties of the type we may pursue and adversely affect our profitability and impede our growth.

ARCTRUST's financial condition could be adversely affected if there was a casualty or condemnation of a property. Our leases with tenants generally permit the tenant to terminate its lease in the event of a substantial casualty, acts of war or a taking by eminent domain of a substantial portion of a property. Should these events occur, ARCTRUST generally will be compensated by insurance proceeds in the case of insured casualties or a condemnation award in the case of a taking by eminent domain. ARCTRUST cannot assure that any such insurance proceeds or

condemnation award will equal the value of the property or ARCTRUST's investment in the property. Any such lease termination could adversely affect ARCTRUST's cash flow and the diversification of its investments.

Joint venture investments have additional risk that may negatively impact our business. The investment by ARCTRUST in joint ventures which own properties, instead of investing directly in the properties itself, may involve additional risks including, but not limited to:

- the possibility that ARCTRUST's partner might become bankrupt;
- that such partner may at any time have economic or business interests or goals which are inconsistent or compete with the business interests or goals of ARCTRUST; or
- that such partner may be in a position to take action contrary to the instructions or the requests of ARCTRUST or contrary to ARCTRUST's policies or objectives.

Among other things, actions by such a partner might have the result of subjecting property owned by the joint venture to liabilities in excess of those contemplated by the terms of the joint venture agreement, might expose ARCTRUST to liabilities of the joint venture in excess of its proportionate share of such liabilities or might have other adverse consequences for ARCTRUST. In addition, in the case where ARCTRUST owns less than a majority interest in a joint venture, there is an additional risk that the joint venturers may not be able to agree on matters relating to the property they own, the resolution of which may cause ARCTRUST to incur substantial costs and delay. Although each joint owner may have a right of first refusal to purchase the other owner's interest, in the event a sale is desired, a joint owner may not have sufficient resources to exercise such right of first refusal.

ARCTRUST currently participates in five joint ventures with non-affiliated persons. ARCTRUST currently participates in one joint venture with Affiliates of the Advisor and may from time to time participate jointly with investment programs or other entities sponsored by the Advisor or one of its Affiliates in investments as tenants-in-common or in some other joint venture arrangement. The risks of such joint ownership may be similar to those mentioned above for joint ventures and, in the case of a tenancy-in-common, each co-tenant normally has the right, if an unresolvable dispute arises, to seek partition of the property, which partition might decrease the value of each portion of the divided property. ARCTRUST or the Advisor may also experience difficulty in enforcing the rights of ARCTRUST in a joint venture with an Affiliate due to the obligations the Advisor or the directors may owe to the other partners in such joint venture.

ARCTRUST faces potential environmental liabilities that can be costly. Federal law imposes liability on a landowner for the presence on the property of improperly disposed hazardous substances. This liability is without regard to fault for or knowledge of the presence of such substances and may be imposed jointly and severally upon all succeeding landowners from the date of the first improper disposal. The laws of the states and localities in which ARCTRUST may acquire properties may have similar or additional requirements. ARCTRUST cannot assure that hazardous substances or wastes, contaminants, pollutants or sources thereof (as defined by present or future state and federal laws and regulations) will not be discovered on properties during ARCTRUST's ownership or after sale to a third party. If such hazardous materials are discovered on a property, ARCTRUST may be required to remove those substances or sources and clean up such affected property. ARCTRUST may incur full recourse liability for the entire cost of any such removal and cleanup. ARCTRUST cannot assure that the cost of any such removal and cleanup would not exceed the value of the property or that ARCTRUST could recoup any such costs from any third party. ARCTRUST may also be liable to tenants and other users of the affected property and to owners, tenants or users of neighboring properties, and it may find it difficult or impossible to sell the affected property prior to or following any such cleanup.

It is possible that our insurance could be insufficient to address any particular environmental situation and/or that, in the future, we could be unable to obtain insurance for environmental matters at a reasonable cost, or at all. It is possible that one or more of our tenants could fail to have sufficient funds to cover any indemnification owed to us relating to environmental liabilities or to meet applicable state financial assurance obligations, and thus we may still be obligated to pay for any such environmental liabilities.

Some potential losses are not covered by insurance, and payment of such losses may reduce the returns on your investment. Tenants generally will be obligated by the terms of their leases with ARCTRUST to insure the properties they occupy in a manner that is consistent with the insurance customarily obtained for real estate of a similar type. In addition, we may maintain insurance coverage and rental loss insurance with respect to certain of our properties. However, there are certain types of losses (generally of an environmental or catastrophic nature or punitive damages) which may be uninsurable or not economically insurable. If such a loss should occur, or if a loss affecting the property should occur for which we or a tenant has not provided adequate insurance, ARCTRUST, to the extent it is uninsured, would suffer a loss of up to the full amount of the capital invested in, as well as anticipated profits from, the damaged or destroyed property. If the loss involves a liability claim, such loss to ARCTRUST potentially may extend to the other assets of ARCTRUST. Additionally, if any such loss is insured, we may be required to pay a

deductible on any claim for recovery of such a loss prior to our insurer being obligated to reimburse us for the loss, or the amount of the loss may exceed our coverage for the loss. In addition, future lenders may require such insurance, and our failure to obtain such insurance could constitute a default under loan agreements. We may determine not to insure some or all of our properties at levels considered customary in our industry and which would expose us to an increased risk of loss.

Should a loss occur that is uninsured or in an amount exceeding the combined aggregate limits for the policies noted above, or in the event of a loss that is subject to a substantial deductible under an insurance policy, we could lose all or part of our capital invested in, and anticipated revenue from, one or more of the properties, which could have a material adverse effect on our results of operations or financial condition and on our ability to pay the principal of and interest on our debt securities and other indebtedness and to make distributions to our stockholders. We also face the risk that our insurance carriers may not be able to provide payment under any potential claims that might arise under the terms of our insurance policies, and we may not have the ability to purchase insurance policies we desire.

ARCTRUST may not be able to sell its properties at a price equal to or greater than the price paid for such properties, which may lead to a decrease in the value of ARCTRUST's assets. ARCTRUST may not be able to sell ARCTRUST's properties at a price equal to, or greater than, the price for which ARCTRUST purchased such property, which may lead to a decrease in the value of ARCTRUST's assets. Many of ARCTRUST's leases will not contain rental increases over time. When that is the case, the value of the leased property to a potential purchaser may not increase over time, which may restrict ARCTRUST's ability to sell that property, or if ARCTRUST is able to sell that property, may result in a sale price less than the price that ARCTRUST paid to purchase the property.

Limited purchaser warranties may result in the loss of all or some of our invested capital. ARCTRUST may obtain only limited warranties when ARCTRUST purchases a property and would have only limited recourse in the event ARCTRUST's due diligence did not identify any issues that lower the value of ARCTRUST's 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 ARCTRUST may lose some or all of ARCTRUST's invested capital in the property, as well as the loss of rental income from that property.

Potential Development and construction delays may increase costs and risks which negatively impact operating results. Proceeds from this offering may be used, either directly or through a contract with an affiliate of the Advisor, to acquire and develop properties upon which improvements will be constructed. Any such property will be subject to uncertainties associated with re-zoning for development, environmental concerns of governmental entities and/or community groups, and the builder's ability to build in conformity with plans, specifications, budgeted costs, and timetables. If a builder fails to perform, ARCTRUST's recourse may be limited to legal action to rescind the purchase or the construction contract or to compel performance. Delays in completion of construction could give tenants the right to terminate preconstruction leases. ARCTRUST may incur additional risks if periodic progress payments or other advances to builders are made prior to completion of the improvements. These and other such factors can result in increased costs of a project or loss of investment. In addition, ARCTRUST will be subject to normal lease-up risks relating to newly constructed projects. ARCTRUST 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 price at the time the property is acquired. If ARCTRUST's projections are inaccurate, ARCTRUST may pay too much for a property, and ARCTRUST's overall return on ARCTRUST's investment could suffer. ARCTRUST may invest in unimproved real property. Returns from development of unimproved properties are also subject to risks associated with re-zoning the land for development and environmental concerns of governmental entities and/or community groups.

ARCTRUST may allocate up to 7.5% of the net proceeds of the gross proceeds of this Offering and prior offerings for pre-development expenses such as initial site investigations, land purchase contract negotiations, engineering and architectural concepts, tenant solicitation and lease negotiation along with pursuing public approvals for Developments. Although subject to limited allocation of Offering proceeds, investment in pre-development expenses involves significant risks. Sites initially identified for Developments may not turn out to be suitable. ARCTRUST may not be successful in obtaining contracts for Development sites. ARCTRUST may not be successful in obtaining a Tenant or public approvals for a Development, all of which may affect ARCTRUST's financial condition.

Real estate investments are relatively illiquid; therefore, ARCTRUST may not be able to dispose of properties when desired or on favorable terms. Real estate property investments generally cannot be disposed of quickly, and a return of capital and realization of gains, if any, from an investment generally occur upon the disposition or refinancing of the underlying property. Our ability to dispose of properties on advantageous terms depends on factors beyond our control, including competition from other sellers and the availability of attractive financing for

potential buyers of our properties, and we cannot predict the various market conditions affecting real estate investments that will exist at any particular time in the future. Furthermore, we may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot assure our stockholders that we will have funds available to correct such defects or to make such improvements and, therefore, we may be unable to sell the property or may have to sell it at a reduced cost. As a result of these real estate market characteristics, we may be unable to realize our investment objectives by sale, other disposition or refinancing at attractive prices or within any desired period of time. In addition, the Code imposes restrictions on a REIT's ability to dispose of properties that are not applicable to other types of real estate companies. The ability to sell assets in our portfolio may also be restricted by certain covenants in our debt agreements and the credit agreements. As a result, we may be required to dispose of assets on less than favorable terms, if at all, and we may be unable to vary our portfolio in response to economic or other conditions, which could adversely affect our financial position.

Any liquidity strategy implemented by management may not be successful or timely and we may not be able to get the best value for our assets. ARCTRUST affords liquidity to stockholders on a limited basis through ARCTRUST's Share Repurchase Program and anticipates investigating alternatives or additions to the program on or before December 31, 2023, subject to two one year extensions. Additions and/or alternatives to the Share Repurchase Program may include, but not be limited to, asset sales, sale of a portion of assets to redeem additional shares, an investment by outside parties to be used to redeem shares, a listing of our equity on a securities exchange, or expansion of ARCTRUST's Share Repurchase Program, subject to market conditions and any required stockholder approval. The consummation of a plan beyond the existing Share Repurchase Program will depend on the real estate and financial markets, economic conditions of the areas in which our properties are located, and the federal and state tax considerations. We cannot guarantee that such any such strategies will be successful, timely, or that we will be able to get the best value for our assets in connection with any of these strategies. See, "Share Repurchase Program."

Any downturn in the retailing industry likely will have a direct impact on our performance. Our properties consist primarily of drug stores, bank branches, restaurants, department stores, and other commercial properties. We are subject to risks inherent in concentrating investments in real estate, and the risks resulting from a lack of diversification become even greater as a result of our business strategy to concentrate our investments in properties with Tenants in the retail business. Our performance therefore is generally linked to economic conditions in the market for retail/commercial space. In the future, the market for retail space could be adversely affected by:

- weakness in the national, regional and local economies;
- the adverse financial condition of some retailing companies;
- ongoing consolidation in the retail sector;
- the excess amount of retail space in a number of markets; and
- increasing consumer purchases through catalogues and the Internet.

Compliance with the Americans with Disabilities Act of 1990 and fire, safety, and other regulations may require us to make unintended expenditures that could adversely impact our results of operations. Our properties are generally required to comply with the Americans with Disabilities Act of 1990, or the ADA. The ADA has separate compliance requirements for "public accommodations" and "commercial facilities," but generally requires that buildings be made accessible to people with disabilities. Compliance with the ADA requirements could require removal of access barriers and non-compliance could result in imposition of fines by the U.S. government or an award of damages to private litigants. The retailers to whom we lease properties are obligated by law to comply with the ADA provisions, and we believe that these retailers may be obligated to cover costs associated with compliance. If required changes involve greater expenditures than anticipated, or if the changes must be made on a more accelerated basis than anticipated, the ability of these retailers to cover costs could be adversely affected and we could be required to expend our own funds to comply with the provisions of the ADA, which could materially adversely affect our results of operations or financial condition and our ability to pay the principal of and interest on our debt securities and other indebtedness and to make distributions to our stockholders. In addition, we are required to operate our properties in compliance with fire and safety regulations, building codes and other land use regulations, as they may be adopted by governmental agencies and bodies and become applicable to our properties. We may be required to make substantial capital expenditures to comply with those requirements and these expenditures could have a material adverse effect on our results of operations or financial condition and our ability to pay the principal of and interest on our debt securities and other indebtedness and to make distributions to our stockholders.

We may become subject to litigation, which could materially and adversely affect us. In the future we may become subject to litigation, including claims relating to our operations, debt and equity offerings and otherwise in the ordinary course of business. Some of these claims may result in significant defense costs and potentially significant judgments against us, some of which are not, or cannot be, insured against. We generally intend to defend ourselves, but we cannot be certain of the ultimate outcomes of any claims that may arise. Resolution of these types of matters against us may result in our having to pay significant fines, judgments or settlements, which, if uninsured,

or if the fines, judgments and settlements exceed insured levels, could adversely impact our earnings and cash flows, thereby materially and adversely affecting us. Certain litigation or the resolution of certain litigation may affect the availability or cost of some of our insurance coverage, which could materially and adversely impact us, expose us to increased risks that would be uninsured and materially and adversely impact our ability to attract directors and officers.

Certain provisions of ARCTRUST's leases or loan agreements may be unenforceable. ARCTRUST's rights and obligations with respect to its leases, mortgage loans or other loans are governed by written agreements. A court could determine that one or more provisions of such an agreement are unenforceable, such as a particular remedy, a loan prepayment provision or a provision governing ARCTRUST's security interest in the underlying collateral of a borrower or lessee. ARCTRUST could be adversely impacted if this were to happen with respect to an asset or group of assets.

Some of our tenants operate under franchise or license agreements, which, if terminated or not renewed prior to the expiration of their leases with us, would likely impair their ability to pay us rent. Some of our tenants operate under franchise or license agreements. Generally, franchise agreements have terms that end earlier than the respective expiration dates of the related leases. In addition, a tenant's or borrower's rights as a franchisee or licensee typically may be terminated and the tenant or borrower may be precluded from competing with the franchisor or licensor upon termination. Usually, we have no notice or cure rights with respect to such a termination and have no rights to assignment of any such franchise agreement. This may have an adverse effect on our ability to mitigate losses arising from a default on any of our leases or loans. A franchisor's or licensor's termination or refusal to renew a franchise or license agreement would likely have a material adverse effect on the ability of the tenant or borrower to make payments under its lease or loan, which could materially and adversely affect us.

Natural disasters, terrorist attacks, other acts of violence or war, or other unexpected events may affect our results of operations. Natural disasters, terrorist attacks, other acts of violence or war, or other unexpected events may negatively affect our operations. There can be no assurance that events like these will not occur or have a direct impact on our tenants, our business or the United States generally.

If events like these were to occur, they could materially interrupt our business operations, cause consumer confidence and spending to decrease or result in increased volatility in the U.S. and worldwide financial markets and economy. They also could result in or prolong an economic recession in the U.S. or abroad. Any of these occurrences could have a significant adverse impact on our operating results and revenues. It could also have an adverse effect on our ability to pay principal and interest on our indebtedness and to make distributions to our stockholders.

We rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business. We rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information and to manage or support a variety of our business processes, including financial transactions and maintenance of records, which may include personal identifying information. Although we have taken steps to protect the security of the data maintained in our information systems, our security measures may not be able to prevent the systems' improper functioning, or the theft of intellectual property, personal information, or personal property, such as in the event of cyber-attacks. Any failure to maintain proper function, security and availability of our information systems could interrupt our operations, result in theft of company assets, damage our reputation, subject us to liability claims and could adversely affect our business, financial condition and results of operations.

Disruptions in the financial markets could affect our ability to obtain financing on reasonable terms and have other adverse effects on us. Over the last several years, the United States stock and credit markets have experienced significant price volatility, dislocations and liquidity disruptions, which have caused market prices of many stocks and debt securities to fluctuate substantially and the spreads on prospective debt financings to widen considerably. These circumstances have materially impacted liquidity in the financial markets, making terms for certain financings less attractive, and in certain cases have resulted in the unavailability of certain types of financing. Unrest in certain Middle Eastern countries and resultant fluctuation in petroleum prices have added to the uncertainty in the capital markets. Continued uncertainty in the stock and credit markets may negatively impact our ability to access additional financing at reasonable terms, which may negatively affect our ability to make acquisitions. A prolonged downturn in the stock or credit markets may cause us to seek alternative sources of potentially less attractive financing, and may require us to adjust our business plan accordingly. In addition, these factors may make it more difficult for us to sell properties or may adversely affect the price we receive for properties that we do sell, as prospective buyers may experience increased costs of financing or difficulties in obtaining financing. These events in the stock and credit markets may make it more difficult or costly for us to raise capital through the issuance of our Common Stock. These disruptions in the financial markets also may have a material adverse effect on the market value of our Common Stock, the income we receive from our properties and the lease rates we can charge for our properties, our ability to obtain financing, as well as other unknown adverse effects on us or the economy in general.

Inflation may have a negative impact on our variable rate debt and our tenants' ability to pay rents.

Increased inflation could have a negative impact on any variable rate debt we incur and on our results of operations. During times when inflation is greater than increases in rent, as provided for in our leases, rent increases may not keep up with the rate of inflation. Likewise, even though net leases reduce our exposure to rising property expenses due to inflation, substantial inflationary pressures and increased costs may have an adverse impact on our tenants if increases in their operating expenses exceed increases in revenue, which may adversely affect the tenants' ability to pay rent.

Future interest rate increases may inhibit our ability to conduct our business and acquire or dispose of real property at attractive prices and your overall return may be reduced. High inflation may in the future tighten credit and increase prices. Further, if interest rates rise, such as during an inflationary period, the cost of acquisition capital to purchasers may also rise, which could adversely impact our ability to dispose of assets at attractive sales prices. Should we be required to acquire, hold or dispose of our assets during a period of inflation, our overall return may be reduced.

Future interest rate increases may result in a demand for higher capitalization rates. If interest rates rise, investors may require higher capitalization rates on their investments to continue to invest with us. If the demand for our stock decreases following an increase in interest rates, we may not have sufficient access to capital to continue to acquire additional real property. A decrease in our ability to continue to purchase real property assets could negatively impact our financial position and our results of operations.

Current volatility in market and economic conditions may impact the accuracy of the various estimates used in the preparation of our financial statements and footnotes to the financial statements. Various estimates are used in the preparation of our financial statements, including estimates related to asset and liability valuations (or potential impairments), and various receivables. Often these estimates require the use of market data values that are currently difficult to assess, as well as estimates of future performance or receivables collectability that can also be difficult to accurately predict. Although management believes it has been prudent and used reasonable judgment in making these estimates, it is possible that actual results may differ from these estimates.

Risks Relating to Our Tax Status, other Tax Related Matters, and ERISA Matters

If ARCTRUST fails to qualify as a REIT, the amounts of dividends it is able to pay would decrease and its operations may be negatively impacted. ARCTRUST was organized to conduct its operations to enable it to qualify as and be taxed as a REIT. REITs are entitled to a deduction for dividends paid to stockholders and, therefore, will not be required to pay federal income tax on any taxable income they distribute to stockholders. ARCTRUST may be required to pay federal income tax on income it retains or reinvests, certain income or gain with respect to Foreclosure Property (generally, property ARCTRUST acquires as a result of a default by a borrower or tenant with respect to which it files an election with the IRS), income from Prohibited Transactions (generally, sales of certain property held primarily for sale to customers in the ordinary course of business), if ARCTRUST fails certain prescribed quarterly assets tests, income from assets causing it to fail to satisfy the requirements of such quarterly asset tests, and, if ARCTRUST fails certain prescribed income tests, the amount of income by which such tests were failed. Additionally, ARCTRUST may be required to pay an alternative minimum tax and/or an excise tax.

In order to qualify and continue to qualify as a REIT, ARCTRUST must satisfy certain highly technical and complex statutory requirements for which there are only limited judicial or administrative interpretations. Failure to satisfy and/or maintain these qualification requirements could prevent ARCTRUST's qualification and/or continued qualification as a REIT, in which case ARCTRUST would be taxable as a corporation. Moreover, the determination of various factual matters and circumstances not entirely within ARCTRUST's control may impact its ability to qualify or continue to qualify as a REIT. ARCTRUST has not requested and does not intend to request a private ruling from the IRS relating to its qualification or continued qualification as a REIT or any other tax matter.

REITs are required to distribute at least 90% of their REIT Taxable Income, excluding capital gains. If in any year ARCTRUST fails to distribute 90% of its REIT Taxable Income, it may not qualify as a REIT and may be taxed as a corporation. It is possible that ARCTRUST could be required to borrow funds or liquidate a portion of its investments in order to pay its expenses and make the required distributions to stockholders. ARCTRUST cannot assure you that such funds will be available on favorable terms to the extent and at the time required by ARCTRUST to maintain its REIT status.

If ARCTRUST were to be taxed as a corporation, ARCTRUST would not be permitted to deduct dividends paid to stockholders, and any payment of tax by ARCTRUST could substantially reduce the funds available for distribution to stockholders or for reinvestment. To the extent that dividends had been made in anticipation of ARCTRUST's qualification as a REIT, ARCTRUST might be required to borrow additional funds or to liquidate certain of its investments in order to pay the applicable tax. Moreover, should ARCTRUST's election to be taxed as

a REIT be terminated or voluntarily revoked, ARCTRUST may not be able to elect to be treated as a REIT until the fifth taxable year following the termination of its election unless it satisfies certain conditions. Any failure to comply with legal and regulatory tax obligations could adversely affect our ability to conduct business and could adversely affect the market price of our capital stock and the value of our debt securities.

Distribution requirements imposed by law limit our flexibility. To maintain our status as a REIT for federal income tax purposes, we generally are required to distribute to our stockholders at least 90% of our taxable income, excluding net capital gains, each year. We also are subject to tax at regular corporate rates to the extent that we distribute less than 100% of our taxable income (including net capital gains) each year.

In addition, we are subject to a 4% nondeductible excise tax to the extent that we fail to distribute during any calendar year at least the sum of 85% of our ordinary income for that calendar year, 95% of our capital gain net income for the calendar year, and any amount of that income that was not distributed in prior years.

We intend to continue to make distributions to our stockholders to comply with the distribution requirements of the Code as well as to reduce our exposure to federal income taxes and the nondeductible excise tax. Differences in timing between the receipt of income and the payment of expenses to arrive at taxable income, along with the effect of required debt amortization payments, could require us to borrow funds on a short-term basis to meet the distribution requirements that are necessary to achieve the tax benefits associated with qualifying as a REIT.

Future changes in tax laws may negatively impact ARCTRUST's business and your investment in ARCTRUST. The discussions of the federal income tax aspects of this Offering are based on current law, including the Code, the regulations issued thereunder, certain administrative interpretations thereof and court decisions. Consequently, future events (including those arising from legislative and administrative proposals that are or in the future may be under consideration) that modify or otherwise affect those provisions may result in treatment for federal income tax purposes of ARCTRUST and its stockholders that is materially and adversely different from that described in this Memorandum, both for taxable years arising before and after such events. ARCTRUST cannot assure that future legislation and administrative interpretations will not be retroactive in effect.

If a transaction intended to qualify as a Section 1031 Exchange is later determined to be taxable, we may face adverse consequences, and if the laws applicable to such transactions are amended or repealed, we may not be able to dispose of properties on a tax deferred basis. From time to time we dispose of properties in transactions that are intended to qualify as Section 1031 Exchanges. It is possible that the qualification of a transaction as a Section 1031 Exchange could be successfully challenged and determined to be currently taxable. In such case, our taxable income and earnings and profits would increase. Moreover, there have recently been proposals in the United States Congress to modify or repeal the laws with respect to Section 1031 Exchanges, which could make it more difficult or not possible for us to dispose of properties on a tax deferred basis.

Foreign purchasers of ARCTRUST's Common Stock may be subject to FIRPTA tax upon the sale of their shares. A foreign person disposing of a U.S. real property interest, including shares of a U.S. corporation whose assets consist principally of U.S. real property interests, is generally subject to the Foreign Investment in Real Property Tax Act of 1980, as amended, known as 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% 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. ARCTRUST cannot assure you that ARCTRUST will qualify as a “domestically controlled” REIT. If ARCTRUST were to fail to so qualify, gain realized by foreign investors on a sale of ARCTRUST’s shares would be subject to FIRPTA tax, unless ARCTRUST’s shares 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% of the value of ARCTRUST’s outstanding Common Stock.

Benefit Plans considering an investment in ARCTRUST may be subject to additional regulations and prohibitions. In deciding whether to purchase Shares, each fiduciary of a Benefit Plan subject to ERISA or the Code, in consultation with its advisors, should carefully consider its fiduciary responsibilities under ERISA, the prohibited transaction rules of ERISA and the Code, and the effect of the “plan asset” regulations issued by the Department of Labor. See “ERISA Considerations” and “Suitability Standards—Benefit Plans, Tax Qualified Retirement Plans and IRAs.” In deciding whether to purchase Shares on behalf of a Foreign Benefit Plan, the investor is advised to consult with its own legal advisor regarding the specific legal considerations arising under non-United States law related to the purchase, ownership or sale of Shares by the Foreign Benefit Plan. See “Foreign Benefit Plans.”

Dividends paid by REITs generally do not qualify for reduced tax rates. In general, the maximum U.S. federal income tax rate for dividends that constitute “qualified dividend income” paid to individuals, trusts and estates is 20% plus a 3.8% Medicare tax imposed under Code Section 1411. Unlike dividends received from a corporation that is not a REIT, our distributions generally are not eligible for the reduced rates and could be subject to a maximum

federal income tax rate of 39.6% plus a 3.8% Medicare tax imposed under Code Section 1411. Although these rules do not adversely affect the taxation of REITs or dividends payable by REITs, investors who are individuals, trusts and estates may perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could materially and adversely affect the value of the Shares.

We may conduct a portion of our business through taxable REIT subsidiaries, which are subject to certain tax risks. We may establish taxable REIT subsidiaries. Despite our qualification as a REIT, our taxable REIT subsidiaries must pay income tax on their taxable income. In addition, we must comply with various tests to continue to qualify as a REIT for federal income tax purposes, and our income from and investments in our taxable REIT subsidiaries generally do not constitute permissible income and investments for these tests. Our dealings with our taxable REIT subsidiaries may adversely affect our REIT qualification. Furthermore, we may be subject to a 100% penalty tax, we may jeopardize our ability to retain future gains on real property sales, or our taxable REIT subsidiaries may be denied deductions, to the extent our dealings with our taxable REIT subsidiaries are not deemed to be arm's length in nature or are otherwise not permitted under the Code.

The Internal Revenue Service may treat sale-leaseback transactions as loans, which could jeopardize our REIT status or require us to make an unexpected distribution. The Internal Revenue Service may take the position that specific sale-leaseback transactions that we treat as leases are not true leases for federal income tax purposes but are, instead, financing arrangements or loans. If a sale-leaseback transaction were so re-characterized, we might fail to satisfy the REIT asset tests, the income tests or distribution requirements and consequently lose our REIT status effective with the year of re-characterization unless we elect to make an additional distribution to maintain our REIT status.

Certain property transfers may generate Prohibited Transaction income, resulting in a penalty tax on gain attributable to the transaction. From time to time, we may transfer or otherwise dispose of some of our properties. Under the Code, any gain resulting from transfers of properties that we hold as inventory or primarily for sale to customers in the ordinary course of business would be treated as income from a Prohibited Transaction and subject to a 100% penalty tax. Since we acquire properties for investment purposes, we do not believe that our occasional transfers or disposals of property are Prohibited Transactions. However, whether property is held for investment purposes is a question of fact that depends on all the facts and circumstances surrounding the particular transaction. The Internal Revenue Service may contend that certain transfers or disposals of properties by us are Prohibited Transactions. If the Internal Revenue Service were to argue successfully that a transfer or disposition of property constituted a Prohibited Transaction, then we would be required to pay a 100% penalty tax on any gain allocable to us from the Prohibited Transaction and we may jeopardize our ability to retain future gains on real property sales. In addition, income from a Prohibited Transaction might adversely affect our ability to satisfy the income tests for qualification as a REIT for federal income tax purposes.

We could face possible state and local tax audits and adverse changes in state and local tax laws. As discussed in the risk factors above, because we are organized and qualify as a REIT, we are generally not subject to federal income taxes, but we are subject to certain state and local taxes. From time to time, changes in state and local tax laws or regulations are enacted, which may result in an increase in our tax liability. A shortfall in tax revenues for states and municipalities in which we own properties may lead to an increase in the frequency and size of such changes. If such changes occur, we may be required to pay additional state and local taxes. These increased tax costs could adversely affect our financial condition and the amount of cash available for the payment of distributions to our stockholders. In the normal course of business, entities through which we own real estate may also become subject to tax audits. If such entities become subject to state or local tax audits, the ultimate result of such audits could have an adverse effect on our financial condition.

Qualifying as a REIT involves highly technical and complex provisions of the Code. Our qualification as a REIT involves the application of highly technical and complex Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. Moreover, new legislation, court decisions or administrative guidance, in each case possibly with retroactive effect, may make it more difficult or impossible for us to qualify as a REIT. Our qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. Our ability to satisfy the REIT income and asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination and for which we will not obtain independent appraisals, and upon our ability to successfully manage the composition of our income and assets on an ongoing basis. In addition, our ability to satisfy the requirements to qualify as a REIT depends in part on the actions of third parties over which we have no control or only limited influence, including in cases where we own an equity interest in an entity that is classified as a partnership for U.S. federal income tax purposes.

Other Investment Risks

ARCTRUST faces potential risks relating to climate change, which may have a material adverse effect on its properties, operations or business. ARCTRUST cannot predict with certainty whether climate change is occurring and, if so, at what rate. However, the effects of climate change could have a material adverse effect on our properties, operations and business. Compliance with new laws or regulations related to climate change, including compliance with “green” building codes, may require property owners to make improvements to existing properties or increase taxes and fees assessed on properties. Compliance obligations could negatively affect ARCTRUST’s and/or our Tenant’s operations and profitability. Additionally, if climate change causes changes in weather patterns, ARCTRUST’s property locations could experience changes in storm intensity and sea-levels. Over time, such conditions could result in declining demand for our properties or our inability to operate the buildings. Therefore, there can be no assurance that climate change will not have a material adverse effect on ARCTRUST’s properties, operations or business.

ARCTRUST is not subject to compliance with NASAA Guidelines, and therefore, investors may not have many of the protections provided by such regulations. The Offering of Shares is exempt from the registration requirements of the states in which the Shares are offered. Accordingly, ARCTRUST is not required to comply with the guidelines and policy statements of NASAA and, therefore, investors in the Shares may not have many of the protections afforded to investors in public REITs and other REITs that comply with the NASAA Guidelines. These guidelines include protections with respect to terms of advisory agreements, management of a REIT, stockholder matters and other items of corporate governance.

ARCTRUST may make investments in non-real estate assets, which may subject ARCTRUST to additional risks and regulations and may provide returns that are less than returns derived from real estate investments. ARCTRUST will invest offering proceeds in Permitted Temporary Investments for a period of up to one year pending the investment of such proceeds in real estate. On a permanent basis, ARCTRUST will be required to limit its investment in qualifying “non-real estate” assets to 10% of total assets.

ARCTRUST expects that the return derived from Permitted Temporary Investments will be less than the return to be derived from investments in real property and mortgages. In addition, Permitted Temporary Investments are interest rate sensitive financial instruments and their value generally will decrease if market interest rates increase. Thus, if ARCTRUST sells such Permitted Temporary Investments when interest rates are higher than when they were acquired, ARCTRUST would likely sell at a loss. Conversely, if market interest rates decline, the underlying mortgages may be prepaid and ARCTRUST may not be able to reinvest the proceeds at interest rates as favorable as previously obtained.

If ARCTRUST becomes subject to the Investment Company Act of 1940, it could have a material adverse effect on ARCTRUST’s results of operations and financial condition. The Board of Directors intends to conduct the operations of ARCTRUST so that it will be exempt from regulation as an investment company under the Investment Company Act of 1940. As a result, ARCTRUST may have to forego certain investments which could be beneficial to ARCTRUST. If ARCTRUST must register as an investment company, it will be subject to numerous restrictions under the Investment Company Act. A failure to qualify for an exemption under the Investment Company Act could have a material adverse effect on the stockholders.

ARCTRUST’s relationship with the Advisor may present conflict of interest issues that could result in decisions that are not in the best interests of its stockholders. Under the Advisory Agreement, ARC Capital Advisors, L.P. or its affiliates are entitled to fees that are structured to provide incentives to the Advisor to perform in the best interests of ARCTRUST. However, the Advisor is entitled to receive compensation regardless of performance, and therefore Advisor’s interests are not wholly aligned with those of ARCTRUST and its investors.

There are various other conflicts of interest in the relationship between ARCTRUST and the Advisor, which could result in decision that are not in the best interests of the stockholders of ARCTRUST. See “Conflicts of Interest.”

Financial covenants to which ARCTRUST may become subject may restrict its operating and acquisition activities. If ARCTRUST enters into a revolving credit facility, it will become subject to certain financial and operating covenants, including, among other things, certain coverage ratios, as well as limitations on its ability to incur debt, make dividend payments, sell all or substantially all of its assets and engage in mergers and consolidations and certain acquisitions. These covenants may restrict ARCTRUST’s ability to pursue certain business initiatives or certain acquisition transactions that might otherwise be advantageous. In addition, failure to meet any of the financial covenants could cause an event of default under and/or accelerate some or all of ARCTRUST’s indebtedness, which would have a material adverse effect.

RISKS RELATED TO FORWARD-LOOKING STATEMENTS

Certain matters discussed in this Memorandum are forward-looking statements. ARCTRUST has based these forward-looking statements on its current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about ARCTRUST, including, among other things, factors discussed under the heading “Risk Factors” in this Memorandum and the following:

- economic outlook;
- capital expenditures;
- cost reduction;
- cash flow;
- the degree and nature of our competition;
- operating performance;
- financing activities;
- tax status of ARCTRUST; and
- related industry developments, including trends affecting ARCTRUST’s business, financial condition and results of operations.

ARCTRUST intends to identify forward-looking statements in this Memorandum by using words or phrases such as “anticipates,” “believes,” “estimates,” “expects,” “intends,” “may be,” “objective,” “plan,” “predict,” “project” and “will be” and similar words or phrases, or the negative thereof or other variations thereof or comparable terminology. All forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual transactions, results, performance or achievements of ARCTRUST to be materially different from any future transactions, results, performance or achievements expressed or implied by such forward-looking statements. The cautionary statements set forth under the caption “Risk Factors” and elsewhere in this Memorandum identify important factors with respect to such forward-looking statements, including, but not limited to, the following factors that could affect such forward-looking statements:

- national and local economic and business conditions that, among other things, will affect demand for properties and the availability and terms of financing;
- the ability to maintain the properties in a first-class manner (including meeting capital expenditure requirements);
- our limited operating history;
- adverse developments with respect to ARCTRUST’s Tenants;
- ARCTRUST’s ability to compete effectively in areas such as access, location and rental rate structures;
- changes in our business strategy;
- the availability of debt and equity capital;
- our ability to identify, hire and retain highly qualified personnel in the future;
- ARCTRUST’s ability to develop or acquire properties and the risk that potential Acquisitions or Developments may not perform in accordance with expectations;
- governmental approvals, actions and initiatives, including, but not limited to, the need for compliance with environmental and safety requirements, and changes in laws and regulations or the interpretation thereof;
- changes in governmental regulations, tax laws and rates, and similar matters; and
- ARCTRUST’s ability to qualify as a REIT for U.S. federal income tax purposes.

Although ARCTRUST believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, ARCTRUST cannot assure investors that its expectations will be attained or that any deviations will not be material. ARCTRUST undertakes no obligation to publicly release the result of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances.

CONFLICTS OF INTEREST

The operation of ARCTRUST involves various conflicts of interest among ARCTRUST, the Advisor and their Affiliates. In general, ARCTRUST's directors have a duty to act in good faith, in the best interests of ARCTRUST and with the care that an ordinarily prudent person in a like position would use under similar circumstances. The conflicts of interest include the following:

Receipt of Commissions, Fees and Other Compensation by the Advisor and its Affiliates. Transactions involving the purchase, financing, lease and sale of property by ARCTRUST may result in the immediate realization by the Advisor and its Affiliates of substantial fees and other compensation, including Investment Fees, management fees and participation in proceeds from net sales. Subject to the Advisory Agreement and obtaining approval or ratification from the Board of Directors, the Advisor has considerable discretion with respect to all decisions relating to such transactions. Therefore, the Advisor may have conflicts of interest concerning certain actions taken on behalf of ARCTRUST, particularly due to the fact that such fees will generally be payable to the Advisor, and their affiliates regardless of the quality or performance of the properties acquired or the services provided to ARCTRUST. See the "Compensation to Advisor and Its Affiliates" section of this Memorandum for totals paid as of the date of this Memorandum.

Non-Arm's-Length Agreements. Except as otherwise provided below, all agreements and arrangements between ARCTRUST and the Advisor or any of their Affiliates, including those relating to compensation, are not the result of arm's-length negotiations. Such agreements, where not already reviewed and approved by ARCTRUST's Independent Director(s), will be submitted to our Independent Director(s) for consideration and approval.

Purchases from and Sales to Affiliates. ARCTRUST may not purchase properties from the Advisor and its Affiliates unless such an investment is consistent with ARCTRUST's investment objectives and policies. Such a property may only be acquired from the Advisor and its Affiliates if certain conditions are met. See "Investment Objectives and Policies-Investment Policies." ARCTRUST will not sell properties to a Director or Affiliate of ARCTRUST, the Advisor or any of their Affiliates, except if after having received fair market bids from unrelated third parties with respect to any such property to be sold, at a price consistent with such bids, or, if no fair market bids are available or solicited then at a price consistent with an independent appraisal of a property. The sale to the Advisor, a Director or any of their Affiliates, must be at no less than the value determined on the basis of a summary appraisal, at no less than the appraised value of the property. We shall submit any transaction in which our non-independent Directors have an interest to our Independent Director(s) for their consideration and approval.

Transactions between ARCTRUST and Affiliates. Every Transaction entered into between ARCTRUST and a Director, the Advisor or any of their Affiliates, is subject to an inherent conflict of interest. The Board of Directors may face some conflicts of interest in enforcing the rights of ARCTRUST against any Affiliates in the event of a default by or disagreement with an Affiliate or in invoking any powers, rights or options under any agreement between ARCTRUST and such Affiliates. Every Transaction between ARCTRUST and a Director, the Advisor or any of their Affiliates, must be supported by either a summary appraisal report prepared by an Independent Appraiser which appraisal supports the value of the consideration given or received by ARCTRUST in the interested transaction or a bona fide fair market offer from an unrelated third party which offer supports the value of the consideration given or received by ARCTRUST in the interested transaction. See "Investment Objectives and Policies." We shall submit any transaction in which our non-independent Directors have an interest to our Independent Director(s) for their consideration and approval.

Conflicts of interest could arise as a result of our UPREIT structure. Conflicts of interest could arise in the future as a result of the relationships between ARCTRUST and its Affiliates, on the one hand, and its Operating Partnership or any partner thereof, on the other. ARCTRUST's Directors and officers have duties to us under applicable Maryland law in connection with their management of our company. At the same time, ARCTRUST, as general partner, has fiduciary duties to the Operating Partnership and to the limited partners under Delaware law in connection with the management of the Operating Partnership. ARCTRUST's duties, as general partner, to the Operating Partnership and its limited partners may come into conflict with the duties of ARCTRUST's directors and officers.

Unless otherwise provided for in the relevant partnership agreement, Delaware law generally requires a general partner of a Delaware limited partnership to adhere to fiduciary duty standards under which it owes its limited partners the highest duties of good faith, fairness and loyalty and which generally prohibits such general partner from taking any action or engaging in any transaction as to which it has a conflict of interest.

Additionally, the partnership agreement expressly limits our liability by providing that we, as the general partner of the Operating Partnership, and our directors or officers will not be liable or accountable in damages to our Operating Partnership, the limited partners or assignees for errors in judgment, mistakes of fact or law or for any act or omission if the general partner or such director or officer acted in good faith. In addition, our Operating Partnership is required to indemnify us, our affiliates and each of our respective officers and directors, to the fullest extent permitted by applicable law against any and all losses, cost, damages, liabilities (whether joint or several), expenses (including, without limitation, attorneys' fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings whether civil, criminal, administrative or investigative, that relate to the operations of the Operating Partnership, provided that our Operating Partnership will not indemnify any such person for losses arising from such person's fraud, bad faith, gross negligence, willful misconduct or conduct in breach of the Operating Partnership Agreement.

Competition with Affiliates of the Advisor in the Purchase, Sale, Lease and Operation of Properties. Affiliates of the Advisor, including ARCTRUST, specialize in the Development, Financing and Acquisition of Net Lease Properties and ARCTRUST, on occasion, may be in competition with the Advisor's Affiliates for developments, properties, purchasers and sellers of properties, lessees and financing. Affiliates of the Advisor may make investments in real property for their own accounts. ARCTRUST cannot assure that all opportunities will go to ARCTRUST. The Advisor and its Affiliates may in the future advise or manage, directly or indirectly, other investment entities, some of which may have similar investment objectives and may be in a position to acquire properties at the same time as ARCTRUST. Other real estate ventures in which officers and directors of the Advisor have management roles may have investment policies similar to those of ARCTRUST and, therefore, may be in competition with ARCTRUST in all geographic areas for properties, purchasers and sellers of properties, lessees and mortgage financing.

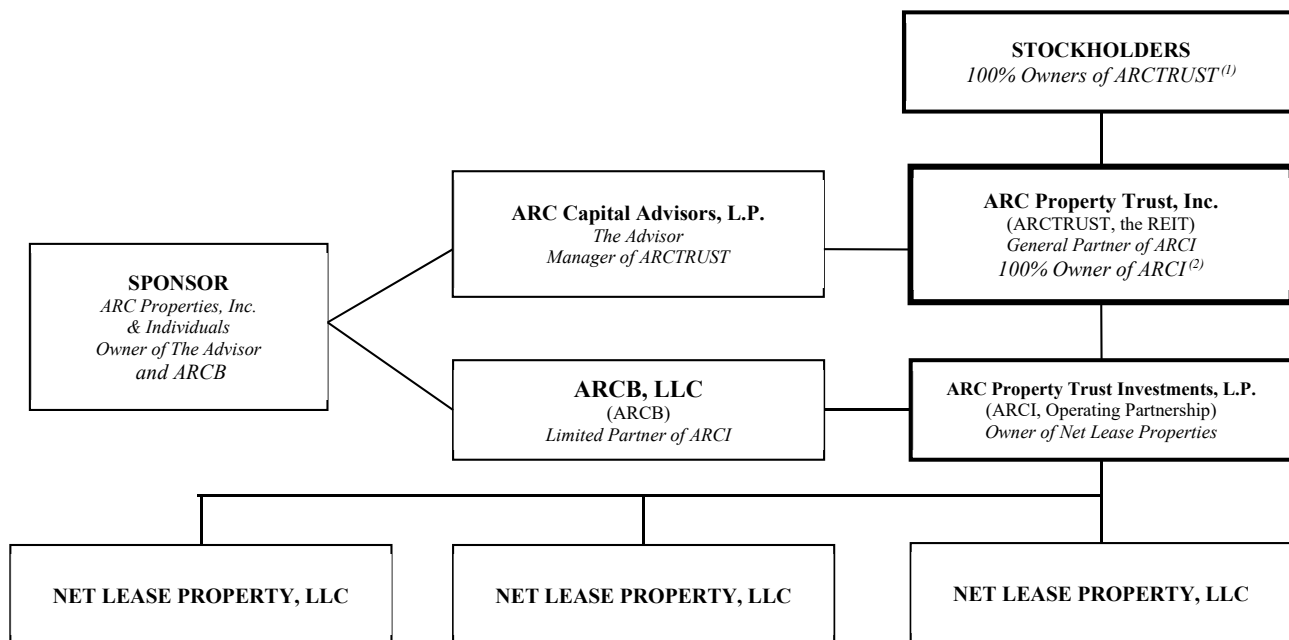
Competition for the Time and Services of the Advisor, its Affiliates, Officers and Directors. ARCTRUST will depend on its Board of Directors and the Advisor for the operation of ARCTRUST and for the acquisition, operation and disposition of its investments. Most officers of ARCTRUST are also officers, directors and/or employees of the Advisor or its Affiliates. The Advisor has entered into an Advisory Agreement with ARCTRUST pursuant to which it performs specified functions relating to the investment of ARCTRUST's funds and the day-to-day management of ARCTRUST. See "Management" and "The Advisor." Some officers of Affiliates of the Advisor perform similar services for the Advisor and/or other real estate ventures in which the Advisor is involved and may perform such services for other investment entities offered in the future by Affiliates of the Advisor. The Advisor and its Affiliates devote such time to the affairs of ARCTRUST as they, within their sole discretion, exercised in good faith, determine to be necessary for the benefit of ARCTRUST and its stockholders. The executive officers of ARCTRUST, the Advisor and their Affiliates may have conflicts of interest in allocating their time among the various entities they serve or may serve. See "Management." Neither CSI, any AMD, the Advisor nor any of their Affiliates are restricted in any manner as a result of their connection with ARCTRUST and this Offering from acting as general partner, advisor, underwriter, selling agent or broker-dealer in public or private offerings of securities in REITs, real estate partnerships or other entities which may have objectives similar to those of ARCTRUST and which are sponsored by affiliated or non-affiliated persons.

Adjacent Properties. If the Advisor or its Affiliates acquire properties that are adjacent to ARC Properties, the value of such properties acquired by the Advisor or its Affiliates may be enhanced by the interests of ARCTRUST. It also is possible that such properties could be in competition with ARC Properties for prospective tenants.

Affiliation with Dealer Manager. Some individual directors and officers of ARCTRUST and/or the Advisor are or may become licensed general securities representatives which are associated with CSI, which will act as their supervisor. Such individuals may receive compensation from CSI for the sale of Shares in this Offering. Specifically, Mr. Gary Baumann, our General Counsel, Secretary, Vice President and a Director, is affiliated with CSI and will receive commission based compensation in connection with the sale by him of shares of our Common Stock to certain investors.

Advisor's Ownership Interest in ARCTRUST. The Advisor, its principals, Affiliates and employees may participate in the Offering and purchase Shares offered hereby, subject to all of the terms, conditions and limitations of the Offering and the REIT Provisions. Such persons may also purchase Shares offered hereby directly from ARCTRUST, which sales may be net of commissions and related expenses. See "Plan of Distribution." Any capital stock owned by the Advisor or the Affiliates of the Advisor can be expected to be voted in the Advisor's interest on any matter submitted to a vote of stockholders.

The following shows the ownership structure of the various ARC Properties, Inc. entities that are affiliated with ARCTRUST:



- (1) The stockholders of ARCTRUST include the Advisor and/or certain directors and executive officers of ARCTRUST or affiliates or other personal or family investments resulting from the “sponsor investment” in ARCTRUST Shares.
- (2) Investments made directly into ARCI in exchange for Operating Partnership units will reduce ARCTRUST’s ownership percentage of ARCI. Such investment will not dilute stockholders’ ownership of ARCTRUST.

INVESTMENT OBJECTIVES AND POLICIES

Investment Objectives

ARCTRUST specializes in the Development, Acquisition and Financing of Net Lease Properties concentrating on the New York-to-Washington, D.C. corridor and Florida but may also consider properties located in and around other major U.S. cities. Net Lease Properties are general purpose properties such as drug stores, bank branches, food markets, restaurants, department stores and other commercial buildings which are each leased to one or more Tenants under a long term lease. The leases generally require Tenants to pay most or all of the operating costs of the property and generally provide for periodic increases in base rent. Each investment is protected by both the direct contractual obligation of the Tenant as well as the underlying value of the real estate. The obligations of Tenants under some leases may also be guaranteed by the parent company of the Tenant. ARCTRUST's objectives are:

- An overall target IRR of 12% or greater with current dividends of 5.65% or greater per annum paid out of funds legally available therefor that may be partially free from current taxation;
- Mortgage amortization which will increase equity in ARCTRUST's properties through the regularly scheduled pay down of mortgage debt; and
- Capital appreciation through Investment in a carefully selected portfolio of real estate that has the potential to increase in value.

Our target IRR described above is an annual effective compounded return rate. IRR is calculated as the discount rate that makes the net present value of all cash flows (e.g., cost of our properties, cash flows from tenants and amounts received from sales of properties) looking back over the entire investment period equal to zero. The target IRR will be calculated using net purchase and sale prices of our properties and will take into account rents and debt service during the period between the purchase and sale of the property by ARCTRUST. The target IRR calculation reflects deductions for expected fees taken by the Advisor of ARCTRUST, including but not limited to, Investment Fees, management fees, financing fees or disposition fees, taxes or other expenses of ARCTRUST. ARCTRUST cannot assure that all or any of these objectives, including any targeted IRR or distribution rate, will be achieved or that all of these objectives will be achieved with respect to each property. See "Risk Factors" for a description of risks associated with ARCTRUST's investments.

In making property investments, the Advisor will consider such relevant real estate and financial factors as:

- location of the property,
- creditworthiness and financial strength of a Tenant,
- safety of principal,
- terms of proposed leases, including any provision for periodic rent increases,
- prospects for possible long-term appreciation,
- condition and use of the property,
- income and cash flow expected to be generated by a particular property,
- geographic, tenant and industry diversification, and
- relation of the property to ARCTRUST's portfolio.

ARCTRUST may, but is not required to, obtain an appraisal from an Independent Appraiser with respect to any property which it intends to purchase or develop. If such an appraisal is obtained, ARCTRUST may purchase appraised property that has a Total Property Cost which is in excess of its Appraised Value (other than from the Advisor or its Affiliates). ARCTRUST cannot assure that property purchased, financed or developed in the absence of such an appraisal will not have a Total Property Cost in excess of the value that would have been established by an Independent Appraiser. See "Risk Factors—Real Estate Investment Risks—Risks of relying upon appraisals."

Appraisals may take into consideration, among other things, the terms and conditions of the particular lease Transaction, the quality of the lessee's credit and the conditions of the credit markets at the time the Transaction is negotiated. The Appraised Value may be greater than the construction cost or the replacement cost of a property, and the actual sale price of a property if sold by ARCTRUST may be greater or less than the Appraised Value. An appraisal is only an estimate of value and should not be relied on as a measure of realizable value.

Investment Policies

The Advisor intends to make substantially all of ARCTRUST's investments in Development, Acquisition and Financing of Net Lease Properties; however, ARCTRUST may make investments in several types of properties or other real estate related investments. The Advisor will be responsible for the selection of properties for ARCTRUST, subject to the approval or ratification of the Board of Directors. See "Management." Although ARCTRUST will concentrate on investments in the New York-to-Washington, DC corridor and Florida, investments will not be restricted as to geographical areas, but all of the investments will be made within the United States. Stockholders will not be able to evaluate the merits of ARCTRUST's investments or the terms of any dispositions prior thereto.

Developments

ARCTRUST expects to invest in properties where improvements are to be constructed or completed within a predetermined time period. For each Development, ARCTRUST will enter into an agreement with a separate party (which may be an affiliate of Advisor) who will undertake the Development. In all cases, the Developer will be responsible for completing the development and delivering the premises to the Tenant. To ensure performance by the Developer, ARCTRUST may require the Developer to provide certain transaction enhancements such as a completion guaranty, a construction loan guaranty, performance bonds and letters of credit. ARCTRUST shall submit any Development transaction with an Affiliate or the Advisor or in which non-independent Directors have an interest to our Independent Director(s) for consideration and approval or ratification.

With the exception of a limited use of Proceeds for pre-development expenses, investments in Developments will be made provided (a) a net lease has been fully executed with a Tenant, (b) all required entitlements (e.g., zoning and government approvals and access to utilities, water, sewer and roads) are in place to construct the improvements, (c) a construction contract for any required improvements has been executed and (d) required financing is in place. ARCTRUST will generally not enter into any transactions that require ARCTRUST to directly assume construction loan liability or completion liability. However, in the event of a Developer default, ARCTRUST may elect to assume such liabilities in order to complete the Development and/or preserve its capital investment in the Development which will likely increase ARCTRUST's costs for the investment and reduce anticipated returns on the investment. See "Investment Objectives and Policies" above.

Several transaction structures may be used to invest in Developments. These may include direct loans to the Developer, (see "Investments in Loans" below) preferred equity investments as a passive limited partner of the Developer, (see "Joint Ventures, DownREITs and Wholly Owned Subsidiaries" below), land purchase development contracts, forward commitments and land sale lease-backs.

In the case of a land purchase development contract ARCTRUST would purchase the land and simultaneously enter into an agreement with the Developer who shall be responsible for completing the development and delivering the premises to the Tenant. In addition, the Developer shall be required to guarantee the repayment of any financing used to develop the property and construct the improvements.

In the case of a forward commitment, ARCTRUST will enter into an agreement to purchase the property upon the occurrence of a predetermined event such as commencement of rent or possession by a Tenant under a net lease and may post a substantial deposit which the Developer may use as security to obtain a construction loan and complete the improvements. Should the Developer default in performance of its obligations where ARCTRUST has made a forward commitment, ARCTRUST may have to replace the Developer or accept the Developer's obligations in order to complete the Development and/or preserve its capital investment in the Development which will likely increase ARCTRUST's costs for the investment and reduce anticipated returns on the investment.

In a land sale lease-back, ARCTRUST will take title to the land on which improvements will be made and lease the land to the Developer who will construct the improvements. Upon completion, ARCTRUST may purchase the improvements subject to a net lease to a Tenant. Through the initial purchase of the land and subsequent purchase of the improvements, ARCTRUST would own all of the investment in the developed Net Lease Property. In most cases, ARCTRUST's interest in the land will be subordinated to the Developer's construction financing so that the Developer can construct the improvements. In such cases, ARCTRUST's equity in the property will be at risk and should the

Developer default, ARCTRUST may have to repay the Developer's construction financing and/or complete the improvements in order to preserve its capital investment in the Development which will likely increase ARCTRUST's costs for the investment and reduce anticipated returns on the investment.

ARCTRUST may allocate up to 7.5% of the gross proceeds of this Offering plus prior offerings for pre-development expenses such as initial site investigations, land purchase contract negotiations, engineering and architectural concepts, tenant solicitation and lease negotiation along with pursuing public approvals for Developments in which we intend to invest. Although subject to limited allocation of Offering proceeds, investment in pre-development expenses involves significant risks. Sites initially identified for Developments may not turn out to be suitable. ARCTRUST may not be successful in obtaining contracts for Development sites. ARCTRUST may not be successful in obtaining a Tenant or public approvals for a Development, all of which may affect ARCTRUST's financial condition.

Acquisitions

ARCTRUST may acquire property which is subject to an existing lease. Generally, ARCTRUST will attempt to acquire properties with leases having a term of ten (10) year or longer that provide for periodic fixed increases in rent or additional rent based upon a percentage of tenant sales. However, ARCTRUST cannot assure that it will acquire properties with leases that include such provisions. ARCTRUST, as lessor, also will generally attempt to either acquire leases or, when possible, negotiate provisions in its leases which will provide that all the risks of such things as fitness for use or purpose, design or condition, quality of material or workmanship, latent or patent defects, ARCTRUST's title, value, compliance with specifications, location, use, condition, merchantability, quality, description, environmental contamination, durability and operation are to be borne by the lessee. However, competitive conditions may require that ARCTRUST accept certain risks, in which case it will attempt to arrange adequate insurance. It is expected that many of ARCTRUST's properties will be leased for terms of approximately ten years or more, although some may be leased for a shorter period if, in the judgment of the Advisor, circumstances warrant.

ARCTRUST may also seek to acquire Net Lease Properties with terms less than ten (10) years that have favorable market rents where ARCTRUST believes there is a good chance of extending the leases. In such transactions the Advisor will seek properties that appear important to the lessee's operations or that have good tenant sales volume where the lessee is likely to exercise a lease option to extend its tenancy, or negotiate a new lease for a longer term. The Advisor cannot assure that all or any tenants in such cases will exercise lease options or negotiate new leases. In certain circumstances, ARCTRUST may invest in capital improvements for older properties or offer rent discounts as means of inducing lessees to extend or renew their leases.

The Advisor may structure certain lease transactions so that they will not be recognized as leases for federal income tax purposes, in which case ARCTRUST would not be able to depreciate the property subject thereto and could lose certain other tax benefits. See "Federal Income Tax Consequences—Sale-Leaseback Transactions." In structuring such lease transactions, the Advisor will attempt to obtain additional consideration from the Tenant to compensate ARCTRUST for any lost tax benefits; however, ARCTRUST cannot assure that any such additional consideration will be received, or, if received, that it will be sufficient to fully compensate ARCTRUST for lost tax benefits.

It is anticipated that some of the properties purchased by ARCTRUST will be acquired from sellers that simultaneously will lease the properties from ARCTRUST. Such sale-leaseback transactions provide the seller/lessee with a source of capital as an alternative to other financing sources such as borrowing, mortgaging real property, issuing bonds or selling shares of stock. The prospects for the seller/lessee's enterprise and the financial strength of the seller/lessee will be important aspects of the sale-leaseback of a property, particularly a property specifically suited to the needs of the lessee. The Advisor will examine the financial statements of the lessee and its ability to perform the terms of the sale and leaseback agreement and, where appropriate, will examine the available operating results of properties to determine whether or not projected rental levels likely will be met. Whether a prospective tenant of ARCTRUST is viable will be determined by the Advisor. Viability does not necessarily mean "investment grade" and ARCTRUST cannot assure that a lessee evaluated as viable will make its lease payments and fulfill its other lease obligations. See "Risk Factors—Real Estate Investment Risks—ARCTRUST's financial condition is dependent upon its tenants."

Some of ARCTRUST's sale-leasebacks may be in conjunction with recapitalizations and other financial structures. In some of these transactions, the acquiring entities typically purchase all or substantially all of the stock or assets of a company, and the acquired company or its successor in interest becomes obligated on substantial loans necessary to finance the acquisition. ARCTRUST may act as one of several sources of financing for such transactions by purchasing real property and net leasing it to such acquired company or its successor in interest. See "Risk Factors—Real Estate Investment Risks—Purchasing property in connection with recapitalization and other financial restructurings could have a material adverse effect on ARCTRUST's financial condition."

Financings

The Advisor may structure an ARCTRUST investment as a Loan in situations in which a standard net lease transaction may not be available or would have an adverse impact on the seller of a property or otherwise would be inappropriate for ARCTRUST. The Advisor would attempt to structure any such Loan in a manner that would provide ARCTRUST with an economic return similar to that which ARCTRUST could expect to receive had the investment been a net lease transaction. Any transaction structured as a Loan must otherwise meet ARCTRUST's investment criteria. The Board of Directors must approve any transaction structured as a Loan.

Some of the Loans made, purchased or otherwise acquired by ARCTRUST, in addition to providing for base interest at a fixed or variable rate, may be combined with provisions that require borrowers to pay fees such as commitment fees, usage or non-usage fees and exit or pre-payment fees. Loan terms will vary with each transaction depending on such factors as the equity investment, if any, of the borrower, credit support provided by the borrower, the interest rate on ARCTRUST's Loans and the cash flow and anticipated cash flow from the Underlying Real Property. ARCTRUST's Loans may include first mortgage loans, leasehold mortgage loans and conventional mortgage loans and mezzanine equity loans. Loans are not expected to comprise a significant portion of ARCTRUST's portfolio. The amount of interest which may be charged by ARCTRUST on Loans may be limited by state usury laws. See "Risk Factors—Real Estate Investment Risks—Structuring ARCTRUST's investments as a Loan may subject ARCTRUST to additional risks."

The Loans will be secured by various types of real property as well as ownership interests in real property, personal or mixed property connected therewith. The Loans generally will be secured by property with a demonstrable income producing potential. In determining whether to make Loans, the Advisor will analyze relevant property and financial factors which in some cases may include such factors as the condition and use of the subject property, its income-producing capacity and the quality, experience, creditworthiness and financial strength of the owner of the property.

Standby Loan Program. A Standby Loan commitment is an agreement between ARCTRUST and a borrower, wherein ARCTRUST agrees to provide funds to the borrower, if and when needed. However, the loan commitment issued by ARCTRUST is generally not converted to an actual loan by the borrower. A Standby Loan is more expensive than a traditional loan, but the cost of the commitment is relatively modest compared to the security and comfort a borrower gets in order to implement his transaction. The current interest rate for ARCTRUST's Standby Loan Program is 12% per annum, and the borrower pays a pre-negotiated Standby Fee for the loan commitment. Should the borrower call on the loan and close, ARCTRUST earns current interest and is paid a pre-negotiated exit fee upon the sale of the property or repayment of the Loan. ARCTRUST or the borrower may arrange first mortgage financing. Loans are normally for a term of one year with a one-year extension. In addition, ARCTRUST typically receives a right of first refusal to purchase the property. See "Investments in Loans" below.

Every ARCTRUST Standby Loan must meet ARCTRUST's investment objectives and policies, as ARCTRUST must be willing to own the property. It is expected that this program will continue to generate incremental income for ARCTRUST and will also produce added sources of net lease opportunities for ARCTRUST from Developers and owners who can rely on ARCTRUST as a source of capital. In the case of Affiliate transactions, generally all acquisition, financing and property level costs will be paid from transactions as Bona Fide Project Costs and not by ARCTRUST. In all cases, transactions involving Affiliates are subject to the review and approval of ARCTRUST's Independent Director(s).

Joint Ventures, DownREITs and Wholly Owned Subsidiaries

ARCTRUST may enter into joint ventures or general partnerships and other participations with real estate Developers, owners and others for the purpose of obtaining an equity interest in properties in accordance with ARCTRUST's investment policies. These investments would permit ARCTRUST to own interests in large properties without unduly restricting diversification thereby adding flexibility in structuring ARCTRUST's portfolio. ARCTRUST will not enter into a joint venture to make an investment that it would not be permitted to make directly. It is expected that joint ventures and general partnerships will often involve the Advisor or its Affiliates upon the conditions set forth below. See "Risk Factors—Real Estate Investment Risks—Joint venture investments have additional risks."

Joint ventures often involve control issues and a potential risk of impasse on decisions relating to the property and the operations of the joint venture. Although one of the joint venturers may wish to buy the other's interest, there may be insufficient resources to do so. The cost of generating joint investments will be shared ratably by the participating investors and ARCTRUST.

ARCTRUST may form wholly owned subsidiaries to purchase properties in some jurisdictions where the acquisition of properties through the use of such an entity would have a beneficial effect on ARCTRUST's taxable income for state tax purposes or for other reasons deemed by the Advisor to be beneficial to ARCTRUST. Such subsidiaries would be formed for the sole purpose of acquiring specific property located in one state and would have organizational documents (a) that are substantially similar to the organizational documents of ARCTRUST and (b) that comply with the applicable terms and conditions set forth in this Memorandum.

Other Investments

ARCTRUST also may invest a portion of the net proceeds of the Offering in unimproved or non-income-producing real property and in Equity Interests (except that investment in Equity Interests in the aggregate will not exceed 5% of the net proceeds of ARCTRUST's total capital). Equity Interests are defined generally to mean stock, warrants or other rights to purchase the stock of, or other interests in, a Tenant of a property, an entity to which ARCTRUST makes a Loan, or a parent or controlling person of a borrower or Tenant. ARCTRUST will invest in unimproved or non-income-producing property which the Advisor believes will appreciate in value or the acquisition of which will increase the value of an adjoining or neighboring ARCTRUST property. ARCTRUST cannot assure, however, that such expectations will be realized. Additionally, ARCTRUST intends to forego the purchase of any Equity Interest(s) or investments that might subject ARCTRUST to regulation under the Investment Company Act of 1940 or would require the Advisor to register with, or report to, the SEC as an investment advisor.

ARCTRUST will generally exercise warrants or other rights to purchase stock only if the value of the stock at the time such rights are exercised exceeds the exercise price. Payment of the exercise price will not be deemed an investment subject to the above described limitations. ARCTRUST may borrow funds to pay the exercise price of warrants or other rights or may pay such exercise price from funds held for working capital and then repay the loan or replenish the working capital upon the sale of the Equity Interest purchased.

ARCTRUST will generally not invest in real estate contracts of sale unless such contracts of sale are in recordable form and are appropriately recorded in the applicable chain of title.

ARCTRUST cannot assure when its capital will be fully invested in properties. Pending such investment, the balance of the proceeds of the Offering will be invested in Permitted Temporary Investments, which are defined to mean bank certificates of deposit and other short-term liquid investments.

If, at any time, the character of ARCTRUST's investments would cause the company to be deemed an "investment company" for purposes of the Investment Company Act of 1940, ARCTRUST may take such action as is necessary in order to avoid or change such characterization. The Advisor will monitor and modify ARCTRUST's investment activity in an effort to avoid characterization as an investment company.

ARCTRUST's working capital and other reserves are, and in the future, may be invested in Permitted Temporary Investments. The Advisor evaluates such factors as the relative risks and rate of return, ARCTRUST's cash needs and other appropriate considerations when making short-term investments on behalf of ARCTRUST. The rate of return of Permitted Temporary Investments may be less than that of real estate investments.

ARCTRUST may purchase property from a Director or Affiliate of ARCTRUST or the Advisor, or any of their Affiliates.

ARCTRUST does not invest in other REITs advised or managed, directly or through the Advisor or any Affiliate of the Advisor or ARCTRUST. ARCTRUST does not sell properties to the Advisor or a Director, or any of their Affiliates, except pursuant to the exercise of a right of first refusal by an affiliated joint venture partner or upon approval of ARCTRUST's Independent Director.

Investments in Properties with Affiliates. ARCTRUST may invest in properties from or in co-ownership arrangements with affiliated entities, including properties acquired from Affiliates engaged in construction and development of commercial real properties. ARCTRUST intends to pay development fees, incentive fees or real estate commissions at market rates consistent with amounts generally charged for similar services in the area by unaffiliated parties. In the case of properties to be developed by any of ARCTRUST's Affiliates and sold to ARCTRUST, if any of ARCTRUST's Affiliates develop properties, it is anticipated that the development company Affiliate will acquire, develop, construct improvements upon, lease and finance the property prior to the sale of the tenanted property to ARCTRUST, see "Developments" sub-section above.

Joint ventures with the Advisor or its Affiliates will be permitted only if (1) the Advisor or its Affiliate have comparable investment objectives to those of ARCTRUST and there is no duplication of property management or other fees. In the event an Affiliate of the Advisor is acting as the Developer, ARCTRUST shall generally receive, during the period prior to completion, a rate of return of twelve percent (12%) per year on any funds invested in the Development, which for the purpose of determining the final acquisition price to ARCTRUST, shall be included as a Bona Fide Project Cost. ARCTRUST shall have the right to acquire the property upon completion at a price equal to the sum of (i) Fair Market Value less (ii) the product of Fair Market Value minus Bona Fide Project Cost times ARCTRUST's ownership percentage in the joint venture. In such case ARCTRUST shall pay directly to the Developer a fee, usually calculated as a percentage of project costs, for its development services and guarantees. The fee shall be included in Bona Fide Project Costs for the purpose of determining the final acquisition price to ARCTRUST.

Tenant Relationship Program. ARCTRUST's Tenant Relationship Program provides Tenants and Developers with the capital that they need to purchase properties currently leased by Tenants where the Tenants desire to have their stores renovated or expanded, their lease modified, or otherwise have a property owned and controlled for the Tenants' benefit. Tenant Relationship Program investments may be structured as (i) Standby Loans (see below), and (ii) direct joint ventures between ARCTRUST and Tenants or Developers. Other transaction structures may be used as well. Generally, the parameters for ARCTRUST to consider a potential project for the Tenant Relationship Program will be an initial annual return on invested capital of twelve percent (12%) plus an additional return that may come through loan origination points and/or additional interest paid to ARCTRUST for Standby Loans and preferred joint-venture distributions. Tenant Relationship Program transactions may also include ARCTRUST having a right of first refusal to purchase any property in which ARCTRUST makes an investment, or commitment to invest, at a price equal to Bona Fide Project Cost plus a Commission paid to the Developer. The Developer's Commission will generally equal twenty-five percent (25%) of the difference between (i) the Net Lease Property's value prior to a lease modification or improvement and (ii) its Fair Market Value after modification or improvement.

Use of Borrowing. While one of ARCTRUST's investment objectives is diversification, the number of different properties ARCTRUST can acquire, finance and/or develop is affected by the amount of funds available to it. Subject to the availability of mortgage financing, total borrowings will approximate 65% to 75% of the purchase price of all properties purchased, but there is no limit on borrowings on individual properties.

The ability of ARCTRUST to increase its diversification through borrowing could be adversely impacted by the reduced availability of financing secured by commercial real estate generally and specifically by single-tenant net-leased real property, whether due to fewer financing sources, such as commercial banks and insurance companies, or due to the reduced lending activity by those sources continuing in that line of business. ARCTRUST expects generally to purchase properties for cash with the intention of obtaining a mortgage loan for a portion of the purchase price at a later time, although, when, in the Advisor's discretion, circumstances warrant, financing may be obtained in connection with the acquisition of the properties. ARCTRUST cannot assure that it will be able to achieve its borrowing objective.

There is no limitation on the amount ARCTRUST may invest in any single property or on the amount ARCTRUST can borrow for the purchase of any property. Aggregate borrowings, including borrowings on any available lines of credit, as of the time that the net proceeds of the Offering have been fully invested and at the time of each subsequent borrowing generally will not exceed 75% of the value of all properties.

It is expected that by operating on a leveraged basis, ARCTRUST will have more funds available and, therefore, will make more investments than would otherwise be possible. Although ARCTRUST's liability for the repayment of indebtedness is expected to be limited to the value of the property securing such liability and the rents or profits derived therefrom, leveraging increases risks to ARCTRUST because mortgage principal and interest payments as well as other fixed charges must be paid in order to prevent foreclosure on such properties by mortgagees regardless of the generation of income by properties. See "Risk Factors—Real Estate Investment Risks—Structuring ARCTRUST's investments as a loan may subject ARCTRUST to additional risks." To the extent that ARCTRUST does not obtain mortgage loans on its properties, its ability to acquire and/or develop additional properties will be restricted. The Advisor will use its best efforts to obtain financing on the most favorable terms available to ARCTRUST.

The Advisor will refinance properties during the term of a loan in circumstances, such as when a decline in interest rates makes it profitable to prepay an existing mortgage, an extension of loan mature is available, when an existing mortgage matures, if an attractive investment becomes available and the proceeds from the refinancing can be used to purchase such investment or otherwise to increase cash available for distribution, working capital or investment. The benefits of such refinancing may include an increase in cash flow resulting from reduced debt service requirements, an increase in distributions from proceeds of such refinancing, if any, and/or increase in property ownership if some refinancing proceeds are reinvested in real estate.

Short-Term Loans. At any time, ARCTRUST may borrow funds from third parties on a short-term basis sufficient to provide the portion of the Total Property Cost of any property not paid with net offering proceeds (i.e., the debt portion) if:

- (1) ARCTRUST is unable to obtain a permanent loan or, in the judgment of ARCTRUST or the Advisor, it is not in the best interests of ARCTRUST to obtain a permanent loan at the interest rates then prevailing; and
- (2) the Advisor has reason to believe that ARCTRUST will be able to obtain a permanent loan on or prior to the end of the loan term.

Such short-term loans may be fully or partially amortized, may provide for the payment of interest only during the term of the loan or may provide for the payment of principal and interest only upon maturity. In addition, such loans may be secured by a first or junior mortgage on the property to be acquired or by a pledge of or security interest in the offering proceeds to be received from the sale of Shares by ARCTRUST.

Holding Period for Investments and Application of Proceeds of Sales or Refinancings. ARCTRUST intends to hold each property it acquires (including properties owned by joint ventures in which ARCTRUST has an interest) for an extended period (generally, not less than five years). However, circumstances might arise which could result in the early sale of certain properties. A property may be sold before the end of the expected holding period of such property if:

- (1) the lessee has involuntarily liquidated,
- (2) in the judgment of the Advisor, the value of a property might decline radically,
- (3) an opportunity has arisen to improve another ARCTRUST property (e.g., to buy property adjacent to or abutting another property owned by ARCTRUST),
- (4) ARCTRUST can increase cash flow through the disposition of the property,
- (5) the lessee is in default under the lease,
- (6) in the judgment of ARCTRUST or the Advisor, the sale of the property is in the best interests of ARCTRUST, or
- (7) as part of ARCTRUST's liquidity strategy.

The determination of whether a particular property should be sold or otherwise disposed of will be made after consideration of relevant factors, including, but not limited to, prevailing economic conditions, with a view to achieving maximum capital appreciation for ARCTRUST. ARCTRUST cannot assure that the foregoing objective will be realized. Also, the sales price of a property which is net leased will be determined in large part by the amount of rent payable under such lease. However, to the extent that the seller of a property has a repurchase option at a formula price, ARCTRUST may be limited in its realization of any appreciation by the option price. In connection with sales of properties by ARCTRUST, purchase money obligations (i.e., ARCTRUST would "lend" the purchaser a portion of the purchase price by allowing the purchaser to pay less than the full purchase price in cash) may be taken by ARCTRUST as partial or full payment. In such instances, ARCTRUST's taxable income may exceed the cash received in such sale. See "Federal Income Tax Consequences—Taxation of ARCTRUST" and "Federal Income Tax Consequences—Requirements for Qualification as a REIT—Distribution Requirements." The terms of payment to be accorded by ARCTRUST will be affected by custom in the area in which the property being sold is located and the then prevailing economic conditions. To the extent that ARCTRUST receives purchase money mortgages rather than cash in connection with sales of ARC Properties, there may be a delay in making distributions to stockholders. A decision to provide financing to purchasers would be made after an investigation into and consideration of the same factors regarding the purchaser, such as creditworthiness and likelihood of future financial stability, as are undertaken when ARCTRUST considers a net lease transaction. See "Federal Income Tax Consequences—Taxation of ARCTRUST."

Change in Investment Objectives and Policies. The methods of implementing ARCTRUST's investment policies may vary as new investment techniques are developed. The investment objectives, and the methods of implementing the investment objectives and policies of ARCTRUST, except as otherwise provided in the Charter, may be altered by a majority of the Directors without the approval of the stockholders. However, such changes are not anticipated and will not be made except in response to changes in the economic, legal, regulatory or financial environment affecting ARCTRUST's investments.

Liquidity/Share Repurchase Program. On or before December 31, 2023, subject to two (2) one (1) year extensions, the Board of Directors intends to consider additional or alternative means of generating liquidity beyond our existing Share Repurchase Program, including (1) the sale of all or substantially all of our assets for cash or other consideration in a liquidation, (2) our sale or merger in a transaction that provides our stockholders with a combination of cash and/or securities of a publicly traded company, (3) a listing of our Common Stock on a securities exchange or (4) further expansion of ARCTRUST's Share Repurchase Program. In considering whether to effect a liquidity event, the Board of Directors will try to determine which alternative will result in greater value for our stockholders. The consummation of a liquidity event will depend on real estate and financial markets, economic conditions of the areas in which our properties are located and federal income tax effects on stockholders which may prevail in the future. Certain merger transactions and the sale of all or substantially all of our assets as well as our liquidation and dissolution would require the affirmative vote of stockholders entitled to cast a majority of all the votes entitled to be cast on the matter.

Prior to such an event, ARCTRUST intends to repurchase up to \$5 million of qualifying Shares annually under the terms of our Share Repurchase Program. The Share Repurchase Program is designed to provide eligible stockholders with liquidity by enabling them (or their estate, heirs or beneficiaries) to sell shares back to us. Shares owned by a stockholder for three or more years are qualifying Shares and may be submitted to ARCTRUST for repurchase. In the case of death or "qualifying disability" of a stockholder, the shares will be repurchased at a price equal to our current offering price or, if no offering is underway, at a Net Asset Value price based on our most recent Valuation. All other repurchases will be made at a price equal to our current offering price less a 5% administrative fee or, if no offering is underway, at a Net Asset Value price based on our most recent Valuation less a 5% administrative fee. Our Share Repurchase Program is subject to limitations and we cannot guarantee that ARCTRUST will be able to repurchase Shares in any given period. ARCTRUST will continue in existence until its liquidation and dissolution or ARCTRUST is merged out of existence. See, "Share Repurchase Program."

ARCTRUST's Current Investments

Detailed descriptions of ARCTRUST's current investments are set forth in the Notes to Consolidated Financial Statements for the nine months ended September 30th, 2015 and accompanying notes attached hereto as Exhibit B. Subsequent to the preparation of ARCTRUST's September 30th, 2015 Financial Statements ARCTRUST acquired the following two additional properties:

Purchase Date	Purchase Entity	Location	Acreage	Sq. Ft.	Tenant	Purchase Price
Nov. 6, 2015	Pasadena Fairmont, LLC	Pasadena, TX	2.08	12,036	CVS	\$4,050,523
Dec. 16, 2015	Philadelphia Harbison LP	Wissinoming, PA	12.7	109,956	Shop Rite / Wawa	\$5,569,003

CAPITALIZATION AND SPONSOR INVESTMENT

Capitalization

As of the date of this Memorandum, ARCTRUST has 10,182,289 Shares of Common Stock and 4,339 shares of Class S Common Stock issued and outstanding. Gross proceeds from the issuance and sale of these Shares total \$115,793,094. Also, as of the date of this Memorandum there are 1,508,312 nonqualified stock options outstanding of which 292,747 are exercisable. 878,240 of the outstanding options were granted in January of 2014. 630,071 of the outstanding options were granted in January of 2016. Together the outstanding options will become exercisable into 1,508,312 shares in accordance with a three year vesting schedule during which one-third of the outstanding options may be exercised by the holders upon each of the first, second and third anniversaries of the grant date provided each recipient has continued to provide services as a director, officer, employee or consultant of ARCTRUST or any subsidiary of ARCTRUST through the respective anniversary. See, "ARC Property Trust, Inc., Nonqualified Stock Option Plan."

On February 27, 2015, ARCTRUST modified a \$10,000,000.00 unsecured Line of Credit with Connect One Bank (Formerly Union Center National Bank) increasing the line of credit to \$17,000,000.00 for financing Net Lease Properties. The line of credit carries an interest only rate equal to Connect One Bank's prime rate with a floor of 4.00%. The line of credit has a term expiring on January 27, 2016. As of the date of this Supplement, ARCTRUST has drawn \$0 on the Connect One Bank line of credit.

Also in 2015, ARCTRUST renewed an existing secured Line of Credit with National Penn Bank. The National Penn Bank Line of Credit is a \$7,500,000 line of credit that has a two-year term at an interest rate equal to LIBOR plus 250 basis points (3.50% floor). The line of credit is secured and proceeds are available at up to 70% of the value of Net Lease Properties securing the line. As of the date of this Memorandum, ARCTRUST has drawn \$0 on the National Penn Bank line of credit.

On March 4, 2015 ARCTRUST entered into a secured line of credit agreement and other loan documents with KeyBank. The line of credit agreement with KeyBank provides ARCTRUST with \$10,000,000 that can be used to provide up to 65% of equity investments and mezzanine financing to owners of Delaware Statutory Trust Beneficial Interests which investments typically generate a one percent (1%) or greater fee on the amount invested and earn a current return of 12% per annum over the period the investment is outstanding. The KeyBank line of credit has a one-year term, is interest only and carries an interest rate of LIBOR plus 425 basis points. As of the date of this Supplement, ARCTRUST has drawn \$612,469 on the KeyBank line of credit.

In 2013, ARCTRUST entered into a secured line of credit agreement and other loan documents with Provident Bank. The credit agreement with Provident Bank provides ARCTRUST with an \$8,000,000 line of credit that can be used to finance Net Lease Properties at 70% loan-to-value and carries an interest rate of LIBOR plus 300 basis points with a floor of 3.50%. The Provident Bank Line of Credit has a two-year term. As of the date of this Memorandum, ARCTRUST has drawn \$0 on the Provident Bank line of credit.

Lastly, as of the date of this Memorandum, ARCTRUST's assets, including investments in Joint Ventures, are financed through sixty-four mortgage loans totaling approximately \$154,885,842. Fifty mortgage loans, representing \$126,769,273 have maturities of five years or longer. Fifty mortgage loans, representing \$128,404,875, have fixed rates and the rest are variable interest rate loans. ARCTRUST has one unsecured and three secured lines of credit. As of the date of this Memorandum, ARCTRUST has \$612,469 proceeds drawn on its secured and unsecured lines of credit.

Sponsor Investment

Certain of ARCTRUST's Directors, executive officers, affiliates and their family members currently own approximately 10.7% of ARCTRUST's Shares representing approximately \$9,111,172 in gross proceeds and they will purchase additional Shares sold through this Offering in order to maintain a minimum ownership of at 5.0% of ARCTRUST's Shares. The Sponsor's direct investment will be made net of selling commissions, placement agent fees, underwriting consulting fee, and offering allowance, all as defined herein.

USE OF PROCEEDS

The following table shows ARCTRUST's estimated uses of the proceeds from the sale of all of the Shares offered hereby, assuming that \$30,000,000 is raised through the sale of 2,230,483 Shares at the non-discounted price of \$13.45 per Share. Notwithstanding the foregoing, the actual use of the capital to be raised by ARCTRUST is likely to be different from the figures presented in the table because all expenses cannot be determined precisely at this time. See "Plan of Distribution." Some numbers in the table have been rounded.

	Maximum Offering	
	Amount	Percent
Gross Offering Proceeds	\$30,000,000	100.00%
Less Offering Expenses:		
Selling Commissions and Dealer Manager Fee (1), (2) and (3)	\$2,550,000	8.50%
Offering Expense ⁽⁴⁾	\$300,000	1.00%
To fund investments and general corporate and working capital expenses	\$27,150,000	90.50%

- (1) ARCTRUST will pay selling commissions to CSI, any AMD and members of the Selling Group of up to 6% of the Offering Price of the Shares sold. These amounts assume that no direct sales of Shares will be made by ARCTRUST and that no sales of Shares will be made by Foreign Distributors. See "Plan of Distribution."
- (2) The Offering Expense Allowance of 1% paid to members of the Selling Group, the placement agent fee of 1% paid to CSI and any AMD, and the underwriting consulting fee of 0.5% paid to CSI and any AMD. These amounts assume that no direct sales of Shares will be made by ARCTRUST. See "Plan of Distribution."
- (3) ARCTRUST may also pay wholesaling and/or private placement fees with respect to a portion of the Offering. Since the wholesaling and/or private placement fees are not determinable at this time, such fees have been excluded from the table.
- (4) Represents expenses incurred in connection with the marketing and distributing the Shares under applicable federal and state laws, and any other expenses actually incurred and directly related to the Offering and sale of the Shares (other than those included under Selling Commissions and offering expense allowances and placement agent, underwriting and wholesaling fees), including, without limitation, legal, accounting, printing and blue sky expenses paid by ARCTRUST and the reimbursement by ARCTRUST of CSI's and any AMD's reasonable out-of-pocket expenses directly related to the Offering and the sale of the Shares to the Selling Group. See "Plan of Distribution."

We will contribute the net proceeds of this offering to our Operating Partnership in exchange for ownership interests in the Operating Partnership. Pending use of the net proceeds, we intend to invest them in interest-bearing, short-term, money market accounts which are consistent with our intention to continue to qualify as a REIT. These investments may include, for example, certificates of deposit, interest-bearing bank deposits and mortgage loan participations. These temporary investments are expected to provide a lower net return than we expect to achieve from our targeted investments.

We do not intend to use any of the net proceeds from this Offering to fund distributions to our stockholders. However, to the extent that we use the net proceeds from this Offering to fund distributions, these payments will likely be treated as a return of capital to our stockholders for federal income tax purposes, which would have the effect of reducing each stockholder's adjusted tax basis in our Common Stock. Furthermore, to the extent that we use the net proceeds from this Offering to fund distributions, these payments will reduce the funds available for general corporate and working capital purposes, including future acquisitions.

DESCRIPTION OF INVESTMENTS

General

ARCTRUST, either directly or through wholly owned subsidiaries, has invested in the assets described below. All of these investments were selected for the purpose of inclusion in ARCTRUST, including those that were acquired by affiliates of the Advisor specifically for ARCTRUST. As of the date of this Memorandum, the Advisor is evaluating other potential investments and is engaging in discussions with sellers regarding the purchase of additional properties for ARCTRUST.

ARCTRUST's Current Portfolio

The following table sets forth, as of the date of this Memorandum, specific information relating to ARCTRUST's real estate portfolio. See Exhibit B (Financial Statements of ARC Property Trust, Inc.), including the notes to ARCTRUST's financial statements, for additional information about ARCTRUST's investments.

<u>Tenant Name</u>	<u>Location</u>	<u>Building Square Ft.</u>	<u>Lease Term</u>	<u>Cost \$</u> ⁽¹⁾
Bank of America	Mt. Arlington, NJ	2,875	2023	3,050,385
Walgreens	Springfield, NJ	13,369	2038	9,493,475
CVS	Washington, DC	11,585	2037	5,624,191
CVS	Charlotte (Huntersville), NC	10,172	2037	2,519,473
AutoZone	Millville, NJ	7,381	2027	2,120,598
Hhgregg ⁽²⁾	Midlothian, VA	21,752	2024	2,586,530
Container Store / Bank United / Sleep Number / Lime Fresh ⁽³⁾	Tampa, FL	31,250 / 3,000 2,270 / 3,200	2028 / 2033 2023 / 2023	5,980,000
Olive Garden ⁽³⁾⁽⁴⁾ / Longhorn Steakhouse / AT&T / RECL ⁽⁵⁾	Tampa, FL	9,000 / 6,800 4,123 / 3,098	2028	5,148,000
Top Golf ⁽⁵⁾	Mt. Laurel, NJ	120,000	2015	1,730,000
Payless Shoe Source	Glen Cove, NY	3,620	2020	1,401,675
CVS	Raleigh (Garner), NC	10,128	2037	2,290,853
CVS	Raleigh (Garner), NC	10,125	2039	3,981,518
Mattress Firm	Raleigh, NC	4,000	2025	2,181,220
ARFA-British Petroleum (BP) / Shell Nine Locations	Philadelphia Metro., PA	631 / 780 3,233 / 3,730 2,265 / 1,860 2,238 / 2,070 1,992	2023/2035	18,279,547
Philadelphia Defenders/Del Frisco's	Philadelphia, PA	146,000	2027/2019	2,726,364
Bank of America	Middletown, CT	4,590	2022	3,869,255
Hhgregg	Chicago (N. Riverside), IL	30,000	2022	4,467,448
Art Van Furniture	Batavia, IL	42,500	2024	4,999,653
CVS	Indialantic, FL	15,525	2038	5,461,402
CVS	Palm Springs, FL	12,735	2038	4,943,176
Republic Bank	Louisville, KY	5,597	2022	1,706,991
7-Eleven	Fredericksburg, VA	3,162	2031	1,269,726
Wells Fargo	Washington, NJ	5,400	2028	4,197,273

<u>Tenant Name</u>	<u>Location</u>	<u>Building Square Ft.</u>	<u>Lease Term</u>	<u>Cost \$ ⁽¹⁾</u>
Lehigh Gas - Exxon	Trenton, NJ	500 ⁽⁶⁾	2031	2,300,980
CVS ⁽⁷⁾	Union City, NJ	28,500	2020	5,791,961
Ruby Tuesday / Miller's Ale House ⁽⁸⁾	Willow Grove, PA	3,500 ⁽⁹⁾ / 9,437	2029 / 2037	4,313,513
Marriott Hotel ⁽¹⁰⁾	Willow Grove, PA	72,000	2018	2,239,472
Boston Market	Abington, PA	2,904	2028	3,080,794
PriceRite	Syracuse, NY	36,360	2027	6,471,351
CVS	Virginia Beach, VA	13,225	2039	4,892,599
Hobby Lobby	Gastonia, NC	55,000	2029	6,313,367
Stop & Shop Gas	Warwick, RI	500	2031	2,487,452
CVS	Midlothian, VA	10,125	2039	4,094,650
Sleepy' s	Hazelton, PA	11,988	2026	1,170,603
ACME Supermarket ⁽¹¹⁾	Morris Plains, NJ	32,450	2018	2,791,713
Rite Aid	Alexandria, VA	10,000	2019	2,148,228
Rite Aid	Chesapeake, VA	10,000	2019	1,471,826
Rite Aid	Norfolk, VA	10,000	2019	1,167,011
Walgreens	Richmond, VA	13,905	2028	4,439,210
Rite Aid	Richmond, VA	10,000	2019	1,451,506
Strayer University	Suitland, MD	36,956	2026	12,104,091
Wawa ⁽¹²⁾	Warwick, PA	5,585	2035	1,525,959
LA Fitness ⁽¹³⁾	West Orange, NJ	48,200	2030	3,079,876
Floor & Décor	Skokie, IL	73,000	2029	12,781,556
Stop & Shop Gas	Farmingville, NY	500	2033	3,557,270
Dollar General	Capitol Heights, MD	7,200	2025	1,602,960
Rite Aid	Mt. Lebanon, PA	13,850	2025	5,514,611
Neighbors Health ⁽¹⁴⁾	Houston, TX	15,000	2029	2,320,500
Boston Market/Einstein Bagels	Orlando, FL	8,477	2019/2020	5,115,536
Exxon, Don Pablos & Mattress Firm	Sanford, FL	19,844	2021/2021 2019	5,752,672
Pollo Tropical	Winter Park, FL	3,424	2018	1,329,019
Dunkin Donuts, Burger King, Chick-Fil-A and Perkins	Winter Park, FL	18,459	2017/2019 2019/2018	6,125,630
Capital One Bank	Houston, TX	3,553	2029	1,941,481
CVS	Chicago, IL	15,000	2028	6,096,130
Walgreens ⁽¹⁵⁾	Jacksonville, FL	14,490	2020	1,726,761
CVS	Pasadena, TX	12,036	2031	4,050,523
ARFA – Shell/Amera/Gulf/Citgo Eight Locations	Philadelphia Metro., NJ	2,352 / 1,056 900 / 1,620 2,201 / 1,450 2,822 / 1,968	2035	7,610,743
ShopRite/Wawa ⁽¹⁶⁾	Wissinoming, PA	109,956	2041	5,569,003
	TOTAL	1,312,349		244,459,310

Footnotes follow on the next page.

1. Cost” is calculated as the property’s purchase price, capitalized acquisition/financing costs and all fees paid to the Advisor at the time of investment.
2. ARCTRUST owns a 50% Tenant-in-common interest.
3. ARCTRUST owns a 52% investment in the Tampa Property through a Joint Venture Development.
4. The Olive Garden and Longhorn Steakhouse, both Darden Restaurants (S&P, BBB) NYSE: DRI are Phase II of the Tampa Property Joint Venture Development.
5. \$1,730,000 first mortgage loan to Mt. Laurel Beaver, LLC, an affiliate of the Advisor, at 12% interest with a one-year term and optional one-year term extension.
6. Approximate square footage for retail kiosk at motor fuel station operating 12 fuel pumps.
7. ARCTRUST owns a 90% investment in the Union City Property through a Joint Venture with an affiliate of the Advisor. The Union City, NJ CVS Property contains a 17,500 sq. ft. CVS store and 11,000 sq. ft. of other retailers.
8. ARCTRUST owns a 66-2/3% Tenant-in-common interest.
9. Buildable square footage. Ruby Tuesday is a pad site prepared for tenant’s construction.
10. ARCTRUST Owns a 50% Tenant-in-common interest in property ground leased to Hospitality Properties Trust.
11. ARCTRUST owns a 90% investment in the Morris Plains Property through a Joint Venture.
12. ARCTRUST owns a 50% share in a joint venture development. During construction, ARCTRUST will receive 12% on its investment.
13. ARCTRUST made a mezzanine equity loan and receives 12% on its investment. ARCTRUST has an option to purchase the property upon completion.
14. ARCTRUST owns 32.43% of the beneficial interests of a Delaware Statutory Trust.
15. ARCTRUST owns a 50% interest in the Jacksonville Walgreens with an affiliated party of the sponsor.
16. ARCTRUST owns a 33% share in a joint venture development. During construction, ARCTRUST will receive 12% on its investment.

MANAGEMENT

ARCTRUST operates under the direction of its Board of Directors, the members of which are responsible for the management and control of the business and affairs of ARCTRUST. However, the Board of Directors has retained the Advisor to manage ARCTRUST's day-to-day affairs and investments, subject to the Board's supervision. ARCTRUST must have at least one and no more than eleven Directors. ARCTRUST's Charter provides for the division of ARCTRUST's Board of Directors into five classes whose respective five-year terms of office expire in different years. The Class I Director's term expires at the annual meeting of stockholders in 2016, the Class II Directors' terms expire at the annual meeting of stockholders in 2017, the Class III Directors' terms expire at the annual meeting of stockholders in 2018, the Class IV Directors' terms expire at the annual meeting of stockholders in 2019 and the Class V Directors' terms expire at the annual meeting of stockholders in 2020.

The Directors are not required to devote all of their time to ARCTRUST and are only required to devote such of their time to the affairs of ARCTRUST as their duties require. Consequently, in the exercise of their duties, the Directors rely heavily on the Advisor. The Board is empowered to fix the compensation of all ARCTRUST officers that it elects and may pay Directors such compensation for special services as it deems reasonable. In addition, the Independent Director(s) will be paid an annual board fee of \$20,000 and will receive additional annual compensation in the form of restricted shares of Common Stock of ARCTRUST equal to \$20,000 net of fees and commissions for each year that the Independent Director(s) serves in such capacity, which shares will vest in three equal, annual installments on each of the first three anniversaries of the date of issuance, subject to the Independent Director's continued service as a Director of ARCTRUST.

The general investment and borrowing policies of ARCTRUST are set forth in this Memorandum. See "Investment Objectives and Policies." The Directors may establish further written policies on investments and borrowings and will monitor the administrative procedures, investment operations and performance of ARCTRUST and the Advisor to assure that such policies are fulfilled and are in the best interests of ARCTRUST. Until modified by the Directors, ARCTRUST will follow the policies on investments and borrowings set forth in this Memorandum.

The Board is also responsible for reviewing the fees and expenses paid by ARCTRUST, no less often than annually and with sufficient frequency to determine that the expenses incurred are in the best interests of ARCTRUST. The Board is also responsible for reviewing the performance of the Advisor.

Directors and Executive Officers of ARCTRUST

As of the date of this Memorandum, ARCTRUST has ten Directors. The Directors and Executive Officers of ARCTRUST are as follows:

<u>NAME</u>	<u>OFFICE</u>
Robert J. Ambrosi	Chairman, Chief Executive Officer, Class V Director
James Steuterman	President, Chief Operating Officer, Class I Director
Gary Baumann, Esq.	General Counsel, Secretary, Vice President, Class V Director
Marc Perel, CPA.....	Executive Vice President, Class IV Director
Bruce Nelson, CPA.....	Chief Financial Officer, Treasurer, Vice President, Class II Director
Joseph Morena	Vice President, Class III Director
William Cottongim	Class I Director
Alan Goldstein	Class II Director
Harvey Gutman.....	Class IV Director
Edward Constantino.....	Independent Director, Class III Director

Robert J. Ambrosi, born in 1950, is Chairman, Chief Executive Officer and Director of ARCTRUST as well as founder of ARC Properties, Inc., the Sponsor, which was formed in 1985. Mr. Ambrosi was also founder, President, Chairman and Chief Executive Officer of ARC Corporate Realty Trust, Inc., a public but non-listed Net Lease Properties REIT from 1993 to 2008. Mr. Ambrosi has over 40 years of experience in the acquisition, development and management of real estate projects internationally. He began his career as a real estate analyst at the Mutual Life Insurance Company of New York. He was then hired as a Vice President to open the New York Office of Marcil Properties, a Canadian real estate investment banking firm, and was responsible for the acquisition of U.S. real estate and Net Lease Properties on behalf of foreign based investors. In 1979, he co-founded The Pivko Group, Inc. and subsequently Tibor Pivko & Company, an international real estate advisory company with activities in the United States, Europe and the Middle East. In 1985, he founded ARC Properties, Inc. to specialize in the acquisition and development of net leases and real estate properties throughout the United States. He has a Master's degree in Finance from Rutgers University, a Senior Certificate in Real

Estate from New York University, and a Bachelor's degree in Engineering from the New Jersey Institute of Technology. Mr. Ambrosi has been a frequent guest lecturer on international business at several universities including the Graduate Schools at Duke University, Columbia University and Rutgers University.

James M. Steuterman, born in 1956, is President, Chief Operating Officer and Director of ARCTRUST. Mr. Steuterman served as a Director and Audit Committee Member of ARC Corporate Realty Trust, Inc., from 1993 to 2008, and Executive Vice President of Capital Markets for ARCTRUST since May 2011. Prior to joining ARC Properties, Inc., Mr. Steuterman was Senior Vice President of Toll Brothers, Inc. a Fortune 500 Company, where he was responsible for the acquisition, development, and management of real estate projects nationwide. Prior to that he was Chief Operating Officer as well as an Investment Committee and Board Member of New Plan Excel Realty Trust, a \$3-billion, NYSE listed Real Estate Investment Trust. Mr. Steuterman has more than 35 years of real estate experience, is a member of the National Association of Real Estate Investment Trusts (NAREIT), the International Council of Shopping Centers (ICSC) and a designated Certified Shopping Center Manager (CSM). Mr. Steuterman holds a Bachelor of Science degree in Business Administration from the University of Missouri-St. Louis.

Gary S. Baumann, Esq., born in 1968, is General Counsel, Vice President, Secretary and Director of ARCTRUST as well as General Counsel of ARC Properties, Inc., a position he has held since 2005. Mr. Baumann is an attorney admitted to practice law in New York and New Jersey and has practiced law at the nationally recognized firm of Lowenstein Sandler, P.C. and the international construction law firm of Peckar and Abramson, P.C. Mr. Baumann has served the real estate and construction industry for 20 years as a construction project executive, construction attorney and as a consultant. Mr. Baumann has guided project participants with individual undertakings ranging from \$3 million to \$300 million through risk examination, project delivery counseling, document drafting and negotiation, claim analysis, and dispute resolution. Mr. Baumann earned his Juris Doctor Degree from Rutgers University School of Law-Newark and holds a Bachelor's Degree in Finance from Kean University, Magna Cum Laude.

Marc Perel, CPA, born in 1953, is Executive Vice President and Director of ARCTRUST as well as President, Chief Operating Officer, and co-founder of the Sponsor, ARC Properties, Inc. Mr. Perel served as Executive Vice President and Director of ARC Corporate Realty Trust, Inc., between 1993 and 2008. Mr. Perel has more than 30 years' experience in all fields of real estate including acquisitions, planning, entitlements, development, leasing, management, and financing. Mr. Perel began his career at Zimmerman & Co., a certified public accounting firm where he became a partner and head of the firm's real estate department. Mr. Perel has been involved in all aspects of the real estate development and acquisitions business including specific responsibilities for the environmental remediation of properties for which, on behalf of ARC Properties, Inc., he received the prestigious National Phoenix Award given by the Environmental Protection Agency. Mr. Perel has a Bachelor's of Science degree in Accounting from Long Island University and is a Certified Public Accountant.

Bruce Nelson, CPA, born in 1954, is Chief Financial Officer, Vice President, Treasurer and Director of ARCTRUST and is also Chief Financial Officer of ARC Properties, Inc., a position he has held since 1996. Mr. Nelson was the Chief Financial Officer of ARC Corporate Realty Trust, Inc. from 1996 to 2008. Prior to joining ARC Properties, Inc. in 1996, Mr. Nelson was Controller and Treasurer for the Cirkus Real Estate Group, one of the largest real estate developers and property managers in New Jersey. Prior to that he was the Corporate Accounting Manager for Becton Dickinson, a Fortune 500 Company. Mr. Nelson has substantial experience in financial statement preparation, financial reporting, and the establishment and maintenance of internal controls in a variety of real estate venues for public reporting companies. Mr. Nelson is a Certified Public Accountant and holds a Master's degree in Business Administration and Finance from Fairleigh Dickinson University, as well as a Bachelor of Science degree in Accounting from William Paterson College of New Jersey.

Joseph Morena, born in 1953, is Vice President and Director of ARCTRUST as well as Executive Vice President of ARC Properties, Inc. Mr. Morena was the Treasurer of ARC Corporate Realty Trust, Inc. from 1999 to 2008. Mr. Morena joined ARC Properties, Inc. in 1997. Prior to joining ARC Properties, Inc., Mr. Morena was Chief Financial Officer of Tel-Save Holdings, Inc., a publicly traded telecommunication company. Prior to Tel-Save, Mr. Morena was employed at Air & Water Technologies, Inc., and International Nickel, Inc., where he managed various corporate finance functions. Mr. Morena has a Master's degree in Banking and Finance and a Bachelor's degree in Finance from New York University.

William G. Cottongim, born in 1950, is a Director of ARCTRUST and was formerly Vice President, Prudential Financial, Inc. (NYSE PRU), a financial services leader with over \$1 trillion in assets under management. Mr. Cottongim has over 30 years of experience in institutional investments, which began in 1975 with Cigna Retirement & Investment Services, a CIGNA Company. Specializing in investment management sales and the ongoing relationship management of large corporate and union retirement funds throughout the New York Metro Area, he was most notably responsible for the establishment of CIGNA's highly successful Taft-Hartley Plans Division. In the late 1990's, having personally raised

over \$5 Billion of client assets, he lead Cigna Retirement to become the largest provider of Taft-Hartley member-directed investment plans. Institutional Investor's Money Management Newsletter later nominated him Investment Marketer of the Year. With the acquisition of Cigna's Retirement Division in 2003 by Prudential Financial, Mr. Cottongim was named Vice President, Prudential Tax-Exempt Segment, and was responsible for coordinating the integration of the newly combined CIGNA and Prudential sales staffs and investment product lines. He is a member-emeritus of the board of directors of Outreach Project, Inc. and holds a Bachelor of Arts degree Cum Laude from Fairleigh Dickinson University.

Alan Goldstein, born 1957, is a Director of ARCTRUST and is Co-Founder and Chairman of The Goldstein Group, based in Glen Rock, New Jersey. Mr. Goldstein has over 30 years of experience in commercial real estate. The Goldstein Group has become one of the region's largest full-service retail real estate brokerage firms, providing a wide-range of services including landlord and tenant representation, sales, development, property management and financial services. Mr. Goldstein has negotiated transactions exceeding 5,000,000 square feet of retail space with an aggregate value of over \$500 million for clients such as Home Depot, TJ Max, Marshall's, AJ Wright, Home Goods, CVS, A&P, Albertson's and Pathmark. Mr. Goldstein is actively involved in property development, capital placement and investment. Mr. Goldstein holds a Bachelor of Science Degree in Accounting from Bentley College.

Harvey Gutman, born in 1946, is a Director of ARCTRUST and is President and founder of Brookside Advisors, LLC, a retail and real estate consulting company that specializes in advising retailers, private equity firms, and real estate developers. Mr. Gutman's recent clients include Wakefern Food Corp (ShopRite), Toys R Us, Rite Aid, Foodtown, Kimco Realty, Norse Realty Group, JP Morgan, Croman Development, Larken Associates, and various private equity investors. Mr. Gutman also serves as a director of Metropolitan Commercial Bank in New York City. Prior to founding Brookside Advisors, Mr. Gutman was Senior Vice President of Retail Development for Pathmark Stores, Inc. where he was responsible for various real estate and financial functions for 30 years (1976 through 2006). Pathmark, a northeast supermarket chain which operated 141 stores. Mr. Gutman holds a Masters of Business Administration from the Wharton School of Business at the University of Pennsylvania, with honors and a Bachelor's degree in Economics from Rutgers University, with honors.

Edward N. Constantino, CPA, born in 1946, is ARCTRUST's Independent Director and was formerly a partner in charge of real estate at KPMG, LLP, one of the world's preeminent audit, tax and advisory services firms working from 87 locations throughout the United States with 23,000 employees in the U.S. and 137,000 employees worldwide. Prior to KPMG, Mr. Constantino was Co-Director of the real estate practice at Arthur Anderson, LLP where he also headed the firm's practice serving the Financial Services industry where Mr. Constantino advised banking, investment banking, broker dealers, asset management and insurance companies. Mr. Constantino has served as lead audit partner rendering opinions on public and private national and multinational real estate companies. He has assisted companies with initial public offerings, structured mergers and acquisitions and advised on post-merger integration. Mr. Constantino holds a bachelor's degree in accounting and business administration from St. Francis College and is a licensed CPA in the state of New York and a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants. Mr. Constantino is a member of the board of trustees and audit committee chairman of St. Francis College, a member of the board of directors and audit committee chairman of Patriot National Bancorp, Inc., a member of the board of directors and the audit committee of The New York City Housing Authority, and a member of the board of directors and chairman of the audit committee of NexPoint Residential Trust, Inc.

Limited Liability and Indemnification

Maryland law permits ARCTRUST to include in its Charter a provision limiting the liability of its Directors and officers to ARCTRUST 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. The Charter contains a provision which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law.

Maryland law and ARCTRUST's Charter require ARCTRUST 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 ARCTRUST 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.

A court may order indemnification if it determines that the Director or officer is fairly and reasonably entitled to indemnification, even though the Director or officer did not meet the prescribed standard of conduct or was adjudged liable on the basis that a personal benefit was improperly received. However, indemnification for an adverse judgment in a suit by ARCTRUST or in its right, or for a judgment of liability on the basis that a personal benefit was improperly received, is limited to expenses.

In addition, Maryland law permits ARCTRUST to advance reasonable expenses to a Director or officer upon 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 and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed if it is ultimately determined that the standard of conduct was not met.

The Charter also authorizes ARCTRUST, to the maximum extent permitted by Maryland law, to obligate ARCTRUST to indemnify (a) any present or former Director or officer or (b) any individual who, while a Director or officer and, at ARCTRUST's request, serves or has served another corporation, real estate investment trust, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise as a Director, officer, partner, trustee, member or manager against any claim or liability arising from that status and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. The Bylaws obligate ARCTRUST to provide such indemnification and advance of expenses. The Charter and Bylaws also permit ARCTRUST to indemnify and advance expenses to any individual who served a predecessor of ARCTRUST in any of the capacities described above and any employee or agent of ARCTRUST or a predecessor of ARCTRUST.

THE ADVISOR

ARC Capital Advisors, L.P., a New Jersey limited partnership formed in 1993, serves as the Advisor to ARCTRUST. The Advisor and their personnel have a long track record of developing, acquiring, financing and managing Net Lease Properties. Beginning in 1993, ARC Properties, Inc. sponsored, and the Advisor exclusively managed, ARC Corporate Realty Trust, Inc. ("ACRT"), that qualified and operated as a REIT specializing in Net Lease Properties. ACRT acquired 21 Net Lease Properties from 1993 to 2004 and then sold the assets and distributed proceeds to stockholders in 2008. Over that 16-year period every individual investment generated a positive IRR of return between 13.08% and 73.44%, with an average IRR of 24.42% and a weighted average IRR of 20.21% with a 0% loss factor. See, "Historical Performance Of ARC Corporate Realty Trust, Inc." It is important to understand that the historical data about ACRT set forth above and the Net Lease properties acquired by ACRT are reflective of the past performance of ACRT and is not indicative of or a guarantee of the performance of ARCTRUST or the Advisor.

ARCTRUST has entered into the Advisory Agreement, as amended and/or restated to date (the "Advisory Agreement"), with the Advisor pursuant to which the Advisor manages ARCTRUST's day-to-day affairs and monitors ARCTRUST's assets and income so that ARCTRUST complies with the REIT Provisions of the Code. This may include the purchase or disposition of ARCTRUST investments as well as the structuring of the receipt of income from these investments. The Advisor and its Affiliates receive certain fees and compensation from this Offering, the investment of the proceeds therefrom and the management and disposition of ARCTRUST's assets. See "Compensation to Advisor and Its Affiliates." Robert J. Ambrosi, Chairman of ARCTRUST, owns a controlling interest in ARC Capital Advisors, L.P. through its general partner ARC Advisory Corp. and owns a majority of the limited partnership interests of the Advisor. The Advisor currently has no business other than serving as Advisor to ARCTRUST.

Director and Principal Officers of ARC Advisory Corp.

The director and principal officers of ARC Advisory Corp., the sole general partner of the Advisor, are as follows:

<u>NAME</u>	<u>OFFICE</u>
Robert J. Ambrosi.....	Chief Executive Officer, President, Director
Marc Perel, CPA.....	Secretary, Vice President
Bruce Nelson, CPA	Treasurer, Vice President

For the biographical information for the director and principal officers of the general partner of the Advisor, see "Management."

The Advisory Agreement

Many of the services to be performed by the Advisor in managing ARCTRUST's day-to-day activities are summarized below. This summary is provided to illustrate the material functions which the Advisor performs or will perform for ARCTRUST as its advisor, and it is not intended to include all of the services which may be provided to ARCTRUST by the Advisor or by third parties. Copies of the Advisory Agreement are available to potential subscribers on request and without charge. See "Additional Information." The Advisory Agreement has been submitted to and approved by our Independent Director(s). Under the terms of the Advisory Agreement, the Advisor undertakes to use its best efforts to present to ARCTRUST investment opportunities consistent with its investment policies and objectives as adopted by ARCTRUST's Board of Directors. In its performance of this undertaking, the Advisor, subject to the authority of the Board of Directors, either directly or indirectly:

- serves as ARCTRUST's real estate and financial advisor;
- provides the daily management of ARCTRUST, including performing and supervising the administrative functions of ARCTRUST;
- investigates and selects and, on behalf of ARCTRUST, engages and conducts business with persons and entities to provide ARCTRUST with services necessary or desirable for the performance of its obligations, including, but not limited to, consultants, accountants, lenders, attorneys, brokers, insurance agents, property owners and banks;

- in consultation with ARCTRUST's officers and Directors, formulates and implements ARCTRUST's financial and other policies and objectives;
- provides the Directors with periodic reports with respect to prospective investments;
- negotiates on ARCTRUST's behalf with banks or lenders for loans and with broker-dealers for the sale of shares;
- obtains for, or provides to, ARCTRUST services in connection with acquiring, managing and disposing of ARCTRUST's properties or loans;
- provides or arranges for administrative services, personnel and other overhead items necessary to ARCTRUST's business;
- provides ARCTRUST with accounting and other financing reporting assistance;
- maintains ARCTRUST's books and records;
- provides cash management services; and
- provides such other services as may be required from time to time for the management of ARCTRUST and its assets.

The term of the Advisory Agreement ends on December 31, 2025, but will be automatically renewed until all ARCTRUST's assets are liquidated. The Advisory Agreement may be terminated:

- immediately by ARCTRUST for Cause;
 - "Cause" is defined in the Advisory Agreement to mean:
 - fraud, criminal conduct, willful misconduct, breach of fiduciary duty by the Advisor, or
 - a material breach of the Advisory Agreement by the Advisor or the Bankruptcy of the Advisor;
- by the Advisor with at least 60 days' written notice; or
- immediately with Good Reason by the Advisor.
 - "Good Reason" is defined in the Advisory Agreement to mean either:
 - any failure by ARCTRUST to obtain a satisfactory agreement from its successor to assume and agree to perform ARCTRUST's obligations under the Advisory Agreement; or
 - any material breach of the Advisory Agreement of any nature whatsoever by ARCTRUST.

The Advisory Agreement is not assignable without the consent of the other party; however, either ARCTRUST or the Advisor may assign or transfer the Advisory Agreement to a successor entity.

The Advisor and its Affiliates expect to engage in other business ventures and, as a result, their resources will not be dedicated exclusively to ARCTRUST's business. However, pursuant to the Advisory Agreement, the Advisor must devote sufficient resources to the administration of ARCTRUST to discharge its obligations. See "Conflicts of Interest."

The Advisor must obtain the prior approval of the Directors, for Transactions involving:

- (1) investments in property made through joint venture arrangements with the Advisor or its Affiliates;
- (2) investments in property which are not contemplated by the terms of this Memorandum;
- (3) Transactions which involve conflicts of interest for the Advisor (other than payment of fees and expenses); and
- (4) making or purchasing any Loans on behalf of ARCTRUST.

Joint ventures with the Advisor or its Affiliates will only be permitted if:

- (1) the Advisor and/or its Affiliate has comparable investment objectives as ARCTRUST;
- (2) there is no duplication of property management or other fees to the Advisor;
- (3) the Advisor and/or its Affiliate makes investments on substantially the same terms and conditions as ARCTRUST; and
- (4) ARCTRUST's Independent Director(s) has approved the joint venture.

The cost of generating joint investments will be shared ratably among the participating investors and ARCTRUST.

ARCTRUST and/or the Operating Partnership will reimburse the Advisor quarterly for certain operating, general and administrative expenses, including, without limitation, the following:

- Offering Expenses;
- all operating expenses (as defined in the Advisory Agreement) incurred by ARCTRUST;
- fees and expenses of outside counsel, accountants and auditors of ARCTRUST;
- payments to Directors and the expenses associated with meetings of the Directors and the stockholders;
- expenses incurred in connection with payment of distributions to stockholders;
- travel expenses for ARCTRUST business; and
- expenses of managing and operating the properties owned by ARCTRUST, including insurance costs.

Based on periodic reviews of the market, ARCTRUST will not reimburse the Advisor or its Affiliates to the extent such amounts would exceed those which would be payable to non-affiliated third parties in the same location for similar products or services. The fees paid to the Advisor and its Affiliates in connection with services provided to us are set forth in the section entitled "Compensation to Advisor and its Affiliates."

Other Services

If the Board of Directors requests that the Advisor or any Affiliate thereof render other Property Level Services for ARCTRUST, those services will be separately compensated and will not be deemed to be services provided pursuant to the terms of the Advisory Agreement. See, "Compensation to Advisor and its Affiliates."

HISTORICAL PERFORMANCE OF ARC CORPORATE REALTY TRUST, INC. (“ACRT”)

ARC Properties, Inc., the Advisor and their personnel have a long track record of acquiring, financing, developing and managing Net Lease Properties. The following information is included because ARCTRUST believes that it could allow for a meaningful assessment of the Advisor’s performance. Beginning in 1993, ARC Properties, Inc. sponsored, and the Advisor managed, ARC Corporate Realty Trust, Inc., a Maryland corporation (“ACRT”), that qualified and operated as a REIT and which specialized in Net Lease Properties. ACRT invested in a total of 21 Net Lease Properties from 1993 to 2004 and then sold the assets and distributed proceeds to stockholders in 2008. Over that 16 year period every investment generated a positive IRR between 13.08% to 73.44%, with an average IRR of 24.42%⁽¹⁾ and a weighted average IRR of 20.21%⁽²⁾ with a 0% loss factor. Set forth below is a summary of the property transactions of ACRT:

ARC CORPORATE REALTY TRUST, INC. PRIOR PORTFOLIO PERFORMANCE

TENANT NAME	LOCATION	AREA	TYPE	BUY	SELL	IRR
Comp USA	Charlotte, NC	36,510 sf	Retail	1993	2000	19.38%
Fed Ex	Memphis, TN	30,000 sf	Office	1994	2004	14.35%
Walgreens	Memphis, TN	12,544 sf	Retail	1994	2007	22.32%
GartSports	Sacramento CA	40,145 sf	Retail	1994	2007	22.68%
United Technologies	Plymouth, IN	105,600 sf	Indus.	1995	2007	19.86%
Sears Home Life	San Antonio, TX	34,414 sf	Retail	1995	2008	13.08%
AT&T	Norcross, GA	22,359 sf	Office	1996	2006	23.93%
Hollywood Video	Marietta, GA	7,488 sf	Retail	1997	2007	15.43%
Office Max/Sports Authority	Lilburne, GA	66,925 sf	Retail	1997	2007	15.96%
Borders/Bed Bath & Beyond	Overland Park, KS	80,028 sf	Retail	1996	2006	20.72%
Circuit City/Office Max	Wichita, KS	68,037 sf	Retail	1996	2007	19.20%
Bergen County Board SS	Rochelle Park, NJ	80,000 sf	Office	1995	2007	22.39%
Toys R Us/NAI	New York, NY	139,000 sf	Retail	1999	2007	17.96%
Caromont Medical	Charlotte, NC	58,295 sf	Medical	2000	2007	29.79%
LA Fitness	Fort Washington, PA	41,000 sf	Retail	2002	2006	32.95%
Giant Food	Levittown, PA	40,100 sf	Retail	2003	2008	16.89%
Babies R Us/Levitz	Paramus, NJ	154,000 sf	Retail	2003	2006	27.63%
Vacant Land	Willow Grove, PA	0	Land	2003	2005	47.40%
Thomasville/AC Moore	Montgomeryville, PA	41,041 sf	Retail	2003	2007	15.09%
A&P Co.	Woodcliff Lake, NJ	70,000 sf	Retail	2004	2007	18.49%
<u>Barnes and Noble</u>	<u>Philadelphia, PA</u>	<u>22,743 sf</u>	<u>Retail</u>	<u>2004</u>	<u>2005</u>	<u>73.44%</u>
					AVG.	⁽¹⁾24.24%
16 YEAR WEIGHTED AVERAGE					AVG.	⁽²⁾20.21%

(1) The above IRRs were calculated using net purchase and sale prices of the respective properties and take into account only rents and debt service during the period between the purchase and sale of the property by ACRT. The above IRRs do not reflect deductions for any fees taken by the Advisor of ACRT, including but not limited to, Investment Fees, management fees, financing fees or disposition fees, taxes or other expenses of ACRT.

(2) The above weighted average IRR was calculated by totaling all investments and adding together all annual cash flows from the properties owned by ACRT. It represents the IRR as though ACRT’s portfolio were one investment.

It is important to understand that the historical investment performance data about ACRT set forth above, and specifically, the Net Lease Properties invested in by ACRT, are reflective of the past performance of ACRT’s assets and is not intended to be indicative of, or a guarantee or prediction of, the returns that ARCTRUST or the Advisor may achieve. This is especially true for ARCTRUST given recent changes in worldwide economic conditions, especially the changes in real estate and credit markets. The economic conditions that applied during the periods of time that ACRT invested in and sold its assets may be very different than the economic conditions in which we operate or will operate. Additionally, the Net Lease Property investments in ACRT’s portfolio shown above were almost entirely acquisitions. We anticipate that a larger percentage of ARCTRUST’s investments will be developments which have different risk exposures.

Accordingly, we can offer no assurance that the Advisor will replicate the historical performance of ACRT. Our returns could be substantially lower than the returns achieved by ACRT and the Advisor and its investment professionals in their previous endeavors.

ACRT became a public reporting company in 2003 and as a result incurred substantial legal, reporting and compliance costs, particularly after the passage of the Sarbanes-Oxley Act. ARCTRUST is not expected to become a public reporting company and thus is not expected to incur such excess costs. In addition, individual asset and overall portfolio IRR's differ from stockholders' returns because stockholders' returns are reduced by the costs of being a public company as well as costs paid to the Advisor. From 1994 to 2006, stockholders in ACRT consistently received quarterly dividends, without interruption at which time ACRT adopted its plan to sell assets and distribute the proceeds to its stockholders. Distribution of proceeds continued through 2008. Stockholders in ACRT received IRRs ranging from 8.59% to 16.22% per year over the 16 year holding period, depending on price paid and date of purchase. While dividends per share were identical for all stockholders, the IRRs varied due to the individual stockholder's holding period and share price paid. Further, while ARCTRUST's Advisor expects to adopt a plan of liquidation, there is no requirement that the Advisor liquidate any or all of ARCTRUST's assets at a specific time. Since there is no market for the Shares, stockholders may not be able to liquidate their investment until the Advisor sells ARCTRUST's assets and the timing of such liquidity events will affect a stockholder's ultimate returns.

For additional information about ACRT, we encourage you to review ACRT's annual, quarterly and current reports, proxy statements and other information filed with the Securities and Exchange Commission between 2003 and 2008, which filings are available to you on the Securities and Exchange Commission's website at <http://www.sec.gov>. You may also read and copy any such documents at the public reference room of the Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549. Information about the operation of the public reference room may be obtained by calling the Securities and Exchange Commission at 1-800-SEC-0330.

COMPENSATION TO ADVISOR AND ITS AFFILIATES

The following table sets forth the type and, to the extent possible, estimates of the amounts of all fees, compensation, income, distributions and other payments that the Advisor and its Affiliates will or may receive in connection with this Offering and the operation of ARCTRUST. Such payments are not the result of arm's-length bargaining and may not comply with the NASAA Guidelines. We submitted the Advisory Agreement to our Independent Director(s) for consideration and approval prior to accepting any subscriptions for the shares in our initial private offering, and the Advisory Agreement has been approved. See "Conflicts of Interest." Unless otherwise provided herein, all amounts assume (1) the sale of 2,230,483 Shares at a purchase price of \$13.45 per Share, and (2) the Offering is not increased by the Board of Directors.

Entity Receiving Compensation	Form and Method of Compensation	Estimated Amount
Investment Stage		
Advisor or its Affiliates	Investment Fee equal to two percent (2%) of the contract purchase price of ARCTRUST's properties, including properties invested in by way of Development or in the case of joint venture Developments, two percent (2%) of the bona fide project costs of each project or in the case of Financings 1% of the total amount financed by ARCTRUST. ⁽¹⁾	The actual amount to be paid to the Advisor and its Affiliates will depend upon the contract purchase price or project cost of ARCTRUST's properties, which in turn is dependent upon the gross offering proceeds and the amount of mortgage financing used by ARCTRUST, and accordingly is not determinable at this time. If the properties acquired are purchased with all cash, Investment Fees payable to the Advisor or its Affiliates from the proceeds of this Offering are estimated to be approximately \$549,000 if 2,230,483 Shares are sold. Overall portfolio leverage is expected to be 65% to 75%, but properties may be leveraged without limitation or acquired in all cash Transactions. Assuming overall leverage for new acquisitions of 65%, Investment Fees payable to the Advisor or its Affiliates from the proceeds of this Offering are estimated to be approximately \$1,568,571. The Advisor or its Affiliates will receive Investment Fees from ARCTRUST on the reinvestment of proceeds on the sale or refinancing of ARC Properties and may receive Financing Compensation in connection with borrowings by ARCTRUST. See "Operational Stage" below."
Advisor or its Affiliates	Investment Expense Allowance equal to a non-accountable \$40,000 per Investment made, including Investments made by Development, Acquisition or Financing.	The actual amounts paid will depend on the number of transactions undertaken by ARCTRUST. In addition, the combined total of the Investment Expense Allowance and the Investment Fee may not total more than 3.0% of the contract purchase price, financing or bona fide project cost of an investment made by ARCTRUST.

Entity Receiving Compensation	Form and Method of Compensation	Estimated Amount
Operational Stage		
Advisor and its Affiliates	Reimbursement for certain expenses incurred in connection with the administration of ARCTRUST. Based upon our periodic review of the market, we expect that the amounts of any such reimbursement for products and services will not exceed reasonable amounts that would be paid to non-affiliated third parties for similar products or services. ⁽²⁾⁽³⁾	Actual amounts are dependent upon the results of operations.
Advisor	Asset Management Fee in the amount of 1.0% per year, calculated monthly based upon the Average Invested Assets for the preceding month. All of the Asset Management Fee (100%) may be subordinated to the payment of the Preferred Return during the term of the Offering. ⁽⁴⁾ Average Invested Assets means the estimated value of all of ARCTRUST's properties as determined in accordance with a Valuation plus the principal balance of all Loan investments and total project costs of Developments (calculated as funds invested plus all debt obtained for each Development). For the first three (3) years a property is included in the ARCTRUST portfolio, the property will be valued at cost for the purposes of computing the Asset Management Fee.	Overall portfolio leverage is expected to be 65% to 75% of value. If ARCTRUST's properties are 65% leveraged, the annual Asset Management Fee based on the proceeds from this Offering would be approximately \$748,286 provided, however, that \$392,143 of such Asset Management Fees (50%) would be subordinated to the payment of the Preferred Return.
Advisor	Loan Placement Fee equal to 1.0% of the principal amount of any financing obtained by ARCTRUST (other than purchase money mortgages provided by sellers, mortgages already in place upon the acquisition of property and any financing provided by Affiliates of ARCTRUST). See "Conflicts of Interest." Overall portfolio leverage is expected to be 65% to 75%.	The actual amount to be paid to the Advisor will depend upon the aggregate amount of the financing obtained by ARCTRUST (other than purchase money mortgages provided by sellers, mortgages already in place upon the acquisition of property and any financing provided by Affiliates of ARCTRUST). If ARCTRUST's properties are 65% leveraged, and new financing is obtained on each property acquired by ARCTRUST from the proceeds of this Offering (i.e., no financing is in the form of purchase money mortgages provided by sellers, mortgages already in place upon the acquisition of property or financing provided by Affiliates), the maximum Financing Compensation payable to the Advisor would be approximately \$509,756.
Advisor or its Affiliates	Disposition Fee in an amount equal to two percent (2%) of the contract sales price of a property. In the event the sale price less costs of sale from the sale of any property does not exceed the amount paid for the property plus the costs associated with the purchase thereof, the Disposition Fee shall be limited to one percent (1%) of the sales price.	The actual amount to be paid to the Advisor will depend upon whether any properties are sold and the services rendered to ARCTRUST by the Advisor related to such disposition.

Entity Receiving Compensation	Form and Method of Compensation	Estimated Amount
Operational Stage		
Advisor and its Affiliates	Should the Advisor or any Affiliate provide other Property Level Services to ARCTRUST, such services will be separately compensated in addition to other fees. Such services may include leasing, development, construction management, property tax reduction and risk management fees. Property Level Service fees will generally be paid by property level entities held by the Operating Partnership. In the case of development up to two percent (2%) of bona fide project costs will be paid to the Advisor where development services are provided by a third party and overseen by the Advisor and up to five percent (5%) of bona fide project costs will be paid to the Advisor or its Affiliate for development services provided directly by the Advisor or Affiliate. We expect that the amounts of any such fees for such services will not exceed reasonable amounts that would be paid to non-affiliated third parties for similar services. See “Advisor—Other Services.”	Not determinable at this time. The actual amounts paid will depend on specific services provided, the bona fide project costs of development transactions and whether development services are obtained by ARCTRUST through third parties or Affiliates.
ARCB, LLC	Participation in an amount equal to \$30, less any coordination fees paid to CSI and any AMD, for every \$70 distributed to stockholders after stockholders have received dividends and other cash distributions equal to the Preferred Return from operations and additional participation in an amount equal to \$30 for every \$70 distributed to stockholders from Capital Event Proceeds after the stockholders have received dividends and other cash distributions totaling 100% of Initial Investor Capital plus the Preferred Return.	The actual amount to be received will depend upon the results of ARCTRUST’s operations and the amounts received upon the financing, sale or other disposition of the properties and is not determinable at this time.

- (1) ARCTRUST anticipates total borrowings of 65% to 75% of the purchase price of all properties purchased or developed. The actual leverage percentage achieved by ARCTRUST will impact the amount of Investment Fees (and other fees) earned by the Advisor because Investment Fees are based primarily on the total dollars invested in properties, inclusive of borrowed funds, (i.e., the higher the leverage percentage, the more funds available for investment in properties). The Advisory Agreement provides that the Advisor will earn Investment Fees on the reinvestment of proceeds from the sale or refinancing of ARC Properties and will receive Loan Placement Fees based on borrowings by ARCTRUST.
- (2) The Advisor and its Affiliates are reimbursed for (i) the cost to the Advisor or its Affiliates of goods and services used for and by ARCTRUST and obtained from unaffiliated parties, and (ii) all administrative expenses. “Administrative Expenses” include all administrative expenses incurred by ARCTRUST, such as: typing, recordkeeping, preparing and disseminating ARCTRUST reports, preparing and maintaining records regarding stockholders, preparing and disseminating responses to stockholder inquiries and other communications with stockholders, and any other recordkeeping required for ARCTRUST, as well as travel expenses incurred in carrying out the business of ARCTRUST.
- (3) No reimbursement is permitted to the Advisor or its Affiliates for items such as rent, depreciation, utilities, capital equipment, the salaries and fringe benefits incurred with respect to personnel of the Advisor, and other administrative items, except that salaries and related salary expenses for non-supervisory services that could be performed directly for ARCTRUST by independent parties, such as legal, accounting, transfer agent, data processing and duplication will be permitted reimbursements to the extent such salaries or expenses do not exceed that which would be charged by independent third parties.
- (4) The subordinated Asset Management Fee, if any, will continue to accrue and will be paid after the Preferred Return has been paid, but prior to any distributions in excess of the Preferred Return.

HISTORICAL DATA							
As of the date of this Memorandum, ARCTRUST has paid the following compensation.							
Entity Receiving Compensation	Form and Method of Compensation	For the years 2010 – 2015					
		12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15
Advisor	Investment	\$767,701	\$319,017	\$639,914	\$1,140,409	\$1,574,782	\$2,045,021
Advisor	Loan Placement	\$182,725	\$84,000	\$144,163	\$326,878	\$453,515	\$553,375
Advisor	Asset Management	\$158,969	\$310,762	\$438,590	\$635,042	\$1,325,284	\$2,190,465
Affiliates	Property Level Services	\$301,340	\$250,718	\$0.00	\$402,070	\$104,458	\$483,899

DISCUSSION AND ANALYSIS OF OPERATIONS

Overview

Certain statements contained in this “Discussion and Analysis of Operations” and, elsewhere herein, constitute “forward-looking statements.” See “Risks Related to Forward Looking Statements” above. ARCTRUST does not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. ARCTRUST’s independent auditors, Bernstein & Pinchuk, LLP, prepare ARCTRUST’s audited financial statements. The following discussion sets forth selected summary financial data from ARCTRUST’s December 31, 2014 audited financial statements. You should read the following discussion along with ARCTRUST’s 2014 audited financial statements and the related notes and accounting policies attached to this Memorandum as Exhibit B.

ARCTRUST is a Maryland corporation formed November 20, 2009 that operates as a real estate investment trust (“REIT”) under U.S. federal tax laws. ARCTRUST specializes in the Development and Acquisition of Net Lease Properties leased to one or more Tenants under a long term lease that generally requires the Tenant to pay most or all of the operating costs of the property, including real estate taxes and insurance, and often provide for periodic fixed increases in base rent or additional rent based on a percentage of tenant sales. ARCTRUST generally invests in Net Lease Properties that are protected by both the direct contractual obligation of the Tenant and the underlying value of the real estate.

ARCTRUST previously raised \$115,793,094 in Gross Proceeds from an initial, First and Second Follow-on Offering of Shares and has used those proceeds to invest in a portfolio of Developments and Acquisitions. See, “Description of Investments.” ARCTRUST believes that its focus on Net Lease Properties as reflected in ARCTRUST’s current portfolio of assets benefits stockholders by combining the cash flow features of corporate bonds with the tax advantages and potential appreciation of the underlying real estate. Furthermore, ARCTRUST believes that the high percentage of ARCTRUST’s revenue derived, as of the date of this Memorandum, from lease payments made by Tenants having investment grade credit will sustain ARCTRUST’s financial strength and ability to pay regular dividends to its stockholders. However, with assets that are focused in single Tenant properties and Tenants concentrated in the retail industry, a general decline in economic conditions for retailers could negatively impact ARCTRUST’s results should a Tenant(s) default and stop paying rent. Furthermore, ARCTRUST cannot assure that any of its Tenants will maintain their credit ratings over time.

As of the date of this Memorandum, ARCTRUST is not involved in any litigation.

ARCTRUST’s Audited 2014 Financial Statements

Balance Sheet

ARCTRUST continued its growth in 2014. From December 31, 2013 to December 31, 2014, Land and Building assets increased by \$65,591,886 from \$94,587,838 to \$160,179,724. The increase is attributable mainly to ARCTRUST’s use of stock sale proceeds and financing to make Investments in 2014. Cash & Cash Equivalents decreased by \$5,953,938 from \$8,158,079 on December 31, 2013 to \$2,204,141 on December 31, 2014. The decrease is mainly due to an increase in investments in 2014. As of the date of this Memorandum, almost all of ARCTRUST’s cash at December 31, 2014 has been deployed into Investments.

All base rent was current as of December 31, 2014. Deferred Rents Receivable of \$1,047,344 as of December 31, 2014 represents the straight lining of set rent increases over the term of ARCTRUST's various leases.

Loans Receivable increased \$8,721,089 during 2014 from \$7,647,272 at December 31, 2013 to \$16,368,361 at December 31, 2014. The increase is attributable to loan investments made by ARCTRUST during 2014.

Investments in Unconsolidated Joint Ventures decreased \$1,503,772 from \$3,879,183 to \$2,375,411 as of December 31, 2014 due to distributions from the Joint Ventures being greater than the income.

New mortgage borrowing increased \$35,370,535 during 2014 from \$51,517,737 as of December 31, 2013 to \$86,888,272 as of December 31, 2014. The increase was due mainly to refinancing of certain properties and new mortgage borrowing on properties that were owned all cash on December 31, 2013. In 2014, ARCTRUST paid \$1,598,241 in principal amortization on its mortgages and \$2,819,162 in interest. Principal amortization equaled \$.24 per share based on the total shares outstanding at December 31, 2014.

Due to Related Parties increased by \$18,311 from December 31, 2013 to December 31, 2014 mainly due to higher subordinated asset management fees due to higher asset base arising out of investments made in 2014.

Deferred rental income at December 31, 2014 of \$409,796 represents payment of January 2015 rents in December 2014 by several tenants. Dividends Payable increased from \$817,745 on December 31, 2013 to \$1,116,325 on December 31, 2014 due to the increase in Shares of Common Stock outstanding in as of December 31, 2014. All accounts payable were current on December 31, 2014. Accounts payable and accrued expenses decreased by \$15,959 from \$436,490 on December 31, 2013 to \$420,531 on December 31, 2014.

ARCTRUST's 2014 yearend balance sheet reflects shareholder equity of \$587,689 as Deferred Stock Based Compensation and an expense of \$587,689 for the same arising from the Black-Scholes accounting for the 878,240 Non-qualified stock options outstanding as of December 31, 2014.

Statements of Income

In 2014, ARCTRUST generated \$12,812,592 in revenue, an increase of \$4,690,546 over the same period in 2013. Revenue is made up primarily of Rental Revenue and Gain on Sales of Properties and the increase is mainly due to Rental Revenue and Interest associated with an increase in ARCTRUST's Investments over the period. ARCTRUST's expenses of \$10,240,743 in 2014 are made up principally of Interest on ARCTRUST's property mortgages and Depreciation and Amortization. Expenses increased by \$4,070,552 from \$6,170,191 on December 31, 2013 to \$10,240,743 on December 31, 2014 due mainly to the increase in ARCTRUST's mortgage borrowing, Depreciation and Amortization and Asset Management Fees attributable to ARCTRUST's Investments made during the period.

Adjusted Funds From Operations (AFFO) increased to \$6,039,341 in 2014 compared to \$3,278,784 in 2013 due to the increase in number of Investments owned by ARCTRUST during the period. Dividends paid in 2014 were \$3,989,352 versus dividends of \$2,415,830 paid in 2013.

ARCTRUST's Unaudited Financial Statements for the Nine Months Ended September 30, 2015

Balance Sheet

From September 30, 2014 to September 30, 2015, Land and Building assets increased by \$69,205,128 from \$127,678,310 to \$196,883,438. The increase is attributable mainly to ARCTRUST's use of stock sale proceeds and financing to make Investments during the first nine months of 2015. Cash & Cash Equivalents increased by \$1,194,386 from \$1,718,173 on Jun 30, 2014 to \$2,912,559 on September 30, 2015. The increase is mainly due to the financing of properties and the sale of stock during the first nine months of 2015.

Rent receivable was \$45,430 as of September 30, 2015. Deferred Rents Receivable of \$1,457,707 as of September 30, 2015, represents the straight lining of set rent increases over the term of ARCTRUST's various leases.

Loans Receivable increased by \$1,213,771 during the first nine months of 2015 from \$7,455,980 at September 30, 2014 to \$8,669,751 on September 30, 2015. The change is attributable to the payoff of mezzanine loans made for the purchase of the Longmont, CO property and the Ebensburg, PA property offset by newly funded loans, including a

\$1,070,492 loan made in February 2015 by ARCTRUST to one of its joint venture developers to purchase and develop a property in Hamilton, NJ.

Investments in Unconsolidated Joint Ventures decreased \$223,393 from \$2,510,225 as of September 30, 2014 to \$2,286,832 as of September 30, 2015 due primarily to receipt of refinancing proceeds from the Tampa Property and other JV distributions offset by income recorded in JV. Development program costs at September 30, 2015 totaled \$4,706,182.

On September 5, 2013, ARCTRUST entered into a joint venture program, to develop Dollar General stores in the Washington DC area. The joint venture is owned fifty percent by ARC Velocity LLC, a subsidiary of ARCTRUST, and fifty percent by Pace Holding, a Washington DC area developer. The program calls for ARCTRUST to fund the development costs for approved Dollar General Store locations and to receive a 12% preferred return on all invested funds. ARCTRUST also has an option to buy the project on completion. As of September 30, 2015, ARCTRUST has funded \$47,703. For the nine months ended September 30, 2015 and 2014, ARCTRUST has recorded a loss of \$1,743 and \$964, respectively. These losses are mainly attributable to initial operating expenses and taxes for the Dollar General program and are included on the consolidated statements of income under income from joint ventures.

On May 7, 2015, ARCTRUST through its taxable REIT subsidiary, ARCTRUST Holding Inc., purchased beneficial ownership interests in a Delaware statutory trust property in Houston, Texas leased to Neighbors Emergency Care Center. The purchase price of the beneficial interests was \$3,206,382.58.

New mortgage borrowing during 2015 increased \$47,631,376 from \$74,553,880 as of September 30, 2014 to \$122,185,256 as of September 30, 2015. The increase was due mainly to refinancing of certain properties and new mortgage borrowing on properties that were owned all cash on September 30, 2015. During the first nine months of 2015, ARCTRUST paid \$2,648,810 in principal amortization on its mortgages and \$3,379,740 in interest. Principal amortization equaled \$.32 per share based on the total shares outstanding at September 30, 2015.

Due to Related Parties increased by \$172,319 from \$191,645 on September 30, 2014 to \$363,964 on September 30, 2015 mainly due to higher subordinated asset management fees due to higher asset base due to acquisitions during the first nine months of 2015.

Deferred rental income at September 30, 2015 of \$314,438 represents payment of October 2015 rents in September 2015 by several tenants. Dividends Payable increased from \$1,083,768 on September 30, 2014 to \$1,454,642 on September 30, 2015 due to the increase in shares of Common Stock outstanding during the first nine months of 2015. All accounts payable were current on September 30, 2015. Accounts payable and accrued expenses increased by \$307,878 from \$291,978 on September 30, 2014 to \$599,856 on September 30, 2015.

ARCTRUST's balance sheet reflects shareholder equity of \$480,836 as Deferred Stock Based Compensation and an expense of \$480,836 for the same arising from the Black-Scholes accounting for the 878,240 nonqualified stock options outstanding as of September 30, 2015.

Statements of Income

During the first nine months of 2015, ARCTRUST generated \$14,513,885 in revenue, an increase of \$8,688,281 over the same period in 2014. The increase is mainly due to Rental Revenue and Interest associated with an increase in ARCTRUST's Investments over the period. ARCTRUST's expenses increased by \$4,605,030 from \$6,702,282 on September 30, 2014 to \$11,307,312 on September 30, 2015 due mainly to the increase in ARCTRUST's mortgage borrowing, Depreciation and Amortization and Asset Management Fees attributable to ARCTRUST's Investments made during the period.

Adjusted Funds From Operations (AFFO) increased to \$1,781,066 at September 30, 2015 compared to \$4,014,868 at September 30, 2014 due to the increase in number of Investments owned by ARCTRUST during the period. Dividends paid during the first nine months of 2015 were \$3,690,355 versus dividends of \$2,905,584 paid during the same period in 2014.

ARCTRUST's Dividend History and REIT Qualification

Since its commencement of operations in January 2010 through the date of this Memorandum, ARCTRUST has consistently paid a regular quarterly dividend, without interruption. In April, 2012 ARCTRUST issued a special dividend in the amount of an additional 10 cents per Share. On February 11, 2014 ARCTRUST raised its dividend from 70 cents

per Share per year to 71 cents per Share per year. On February 11, 2015, ARCTRUST raised its dividend to seventy-three (\$0.73) cents per share per year. On January 18, 2016 ARCTRUST raised its dividend to 76 cents per share per year.

ARCTRUST has made an election under Section 856(c) of the Internal Revenue Code to be taxed as a REIT under the Internal Revenue Code, beginning with the taxable year ended December 31, 2010. If ARCTRUST continues to qualify as a REIT for federal income tax purposes, ARCTRUST generally will not be subject to federal income tax on income that ARCTRUST distributes to its stockholders. If ARCTRUST fails to qualify as a REIT in any taxable year, it will be subject to federal income tax on its taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year in which its qualification is denied. Such an event could materially and adversely affect ARCTRUST's net income. However, ARCTRUST believes that it is organized and will operate in a manner that will enable it to qualify for treatment as a REIT for federal income tax purposes and it intends to continue to operate so as to remain qualified as a REIT for federal income tax purposes.

We will monitor the various qualification tests that ARCTRUST must meet to maintain its status as a REIT. Ownership of ARCTRUST's shares will be monitored to ensure that no more than 50% in value of its outstanding shares are owned, directly or indirectly, by five or fewer individuals at any time during the last half of a taxable year after the first taxable year for which it makes an election to be taxed as a REIT. ARCTRUST will also determine, on a quarterly basis, that the gross income, asset and distribution tests as described in the section of this Memorandum entitled "Federal Income Tax Consequences—Requirements for Qualification as a REIT" are met.

Operating Funds and Capital Resources

As of the date of this Memorandum, ARCTRUST continues to meet its current funding requirements from operating cash flow. ARCTRUST ended 2015 with \$3,379,762 in Cash and Cash Equivalents from which ARCTRUST will pay its fourth quarter dividend in January of 2016 and with which ARCTRUST is funding ongoing operations. Cash and cash equivalents combined with undrawn proceeds from ARCTRUST's Lines of Credit gave ARCTRUST \$24,605,341 of available cash and revolving credit at September 30, 2015.

On a long-term basis, ARCTRUST's principal demands for funds will be for property Developments and Acquisitions, either directly or through investment interests, for the payment of operating expenses and distributions, and for the payment of interest on ARCTRUST's outstanding indebtedness and other investments. Generally, cash needs for items other than property Developments and Acquisitions will be met from revenues from operations and cash needs for property Developments and Acquisitions will be met from funding by offerings of ARCTRUST's shares of stock. In addition, we may seek to use units issued by the Operating Partnership to acquire properties from existing owners seeking a tax deferred transaction.

There may be a delay between the sale of ARCTRUST's shares of stock and ARCTRUST's development or purchase of properties that could result in a delay in the benefits to ARCTRUST's stockholders, if any, of returns generated from ARCTRUST's investment operations. The Advisor will evaluate potential additional property Developments and Acquisitions and engage in negotiations with sellers on ARCTRUST's behalf. Investors should be aware that after a purchase contract is executed that contains specific terms, the property will not be purchased until the successful completion of due diligence, which includes review of the title insurance commitment, an appraisal and an environmental analysis. In some instances, the proposed acquisition will require the negotiation of final binding agreements, which may include financing documents. During this period, ARCTRUST may decide to temporarily invest any unused proceeds from the Offering in certain investments that could yield lower returns than the properties. These lower returns may affect ARCTRUST's ability to make distributions.

Our Board of Directors will determine the amount and timing of distributions to ARCTRUST's stockholders and will base such determination on a number of factors, including funds legally available for payment of distributions, financial condition, capital expenditure requirements and annual distribution requirements needed to maintain ARCTRUST's status as a REIT under the Internal Revenue Code.

Potential future sources of capital include proceeds from this Offering, proceeds from secured or unsecured financings from banks or other lenders, proceeds from the sale of properties and undistributed funds from operations. If necessary, ARCTRUST may use financings or other sources of capital in the event of unforeseen significant capital expenditures. ARCTRUST does not intend to use the proceeds of this Offering as a source of funds for distributions. Such capital requirements may be met through loans and/or other credit facilities (including but not limited to letters of credit) provided by the Advisor or its Affiliates. Any loans and/or credit facilities from the Advisor or its Affiliates are expected to be on terms and conditions in accordance with then market standards.

DIVIDEND POLICY

We intend to distribute at least 90% of our taxable income each year (subject to certain adjustments as described below) to our stockholders in order to qualify as a REIT under the Code. We intend to continue to make regular quarterly distributions to holders of our Common Stock (and intend to make annual distributions to holders of our Class S Common Stock) as our Board of Directors determines is advisable. In order to qualify for taxation as a REIT, we intend to make annual distributions to our stockholders of an amount at least equal to:

- 90% of our REIT taxable income (determined before the deduction for dividends paid and excluding any net capital gain); plus
- 90% of our after-tax net income, if any, from Foreclosure Properties; less
- the sum of certain items of non-cash income (as determined under Section 857 of the Code).

Generally, we expect to distribute 100% of our REIT taxable income so as to avoid federal income tax and excise tax imposed upon undistributed REIT taxable income. However, we cannot assure you as to our ability to sustain making distributions. Since ARCTRUST's commencement of operations in 2010, ARCTRUST has complied with the foregoing dividend policy each year. See "Federal Income Tax Consequences."

Distributions will be authorized by our Board of Directors and declared by us based upon a variety of factors, including, but not limited to, the following:

- actual results of operations;
- any debt service requirements;
- capital expenditure requirements for our properties;
- any restrictive covenants that we may agree upon in the future;
- our taxable income;
- the annual distribution requirement under the REIT Provisions of the Code;
- our operating expenses;
- applicable provisions of state law; and
- other factors that our Board of Directors may deem relevant from time to time.

Distributions generally will be taxable to our U.S. stockholders as ordinary income; however, because a significant portion of our investments will be comprised of equity interests in our properties, which will generate depreciation and other non-cash charges against our income, a portion of our distributions may constitute a return of capital for federal income tax purposes. To the extent that, in respect of any calendar year, cash available for distribution is less than our REIT taxable income, we could be required to sell assets or borrow funds to make cash distributions or make a portion of the required distribution in the form of a taxable distribution of shares of our capital stock or a distribution of debt securities. In addition, while we have no intention to do so, prior to the time we have fully invested the net proceeds of this offering we may fund our quarterly distributions out of the net proceeds of this offering. The use of our net proceeds for distributions could adversely impact our financial results. Furthermore, funding our distributions from our net proceeds will likely constitute a return of capital to our investors for federal income tax purposes, which would have the effect of reducing each stockholder's adjusted tax basis in its shares of common stock. Income as computed for purposes of the tax rules described above will not necessarily correspond to our income as determined for financial reporting purposes. We do not currently intend to make taxable distributions of shares of our capital stock or of debt securities.

As of the date of this Memorandum and since its inception, ARCTRUST has consistently paid a regular quarterly dividend, without interruption, on shares of Common Stock. In April, 2012, ARCTRUST issued a special dividend in the amount of an additional 10 cents per Share. On February 11, 2014 ARCTRUST raised its dividend from 70 cents per share to 71 cents per share per year. On February 11, 2015 ARCTRUST raised its dividend from 71 cents per share to 73 cents per share per year. On January 18, 2016 ARCTRUST raised its dividend from 73 cents per share to 76 per share.

FEDERAL INCOME TAX CONSEQUENCES

The following is a discussion of the material federal income tax consequences that may be relevant to prospective stockholders. However, it is impractical to set forth in this Memorandum all aspects of federal, state, local and foreign tax law that may have tax consequences with respect to a stockholder's investment in ARCTRUST. Furthermore, the discussion of various aspects of federal, state, and local taxation contained herein is based on the Code, existing laws, judicial decisions, administrative regulations (the "Regulations"), rulings and practice. ARCTRUST cannot assure that future changes to the Code, Regulations, administrative rulings and practice or court decisions will not significantly modify the opinions expressed or the discussions presented herein. ARCTRUST also may be subject to state and local taxes in jurisdictions in which it is deemed to be doing business or in which it owns property or other interests.

Stockholders could be subject to state and local taxes in their jurisdiction of residence. State and local tax treatment of ARCTRUST and the stockholders may differ substantially from the federal income tax treatment described in this summary. This section is not intended as a comprehensive discussion of state or local tax issues or as a substitute for careful tax planning, and prospective investors are urged to consult their own tax advisors, attorneys or accountants with specific reference to their own tax situation and potential changes in the applicable law. See "Risk Factors— Tax Risks—REIT status for tax purposes."

The following discussion is generally directed to the federal income tax treatment of a United States resident individual stockholder subject to regular federal income tax. Separate sections herein describe in summary form the federal income tax treatment of certain other classes of potential investors including tax-exempt entities and non-resident alien and foreign stockholders.

Because the tax implications of an investment in ARCTRUST may vary depending on the particular facts and circumstances affecting each prospective investor, each prospective investor should satisfy himself as to the income and other tax consequences of his investing in ARCTRUST by consulting his own tax advisor before becoming a stockholder.

Opinion of Counsel

ARCTRUST intends to conduct its operations in a manner that will permit continued qualification as a REIT for federal income tax purposes. ARCTRUST has not requested a ruling from the IRS as to the qualification of ARCTRUST as a REIT. At commencement of ARCTRUST's initial offering, ARCTRUST obtained an opinion from Brach Eichler LLP, counsel to ARCTRUST, that, for federal income tax purposes, based on then current law or interpretations thereof, ARCTRUST will qualify as a REIT provided it is operated in the manner described in this Memorandum, and satisfies the share ownership tests described below. Each prospective investor should note that the opinion described herein represents only such counsel's best legal judgment as to the most likely outcome if relevant issues were litigated by the IRS and has no binding effect or official status of any kind. Thus, in the absence of a ruling from the IRS, ARCTRUST cannot assure that the IRS will not challenge any of such counsel's opinion. Although the Board of Directors and the Advisor intend to cause ARCTRUST to operate in a manner that will enable it to comply with the REIT Provisions, there can be no certainty that such intention will be realized. If the IRS successfully challenges the tax status of ARCTRUST as a REIT, many, if not all, of the tax benefits discussed herein available to entities qualifying as REITs would not be available to ARCTRUST or its stockholders. See "Risk Factors—Tax Risks."

Taxation of ARCTRUST

For any taxable year in which ARCTRUST qualifies as a REIT, it generally will not be subject to federal income tax on that portion of its taxable income that is distributed to stockholders except certain income or gain with respect to Foreclosure Property (generally, property ARCTRUST acquires or reenters as a result of a default by a borrower or tenant with respect to which it files an election with the IRS), which will be taxed at the highest corporate rate—currently 35%. See "Federal Income Tax Consequences— Requirements for Qualification as a REIT." If ARCTRUST were to fail to qualify as a REIT, it would be taxed at rates applicable to corporations on all of its income, whether or not distributed to its stockholders. Even if it qualifies as a REIT, ARCTRUST will be taxed at corporate rates on the portion of its taxable income that it does not distribute to the stockholders, such as taxable income retained as nondeductible reserves. See "Federal Income Tax Consequences—Requirements for Qualification as a REIT—Income Tests" and "Federal Income Tax Consequences —Disposition of Properties."

In addition, regardless of distributions to stockholders, if ARCTRUST fails certain tests for qualification as a REIT or engages in Prohibited Transactions (generally, sales of certain property held by ARCTRUST for sale to customers in the ordinary course of its trade or business), it may retain its REIT status but be required to pay certain taxes. See "Federal Income Tax Consequences—Requirements for Qualification as a REIT—Income Tests" and "Federal Income

Tax Consequences—Disposition of Properties.” ARCTRUST may be subject to the alternative minimum tax on items of tax preference.

In addition to the tax on any undistributed income, ARCTRUST, generally, also would be subject to a 4% excise tax on the amount by which the sum of (1) 85% of its REIT ordinary income and (2) 95% of any net capital gain and (3) any undistributed taxable income from prior periods, exceeds the amount actually distributed by ARCTRUST to its stockholders during the calendar year or declared as a dividend during the calendar year and distributed during the following January. In order to satisfy this timing requirement, ARCTRUST may make its fourth quarter distribution within 31 days rather than 45 days after the close of the fourth calendar quarter and may declare such dividend before the end of the quarter in order to avoid imposition of the excise tax. See “Federal Income Tax Consequences—Taxation of Taxable Domestic Stockholders.” Imposition of any tax on ARCTRUST (including excise taxes) would reduce the amount of cash available for distribution to stockholders.

Requirements for Qualification as a REIT

In order to qualify as a REIT, ARCTRUST must elect to be taxed as a REIT and satisfy a variety of complex tests relating to its organization, structure, share ownership, assets, income and distributions, as well as record keeping requirements. Those tests are summarized below. See also “Federal Income Tax Consequences—Statement of Stock Ownership.”

Organizational and Structural Requirements and Share Ownership Tests. In order to qualify for taxation as a REIT under the Code, ARCTRUST:

- (1) must be a domestic corporation (or certain other forms of organization);
- (2) must be managed by one or more trustees or directors;
- (3) must have transferable shares;
- (4) cannot be a financial institution or an insurance company;
- (5) must have at least 100 stockholders for at least 335 days of each taxable year of 12 months (or proportionate part of any taxable year of less than 12 months); and
- (6) must not be closely held.

ARCTRUST is a Maryland corporation managed by one or more directors, thereby satisfying the first and second organizational requirements. ARCTRUST has transferable shares and does not intend to operate as a financial institution or insurance company, satisfying the third and fourth requirements listed above. By the end of 2010, ARCTRUST had at least 100 stockholders and was not “closely held.” As of the date of this Memorandum, ARCTRUST has 946 stockholders, no five or fewer of whom own fifty percent or more of ARCTRUST’s shares. Therefore, as of the date of this Memorandum, ARCTRUST satisfies the fifth and sixth requirements listed above. However, ARCTRUST cannot assure that it will maintain such number of stockholders or that their percentage ownership will not cause ARCTRUST to be “closely held.”

Asset Tests. At the close of each calendar quarter of each taxable year, ARCTRUST must satisfy the asset tests set forth in the Code (the “Asset Tests”). At least 75% of the value of ARCTRUST’s total assets must consist of:

- (1) “real estate assets” including real property or interests in real property and interests in mortgages on real property, shares in other qualifying REITs, interests in REMICs, certain options and “new capital investments,”
- (2) cash and cash items (including receivables arising in the ordinary course of ARCTRUST’s operations), and
- (3) government securities.

A “new capital investment” is a debt instrument or stock but only for the one-year period beginning on the date ARCTRUST receives such capital.

Additionally, at the close of each calendar quarter, not more than 25% of the value of ARCTRUST’s total assets may consist of securities (other than those includible under the 75% test and other than those of a taxable REIT subsidiary (“TRS” - see discussion below)). Also, no more than 5% of the value of ARCTRUST’s assets may consist of the securities of any one issuer, other than those of a TRS, and ARCTRUST may not own more than 10% of the vote or value of the outstanding voting securities of any one issuer, other than a TRS. However, property owned through a “qualified REIT subsidiary” (i.e., a corporation that is wholly owned by the REIT) is treated as property owned directly by the REIT for

federal income tax purposes. ARCTRUST's ownership of the securities of one or more TRS's must be limited to not more than 25% of ARCTRUST's total assets.

A TRS is a taxable C corporation that is owned, wholly or partially, by the REIT and jointly makes an election with the REIT to be treated as a TRS. As such, the TRS can engage in many activities that a REIT cannot and is not limited in the types of assets it may own or the type of income it can receive. The value of all TRS's owned by the REIT cannot exceed 25% of the REIT's assets. Some of ARCTRUST's activities may be conducted through TRS's.

ARCTRUST must satisfy the Asset Tests at the end of each quarter. However, a mere change in the market value of ARCTRUST's assets alone will not affect its status as a REIT. Additionally, if, as of the close of a calendar quarter, ARCTRUST fails to satisfy the Asset Tests, it will be treated as if it had satisfied the Asset Tests at the end of such quarter if it satisfies the Asset Tests within 30 days after the close of such quarter.

Income Tests. To qualify and maintain its status as a REIT, ARCTRUST must satisfy two distinct income-based tests with respect to the sources of its income for each taxable year: the "75% Income Test" and the "95% Income Test."

75% Income Test and 95% Income Test. The 75% Income Test requires that at least 75% of ARCTRUST's gross income (excluding gross income from Prohibited Transactions, i.e. generally, sales of certain property held primarily for sale to customers in the ordinary course of business) be derived from:

- (1) "rents from real property";
- (2) interest on obligations secured by mortgages on real property or on interests in real property (other than interest based in whole or in part on income or profits unless such interest is based on gross sales or receipts), and income derived from the ownership of interests in a REMIC;
- (3) gain from the sale or other disposition of real property which is not held for sale in the ordinary course of business;
- (4) gain from the sale or other disposition of real property or REIT shares that satisfies the safe harbor for Prohibited Transactions;
- (5) dividends or other distributions on shares in other REITS and gain from the sale of shares of other REITS;
- (6) abatements and refunds of taxes on real property;
- (7) income and gain from the sale or other disposition of Foreclosure Property;
- (8) amounts (other than amounts the determination of which depend, in whole or in part, on the income or profits of any person or entity) received or accrued as consideration for entering into agreements to make loans secured by mortgages on real property (e.g., commitment fees) or to purchase or lease real property (including interests in mortgages on real property); and
- (9) qualified temporary investment income, e.g., income from "new capital investments" (as defined above).

Rents received by ARCTRUST for properties will qualify as "rents from real property" for purposes of the 75% Income Test if the following requirements are satisfied:

- (1) Generally, the amount of rent received must not be based on the income or profits of a tenant but may be based on a fixed percentage of a tenant's gross receipts or sales;
- (2) ARCTRUST may not own, directly or indirectly, a 10% or greater interest in a tenant;
- (3) ARCTRUST does not furnish or render non-customary or "personal" services to the tenants of such property, other than through an independent contractor from whom it does not derive income or through a TRS. The independent contractor performing services for tenants may not own more than 35% of ARCTRUST's shares nor can more than 35% of the independent contractor be owned by any person owning 35% or more of ARCTRUST's shares. Because most properties are expected to be leased under net leases, ARCTRUST is not expected to furnish or render any services to most tenants and therefore should not be subject to this requirement; and
- (4) If rent attributable to personal property leased in connection with a lease of real property exceeds 15% of the total rent received under the lease, the amount attributable to personal property is not treated as rents from real property. For this purpose, rent is attributable to real and personal property in proportion to the fair market values of such properties.

If ARCTRUST acquires ownership of property by reason of the default of a borrower on a loan or possession of property by reason of tenant default, ARCTRUST may elect to treat the property as Foreclosure Property and income that otherwise would not qualify as rents from real property (e.g., income from the ownership and operation of a hotel) will be treated as such, for purposes of the 75% Income Test and the 95% Income Test for three years, or if extended for good cause, up to a total of six years. ARCTRUST will be subject to corporate tax on that portion of its net income from Foreclosure Property that does not otherwise qualify under the 75% Income Test.

In addition to deriving 75% of its gross income from the sources described above, the 95% Income Test requires that at least an additional 20% of ARCTRUST's gross income (excluding income from Prohibited Transactions) must be derived from those items described in the 75% Income Test, as well as dividends or interest from any source, and gains from the sale or other disposition of stock and securities.

If ARCTRUST fails to satisfy either the 75% Income Test or 95% Income Test during a taxable year, it will be subject to tax on the greater of the amount by which it fails either the 75% Income Test or the 95% Income Test multiplied by a fraction reflecting the average profitability of the REIT. However, it still may qualify as a REIT in such year if (1) it furnishes a description of each item of its gross income in a schedule filed with the IRS; and (2) the failure to meet such tests is due to reasonable cause and not to willful neglect.

For purposes of the foregoing income tests, if ARCTRUST invests as a partner in a partnership, it will take into account its proportionate share of the partnership's income items and such income items will retain the same character (e.g., rent, gain from "dealer property") they had at the partnership level. Except for amounts received with respect to certain investments of cash reserves, ARCTRUST anticipates that substantially all of its gross income will be derived from:

- (1) rents from its properties,
- (2) income from mortgage-backed securities,
- (3) income from "new capital investments" (as defined above), and
- (4) gains from the disposition of properties held for two years or more.

Although ARCTRUST expects to continue to satisfy the 75% Income test and 95% Income Test, ARCTRUST cannot assure that it will in fact satisfy such tests in the future.

Distribution Requirements. In order to maintain its status as a REIT, ARCTRUST must satisfy the "90% Distribution Test." In order to be treated as a REIT, ARCTRUST is required to distribute dividends (other than capital gain dividends) to its stockholders in an amount at least equal to:

- (1) the sum of:
 - (a) 90% of ARCTRUST's "REIT taxable income" (computed without regard to the dividends paid deduction, ARCTRUST's net capital gain or net foreclosure income) and
 - (b) 90% of the net income, if any, from Foreclosure Property in excess of the special tax on income from Foreclosure Property,
- (2) minus the sum of certain items of noncash income.

The 90% Distribution Test is based on ARCTRUST's REIT Taxable Income rather than its available cash. As a result, while ARCTRUST expects to continue to meet this requirement, its ability to make the required distributions may be impaired if it has insufficient cash flow or otherwise has excessive nondeductible expenditures. Furthermore, if after the close of a taxable year, the IRS successfully adjusts the income of ARCTRUST (e.g., challenges a deduction taken by ARCTRUST), the 90% Distribution Test may be determined not to have been satisfied in such a year. In such event, ARCTRUST may be able to rectify a failure to meet the distribution requirement by paying a "deficiency dividend" to stockholders in a later year, which may be included in ARCTRUST's deduction for dividends paid for the earlier year. However, ARCTRUST will be required to pay interest based on the amount of any deductions taken for deficiency dividends.

For purposes of the 90% Distribution Test, dividends include not only dividends paid during the taxable year but also dividends that are declared before the due date of ARCTRUST's tax return for the taxable year (including extensions) and are paid within 12 months of the end of such taxable year and no later than ARCTRUST's next regular dividend payment. However, see "Federal Income Tax Consequences—Taxation of ARCTRUST" for a discussion of an excise tax provision that could require ARCTRUST to distribute its fourth quarter dividend in each year on or before January 31 of the following year and see "Federal Income Tax Consequences—Taxation of Taxable Domestic Stockholders" for a discussion of how taxable stockholders are taxed on distributions.

Termination of REIT Status

If ARCTRUST fails to qualify for taxation as a REIT for any taxable year, and certain relief provisions do not apply, ARCTRUST will be subject to tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates. Distributions to stockholders in any year in which ARCTRUST fails to qualify will not be deductible by ARCTRUST. In such event, to the extent of current and accumulated earnings and profits, all distributions to corporate stockholders may be eligible for the dividends received deduction. Unless entitled to relief under specific statutory provisions, ARCTRUST will not be eligible to re-elect REIT status until the fifth taxable year following the year of disqualification. It is not possible to determine whether in all circumstances ARCTRUST would be entitled to such statutory relief.

If ARCTRUST were to reelect to qualify as a REIT after its election terminated for any reason, in the tax year immediately prior to its reelection it would be required to include in its income any “net built-in gain” and pay corporate level income tax on such amount. Net built-in gain is the excess of aggregate gains (including income items) over aggregate losses that would have been realized had ARCTRUST sold all of its assets just prior to the election of REIT status. Alternatively, ARCTRUST could elect a ten-year recognition period, such that any net built-in gain recognized during this period would be subject to tax at the REIT level. For 2011-2013, this tax-year recognition period was reduced to five years. ARCTRUST, however, cannot assure that a reduced recognition period will apply for any year after 2013.

Sale-Leaseback Transactions

Some of ARCTRUST’s investments may be in the form of sale-leaseback transactions wherein ARCTRUST either will:

- (1) purchase property free of encumbrances, net lease such property back to the Seller and obtain separate mortgage financing, or
- (2) purchase property subject to a mortgage and an existing net lease.

In most instances, depending on the economic terms of the transaction, ARCTRUST will be treated for federal income tax purposes as either the owner of the property or the holder of a debt secured by the property. ARCTRUST does not expect to request an opinion of counsel concerning the status of any leases of properties as true leases for federal income tax purposes.

The IRS may take the position that certain sale-leaseback transactions ARCTRUST will treat as true leases are not true leases for federal income tax purposes but are, instead, financing arrangements or loans or ARCTRUST may structure certain sale-leaseback transactions as such. In such event, for purposes of the Asset Test and the 75% Income Test, each such loan would probably be viewed as secured by real property to the extent of the fair market value of the Underlying Real Property. It is expected that, for this purpose, the fair market value of the Underlying Property would be determined without taking into account ARCTRUST’s lease. If a sale-leaseback transaction were successfully so recharacterized, ARCTRUST might fail to satisfy the Asset Tests or the Income Tests and consequently could lose its REIT status effective with the year of recharacterization. Alternatively, the amount of its REIT Taxable Income could be affected. As a consequence, ARCTRUST’s REIT Taxable Income could be determined to be greater than the amount reported by ARCTRUST, and, therefore, ARCTRUST potentially could fail the 90% Distribution Test. See “Federal Income Tax Consequences—Requirements for Qualification as a REIT—Distribution Requirements.”

Disposition of Properties

Gain or loss realized by ARCTRUST upon the disposition of any property acquired by ARCTRUST will be treated as capital gain or loss except to the extent:

- (1) of depreciation recapture, if any, with respect to any personal property sold,
- (2) in the year of sale, ARCTRUST realized a net loss on the sale of depreciable property which is real estate used in its trade or business,
- (3) ARCTRUST has net un-recaptured Code Section 1231 losses, or
- (4) the property sold is dealer property (as defined above).

If ARCTRUST disposes of real property in a Prohibited Transaction any gains recognized by ARCTRUST upon the disposition of the real property will be subject to a 100% tax on resulting net income except insofar as ARCTRUST satisfies certain statutory safe harbors, described below.

Under existing law, whether a property is held primarily for sale to customers in the ordinary course of business must be determined from all the facts and circumstances then surrounding the particular property and sale in question. ARCTRUST intends to hold all property for investment purposes and to make such occasional dispositions thereof as in the opinion of the Board of Directors and the Advisor are consistent with ARCTRUST's investment objectives and are in compliance with all the rules discussed above governing the qualification of ARCTRUST for REIT status. Accordingly, ARCTRUST does not anticipate that it will be treated as a "dealer" with respect to any of its assets. ARCTRUST cannot assure, however, that the IRS will not take a contrary position.

Additionally, the Code provides that sales that meet the following requirements will not be Prohibited Transactions even if the property sold was held primarily for sale to customers in the ordinary course of the REIT's trade or business:

- (1) ARCTRUST held the property for two or more years;
- (2) expenditures made by ARCTRUST during the prior two-year period which are includible in the basis of the property do not exceed 30% of the net sales price of the property;
- (3) either (a) during ARCTRUST's taxable year, ARCTRUST does not make more than seven sales of properties (other than Foreclosure Property) (for this purpose, a sale of more than one property to one buyer as part of a single transaction is treated as one sale); or (b) (I) the aggregate adjusted tax basis of properties (other than Foreclosure Property) sold during the taxable year does not exceed 10% of the aggregate basis of all ARCTRUST's assets as of the beginning of its tax year, or (II) the fair market value of property sold during the taxable year does not exceed 10% of the fair market value of all of the assets of ARCTRUST as of the beginning of the taxable year;
- (4) if the property sold consists of land or improvements which is not Foreclosure Property, ARCTRUST held the property for two or more years for production of rental income; and
- (5) if (3)(a) is not satisfied, substantially all of the marketing and development expenditures made with respect of the property were made through an independent contractor from whom the REIT does not derive or receive any income.

See "Federal Income Tax Consequences—Requirements for Qualification as a REIT—Income Tests." It should be noted that a TRS is not subject to the 100% tax on gains from "dealer" sales and ARCTRUST may transfer properties to a TRS for eventual sale.

Taxation of Taxable Domestic Stockholders

Distributions from ARCTRUST will be taxable to stockholders who are not tax-exempt entities as ordinary income to the extent of the earnings and profits of ARCTRUST. Any dividend declared by ARCTRUST in October, November or December of any year payable to stockholders of record on a date in such month will be treated as if it were received by the stockholders on December 31, provided such dividend actually is paid by January 31 of the following year. Consequently, any such dividend will be taxable to a stockholder in such stockholder's taxable year which includes December 31. Dividends paid to stockholders will not constitute passive activity income and, therefore, will not be subject to reduction by losses from passive activities of a stockholder who is subject to the passive activity loss rules. Such distributions, however, will be considered investment income, which may be offset by investment expense deductions. Dividends from ARCTRUST that are designated as capital gains dividends by ARCTRUST will be taxed as long-term capital gain to taxable stockholders to the extent that they do not exceed ARCTRUST's actual net capital gain for the taxable year. If any dividends are designated as capital gains dividends, stockholders will be notified of the long-term capital gain status within 30 days of the close of the taxable year or in a notice mailed with ARCTRUST's annual report. A stockholder that is a corporation may be required to treat up to 20% of a portion of any such capital gains dividend as ordinary income. Such distributions, whether characterized as ordinary income or capital gains, are not eligible for the dividends received deduction for corporations. Stockholders are not permitted to deduct any net losses of ARCTRUST. The maximum federal income tax rate applicable to net capital gains recognized by an individual is 20% as compared to the present maximum rate of 39.6% for ordinary income.

A dividend that is not designated as a capital gains dividend and that is in excess of ARCTRUST's current or accumulated earnings and profits is treated as a return of capital to a stockholder and reduces the tax basis of the stockholder's shares (but not below zero). Any such distribution in excess of the tax basis of a stockholder's shares is taxable as gain realized from the sale of the shares to any such stockholder that is not a tax-exempt entity.

Taxation of Disposition of Shares of ARCTRUST

In general, any gain or loss realized upon a taxable disposition of Shares by a stockholder who is not a dealer in securities will be treated as long-term capital gain or loss if the Shares have been held for more than one year and as short-term capital gain or loss if the Shares have been held for one year or less. If, however, the stockholders have received any capital gains dividends with respect to such Shares, any loss realized upon a taxable disposition of Shares held for six months or less will be treated as long-term capital loss to the extent of such capital gains dividends received with respect to such Shares.

Health Care Legislation

On March 30, 2010, President Obama signed into law the Health Care and Education Reconciliation Act of 2010, or the Reconciliation Act. The Reconciliation Act requires certain U.S. stockholders who are individuals, estates or trusts to pay a three and eight-tenths percent (3.8%) Medicare tax on, among other things, dividends and capital gains from the sale or other disposition of stock, subject to certain exceptions. This additional tax applies now broadly to essentially all dividends and all gains from dispositions of stock, including dividends from REITs and gains from disposition of REIT shares. You should consult your tax advisor regarding the effect, if any, of the Reconciliation Act on taxable income arising from ownership and disposition of our Shares.

Taxation of Tax-Exempt Entities

In general, a stockholder that is a tax-exempt entity and not subject to tax on its investment income will not be subject to tax on distributions from ARCTRUST. Regardless of whether ARCTRUST incurs indebtedness in connection with the acquisition of properties, distributions paid by ARCTRUST to a stockholder that is a tax-exempt entity will not be treated as unrelated business taxable income ("UBTI"), provided that the tax-exempt entity has not financed the acquisition of its shares with "acquisition indebtedness" and that the shares are not otherwise used in an unrelated trade or business. However, this rule is modified if ARCTRUST is a "Pension-Held REIT," discussed below.

If a Qualified Plan holds more than 10% (by value) of the interest in any Pension-Held REIT at any time during a taxable year, such Qualified Plan will be treated as having UBTI for such taxable year in an amount which bears the same ratio to dividends paid (or treated as paid) by ARCTRUST to the Qualified Plan as ARCTRUST's gross UBTI (determined as if ARCTRUST is a Qualified Plan) bears to its total gross income. If this ratio is less than 5%, then the Qualified Plan will not be treated as having received any UBTI. A Pension-Held REIT is a REIT that would not have qualified as a REIT but for the rule that treats each of the beneficiaries of a Qualified Plan as an individual for purposes of the "five or fewer" rule and such entity is "predominantly held" by Qualified Plans. (See "Requirements for Qualification as a REIT" for discussion of the "five or fewer" rule). A REIT is considered to be predominantly held by Qualified Plans if at least one Qualified Plan holds more than 25% (by value) of the interest in such REIT or one or more Qualified Plans (each of whom own more than 10% by value of the interest in such REIT) hold an aggregate of more than 50% (by value) of the interest in such REIT. Accordingly, if ARCTRUST is a Pension-Held REIT, then any Qualified Plan holding 10% or more of the interests in ARCTRUST (by value) will be treated as having its dividends taxed as UBTI to the extent of the ratio of ARCTRUST's income which is considered UBTI bears to ARCTRUST's total gross income. ARCTRUST's taxable income will be treated as UBTI to the extent that it finances the acquisition or improvement of its properties with debt. Because the Charter restricts Beneficial Ownership of any person or group of persons to 9.8%, it is not anticipated that any of ARCTRUST's income will be treated as UBTI. However, it cannot be determined at this time whether ARCTRUST will be treated as a Pension-Held REIT at some point, and ARCTRUST cannot assure any Qualified Plan that a portion of the dividend distributed to it will not constitute UBTI.

The tax laws are subject to change at any time and it is impossible to predict what changes, if any, will be enacted by Congress in the future. Stockholders are advised to consult with their own tax advisors regarding these matters.

For social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans exempt from federal income taxation under Code Sections 501(c)(7), (c)(9), (c)(17) and (c)(20), respectively, income from an investment in ARCTRUST will constitute UBTI unless the organization properly is able to deduct amounts set aside or placed in reserve for certain purposes so as to offset the UBTI generated by its investment in ARCTRUST. Such prospective stockholders should consult their own tax advisors concerning these "set aside" and reserve requirements.

Foreign Accounts

Certain payments made to “foreign financial institutions” in respect of accounts of U.S. stockholders at such financial institutions may be subject to withholding at a rate of 30%. U.S. stockholders should consult their tax advisors regarding the effect, if any, of these rules on their ownership and disposition of Shares. See “— *Taxation of Non-U.S. Stockholders — Foreign Accounts.*”

Taxation of Non-U.S. Stockholders

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of the Shares applicable to non-U.S. stockholders. For purposes of this summary, a non-U.S. stockholder is a beneficial owner of Shares that is not a U.S. stockholder. The discussion is based on current law and is for general information only. It addresses only selective aspects of U.S. federal income taxation.

Ordinary Dividends. The portion of dividends received by non-U.S. stockholders payable out of ARCTRUST’s earnings and profits that are not attributable to gains from sales or exchanges of U.S. real property interests and which are not effectively connected with a U.S. trade or business of the non-U.S. stockholder will generally be subject to U.S. federal withholding tax at the rate of 30%, unless reduced or eliminated by an applicable income tax treaty. Under some treaties, however, lower rates generally applicable to dividends do not apply to dividends from REITs. In addition, any portion of the dividends paid to non-U.S. stockholders that are treated as excess inclusion income will not be eligible for exemption from the 30% withholding tax or a reduced treaty rate.

In general, non-U.S. stockholders will not be considered to be engaged in a U.S. trade or business solely as a result of their ownership of Shares. In cases where the dividend income from a non-U.S. stockholder’s investment in Shares is, or is treated as, effectively connected with the non-U.S. stockholder’s conduct of a U.S. trade or business, the non-U.S. stockholder generally will be subject to U.S. federal income tax at graduated rates, in the same manner as U.S. stockholders are taxed with respect to such dividends, and may also be subject to the 30% branch profits tax on the income after the application of the income tax in the case of a non-U.S. stockholder that is a corporation.

Non-Dividend Distributions. Unless (A) the Shares constitute a U.S. real property interest (“USRPI”) or (B) either (1) the non-U.S. stockholder’s investment in the Shares is effectively connected with a U.S. trade or business conducted by such non-U.S. stockholder (in which case the non-U.S. stockholder will be subject to the same treatment as U.S. stockholders with respect to such gain) or (2) the non-U.S. stockholder is a nonresident alien individual who was present in the U.S. for 183 days or more during the taxable year and has a “tax home” in the U.S. (in which case the non-U.S. stockholder will be subject to a 30% tax on the individual’s net capital gain for the year), distributions by ARCTRUST which are not dividends out of its earnings and profits generally will not be subject to U.S. federal income tax. If it cannot be determined at the time at which 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 dividends. However, the non-U.S. stockholder 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 ARCTRUST’s current and accumulated earnings and profits. If the Shares constitute a USRPI, as described below, distributions by ARCTRUST in excess of the sum of its earnings and profits plus the non-U.S. stockholder’s adjusted tax basis in its Shares will be taxed under the Foreign Investment in Real Property Tax Act of 1980 (“FIRPTA”), at the rate of tax, including any applicable capital gains rates, that would apply to a U.S. 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% of the amount by which the distribution exceeds the stockholder’s share of ARCTRUST’s earnings and profits.

Capital Gain Dividends. Under FIRPTA, a distribution made by ARCTRUST to a non-U.S. stockholder, to the extent attributable to gains from dispositions of USRPIs held by ARCTRUST directly or through pass-through subsidiaries (“USRPI capital gains”), will be considered effectively connected with a U.S. trade or business of the non-U.S. stockholder and will be subject to U.S. federal income tax at the rates applicable to U.S. stockholders, without regard to whether the distribution is designated as a capital gain dividend. In addition, ARCTRUST will be required to withhold tax equal to 35% of the amount of capital gain dividends to the extent the dividends constitute USRPI capital gains. Distributions subject to FIRPTA may also be subject to a 30% branch profits tax (applied to the net amount after the 35% tax rate is applied) in the hands of a non-U.S. holder that is a corporation. However, the 35% withholding tax will not apply to any capital gain dividend with respect to any class of ARCTRUST shares which are regularly traded on an established securities market located in the U.S. if the non-U.S. stockholder did not own more than 5% of such class of shares at any

time during the taxable year. Instead, such capital gain dividend will be treated as a distribution subject to the rules discussed above under “— *Taxation of Non-U.S. Stockholders — Ordinary Dividends.*” Also, the branch profits tax will not apply to such a distribution. A distribution is not a USRPI capital gain if ARCTRUST held the underlying asset solely as a creditor, although the holding of a shared appreciation mortgage loan would not be solely as a creditor. Capital gain dividends received by a non-U.S. stockholder from a REIT that are not USRPI capital gains are generally not subject to U.S. federal income or withholding tax, unless either (1) the non-U.S. stockholder’s investment in the Shares is effectively connected with a U.S. trade or business conducted by such non-U.S. stockholder (in which case the non-U.S. stockholder will be subject to the same treatment as U.S. stockholders with respect to such gain) or (2) the non-U.S. stockholder is a nonresident alien individual who was present in the U.S. for 183 days or more during the taxable year and has a “tax home” in the U.S. (in which case the non-U.S. stockholder will be subject to a 30% tax on the individual’s net capital gain for the year).

Dispositions of the Shares. Unless the Shares constitute a USRPI, a sale of the Shares by a non-U.S. stockholder generally will not be subject to U.S. federal income taxation under FIRPTA. The Shares will not be treated as a USRPI if less than 50% of ARCTRUST’s business assets throughout a prescribed testing period consist of interests in real property located within the U.S., excluding, for this purpose, interests in real property solely in a capacity as a creditor.

ARCTRUST expects that 50% or more of its business assets will consist of real property interests located within the U.S. Therefore, even if the Shares would be a USRPI under the foregoing test, the Shares will not constitute a USRPI if ARCTRUST is a “domestically controlled REIT.” A domestically controlled REIT is a REIT in which, at all times during a specified testing period, less than 50% in value of its outstanding shares is held directly or indirectly by non-U.S. stockholders. ARCTRUST believes it will be a domestically controlled REIT and, therefore, the sale of the Shares should not be subject to taxation under FIRPTA. However, ARCTRUST cannot assure its investors that it will become or remain a domestically controlled REIT. Even if ARCTRUST does not qualify as a domestically controlled REIT, a non-U.S. stockholder’s sale of the Shares nonetheless will generally not be subject to tax under FIRPTA as a sale of a USRPI, provided that (a) the Shares owned are of a class that is “regularly traded,” as defined by applicable Treasury Regulations, on an established securities market, and (b) the selling non-U.S. stockholder owned, actually or constructively, 5% or less of the Shares of that class at all times during a specified testing period.

If gain on the sale of the Shares were subject to taxation under FIRPTA, the non-U.S. stockholder 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 Shares could be required to withhold 10% of the purchase price and remit such amount to the IRS.

Gain from the sale of the Shares that would not otherwise be subject to FIRPTA will nonetheless be taxable in the U.S. to a non-U.S. stockholder in two cases: (a) if the non-U.S. stockholder’s investment in the Shares is effectively connected with a U.S. trade or business conducted by such non-U.S. stockholder, the non-U.S. stockholder will be subject to the same treatment as a U.S. stockholder with respect to such gain, or (b) if the non-U.S. stockholder is a nonresident alien individual who was present in the U.S. for 183 days or more during the taxable year and has a “tax home” in the U.S., the nonresident alien individual will be subject to a 30% tax on the individual’s capital gain.

Foreign Accounts. Withholding taxes may apply to certain types of payments made to “foreign financial institutions” (as defined in the Code) and certain other non-U.S. entities (including payments to U.S. stockholders that hold Shares through such a foreign financial institution or non-U.S. entity). Specifically, a 30% withholding tax may be imposed on dividends on, and gross proceeds from the sale or other disposition of, stock paid to a foreign financial institution or to a non-financial entity, unless (i) the foreign financial institution undertakes certain diligence and reporting, (ii) the non-financial foreign entity either certifies it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner, or (iii) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in clause (i) above, in order to avoid the imposition of such withholding, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities, annually reports certain information about such accounts to the IRS (or, in some cases, local tax authorities), and withholds 30% on payments it makes to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing these provisions may be subject to different rules.

Under the applicable Treasury Regulations and the IRS guidance, the withholding provisions described above will generally apply to payments of dividends made on or after July 1, 2014 and to payments of gross proceeds from a sale or other disposition of stock on or after January 1, 2017. Because ARCTRUST may not know the extent to which a distribution is a dividend for U.S. federal income tax purposes at the time it is made, for purposes of these withholding rules it may treat the entire distribution as a dividend. Prospective investors should consult their tax advisors regarding these withholding provisions.

United States Reporting Requirements

Subject to regulations, FIRPTA authorized the IRS to impose annual reporting requirements on certain United States and foreign persons directly holding USRPIs. The required reports are in addition to any necessary income tax returns. Furthermore, because shares in a domestically controlled REIT do not constitute USRPIs, such reporting requirements will not apply to a foreign stockholder in ARCTRUST (assuming that ARCTRUST will be domestically controlled) if such stockholder does not otherwise own USRPIs. However, ARCTRUST is required to file an information return with the IRS setting forth the name, address and taxpayer identification number of the payee of dividends from ARCTRUST (whether the payee is a nominee or is the actual beneficial owner).

Backup Withholding

Dividends from ARCTRUST paid to domestic stockholders ordinarily will not be subject to withholding of federal income tax. Withholding of such tax may be required, however, if a stockholder fails to supply ARCTRUST with the stockholder's taxpayer identification number. Such "backup" withholding also may apply to a stockholder who is otherwise exempt from backup withholding if such stockholder fails to document properly his status as an exempt recipient of distributions (including nonresident aliens of the United States and, generally, foreign entities). Each stockholder, therefore, will be asked to provide and certify his correct taxpayer identification number or to certify that he is an exempt recipient.

Statement of Stock Ownership

As a REIT, ARCTRUST is required to demand annual written statements from the record holders of designated percentages of its shares of capital stock disclosing the actual owners of such capital stock. Any record stockholder who, upon request by ARCTRUST, does not provide ARCTRUST with required information concerning actual ownership of ARCTRUST's capital stock is required to include certain specified information relating thereto in his or her federal income tax return. ARCTRUST also must maintain, within the Internal Revenue District in which it is required to file its federal income tax return, permanent records showing the information it has received as to the actual ownership of such capital stock and a list of those persons failing or refusing to comply with such demand.

Ownership of Interests in Partnerships

In the case of a REIT that is a partner in a partnership, the REIT is deemed to own its proportionate share, based on its interest in partnership capital, of the assets of the partnership and is deemed to have earned its allocable share of partnership income. In addition, the character of the assets and gross income of the partnership retains the same character in the hands of the REIT for purposes of satisfying the gross income tests and asset tests set forth in the Internal Revenue Code. ARCTRUST believes that the Operating Partnership will continue to be treated as a partnership for federal income tax purposes.

ERISA CONSIDERATIONS

Investment by Benefit Plans in the Shares

A trustee or other fiduciary of a pension, profit-sharing, retirement, or other Benefit Plan who is considering a purchase of Shares should take into account special considerations relating to the administration of these types of plans. Rules regarding the administration of Benefit Plans are set forth both in the Employee Retirement Income Security Act of 1974 (“ERISA”) and in the Code, and under the terms of the Benefit Plan. Among the considerations that a trustee or other fiduciary of a Benefit Plan should take into account in evaluating a purchase of Shares are the following:

- (1) whether a purchase of Shares is permitted as an investment of plan assets under the terms of the plan and the trust or custodial agreement;
- (2) whether a purchase of Shares would be consistent with the diversification requirements of Section 404(a)(1)(C) of ERISA;
- (3) whether a purchase of Shares would result in the recognition by the plan of “unrelated business taxable income”, or UBTI, within the meaning of the Code;
- (4) whether the assets of the plan would be sufficiently liquid after a purchase of Shares; and
- (5) whether a purchase of Shares would be prudent, as required by Section 404(a)(1)(B) of ERISA.

See “Federal Income Tax Consequences – Taxation of Tax-Exempt Entities.” Investors who are considering a purchase of Shares for their individual retirement accounts or for their Keogh plans should consider that individual retirement accounts and Keogh plans may only make investments that are authorized by their governing instruments.

In addition, a trustee or other fiduciary of a Benefit Plan should consider whether the assets of ARCTRUST would be deemed to be assets of the plan if Shares are purchased. If so, the officers and Directors of ARCTRUST might be deemed to be fiduciaries with respect to the plan. They also might be deemed to be “parties-in-interest” with respect to the plan, within the meaning of ERISA, and “disqualified persons” with respect to the plan, within the meaning of the Code. ERISA and the Code prohibit a wide range of transactions between Benefit Plans and parties-in-interest and disqualified persons. If a Benefit Plan that purchased Shares would be deemed to hold an interest in the underlying assets of ARCTRUST, then certain arrangements entered into by ARCTRUST might violate the prohibited transactions rules contained in ERISA and the Code. If a prohibited transaction occurs, the Department of Labor can require that the transaction be reversed, and can assess civil monetary penalties. Moreover, the Internal Revenue Code imposes excise taxes on prohibited transactions – an initial excise tax of 15% of the amount involved, and a possible additional excise tax of 100% of the amount involved if the prohibited transaction is not timely corrected. Moreover, the plan fiduciaries would have to evaluate their diversification and prudence responsibilities in light of ARCTRUST’s asset holdings. Prospective Investors and plan fiduciaries should consult with counsel prior to making any investment decision with respect to the Shares.

ERISA and Department of Labor regulations specify when the underlying assets of an entity in which a plan invests will be deemed to be assets of the plan. According to these provisions, when a plan invests in another entity, the plan’s assets generally include its investment, but do not include any of the underlying assets of the entity in which the investment is made solely by reason of the investment. However, in the case of an investment by a plan in an equity interest that is not publicly offered (such as the Shares in this Offering), the plan’s assets then will include both the equity interest and an undivided interest in each of the underlying assets of the entity, unless (1) the entity is an “operating company” or (2) equity participation by Benefit Plan investors is not “significant.”

Among the types of companies that are deemed to be “operating companies” are “real estate operating companies.” A company will be a “real estate operating company” if the following two conditions are satisfied as of an initial measurement date, and as of subsequent measuring periods, as specified in DOL Regulations:

- (1) at least 50% of the company’s assets, valued at cost, are invested in real estate which is managed or developed and with respect to which the company has the right to substantially participate directly in the management or development activities; and
- (2) the company is engaged directly in real estate management or development activities in the ordinary course of its business.

In determining whether the 50% test is satisfied, short-term investments pending long-term commitment or distribution to investors are disregarded.

Based on ARCTRUST's current anticipated investments, it is not likely that ARCTRUST will qualify as a "real estate operating company", as that term is used in the DOL Regulations. As long as ARCTRUST is not a real estate operating company, its assets will be deemed to be assets of any Benefit Plans that purchase Shares unless equity participation by Benefit Plan investors is not significant. ERISA and DOL Regulations define "significant" equity participation by Benefit Plan investors as 25% or more of the value of any class of equity interests in the entity. The Charter limits equity participation by Benefit Plan Investors to less than 25% in the aggregate so that such participation in our Common Stock by such Benefit Plan Investors will not be deemed to be "significant" as determined by reference to the DOL Regulations. The Charter provides that any ownership or transfer of shares of Common Stock in violation of this restriction will result in the shares being automatically transferred to a charitable trust for the benefit of a charitable beneficiary, and the purported transferee will acquire no rights in such shares. If the transfer is ineffective for any reason to prevent a violation of the restriction, the transfer that would have resulted in such violation will be void from the outset. See "Description of Capital Stock – Restrictions on Ownership and Transfer of ARCTRUST's Capital Stock."

Annual Valuation

A fiduciary of a 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 an Annual Return/Report on Form 5500 reflecting that value. When no fair market value of a particular asset is available, the fiduciary is to make a good faith determination of that asset's "fair market value." 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 the shares of Common Stock are listed on a national securities exchange, it is not expected that a public market for such shares will develop. To assist fiduciaries in fulfilling their valuation and annual reporting responsibilities with respect to ownership of Shares, the Board of Directors intends to provide reports of the Board of Directors' annual determinations of the current value of ARCTRUST's net assets per outstanding Share to those fiduciaries (including IRA trustees and custodians) who identify themselves to the Board of Directors as such and request the reports. Beginning with the year 2013, the value of the Properties and other assets of ARCTRUST will be based on a Valuation. Such Valuation may be, but is not required to be, performed by Independent Appraisers.

The Directors will provide annual reports of such determinations (1) to IRA trustees and custodians not later than January 15 of each year, and (2) to other qualified plan trustees and custodians within 75 days after the end of each calendar year. Each determination may be based upon valuation information available as of September 30 of the preceding year, updated for any material changes occurring between September 30 and December 31 of such year.

The Directors intend to revise these valuation procedures to conform to any relevant guidelines that the IRS or the Department of Labor may hereafter issue. Meanwhile, ARCTRUST cannot assure:

- (1) that such value could or will actually be realized by ARCTRUST or by stockholders upon liquidation (in part because appraisal or estimated values do not necessarily indicate the price at which assets could be sold and because no attempt will be made to estimate the expenses of selling any assets of ARCTRUST),
- (2) that stockholders could realize such value if they were to attempt to sell their Shares, or
- (3) that such value would comply with the ERISA or IRA requirements described above.

Foreign Benefit Plans

An investor making the decision to invest in the Shares on behalf of a Foreign Benefit Plan is advised to consult with its own legal advisor regarding the specific legal considerations arising under non-United States law related to the purchase, ownership or sale of Shares by the Foreign Benefit Plan. Considerations similar to those discussed above with respect to Benefit Plans subject to United States law, such as those relating to legal restrictions on permissible Foreign Benefit Plan holdings, prohibited transactions, taxation, fiduciary duty, and other considerations, may apply to Foreign Benefit Plans.

DESCRIPTION OF CAPITAL STOCK

The following description of the material terms of ARCTRUST's capital stock does not purport to be complete but contains a summary of portions of the Charter and Bylaws and is qualified in its entirety by reference to the Charter, the Bylaws and the Maryland General Corporation Law (the "MGCL").

General Description of ARCTRUST's Capital Stock

ARCTRUST is authorized to issue up to 20,000,000 shares of capital stock, of which 19,000,000 are classified and designated as shares of Common Stock and 1,000,000 are classified and designated as shares of Class S Common Stock. The Charter authorizes ARCTRUST's Board of Directors, without stockholder approval, to amend the Charter to increase or decrease the aggregate number of shares of stock that ARCTRUST is authorized to issue or the number of authorized shares of any class or series. Upon completion of this Offering, approximately 12,412,772 shares of Common Stock and 4,339 shares of Class S Common Stock, collectively, will be issued and outstanding if the Offering is fully subscribed. Under Maryland law, stockholders of ARCTRUST generally are not personally liable for ARCTRUST's debts and obligations. For purposes of this Memorandum and the Offering, the term "Shares" and "Common Stock" shall include shares of Class S Common Stock of ARCTRUST, unless otherwise specified herein or the context otherwise requires.

Common Stock

All of the Shares of Common Stock offered by this Memorandum will be duly authorized, fully paid and non-assessable. Subject to the preferential rights, if any, of holders of any other class or series of ARCTRUST's stock and to the provisions of ARCTRUST's Charter relating to the restrictions on ownership and transfer of ARCTRUST's stock, holders of ARCTRUST's Common Stock are entitled to receive dividends when authorized by the Board of Directors and declared by us out of assets legally available for distribution to ARCTRUST's stockholders, and will be entitled to share ratably in ARCTRUST's assets legally available for distribution to ARCTRUST's stockholders in the event of ARCTRUST's liquidation, dissolution or winding up, after payment of, or adequate provision for, all of ARCTRUST's known debts and liabilities.

Subject to the voting rights, if any, of holders of any other class or series of ARCTRUST's stock, and to the provisions of the Charter relating to the restrictions on ownership and transfer of ARCTRUST's stock, each outstanding share of Common Stock entitles the holder to one vote on all matters submitted to a vote of ARCTRUST's stockholders, including the election of Directors. Except as provided with respect to the Class S Common Stock and any other class or series of ARCTRUST's stock, the holders of ARCTRUST's Common Stock will possess the exclusive voting power.

Holders of ARCTRUST's Common Stock have no preference, conversion, exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any of ARCTRUST's securities. Subject to the provisions of the Charter relating to the restrictions on ownership and transfer of ARCTRUST's stock, all holders of ARCTRUST's Common Stock will have equal dividend, liquidation and other rights.

Under Maryland law, a Maryland corporation generally cannot amend its charter, consolidate, merge, convert into another entity, sell all or substantially all of its assets, engage in a share exchange or dissolve unless the action is advised by the board of directors and approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. As permitted by Maryland law, except for amendments to certain provisions of the Charter relating to the removal of Directors and certain amendments to the Charter, which must be approved by the affirmative vote of at least two-thirds of the votes entitled to be cast on the matter, any of these actions may be approved by the affirmative vote of stockholders entitled to cast a majority of all of the votes entitled to be cast on the matter. Also, because many of ARCTRUST's assets will be held by its subsidiaries, these subsidiaries may be able to merge or sell all or substantially all of their assets without the approval of ARCTRUST's stockholders.

Class S Common Stock

All of the Shares of Class S Common Stock offered by this Memorandum will be duly authorized, fully paid and non-assessable. The Class S Common Stock has terms identical to the shares of Common Stock, except that dividends and other distributions payable on the Class S Common Stock may be paid or set aside for payment at different times, dates and frequencies than paid or set aside on the Common Stock. In addition, each share of Class S Common Stock shall entitle the holder thereof to one-half of one vote on each matter submitted to a vote at a meeting of stockholders. As the Class S Common Stock will be offered to non-U.S. persons, ARCTRUST intends to pay dividends on the Class S Common Stock once per year to reduce the administrative burden of calculating foreign withholding taxes on a greater frequency. However, the amount of dividends or other distributions paid on the Common Stock and Class S Common Stock will be the same per share, subject only to differences in timing and any foreign withholding taxes. The reduced

voting power of a share of Class S Common Stock (as compared to a share of Common Stock with one vote per share) is intended to help facilitate ARCTRUST's ability to obtain a quorum at stockholders' meetings.

Power to Reclassify and Issue Stock

Our Board of Directors may, without stockholder approval, classify and reclassify any unissued shares of ARCTRUST's stock into other classes or series of stock, including one or more classes or series of stock that have priority over ARCTRUST's Common Stock with respect to voting rights, dividends or upon liquidation, and authorize ARCTRUST to issue the newly-classified shares. Before authorizing the issuance of shares of any new class or series, the Board of Directors must set, subject to the provisions of the Charter relating to the restrictions on ownership and transfer of ARCTRUST's stock, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption for each class or series of stock. These actions can be taken without stockholder approval, unless stockholder approval is required by applicable law, the terms of any other class or series of ARCTRUST's stock or the rules of any stock exchange or automated quotation system on which ARCTRUST's securities may be listed or traded.

Restrictions on Ownership and Transfer of ARCTRUST's Capital Stock

In order for ARCTRUST to qualify as a REIT under the Code, ARCTRUST's stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months (other than the first year for which an election to be a REIT has been made) or during a proportionate part of a shorter taxable year. Also, not more than 50% of the value of the outstanding shares of ARCTRUST's stock may be owned, directly or indirectly, by five or fewer individuals (including certain entities such as qualified pension plans) during the last half of a taxable year (other than the first year for which an election to be a REIT has been made). To qualify as a REIT, ARCTRUST must satisfy other requirements as well. See "Federal Income Tax Consequences—Requirements for Qualification as a REIT."

Our Charter contains restrictions on the ownership and transfer of ARCTRUST's stock. Subject to the exceptions described below, no person or entity may beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Code, more than 9.8% (in value or in number of shares, whichever is more restrictive) of ARCTRUST's outstanding Common Stock or 9.8% (in value or in number of shares, whichever is more restrictive) of ARCTRUST's outstanding stock. We refer to these restrictions, collectively, as the "ownership limit."

The constructive ownership rules under the Code are complex and may cause stock owned actually or constructively by a group of related individuals and/or entities to be owned constructively by one individual or entity. As a result, the acquisition of less than 9.8% of ARCTRUST's outstanding shares of Common Stock, or the acquisition of an interest in an entity that owns ARCTRUST's stock could, nevertheless, cause the acquirer or another individual or entity to own ARCTRUST's stock in excess of the ownership limit.

Our Board of Directors may, upon receipt of certain representations and agreements and in its sole discretion, prospectively or retroactively, waive the ownership limit or establish a different limit on ownership, or excepted holder limit, for a particular stockholder if the stockholder's ownership in excess of the ownership limit would not result in ARCTRUST's being "closely held" under Section 856(h) of the Code or otherwise failing to qualify as a REIT (without regard to whether the stockholder's interest is held during the last half of a taxable year). As a condition of granting a waiver of the ownership limit or creating an excepted holder limit, the Board of Directors may, but is not required to, obtain an opinion of counsel or IRS ruling satisfactory to the Board of Directors as it may deem necessary or advisable to determine or ensure ARCTRUST's status as a REIT.

In connection with granting a waiver of the ownership limit or creating an excepted holder limit or at any other time, the Board of Directors may decrease the ownership limit for all other persons unless, after giving effect to any increased or decreased ownership limit, five or fewer persons could beneficially own, in the aggregate, more than 49.9% in value of the shares then outstanding or ARCTRUST would otherwise fail to qualify as a REIT. A decreased ownership limit will not apply to any person or entity whose ownership of ARCTRUST's stock is in excess of the decreased ownership limit until the person or entity's ownership of ARCTRUST's stock equals or falls below the decreased ownership limit, but any further acquisition of ARCTRUST's stock will be in violation of the decreased ownership limit.

Our Charter also prohibits:

- any person from beneficially or constructively owning shares of ARCTRUST's stock that would result in us being "closely held" under Section 856(h) of the Code (without regard to whether the stockholder's interest is held during the last half of a taxable year) or otherwise cause us to fail to qualify as a REIT;
- any person from transferring shares of ARCTRUST's stock if the transfer would result in shares of ARCTRUST's stock being beneficially owned by fewer than 100 persons;

- any person from beneficially or constructively owning shares of ARCTRUST's stock that would result in us failing to qualify as a "domestically-controlled REIT" under Section 897(h)(4)(B) of the Code;
- prior to the date that either each class or series of ARCTRUST's stock qualifies as a class of Publicly-Offered Securities or we qualify for another exception to the Plan Asset Regulations (other than the Insignificant Participation Exception), any person from transferring or attempting to transfer shares of ARCTRUST's stock to the extent such transfer would result in holding of any class or series of ARCTRUST's stock by Benefit Plan Investors being deemed to be significant for purposes of ERISA; and
- prior to the date that either each class or series of ARCTRUST's stock qualifies as a class of Publicly-Offered Securities or we qualify for another exception to the Plan Asset Regulations (other than the Insignificant Participation Exception), any person (other than an underwriter that participates in the initial private placement of ARCTRUST's stock) from transferring or attempting to transfer shares of ARCTRUST's stock unless such person obtains from its transferee a representation and agreement that (1) its transferee is not (and will not be), and is not acting on behalf of, a Benefit Plan Investor or Controlling Person and (2) such transferee will obtain from its transferee the representation and agreement set forth in this sentence (including, without limitation, clauses (1) and (2)).

Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of shares of ARCTRUST's stock that will or may violate the ownership limit or any of the other restrictions on ownership and transfer of ARCTRUST's stock, and any person who is the intended transferee of shares of ARCTRUST's stock that are transferred to a trust for the benefit of one or more charitable beneficiaries described below, must give written notice immediately to ARCTRUST of such event, or, in the case of a proposed or attempted transaction, give at least 15 days' prior written notice to us and provide us with such other information as ARCTRUST may request in order to determine the effect of the transfer on ARCTRUST's status as a REIT.

Any attempted transfer of ARCTRUST's stock that, if effective, would result in ARCTRUST's stock being beneficially owned by fewer than 100 persons will be null and void. Any attempted transfer of ARCTRUST's stock that, if effective, would result in a violation of the ownership limit or certain other restrictions on ownership and transfer, ARCTRUST's being "closely held" under Section 856(h) of the Code (without regard to whether the stockholder's interest is held during the last half of a taxable year) or ARCTRUST's otherwise failing to qualify as a REIT will cause the number of shares causing the violation (rounded up to the nearest whole share) to be transferred automatically to a trust for the exclusive benefit of one or more charitable beneficiaries, and the proposed transferee will not acquire any rights in the shares. The automatic transfer will be effective as of the close of business on the business day before the date of the attempted transfer or other event that resulted in a transfer to the trust. If the transfer to the trust as described above does not occur or is not automatically effective, for any reason, to prevent violation of the applicable restrictions on ownership and transfer of ARCTRUST's stock, then the attempted transfer which, if effective, would have resulted in a violation of the ownership limit or certain other restrictions on ownership and transfer, ARCTRUST's being "closely held" under Section 856(h) of the Code (without regard to whether the stockholder's interest is held during the last half of a taxable year) or ARCTRUST's otherwise failing to qualify as a REIT, will be null and void.

Shares of ARCTRUST's stock held in the trust will be issued and outstanding shares. The proposed transferee will not benefit economically from ownership of any shares of ARCTRUST's stock held in the trust and will have no rights to dividends and no rights to vote or other rights attributable to the shares of ARCTRUST's stock held in the trust. The trustee of the trust will exercise all voting rights and receive all dividends and other distributions with respect to shares held in the trust for the exclusive benefit of the charitable beneficiary of the trust. Any dividend or other distribution paid before ARCTRUST discovers that the shares have been transferred to a trust as described above must be repaid by the recipient to the trustee upon demand by us. Subject to Maryland law, effective as of the date that the shares have been transferred to the trust, the trustee will have the authority to rescind as void any vote cast by a proposed transferee before ARCTRUST's discovery that the shares have been transferred to the trust and to recast the vote in accordance with the desires of the trustee acting for the benefit of the charitable beneficiary of the trust. However, if ARCTRUST has already taken irreversible corporate action, then the trustee may not rescind and recast the vote.

Within 20 days of receiving notice from us of a transfer of shares to the trust, the trustee must sell the shares to a person that could own the shares without violating the ownership limit or the other restrictions on ownership and transfer of ARCTRUST's stock contained in the Charter. After the sale of the shares, the interest of the charitable beneficiary in the shares transferred to the trust will terminate and the trustee must distribute to the proposed transferee an amount equal to the lesser of:

- the price paid by the proposed transferee for the shares or, if the proposed transferee did not give value for the shares in connection with the event causing the shares to be held by the trust (*e.g.*, a gift, devise or other similar transaction), the market price of the shares on the day of the event causing the shares to be held by the trust; and
- the price received by the trustee from the sale or other disposition of the shares.

The trustee may reduce the amount payable to the proposed transferee by the amount of any dividends or distributions paid to the proposed transferee and owed by the proposed transferee to the trustee. The trustee must distribute any remaining funds held by the trust with respect to the shares to the charitable beneficiary. If the shares are sold by the proposed transferee before ARCTRUST discovers that they have been transferred to the trust, the shares will be deemed to have been sold on behalf of the trust and the proposed transferee must pay to the trustee, upon demand the amount, if any, that the proposed transferee received in excess of the amount that the proposed transferee would have received had the shares been sold by the trustee.

Shares of ARCTRUST's stock held in the trust will be deemed to be offered for sale to us, or ARCTRUST's designee, at a price per share equal to the lesser of:

- 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
- the market price on the date we, or ARCTRUST's designee, accept the offer.

We may reduce the amount payable to the trustee by the amount of any dividends or distributions paid to the proposed transferee and owed by the proposed transferee to the trustee. ARCTRUST has the right to accept the offer until the trustee has otherwise sold the shares of ARCTRUST's stock held in the trust. Upon a sale to us, the interest of the charitable beneficiary in the shares sold will terminate and the trustee must distribute the net proceeds of the sale to the proposed transferee and distribute any dividends or other distributions held by the trustee with respect to the shares to the charitable beneficiary.

Every owner of 5% or more (or such lower percentage as required by the Code or the regulations promulgated thereunder) of ARCTRUST's stock, within 30 days after the end of each taxable year, must give us written notice stating the person's name and address, the number of shares of each class and series of ARCTRUST's stock that the person beneficially owns and a description of the manner in which the shares are held. Each such owner also must provide us with any additional information that ARCTRUST requests in order to determine the effect, if any, of the person's beneficial ownership on ARCTRUST's status as a REIT and to ensure compliance with the ownership limit. In addition, any person or entity that is a beneficial owner or constructive owner of shares of ARCTRUST's stock and any person or entity (including the stockholder of record) who is holding shares of ARCTRUST's stock for a beneficial owner or constructive owner must, on request, disclose to us in writing such information as we may request in order to determine ARCTRUST's status as a REIT or to comply, or determine its compliance, with the requirements of any governmental or taxing authority.

Shares of Class S Common Stock are subject to the foregoing provisions of the Charter to the same extent as shares of Common Stock. Any certificates representing shares of ARCTRUST's stock will bear a legend referring to the restrictions described above.

These restrictions on ownership and transfer of ARCTRUST's stock will not apply if the Board of Directors determines that it is no longer in ARCTRUST's best interests to attempt to qualify, or to continue to qualify, as a REIT or that compliance is no longer required for REIT qualification.

These restrictions on ownership and transfer of ARCTRUST's stock could delay, defer or prevent a transaction or a change of control of us that might involve a premium price for ARCTRUST's Common Stock or otherwise be in the best interests of ARCTRUST's stockholders.

SHARE REPURCHASE PROGRAM

On January 18, 2016, the Board of Directors of ARCTRUST approved a plan of liquidity for stockholders through an amended and enhanced Share Repurchase Program. The Share Repurchase Program is designed to provide eligible stockholders with liquidity by enabling them (or their estate, heirs or beneficiaries) to sell shares back to ARCTRUST. Subject to the terms set forth below, ARCTRUST will repurchase up to \$5,000,000 of Shares each year. The terms under which we will repurchase shares differ between Ordinary Repurchases and Exceptional Repurchases upon the death or disability of a stockholder each of which are defined below.

Repurchase Price

Subject to certain restrictions discussed below, we will make repurchases of shares of Common Stock at the following prices:

Ordinary Repurchases

- If there is a current offering of shares, then the current offering price less an administrative fee equal to 5% of the sale price of the stock; or
- If there is no current offering, then the Net Asset Value of our shares based on our most recent Valuation less an administrative fee equal to 5% of the stock price.

Exceptional Repurchases

- If there is a current offering of shares, then the current offering price; or
- If there is no current offering, then the Net Asset Value of our shares based on our most recent Valuation.

Ordinary Repurchases

In the case of Ordinary Repurchases, we will repurchase shares beneficially owned by a stockholder continuously for a period of at least three years prior to submitting a request for repurchase. We intend to repurchase up to \$5 million of Shares in any one calendar year, subject to having funds available therefor under applicable law and subject to other extraordinary circumstances referenced below. However, the Board may elect, in its sole discretion, to repurchase more than \$5 million of Shares in a calendar year. Stockholders may request repurchase of any number of qualifying Shares they own for repurchase, subject to maintaining a minimum ownership of 5,000 Shares after repurchase if less than all of a stockholder's shares are being submitted for repurchase. Stockholders owning 5,000 Shares or less must submit all of their Shares for repurchase in order to participate in the Share Repurchase Program.

Exceptional Repurchases

In the case of Exceptional Repurchases, there is no minimum three year holding period and the limitation on maintaining a minimum of 5,000 Shares described above will not apply. We must receive an Exceptional Repurchase request within one year after the death or qualifying disability of the stockholder. If shares are registered to two or more joint account holders, the request to repurchase the shares may be made if either of the registered holders dies or becomes disabled. If the stockholder is not a natural person, such as a partnership, corporation or other similar entity, the right to request an Exceptional Repurchase will not apply. In the case of Exceptional Repurchases, stockholders may submit any whole number of Shares they own for repurchase.

Repurchase Procedure

To request repurchase, stockholders must submit a repurchase request in writing at least thirty days prior to June 30th. The repurchase request form is available on our website, www.arcpropertytrust.com, and also may be obtained by calling our offices at (973) 249-1000. The request must state, among other information, the name of the person, estate, heir, beneficiary or other party who owns the Shares; date the Shares were acquired; the number of Shares to be repurchased; the number of Shares to be held after repurchase; and must be properly executed. In the case of a request for an Exceptional Repurchase upon the death of a stockholder, the request also must include evidence of the death of the stockholder (which includes the date of death). In the case of a request for an Exceptional Repurchase upon a disability, the request also must include both the stockholder's initial application for disability benefits and documentation issued by the governmental agency demonstrating an award of the disability benefits.

Certain broker dealers require that their clients make repurchase requests through their broker dealer, so please contact your broker dealer first if you want to request repurchase of your shares. The stockholder must notify us in writing if the stockholder wishes to withdraw a pending request to have shares repurchased. We will not repurchase that stockholder's shares so long as we receive the written request to withdraw at least five days prior to the repurchase date. Following the repurchase, we will send the requesting party the cash proceeds of the repurchase. You will not relinquish your shares until we repurchase them.

Exceptional Repurchase Qualifications

In the case of the death of a stockholder, we may repurchase shares, as an Exceptional Repurchase, upon the death of a stockholder who is a natural person, including shares held by the stockholder through a trust, or an IRA or other retirement or profit-sharing plan, after receiving a written request from: (1) the estate of the beneficial owner; (2) the recipient of the shares through bequest or inheritance, even where the recipient subsequently registered the shares in his or her own name; or (3) in the case of the death of a beneficial owner who purchased shares and held those shares through a trust, the beneficiary of the trust, even where the beneficiary subsequently registered the shares in his or her own name, or, with respect to a revocable grantor trust, the trustee of that trust.

In order for a disability to entitle a stockholder to qualify for an Exceptional Repurchase upon a disability (1) the stockholder would have to receive a determination of disability arising after the date the stockholder acquired the shares to be repurchased; and (2) the 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, which we refer to as the applicable governmental agencies. The applicable governmental agencies would be limited to the following: (a) 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; (b) if the stockholder did not pay Social Security taxes 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, or 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 (c) 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 U.S. Department of Veterans Affairs or the agency charged with the responsibility for administering military disability benefits at that time if other than the U.S. 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 qualify for an Exceptional Repurchase. 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 U.S. 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 entitle a stockholder to qualify for an Exceptional Repurchase, except in the limited circumstances when the stockholder would be awarded disability benefits by the other applicable governmental agencies described above.

General

Stockholders are not required to sell their shares to us and we may not repurchase shares where such repurchase would be prohibited by applicable law. In the event more than \$5 million of qualifying shares are submitted for repurchase, each stockholder will receive their pro-rata share of the amount available for redemption in that year and the stockholder may request further redemption in subsequent years.

The share repurchase program is intended to provide liquidity for stockholders holding qualifying Shares until a future alternative means of generating liquidity occurs, such as the sale of our assets, our merger with a publicly traded company, a listing of our shares on a stock exchange or a further expansion of our Share Repurchase Program. However, we cannot guarantee that such future event will occur.

We intend to repurchase shares of Common Stock one time per year and we will affect all repurchases on or around September 30th, or any other business day that may be established by our Board of Directors, provided such repurchases will be affected no later than December 31st of the year in which the repurchase request is approved.

Shares presented for repurchase must not be subject to any liens or encumbrances, and in certain cases, we may ask the requesting party to provide evidence satisfactory to us that the shares requested for repurchase are not subject to any liens or encumbrances. If we determine that a lien exists against the shares, we will not be obligated to repurchase any shares subject to the lien. Furthermore, each redeeming stockholder authorizes ARCTRUST to (i) withhold from the consideration for its tendered Shares and to pay over to any applicable state, municipality, government entity or branch, any withholding or other taxes payable by ARCTRUST with respect to such stockholder as a result of a repurchase of Shares, and (ii) file such tax and information returns in conjunction therewith as ARCTRUST, in its sole discretion, determines to be necessary or appropriate. The foregoing, however, does not impose any obligation on ARCTRUST to undertake the foregoing or any other withholding for the payment of taxes that are the obligation of stockholders.

Suspension of Share Repurchase Program

Our Board of Directors may suspend the Share Repurchase Program without stockholder approval if it determines that a suspension is warranted by extraordinary circumstances. This may include:

- material adverse economic conditions,
- circumstances where ARCTRUST is unable to fairly value its assets due to extreme market conditions, or
- a state of emergency or period of extreme volatility,

as a result of which disposal of a substantial part of ARCTRUST's assets would not be reasonably practical and might seriously prejudice ARCTRUST or our stockholders or for such other reasons as the Board of Directors may reasonably determine. Furthermore, the Board of Directors may suspend the Share Repurchase Program if effecting repurchases becomes prohibited by any applicable law, rule or regulation governing ARCTRUST or our Shares.

We may allow any stockholder to rescind their repurchase request to the extent of any portion of a request that has not yet been repurchased by ARCTRUST at the time of suspension of the Share Repurchase Program. With regard to repurchase requests not withdrawn by stockholders following a suspension, ARCTRUST may complete repurchases as of a date after the suspension has ceased in the same manner as provided for under the Share Repurchase Program.

The Share Repurchase Program will terminate immediately if our shares are listed on any securities exchange or in the event that a secondary market for our shares develops. As of the date of this Memorandum, no shares have been redeemed.

ARC PROPERTY TRUST, INC. NONQUALIFIED STOCK OPTION PLAN

On August 12, 2013, the Board of Directors adopted, and, on September 30, 2013, the stockholders approved, the ARC Property Trust, Inc. Nonqualified Stock Option Plan (the "Plan") to attract and retain directors, officers, employees and consultants of ARCTRUST.

ARCTRUST's and its subsidiaries' directors, officers, employees and consultants are eligible to participate in the Plan. As of the date of this Memorandum, approximately ten directors, six officers and 8 consultants are eligible to participate in the Plan.

The Plan authorizes only the granting of nonqualified stock options ("options" or "nonqualified stock options"). The exercise price of each option will be determined by the Board of Directors or a committee thereof to which the Board has delegated such power, as plan administrator, provided that the price cannot be less than 100% of the fair market value of the shares of Common Stock of ARCTRUST on the date on which the option is granted. Fair market value is determined in a manner the Plan Administrator determines to be appropriate.

An option granted under the Plan will generally become vested and exercisable with respect to one-third of the shares of Common Stock subject to the option (rounded to a whole share) on each of the first, second and third anniversaries of the grant date, provided the participant has continued to provide services as a director, officer, employee or consultant of ARCTRUST or any subsidiary of ARCTRUST through the respective anniversary. In addition, in certain instances upon a change in control (or an initial public offering of our Common Stock) a participant's options will become 100% vested and exercisable.

Under the Plan, ARCTRUST initially offered 600,000 options to purchase shares of Common Stock, which number may be increased by the Board of Directors in its sole discretion, provided that, at the time of such increase, the number of options eligible for issuance under the Plan does not exceed 15% of the issued and outstanding shares of Common Stock of ARCTRUST. During any twelve-month period, nonqualified stock options accounting for no more than 15% of the outstanding shares of Common Stock may be issued.

No option may be granted under the Plan after the day immediately preceding the tenth anniversary of the effective date of the Plan, but options granted prior to such termination may extend beyond that date. Options granted under the Plan, and shares of stock issued upon exercise of the options, are generally non-transferable.

The Board of Directors may modify or terminate the Plan or any portion thereof at any time, provided that no modification may be made without stockholder approval if it would increase the number of shares of Common Stock subject to the Plan (other than any increase that does not exceed 15% of the then outstanding shares of Common Stock of ARCTRUST) or if stockholder approval is required to comply with any tax or regulatory requirement or rule of any applicable exchange or over-the-counter market upon which ARCTRUST's Common Stock is listed or quoted. Under the Plan, no modification may be made that would materially and adversely affect any option granted under the Plan without the approval of the holder of the option.

Options issued under the Plan may be dilutive to stockholders of ARCTRUST. The foregoing description of the Plan is not complete and is qualified in its entirety by reference to the Plan. A copy of the Plan is available to potential subscribers upon request and without charge.

As of the date of this Memorandum there are 1,508,312 nonqualified stock options outstanding of which 292,747 are exercisable. 878,241 of the outstanding options were granted in January of 2014. 630,071 of the outstanding options were granted in January of 2016. The outstanding options have or will become exercisable into 1,508,312 shares in accordance with a three year vesting schedule during which one-third of the options held may be exercised by the holders upon each of the first, second and third anniversaries of the grant date provided each recipient has continued to provide services as a director, officer, employee or consultant of ARCTRUST or any subsidiary of ARCTRUST through the respective anniversary.

CERTAIN PROVISIONS OF MARYLAND LAW AND ARCTRUST'S CHARTER AND BYLAWS

The following description of certain provisions of Maryland law and of the Charter and Bylaws is only a summary. For a complete description, ARCTRUST refers you to the MGCL, the Charter and the Bylaws.

Election and Removal of Directors; Classified Board of Directors

Our Charter and Bylaws provide that the number of ARCTRUST's Board of Directors may be established only by the Board of Directors but may not be fewer than the minimum number required by the MGCL nor more than eleven (11). Pursuant to the Charter, the Board of Directors is divided into five classes of Directors. The current terms of the first, second third, fourth and fifth classes of Directors will expire at ARCTRUST's annual meetings in 2016, 2017, 2018, 2019 and 2020, respectively, and when their successors are duly elected and qualify. One class of Directors will be elected by ARCTRUST's stockholders each year for a term expiring at the fifth succeeding annual meeting of ARCTRUST's stockholders and when their successors are duly elected and qualify. ARCTRUST believes that classification of the Board of Directors will help to assure the continuity and stability of ARCTRUST's business strategies and policies as determined by the Board of Directors.

There is no cumulative voting in the election of Directors, and Directors are elected by a plurality of the votes cast in the election of Directors. Consequently, the holders of shares of Common Stock (including Class S Common Stock) entitled to cast a majority of all votes entitled to be cast will be able to elect all of the Directors whose terms expire at any annual meeting of stockholders.

Any vacancy on the Board of Directors may be filled by a majority of the remaining Directors, except that a vacancy resulting from an increase in the number of Directors must be filled by a majority of the entire Board of Directors. Any Directors elected to fill a vacancy will serve until the next annual meeting of stockholders and until his or her successor is elected and qualifies.

Our Charter provides that a Director may be removed only for cause (as defined in the Charter) and only by the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of Directors.

Business Combinations

Under Maryland law, "business combinations" between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder 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. An interested stockholder is defined as:

- any person who beneficially owns ten percent or more of the voting power of the corporation's outstanding voting stock; or
- an affiliate or associate of the corporation who, at any time within the two-year period before 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 Maryland 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:

- 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and
- 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 with whom or with whose affiliate 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 Maryland 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.

These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by a board of directors prior to the time that the interested stockholder becomes an interested stockholder. Pursuant to the statute, the Board of Directors has by resolution exempted business combinations between us and any person, provided that such business combination is first approved by the Board of Directors (including a majority of the Board of Directors who are not affiliates or associates of such person). Consequently, the five-year prohibition and the supermajority vote requirements will not apply to business combinations between us and any person described above. As a result, any person described above may be able to enter into business combinations with us that may not be in the best interest of the stockholders without compliance by ARCTRUST with the supermajority vote requirements and other provisions of the statute.

Should the Board of Directors opt back into the statute or otherwise fail to approve a business combination, the business combination statute may discourage others from trying to acquire control of ARCTRUST and increase the difficulty of consummating any offer.

Control Share Acquisitions

Maryland law provides that holders of 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, by officers or by employees who are directors of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock that, if aggregated with all other shares of stock owned by the acquirer or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a 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 acquirer is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the board of directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. 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 at the meeting or if the acquirer does not deliver an acquiring person statement as required by the statute, then the corporation may, subject to certain limitations and conditions, redeem for fair value any or all of the control shares, except those for which voting rights have previously been approved. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquirer or of any meeting of stockholders at which the voting rights of the 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 appraisal rights may not be less than the highest price per share paid by the acquirer in the control share acquisition.

The control share acquisition statute does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction, or (b) 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 shares of ARCTRUST's stock. There can be no assurance that this provision will not be amended or eliminated at any time in the future.

Special Meetings of Stockholders

Our chairman, chief executive officer, president or Board of Directors may call special meetings of ARCTRUST's stockholders. A special meeting of ARCTRUST's stockholders to act on any matter that may properly be considered at a meeting of ARCTRUST's stockholders must also be called by ARCTRUST's secretary upon the written request of stockholders entitled to cast a majority of all the votes entitled to be cast on such matter at the meeting and containing the information required by the Bylaws. Our secretary will inform the requesting stockholders of the

reasonably estimated cost of preparing and mailing or delivering the notice of meeting, and the requesting stockholder must pay such estimated cost before ARCTRUST's secretary may prepare and mail or deliver the notice of the special meeting.

Advance Notice of Director Nominations and New Business

Our Bylaws provide that nominations of individuals for election to the Board of Directors and proposals of business to be considered by stockholders at any annual meeting of ARCTRUST's stockholders may be made only (i) pursuant to ARCTRUST's notice of the meeting, (ii) by the Board of Directors or (iii) by any stockholder who was a stockholder of record at the time of giving the notice required by the Bylaws and at the time of the meeting, who is entitled to vote at the meeting in the election of the individuals so nominated or on such other proposed business and who has complied with the advance notice requirements of, and provided the information required by, ARCTRUST's Bylaws. Stockholders generally must provide notice to ARCTRUST's secretary not before the 150th day or after the 120th day before the first anniversary of the date of ARCTRUST's preceding year's annual meeting.

Only the business specified in the notice of the meeting may be brought before a special meeting of ARCTRUST's stockholders. Nominations of individuals for election to the Board of Directors at a special meeting of stockholders may be made only (i) by or at the direction of the Board of Directors, (ii) by a stockholder who has requested that a special meeting be called for the purpose of electing Directors in accordance with the Bylaws or (iii) if the special meeting has been called in accordance with the Bylaws for the purpose of electing Directors, by any stockholder who is a stockholder of record both at the time of giving the notice required by the Bylaws and at the time of the special meeting, who is entitled to vote at the meeting in the election of each individual so nominated and who has complied with the advance notice requirements of, and provided the information required by, the Bylaws. Stockholders generally must provide notice to ARCTRUST's secretary not before the 120th day before such special meeting and after the later of the 90th day before the special meeting or the tenth day after public announcement of the date of the special meeting and the nominees of the Board of Directors to be elected at the meeting.

Tender Offers

Our Charter provides that any tender offer made by any person, including any "mini-tender" offer, must comply with most of the provisions of Regulation 14D of the Exchange Act, including the notice and disclosure requirements. Among other things, the offeror must provide us notice of such tender offer at least ten business days before initiating the tender offer. If the offeror does not comply with the provisions set forth above, we will have the right to redeem that offeror's shares of stock, if any, and any shares of stock acquired in such tender offer. In addition, the non-complying offeror will be responsible for all of our expenses in connection with that offeror's noncompliance.

Restrictions on Conversion Transactions and Roll-Ups

A roll-up entity is a partnership, REIT, corporation, trust or similar entity that would be created or would survive after the successful completion of a proposed roll-up transaction. A roll-up does not include (1) a transaction involving securities that have been listed on a national securities exchange or have been trading in the over-the-counter market for at least 12 months, or (2) a transaction involving our conversion to a trust or association form if, as a consequence of the transaction, there will be no significant adverse change in any of the following:

- (1) stockholders' voting rights;
- (2) our term of existence;
- (3) Advisor compensation; or
- (4) our investment objectives.

In the event of a proposed roll-up, an appraisal of all our assets must be obtained from a person with no current or prior business or personal relationship with our Advisor or Directors and who is a qualified appraiser of real estate of the type held by us or of other assets determined by our Board of Directors. Further, that person must be substantially engaged in the business of rendering valuation opinions of assets of the kind we hold. We will include a summary of the appraisal, indicating all material assumptions underlying it, in a report to our stockholders in connection with a proposed roll-up. We may not participate in any proposed roll-up which would:

- (1) result in the stockholders having less voting rights than are provided in the Charter;
- (2) result in the stockholders having access to records that are more limited than those provided for in the MGCL;
- (3) include provisions which 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;
- (4) place any of the costs of the transaction on us if the roll-up is not approved by our stockholders.

Stockholders who vote “no” on the proposed roll-up will have the choice of:

- (1) accepting the securities of the roll-up entity offered; or
- (2) either remaining as our stockholders and preserving their interests on the same terms and conditions as previously existed or receiving cash in an amount equal to their pro rata share of the appraised value of our net assets.

These provisions in our Bylaws could 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.

Effect of Certain Provisions of Maryland law and ARCTRUST’s Charter and Bylaws

The restrictions on ownership and transfer of ARCTRUST’s stock discussed under the caption “Description of Capital Stock – Restrictions on Ownership and Transfer of ARCTRUST’s Capital Stock” prevent any person from acquiring more than 9.8% of ARCTRUST’s outstanding Common Stock or 9.8% of ARCTRUST’s outstanding stock without the prior approval of its Board of Directors. These provisions, as well as the business combination statute and control share statute discussed above under the captions “– Business Combinations” and “– Control Share Acquisitions”, the tender offer provisions in the Charter and the supermajority vote required to amend certain provisions of ARCTRUST’s Charter may delay, defer or prevent a change in control of ARCTRUST. The Board of Directors has the power to increase the aggregate number of authorized shares and to classify and reclassify any unissued shares of ARCTRUST’s stock into other classes or series of stock, and to authorize us to issue the newly-classified shares, as discussed under the captions “Description of Capital Stock – General Description of ARCTRUST’s Capital Stock” and “Description of Capital Stock – Power to Reclassify and Issue Stock,” and could authorize the issuance of shares of stock that could have the effect of delaying, deferring or preventing a change in control of ARCTRUST. ARCTRUST believes that the power to increase the aggregate number of authorized shares and to classify or reclassify unissued shares of stock, without stockholder approval, provides us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs that might arise.

The provisions of the Charter requiring that the Board of Directors may be removed only for cause and only by the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of Directors, as discussed above under the caption “– Election and Removal of Directors; Classified Board of Directors,” prevent ARCTRUST’s stockholders from removing incumbent Directors except for cause and upon a substantial affirmative vote. The Charter and Bylaws also provide that the number of Directors may be established only by the Board of Directors, which prevents ARCTRUST’s stockholders from increasing the number of Directors on the Board of Directors and filling any vacancies created by such increase with their own nominees. Because the Board of Directors is classified, at least three annual meetings of stockholders, instead of one, will generally be required to effect a change in a majority of the Board of Directors. The provisions of the Bylaws discussed above under the captions “– Special Meetings of Stockholders” and “– Advance Notice of Director Nominations and New Business” require stockholders seeking to call a special meeting, nominate an individual for election as a Director or propose other business at an annual meeting to comply with certain notice and information requirements. ARCTRUST believes that these provisions, including the classification of the Board of Directors, will help to assure the continuity and stability of ARCTRUST’s business strategies and policies as determined by the Board of Directors and promote good corporate governance by providing us with clear procedures for calling special meetings, information about a stockholder proponent’s interest in us and adequate time to consider stockholder nominees and other business proposals. However, these provisions, alone or in combination, could make it more difficult for ARCTRUST’s stockholders to remove incumbent Directors or fill vacancies on the Board of Directors with their own nominees and could delay, defer or prevent a change in control that might involve a premium price for ARCTRUST’s common stockholders or otherwise be in the best interest of ARCTRUST’s stockholders.

OUR OPERATING PARTNERSHIP AGREEMENT

General

ARC Property Trust Investments, LP (the “Operating Partnership”) was formed under the laws of the State of Delaware on November 23, 2009 to acquire, own and operate properties on behalf of ARCTRUST. ARCTRUST intends to hold substantially all of its assets through the Operating Partnership. ARCTRUST is the sole general partner of the Operating Partnership, and ARCB, LLC, Mr. Ambrosi and Mr. Perel are currently the only limited partners of the Operating Partnership. As the sole general partner of the Operating Partnership, ARCTRUST has the exclusive power to manage and conduct the business of the Operating Partnership.

ARCTRUST is an Umbrella Partnership Real Estate Investment Trust (“UPREIT”), which structure is utilized generally to provide for the acquisition of real property from owners who desire to defer taxable gain that would otherwise be recognized by them upon the disposition of their property, while achieving diversity in their investment and other benefits of investing in REIT stocks. The REIT’s proportionate share of the assets and income of an UPREIT, such as the Operating Partnership, are deemed to be assets and income of the REIT for purposes of satisfying the asset and income tests for qualification as a REIT for tax purposes.

A property owner may contribute property to an UPREIT in exchange for ownership in the limited partnership on a tax-deferred basis. In addition, the Operating Partnership is structured to make distributions with respect to limited partnership ownership that will be equivalent to the distributions made to holders of ARCTRUST Common Stock. The Operating Partnership limited partnership units may be exchanged for shares of ARCTRUST Common Stock. However, this exchange would be a taxable transaction.

The Operating Partnership Agreement for the Operating Partnership, dated as of December 1, 2009 (the “Operating Partnership Agreement”), contains provisions that would allow, under certain circumstances, other entities, including entities affiliated with ARC Properties, Inc., to merge into or cause the exchange or conversion of their interests for interests of the Operating Partnership. In the event of such a merger, exchange or conversion, the Operating Partnership would issue additional limited partnership interests, which would be entitled to the same exchange rights as other limited partnership interests of the Operating Partnership. As a result, any such merger, exchange or conversion ultimately could result in the issuance of a substantial number of shares of ARCTRUST’s Common Stock, thereby diluting the percentage ownership interest of other stockholders while increasing the ownership of ARCTRUST’s ownership in the Operating Partnership.

Capitalized terms used in the remainder of this section but not otherwise defined shall have the meanings ascribed to such terms in the Operating Partnership Agreement.

Capital Contributions

Net proceeds of the Offering will be transferred to the Operating Partnership as a capital contribution upon the acceptance of subscriptions. However, ARCTRUST will be deemed to have made capital contributions in the amount of the gross offering proceeds received from investors. The Operating Partnership will be deemed to have simultaneously paid the selling commissions and other costs associated with the Offering. The following is a summary of certain provisions of the Operating Partnership Agreement. This summary is not complete and is qualified by the specific language in the Operating Partnership Agreement. You should refer to the Operating Partnership Agreement which is available for review upon request.

REIT Requirements

The Operating Partnership Agreement requires that the General Partner use its best efforts to manage the Operating Partnership in a manner that will enable us to (a) satisfy the requirements for being classified as a REIT for tax purposes, (b) avoid any federal income or excise tax liability, and (c) ensure that the Operating Partnership will not be classified as a “publicly traded partnership” for purposes of Section 7704 of the Code, which classification could result in the Operating Partnership being taxed as a corporation, rather than as a partnership. See “Federal Income Tax Consequences –Ownership of Interests in Partnership.”

In addition to the administrative and operating costs and expenses incurred by the Operating Partnership in acquiring and operating real properties, the Operating Partnership will pay all of ARCTRUST’s administrative costs and expenses, and such expenses will be treated as expenses of the Operating Partnership. Such expenses will include:

- all expenses relating to the formation and continuity of ARCTRUST's existence;
- all expenses relating to the public offering and registration of securities by us;
- all expenses associated with the preparation and filing of any periodic reports by us under federal, state or local laws or regulations;
- all expenses associated with compliance by us with applicable laws, rules and regulations;
- all costs and expenses relating to any issuance or repurchase of partnership interests or shares of ARCTRUST's Common Stock; and
- all ARCTRUST's other operating or administrative costs incurred in the ordinary course of ARCTRUST's business on behalf of the Operating Partnership.

Exchange Rights

The limited partners of the Operating Partnership have the right to cause their Partnership Interests to be redeemed by the Operating Partnership or purchased by ARCTRUST for cash. In either event, the cash amount to be paid will be equal to the deemed value of all Partnership Interests multiplied by the relative percentage interest associated with such Partnership Interest. Alternatively, ARCTRUST may elect to purchase the limited partnership units by issuing shares of ARCTRUST Common Stock equal in value to the cash amount attributable to such Partnership Interest being redeemed. These exchange rights may not be exercised, however, if and to the extent that the delivery of shares upon exercise would (a) result in any person owning shares in excess of ARCTRUST's ownership limits, (b) result in shares being owned by fewer than 100 persons, (c) cause us to be "closely held" within the meaning of Section 856(h) of the Code, (d) cause us to own 10% or more of the ownership interests in a tenant within the meaning of Section 856(d)(2)(B) of the Internal Revenue Code, or (e) cause the acquisition of shares by a redeemed limited partner to be "integrated" with any other distribution of ARCTRUST's shares for purposes of complying with the Securities Act.

Subject to the foregoing, limited partners of the Operating Partnership may exercise their exchange rights at any time after one year following the date of issuance of their limited partnership units. However, a limited partner may not deliver more than two exchange notices each calendar year. ARCTRUST does not expect to issue any of the shares of Common Stock offered hereby to limited partners of the Operating Partnership in exchange for their limited partnership units. Rather, in the event a limited partner of the Operating Partnership exercises its exchange rights, and ARCTRUST elects to purchase the limited partnership units with shares of ARCTRUST's Common Stock, ARCTRUST expects to issue unregistered shares of Common Stock, or subsequently registered shares of Common Stock, in connection with such transaction.

Allocation of Benefits

The provisions of the Operating Partnership Agreement relating to the distribution and allocation of Cash Distributions, Profits and Losses, and Capital Event Proceeds can be summarized as follows:

Operating Cash Flow. The Operating Cash Flow, if any, of the Operating Partnership will be distributed among ARCTRUST and the Limited Partners, if any, until the Preferred Return has been paid. Thereafter, Operating Cash Flow will be distributed thirty percent (30%), less any coordination fee, to ARCB, LLC, and seventy percent (70%) among ARCTRUST and the other Limited Partners. The allocation to ARCTRUST and the Limited Partners will be in accordance with their respective interests in the Operating Partnership as set forth in the Operating Partnership Agreement.

Profits. The Profits attributable to the Operating Cash Flow of the Operating Partnership shall be allocated among the Limited Partners and ARCTRUST to reflect the distribution of the Operating Cash Flow.

Capital Event Proceeds. The Capital Event Proceeds, after paying any debts or liabilities of the Operating Partnership and after setting up any reserve which the General Partner deems reasonably necessary to provide for any contingent or unforeseen liabilities or obligations of the Operating Partnership, shall be distributed as follows:

- to ARCTRUST and to the Limited Partners until ARCTRUST and the Limited Partners shall receive an amount equal to their Unrecovered Returns (defined in the Partnership Agreement accrued and unpaid Preferred Return);
- to ARCTRUST and to the Limited Partners to return to them their Unrecovered Capital in proportion to their Unrecovered Capital Percentages; and

- the balance of which shall be distributed thirty (30%) percent, less any coordination fees paid to CSAC and any AMD, to ARCB, LLC and seventy (70%) percent among the General Partner and the Limited Partners pro rata to their Percentage Interests.

Liquidation Proceeds. Distributions on liquidation of the Operating Partnership, after paying any debts or liabilities of the Operating Partnership and after setting up any reserves which ARCTRUST deems reasonably necessary to provide for any contingent or unforeseen liabilities or obligations of the Operating Partnership, shall be distributed as follows:

- to ARCTRUST and to the Limited Partners until ARCTRUST and the Limited Partners shall receive an amount equal to their Unrecovered Returns;
- to ARCTRUST and to the Limited Partners to return to them their Unrecovered Capital in proportion to their Unrecovered Capital Percentage; and
- the balance of which shall be distributed thirty (30%) percent, less any coordination fees paid to CSAC and any AMD, to ARCB, LLC and seventy (70%) percent among ARCTRUST and the Limited Partners pro rata to their Percentage Interests.

Gains Attributable to Capital Events. Gains attributable to Capital Events shall be allocated among the Partners to reflect the distribution of the proceeds of Capital Events.

Losses of the Partnership. Losses of the Operating Partnership shall be allocated to the Partners to the extent of and in proportion to their positive capital account balances and thereafter in accordance with their Percentage Interest.

Control of Partnership. Control of the business and financial affairs of the Operating Partnership, including, but not limited to, the acquisition of Properties or Investment Entities, the sale or disposition of Properties or Investment Entities, borrowing on behalf of the Operating Partnership, making capital improvements, executing contracts, retaining professionals and making payments, is vested solely in ARCTRUST as the General Partner.

Rights of the Limited Partners. The Limited Partners have no rights or control with respect to any business decision of the Operating Partnership.

Removal of General Partner. The General Partner may not be removed by the Limited Partners.

Liability and Indemnification. The General Partner will have unlimited personal liability to the general creditors of the partnership except that it will not have liability for payments due under the financing to acquire the Net Lease Properties or the Investment Entities to the extent such financing is a nonrecourse obligation.

Except for acts taken in bad faith, the doing of any act or the failure to do any act by the General Partner, the effect of which may cause or result in loss or damage to the Operating Partnership or the Limited Partners, shall not subject the General Partner to any liability to the Limited Partners or the Operating Partnership.

The Operating Partnership shall indemnify and hold harmless the General Partner and each of the directors, officers, employees or agents of the General Partner against any and all liability, losses, costs, expenses (including attorneys' fees) and damages as a result of any claim, demand, action, or legal proceeding or threatened claim, demand, action or legal proceeding relating to the performance or non-performance of any act concerning the activities of the Operating Partnership, or in furtherance of the Operating Partnership's interests; provided, however, the party against whom the claim is made or legal proceeding is directed must not have been guilty of gross negligence, willful misconduct, fraud or conduct in breach of the Operating Partnership Agreement. Such indemnity shall be satisfied only out of and to the extent of Operating Partnership assets, and no Limited Partner shall have any personal liability on account thereof.

The liability of each Limited Partner shall be limited to its required Capital Contribution pursuant to the terms of the Operating Partnership Agreement. No Limited Partner shall have any additional personal liability to contribute money to, or in respect of, the liabilities or obligations of the Operating Partnership, nor shall any Limited Partner be personally liable for any obligations of the Operating Partnership unless required by applicable law.

Transfer of Limited Partner's Interest. A Limited Partner may make a Disposition of a Partnership Interest (including the right to receive its allocable share of the Profits and Losses and Cash Distributions of the Operating Partnership) only with the consent of the General Partner which consent may be withheld for any reason or no reason.

Liquidity Plan. The General Partner intends to adopt a liquidity plan for holders of limited partnership interests as set forth herein on or before December 31, 2023, or December 31, 2025, if such date is extended. Section 12.1 of the Operating Partnership Agreement, as amended, sets forth this provision.

Reports. Each Partner will be furnished with annual reports containing financing statements of the Operating Partnership, which shall be compiled by the accountants and certified to by the General Partner as accurate, with all necessary tax information prepared and/or reviewed by the accountants on the Operating Partnership's basis for Federal income tax purposes. The Operating Partnership Agreement provides that such financial reports are to be provided to the Limited Partners within one hundred twenty (120) days after the end of each fiscal year.

Dissolution and Liquidation. The Operating Partnership shall continue in full force and effect until the General Partner determines to dissolve the Operating Partnership. Upon final termination of the Operating Partnership, the General Partner shall liquidate the Operating Partnership's assets and distribute the proceeds thereof in accordance with the priorities established in the Operating Partnership Agreement.

Power of Attorney. Each Limited Partner, by executing the Operating Partnership Agreement, irrevocably appoints and empowers the General Partner as its attorney-in-fact to execute and acknowledge all instruments and file all documents requisite to carrying out the intention and purposes of the Operating Partnership Agreement. A Limited Partner may also be required to execute a separate power of attorney.

Amendment. The Operating Partnership Agreement provides that it may be amended by in writing by the General Partner, with certain important exceptions concerning the substantive economic benefits allocable to the Limited Partners. Further, the General Partner, without the consent of the Limited Partners, may amend the Operating Partnership Agreement to add to the duties or obligations of the General Partner for the benefit of the Limited Partners and to amend any document(s) to reflect the admission, or withdrawal of a Limited Partner or General Partner.

Applicable Law. The Operating Partnership Agreement will be construed and enforced in accordance with the laws of the State of Delaware.

PLAN OF DISTRIBUTION

Subject to the conditions set forth in this Memorandum, ARCTRUST has engaged CSI and any AMD on a best efforts basis as the managing dealer in connection with the Offering. CSI and any AMD will sell up to \$30,000,000 worth of Shares in the Offering and CSI and any AMD will assist ARCTRUST in the preparation of marketing and due diligence materials. CSI and any AMD will form a Selling Group of broker-dealers.

ARCTRUST, CSI and any AMD have agreed to offer the Shares to investors at a purchase price of \$13.45 per Share; provided, however, that ARCTRUST may sell a portion of the Shares directly to existing stockholders and certain other investors, including officers and directors of ARCTRUST, the Advisor, or any of their Affiliates, net of sales commissions and allowances and related expenses. A subscriber must make a minimum investment of \$50,000 (3,717.4721 Shares), or, for subscribers that invest through IRAs, a minimum investment of \$25,000 (1,858.7361 Shares). However, ARCTRUST reserves the right in its sole discretion to accept subscriptions in lesser amounts.

The Shares offered in this Memorandum have not been registered under the Securities Act. The Shares may not be offered or sold in the United States or to or for the account or benefit of U.S. persons (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the Securities Act. Hedging transactions involving the Shares may not be conducted unless conducted in compliance with the Securities Act. Each of CSI and any AMD has agreed (or will be required to agree) to comply with these restrictions on any offer and sale of the Shares that is part of its distribution or that occurs prior to the expiration of the Distribution Compliance Period. ARCTRUST, CSI, any AMD will only offer or sell Shares (i) to persons reasonably believed to be either accredited investors.

Each of CSI and ARCTRUST have the right in their sole discretion to accept or reject any subscription in whole or in part. Payment in full is due on transmittal of a subscription agreement by an investor. Payments made by any subscriber whose subscription is rejected for any reason will be returned with the subscription documents executed by the subscriber. Subscriptions will be accepted or rejected within 30 days of their receipt. An investor whose subscription for Shares has been accepted by ARCTRUST has no right to withdraw his investment or subscription funds.

CSI or other members of the Selling Group will receive a selling commission of up to six percent (6%) and an offering allowance of one percent (1%) of the gross purchase price for all Shares sold by them in the Offering. A registered representative of a member of the Selling Group may purchase Shares net of selling commissions and offering expense allowance otherwise payable to such broker-dealers. In addition, Selling Group members, in their sole discretion, may elect to accept lower selling commissions for Shares that they sell and the selling price of such Shares will be adjusted accordingly. ARCTRUST may pay CSI and any AMD a wholesaling fee of two percent (2%) of the purchase price of Shares sold by certain members of the Selling Group. ARCTRUST will pay CSI and any AMD a placement agent fee of one percent (1%) and an underwriting consulting fee of one-half percent (0.5%) of the gross purchase price for all Shares sold by their Selling Group.

CSI will assist ARCTRUST on an ongoing basis by reviewing and commenting on reports and letters to, and responding to inquiries from, stockholders and by coordinating communication to the participating broker-dealers and will: (i) be paid a coordination fee calculated by taking the ratio of the number of Shares sold by CSI and participating broker-dealers obtained by CSI to the total number of Shares sold in the offering (the “CSI Ratio”) and multiplying this by five percent (5.0%) of the amount of any operating cash distributions in excess of the Preferred Returns and (ii) be paid a sale or refinancing coordination fee calculated by multiplying the CSI Ratio by five percent (5.0%) of the amount of sale and refinancing cash distributions. Similar fees may be paid to any AMD on the portion of the Selling Group organized by such AMD. CSI may in turn pay a portion of these fees to members of the Selling Group, or their Affiliates, that provide significant investor coordination services.

How to Subscribe

Except for purchases of Shares directly from ARCTRUST, a subscriber who wishes to purchase any Shares should deliver the following items to CSI and any AMD or a member of the Selling Group, or to a Foreign Distributor, as applicable:

- (1) a dated, executed Subscription Agreement in the suitable form for the investor (Exhibit A), with all blanks properly completed; and
- (2) a check payable to the order of **ARC Property Trust, Inc.**, in the amount of \$13.45 per Share subscribed for.

A subscriber must make a minimum investment of \$50,000 (3,717.4721 Shares), or, for subscribers that invest through IRAs, a minimum investment of \$25,000 (1,858.7361 Shares). However, ARCTRUST reserves the right, in its sole discretion, to accept subscriptions in lesser amounts. All funds will be returned to the subscriber without interest (together with the subscription documents executed by such subscriber) if its subscription is rejected. Subscriptions may be rejected for failure to satisfy the investor suitability standards, failure to conform to the requirements of the Offering, insufficient documentation, over-subscription for the Offering, or such other reasons as ARCTRUST or CSI and any AMD may determine in their sole discretion.

Subscription Process

Subscription Agreements will be accepted starting as of the date of this Offering and up and until the earlier of December 31, 2014 or the termination of the Offering (the “Investment Period”), unless the Investment Period is extended. ARCTRUST will accept or reject subscriptions no later than thirty (30) days from receipt by ARCTRUST. A confirmation of your purchase and admission as an investor will be sent to you after you have been admitted as an investor. In the event the Subscription Agreement is not accepted, your funds, without interest, will be returned to you within ten (10) days after the date of such rejection. ARCTRUST will admit new investors at least monthly or more frequently. It is ARCTRUST’s intention to admit investors twice per month on the 15th and last day of each month during the Investment Period.

Indemnification

ARCTRUST has agreed to indemnify CSI, any AMD and other members of the Selling Group with respect to damages suffered arising from certain violations of the securities laws and breaches of contract between ARCTRUST, CSI, any AMD and the other members of the Selling Group, respectively.

REPORTS TO STOCKHOLDERS

ARCTRUST intends to provide information, in the form of press releases or otherwise, to stockholders regarding the operations of ARCTRUST over the course of the year. Financial information, if and to the extent contained in any such communications to stockholders, will be prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. Tax information will be mailed to the stockholders by January 31 following the year for which information is provided. ARCTRUST’s annual report, which will include consolidated financial statements, will be submitted at the annual meeting of stockholders and, within 20 days after the meeting, or, in the event ARCTRUST does not hold an annual stockholders meeting, within 120 days following the close of each fiscal year, such report will be placed on file at ARCTRUST’s principal office. ARCTRUST intends to have such financial statements audited by independent public accountants, although it is not required to do so. The annual financial statements will contain or be accompanied by a statement of any material transactions with the Advisor or its Affiliates and of compensation and fees paid or payable by ARCTRUST to the Advisor and its Affiliates.

ADDITIONAL INFORMATION

The summaries of, and references to, various documents in this Memorandum do not purport to be complete, and in each instance reference should be made to the copy of the document which either is an exhibit to this Memorandum or will be provided to potential subscribers and their professional advisors on request. Investors will have the opportunity to obtain any information that ARCTRUST possesses or can acquire without unreasonable effort or expense.

During the course of the Offering, ARCTRUST will answer questions from potential subscribers and their professional advisors concerning the Offering. Any additional information that is necessary to verify the accuracy of the information contained in this Memorandum or otherwise furnished by ARCTRUST, or that a potential subscriber or his professional advisors desire in evaluating the merits and risks of investing in the Shares, will be provided by ARCTRUST, on request, to the extent it is available to ARCTRUST without unreasonable effort or expense.

In addition to this Memorandum, ARCTRUST may provide potential investors with a power point presentation and investment summary. Such summary does not purport to be complete and should not be considered as a part of this Memorandum or as forming the basis of an offering of the Shares. The Offering of the Shares is made only by means of this Memorandum. Other than as described herein, ARCTRUST has not authorized the use of other sales material.

Potential subscribers should retain their own professional advisors to review and evaluate the economic, tax and other consequences of ownership of the Shares. Neither this Memorandum, nor any other information furnished by ARCTRUST, should be construed as investment, legal, accounting or tax advice.

Privacy Policy. ARCTRUST and the Sponsor, have always endeavored to maintain confidentiality for our investors, and in this regard, on May 5, 2011 adopted a privacy policy. ARCTRUST collects and maintains certain non-public personal information about investors from Subscription Documents and investor questionnaires that ARCTRUST receives from investors as well as information about your investments with ARCTRUST. ARCTRUST does not disclose any non-public information about investors to anyone, except as permitted or required by law. Thus, ARCTRUST may share information about investors with non-affiliated organizations that perform support services for investments or process transactions. ARCTRUST limits access to personal information to those of ARCTRUST's and the Sponsor's employees and service providers who are involved in offering or administering the products or services that ARCTRUST and the Sponsor offer. We have procedural safeguards designed to comply with federal standards to protect privacy and our employees are required to maintain complete confidentiality for all our clients, past and present, with regard to this personal information. Our service providers are contractually required to maintain the privacy of information as well.

DEFINITIONS

As used in this Memorandum, the following terms have the definitions hereinafter indicated:

Acquisition Expenses. Includes (1) those expenses, including, but not limited to, legal fees and expenses, travel and communications expenses, costs of appraisals, if any, nonrefundable option payments on property not acquired, accounting fees and expenses, title insurance and miscellaneous expenses related to selection and acquisition of properties, whether or not acquired and (2) the total of the Investment Fees payable to the Advisor and all fees and commissions paid to any party (other than the Advisor) in connection with the making or investing in mortgage loans or the purchase or development of properties by ARCTRUST. Included in the computation of such fees or commissions will be any real estate commission, selection fee, development fee, non-recurring management fee, mortgage placement fee, lease-up fee, transaction structuring fee or any fee of a similar nature, however designated.

Acquisition. (i) Selecting and purchasing properties; and (ii) making or investing in mortgage or equity loans.

Investment Fees. Investment Fees paid to the Advisor for services rendered in connection with the investigation, selection and acquisition of property or making of loan investments.

Adjusted Investor Capital. As of any date, the Initial Investor Capital for such date reduced by any distribution on or prior to such date deemed by the Board to be from Distributable Proceeds from Capital Transactions.

Advisor. Shall have the meaning ascribed to such term on page viii.

Advisory Agreement. The Advisory Agreement between ARCTRUST and the Advisor pursuant to which the Advisor acts as the advisor and administrator of ARCTRUST, as amended from time to time.

Affiliate. With respect to any specified Person (1) any Person directly or indirectly controlling or controlled by or under common control with the specified Person, (2) any officer, director, partner or trustee of the specified Person or any Person of which the specified Person is an officer, director, general partner or trustee, and (3) any Person owning or controlling 10% or more of the outstanding voting securities or beneficial interests of the specified Person.

AMD. Shall have the meaning ascribed to such term on page ii.

Appraised Value. Value according to an appraisal made by an Independent Appraiser.

ARCTRUST. Shall have the meaning ascribed to it on the cover page.

Average Invested Assets. Average Invested Assets means the estimated value of all of ARCTRUST's properties as determined in accordance with a Valuation plus the principal balance of all Loan investments and total project costs of Developments (calculated as funds invested plus all debt obtained for each Development). For the first three (3) years a property is included in the ARCTRUST portfolio, the property will be valued at cost for the purposes of computing the Average Invested Assets.

Bankruptcy. With respect to any person (1) adjudication as bankrupt or insolvent by a court of competent jurisdiction, or the making of an order by a court of competent jurisdiction for the appointment of a receiver, liquidator or trustee, for all or substantially all of its property, or approval by a court of competent jurisdiction of any petition filed against it for reorganization, and such adjudication, order or approval shall remain in force or unstayed for a period of 30 days; or (2) its institution of proceedings for voluntary bankruptcy or the filing of a petition by it seeking reorganization under the federal bankruptcy laws or for relief under any law for relief of debtors, or its consent to the appointment of a receiver for itself or for all or substantially all of its property, or its making of a general assignment for the benefit of its creditors, or its admission in writing of its inability to pay its debts, generally, as they become due.

Bankruptcy Code. Title 11 of the United States Code, as amended.

Beneficial Ownership, Beneficially Own or Beneficial Owner of Capital Stock. Actual or constructive ownership of capital stock for purposes of and as defined in Part II, subchapter M of the Code, or if under Rule 13d-3 of the Exchange Act such person would be deemed to have beneficial ownership of such capital stock.

Benefit Plan. An IRA, Keogh or employee benefit plan subject to Title I of ERISA or Section 4975 of the Code.

Benefit Plan Investor. Any holder of shares of ARCTRUST's stock that is (a) an employee benefit plan (as defined in Section 3(3) of ERISA) that is subject to the provisions of Title I of ERISA; (b) a plan as defined in and is subject to Section 4975(e) of the Code (any such employee benefit plan or "plan" described in clause (a) or this clause (b) being referred to herein as a "Plan"); (c) an entity whose underlying assets include (or are deemed to include under ERISA or Section 4975(e) of the Code) assets of a Plan by reason of such Plan's investment in such entity; or (d) any other entity that otherwise constitutes a benefit plan investor for purposes of the Plan Asset Regulations.

Bona Fide Project Costs. All of the costs to acquire, approve, lease and construct a Development, including but not limited to, interest on ARCTRUST funds invested in a Development. By way of example and not limitation, bona fide costs include things like due diligence and property investigation costs, land purchases, attorney fees, architectural and engineering fees, environmental costs, site work and building construction costs, project insurance, etc. Development fees paid to the Developer are bona fide project costs.

Bylaws. Shall have the meaning ascribed to such term on page 23.

Capital Transactions. The sale, exchange, financing, refinancing or other disposition of any asset that is not in the ordinary course of business, or casualty damage to, or condemnation of, any property or asset.

Cash from Financings. Net cash proceeds realized by ARCTRUST from the financing of ARCTRUST property or the refinancing of any ARCTRUST indebtedness.

Cash from Sales. Net cash proceeds realized by ARCTRUST from the sale, exchange or other disposition of any of its assets after deduction of all expenses incurred in connection therewith. Cash from Sales will not include Cash from Financings.

Cash from Sales and Financings. The total sum of Cash from Sales and Cash from Financings.

Cause. With respect to the termination of the Advisory Agreement, fraud, criminal conduct, willful misconduct, breach of fiduciary duty by the Advisor, material breach of the Advisory Agreement or the Bankruptcy of the Advisor.

Class S Common Stock. Shall have the meaning ascribed to such term on the cover page.

Code. Shall have the meaning ascribed to such term on page 20.

Common Stock. Shall have the meaning ascribed to such term on the cover page.

Controlling Person. A Person (other than a Benefit Plan Investor) who has discretionary authority or control with respect to the assets of ARCTRUST or who provides investment advice to ARCTRUST for a fee (direct or indirect) with respect to such assets, and any affiliate of such Person.

CSI. Shall have the meaning ascribed to such term on page ii.

CSI and any AMD. The selling group of FINRA broker-dealers formed by CSI and any AMD to sell Shares in the Offering.

Cumulative Return. For the period for which the calculation is being made, the percentage resulting from dividing (1) the total dividends paid on the shares during such period (not including dividends paid out of Distributable Proceeds from Capital Transactions), by (2) the product of (a) the average Adjusted Investor Capital for such period (calculated on a daily basis), and (b) the number of years (including fractions thereof) elapsed during such period.

Developments. Shall have the meaning ascribed to such term set forth on page vii.

DOL Regulations. Shall have the meaning ascribed to such term on page 21.

Disposition Fee. Fee paid to the Advisor in connection with the sale of a property.

Distributable Proceeds from Capital Transactions. Cash receipts arising from or received from the proceeds of a Capital Transaction less (1) the cash applied to the payment of debts and obligations of ARCTRUST (including nonrecourse debts related to the particular Capital Transaction and debts and obligations of ARCTRUST to any Affiliate) and (2) the cash paid or to be paid by ARCTRUST in connection with such Capital Transaction (which will include with regard to damage recoveries or insurance or condemnation proceeds, cash paid or to be paid in connection with repairs, replacements or renewals, in the discretion of the Advisor, relating to damage to or partial condemnation of the property).

Distributable REIT Taxable Income. An amount equal to or greater than (1) the sum of 90% of: (a) the REIT Taxable Income for the taxable year (determined without regard to the deduction for dividends paid and by excluding any net capital gain), and (b) the excess of the net income from Foreclosure Property over the tax imposed on such income less (2) any Excess Noncash Income.

Distribution Compliance Period. Shall have the meaning ascribed to such term on page ii.

Equity Interest. The stock of or other interests in, or warrants, options or other rights to purchase the stock of or other interests in, a tenant of a property, an entity to which ARCTRUST makes a Loan, or a parent or controlling person of a borrower or tenant.

ERISA. Shall have the meaning ascribed to such term on page 20.

ERISA PLAN. Shall have the meaning ascribed to such term on page 21.

Excess Noncash Income. (1) Income includible under Section 467 of the Code and (2) gain from a purported like-kind exchange of property which is determined to be taxable, but only to the extent that it exceeds 5% of REIT Taxable Income.

Foreign Benefit Plan. Shall mean an employee benefit plan, individual tax-advantaged savings vehicle, or other similar vehicle, which is subject to the laws of any jurisdiction outside of the United States, and is not subject to ERISA or the Code.

Fair Market Value. Shall mean the value of the property determined by taking the annual rent from the property and capitalizing it at the current market capitalization rate for similar properties provided by an independent appraiser, or by soliciting a bona fide offer to purchase a property from a non-affiliated party.

FHLMC. The Federal Home Loan Mortgage Corporation.

Final Closing Date. The last date on which purchasers of Shares offered pursuant to the Memorandum are issued such Shares.

FINRA. Financial Industry Regulatory Authority.

Fixed Rate Financing. Financing wherein the interest rate is either fixed or variable with a cap at a redetermined maximum.

FNMA. The Federal National Mortgage Association.

Foreclosure Property. Real property (or any interest in real property) and any personal property incident thereto, which is acquired or reduced to possession by ARCTRUST as a result of a bid in foreclosure, or by agreement or legal process, following a default (or where a default was imminent) on a lease of the property or on an indebtedness secured by such property (other than indebtedness arising upon the sale of dealer property which was not itself Foreclosure Property) which ARCTRUST elects to treat as foreclosure property under the Code for a period of two years, unless such period is extended with the permission of the IRS.

GNMA. The Government National Mortgage Association.

Independent Appraiser. A qualified appraiser of real estate, as determined by the Board, who is not affiliated, directly or indirectly, with ARCTRUST, the Advisor or Affiliates of ARCTRUST or the Advisor. 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.”) will be conclusive evidence of such qualification as an appraiser.

Independent Director. The Independent Director(s) shall be as stated on page 54.

Individual. Any natural person and those organizations treated as natural persons in Section 542(a) of the Code.

Insignificant Participation Exception. Shall mean the exception under the Plan Asset Regulations that provides that an entity’s assets will not be deemed to constitute the underlying assets of a Benefit Plan Investor that invests in the entity if at all times less than 25% of the value of each class of equity interests in the entity is held by one or more Benefit Plan Investors (disregarding any investment by a Controlling Person).

Investment Fee. Shall have the meaning ascribed to it on page 67.

Investment Period. Shall have the meaning ascribed to it on page 103.

Investments. Shall have the meaning ascribed to it on page vi.

Investor Capital. The total amount of capital invested from time to time by stockholders, computed at the gross purchase price per Share for every Share sold, including those Shares for which reduced or no selling commissions were paid in connection with their purchase from ARCTRUST.

IRA. An individual retirement account described in Section 408(a) of the Code or an individual retirement annuity described in Section 408(b) of the Code.

IRR. IRR is calculated as the discount rate that makes the net present value of all cash flows (e.g., cost of our properties, cash flows from tenants and amounts received from sales of properties) looking back over an entire investment period equal to zero.

Keogh. A retirement benefit plan covering a person with net earnings from self-employment, also known as an H.R. 10 plan.

Loans. The notes and other evidences of indebtedness or obligations acquired or entered into by ARCTRUST as lender which are secured or collateralized by personal property, or fee or leasehold interests in real estate or other assets, including, but not limited to, first or subordinate mortgage loans, construction loans, development loans, loans secured by capital stock or any other assets or form of equity interest and any other type of loan or financial arrangement, such as providing or arranging for letters of credit, providing guarantees of obligations to third parties, or providing commitments for loans. The term “Loans” will not include leases which are not recognized as leases for federal income tax reporting purposes.

Memorandum. Shall have the meaning ascribed to such term on the cover page.

MGCL. Shall have the meaning ascribed to such term on page 23.

NASAA Guidelines. The Real Estate Investment Trust Guidelines of the North American Securities Administrators Association, Inc.

Nationally or Regionally Recognized Tenants. A tenant operating from multiple locations throughout the country within a specific geographic region that by its presence has achieved a level of acceptance and validity.

Net Assets. The total assets of ARCTRUST (other than intangibles assets) at cost before deducting depreciation or other non-cash reserves less total liabilities, calculated at least quarterly on a basis consistently applied.

Net Asset Value. Our net asset value based on our most recent Valuation as determined by the Board of Directors utilizing a method of calculation substantially similar to the method used to determine the Offering Price. See, “Determination of the Offering Price.”

Net Income. For any period, the total revenues applicable to such period, less the total expenses applicable to such period, including additions to reserves for depreciation, bad debts or other similar non-cash reserves.

Net Lease Properties. Are general purpose properties such as drug stores, bank branches, food markets, restaurants, department stores and other commercial buildings which are each leased to one or more Nationally Recognized Tenants, or Regionally Recognized Tenants. The term “net lease” refers to the tenant’s obligation to generally pay most or all of the property’s maintenance, insurance and real estate tax costs.

Offering. Shall have the meaning ascribed to such term on the cover page.

Offering Expenses. Those expenses payable by ARCTRUST in connection with marketing and distributing Shares, including, but not limited to (1) the preparing, printing, filing and delivery of the Memorandum (including any amendments thereof or supplements thereto) and the preparing and printing of contractual agreements between ARCTRUST, CSI and any AMD and the selected dealers; (2) the qualification, exemption or registration of the Shares under state securities or “Blue Sky” laws; (3) the fees of ARCTRUST’s counsel and independent auditors; (4) all sales literature; and (5) selling commissions, allowances, and other expenses incurred in connection with the sale of the Shares.

Operating Partnership. Shall have the meaning ascribed to such term on page vi.

Operating Partnership Agreement. Shall have the meaning ascribed to such term on page 99.

Permitted Temporary Investments. United States government securities, certificates of deposit or other time or demand deposits of commercial banks, savings banks, savings and loan associations or similar institutions which have a net worth of at least \$100,000,000 or in which such certificates of deposits are fully insured by any federal or state government agency, United States dollar deposits in foreign branches of banks which have a net worth of at least \$100,000,000, bank repurchase agreements covering securities of the United States government or governmental agencies, commercial paper, bankers acceptances, public money market funds or other similar short-term highly liquid investments.

Plan Asset Regulations. Shall mean 29 C.F.R. Section 2510.3-101 et seq. issued by the U.S. Department of Labor.

Person. An Individual, corporation, partnership, joint venture, business trust, association, company, trust, bank or other entity or any government or any agency and political subdivision of a government.

Preferred Return. The Preferred Return is calculated as the sum of (i) For Shares sold in this Offering, a Cumulative Return of seventy-six cents (\$0.76) per Share on an annualized basis, (ii) For shares sold in our Initial offering and Follow-on offering a Cumulative Return of seventy cents (\$0.70) per share on an annualized basis and (iii) For shares sold in our Follow-on No. 2 offering, a Cumulative Return of seventy-one cents (\$0.71) per Share on an annualized basis.

Prohibited Transaction. A sale of assets held by ARCTRUST primarily for sale to customers in the ordinary course of business other than (1) Foreclosure Property and (2) certain dispositions of real estate assets which satisfy Section 857(b)(6)(C) of the Code.

Publicly-Offered Securities. A security that is freely transferable, part of a class of securities that is widely held and either (i) part of a class of securities registered under section 12(b) or 12(g) of the Exchange Act, or (ii) sold as part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act and the class of securities of which such security is a part is registered under the Exchange Act within 120 days (or such later time as may be allowed by the Securities and Exchange Commission) after the end of the fiscal year of the issuer during which the offering of such securities to the public occurred.

Qualified Plan. Any pension, profit-sharing or other retirement plan (including a Keogh plan) described in Section 401(a) of the Code, the trust of which is exempt from tax under Section 501(a) of the Code.

REIT or Real Estate Investment Trust. A real estate investment trust, as defined in Sections 856-860 of the Code.

REIT Provisions of the Code or REIT Provisions. Parts II and III of Subchapter M of Chapter 1 of the Code or successor statutes, and regulations and rulings promulgated thereunder.

REIT Taxable Income. The taxable income of a REIT, adjusted as follows: (1) the deduction for dividends received allowable to corporations under Section 241 through 247, 249 and 250 of the Code is not allowed; (2) the deduction for dividends paid under Section 561 of the Code is allowed, but is computed without regard to that portion of such deduction attributable to net income from Foreclosure Property; (3) taxable income is computed without regard to Section 443(b) of the Code relating to the computation of tax upon the change of an annual accounting period; (4) net income from Foreclosure Property that is not qualified REIT income without regard to the foreclosure property provisions of the Code is excluded; (5) the tax imposed for failing the 75% Income Test and/or the 95% Income Test is deducted; and (6) income derived from Prohibited Transactions is excluded.

Regulation D. Shall have the meaning ascribed to such term on page ii.

REMIC. A Real Estate Mortgage Income Conduit, as defined in Section 860D of the Code.

Securities Act. Shall have the meaning ascribed to such term on the cover page.

Selling Group. A group of broker-dealers, including CSI and any AMD, who are members of FINRA formed by CSI or any AMD to participate in the sale of the Shares.

Service or IRS. The Internal Revenue Service.

Share(s). Shall have the meaning ascribed to such term on the cover page.

Tenant. Tenant as used herein shall mean any Nationally Recognized Tenant and/or any Regionally Recognized Tenant.

Termination Date. The close of business on December 31, 2014, unless further extended by the Board of Directors as provided herein. If the Offering is extended, then the close of business of the last day of any such extension period will be the Termination Date.

Total Property Cost. With regard to any ARCTRUST property, an amount equal to the sum of the contract purchase price of such property plus acquisition expenses including, but not limited to, due diligence costs, leasing and contracting costs, title insurance and recording costs, all applicable taxes, Investment and Loan Placement Fees paid to the Advisor in connection with such property.

Transaction. As used herein a transaction shall mean any purchase, sale, lease, financing or refinancing of real property, including but not limited to a leasehold interest.

UBTI. Unrelated business taxable income as defined in Section 512 of the Code.

Unacceptable Investor. Shall have the meaning ascribed to such term on page 22.

Underlying Real Property. The property serving as collateral for any Loan.

Unimproved Real Property. Property which has the following three characteristics: (1) an equity interest in property which was not acquired for the purpose of producing rental or other operating income, (2) has no development or construction in process thereon, and (3) no development or construction on such property is planned in good faith to commence within one year.

UPREIT. Shall have the meaning ascribed to such term on page 99.

Unrecovered Capital. As the words pertain to stockholders, means: the gross proceeds from ARCTRUST's Offering of the Shares reduced, but not below zero, by all cash distributions made to stockholders from Capital Event Proceeds. See "Our Operating Partnership Agreement".

USA Patriot Act. Shall have the meaning ascribed to such term on page 22.

Valuation. An estimate of value of the assets of ARCTRUST as determined by or confirmed by a Person selected by the Directors, which Person may be independent of ARCTRUST and the Advisor.

PPM# _____



**ARC PROPERTY TRUST, INC.
EXHIBIT A**

**SUBSCRIPTION AGREEMENT AND INVESTOR REPRESENTATION LETTER
Please Complete Sections 1 through 12 Below**

1. INVESTMENT:

_____	x	_____	=	\$	_____
Number of Shares of Common Stock		Price Per Share			Total Purchase Price

2. OWNERSHIP TYPE: (select only one)

INDIVIDUALS:	ENTITIES:
Individual _____	_____ Irrevocable Trust
Joint Tenants with Right of Survivorship _____	_____ Revocable (Grantor) Trust
Tenants-in-Common _____	_____ Corporation
Tenants by the Entireties _____	_____ Partnership
Community Property _____	_____ Limited Liability Company
Section 501(c)(3) Organization _____	_____ Individual Retirement Account
Employee Benefit Plan _____	_____ Other (explain below:)

3. INVESTOR INFORMATION FOR: INDIVIDUAL or ENTITY Making the Investment.

The following information should be provided by the person making the investment decision whether on his or her own behalf or on behalf of an entity. Information entered here will be used for investor communications.

Name of person making the investment decision: _____

Name(s) as it (they) will appear on account: _____

Social Security or Tax I.D. Number(s): _____

(All Investors and Custodians must provide Social Security Numbers and/or Tax I.D. 's)

Country of Citizenship: _____ Date(s) of Birth: _____

Mailing Address: _____

City: _____ State: _____ Zip: _____

Phone: _____ Email: _____

With respect to the individual(s) or the primary account beneficiary, or grantor, if the investor is a revocable grantor trust, please provide employment information:

Employer/Occupation: _____

Title/Position: _____

4. ENTITY INFORMATION: INDIVIDUALS leave blank. ENTITIES Complete This Section.

TRUST: _____ PARTNERSHIP: _____ CORPORATION: _____ LLC: _____ OTHER: _____

Please furnish a copy of the trust agreement, partnership agreement, corporate resolution, operating agreement or other evidence authorizing the trustee, general partner, corporate officer, manager/member or authorized representative to make an investment of this type and authorizing such individual(s) to execute the documents to purchase the Shares.

Name(s) and Title(s) of authorized signer(s): _____

Address: _____

City: _____ State: _____ Zip: _____

Telephone number: (_____) _____

Names of any other Trustees, Partners, Officers, Members or Principals: _____

Date Entity was formed: _____ State: _____ If a Trust, is the Trust revocable? ____ Yes ____ No

Principal purpose of the entity: _____

5. DISTRIBUTIONS: Please indicate to whom distributions should be sent.**1. If By Check:**

Name: _____

Mailing Address: _____

City: _____ State: _____ Zip: _____

Account Number (if applicable): _____

2. If By Automatic Deposit:

Name of Financial Institution: _____

Routing Number: _____

Account Number: _____

Checking: ☐Savings: ☐**Please attach a voided check and return it along with your subscription. Please DO NOT attach a deposit slip.**

I hereby authorize ARC Property Trust, Inc., a Maryland corporation ("ARCTRUST"), to initiate automatic deposits to my account at the financial institution named below. I also authorize ARCTRUST to make withdrawals from this account in the event that a credit entry is made in error. Further, I agree not to hold ARCTRUST responsible for any delay or loss of funds due to incorrect or incomplete information supplied by me or by my financial institution or due to an error on the part of my financial institution in depositing funds to my account. This agreement will remain in effect until ARCTRUST receives a written notice of cancellation from me or my financial institution, or until I submit new written direct deposit instructions. _____ Initial

6.

ACCREDITED INVESTOR: The undersigned meets the standards of an “Accredited Investor” set forth under Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the “Securities Act”), because the undersigned is (please check only the appropriate box(s) below):

Initial

(please check only those that apply)

- ☐ A natural person whose individual net worth, or joint net worth with that person’s spouse, at the time of purchase, exceeds US\$1,000,000, excluding the value of the primary residence of such natural person. With regard to your primary residence you may not include any equity in such residence, but (a) any indebtedness secured by the residence that is greater than the appraised value of the residence and (b) any indebtedness secured by the residence that you have borrowed within the past sixty (60) days not for the purpose of purchasing the residence should be included to reduce your net worth; or
- ☐ A natural person who had an individual income in excess of US\$200,000 in each of the two most recent years or joint income with that person’s spouse in excess of US\$300,000 in each of those years, and has a reasonable expectation of reaching the same income level in the current year; or
- ☐ A revocable grantor trust, which may be amended or revoked at any time by the grantors, in which all of the grantors are Accredited Investors; or
- ☐ A director or executive officer of ARCTRUST; or
- ☐ An individual retirement account in which its participant is an Accredited Investor; or
- ☐ Any entity (e.g., corporation, partnership, limited liability company, etc., but NOT an irrevocable trust) in which all of the equity owners are Accredited Investors; or
- ☐ A trust with total assets in excess of US\$5,000,000 not formed for the specific purpose of acquiring the Shares, whose purchase of the Shares is directed by a “sophisticated person”, as defined in Rule 506(b)(2)(ii) promulgated under the Securities Act, who has such knowledge and experience of financial and business matters that he or she is capable of evaluating the merits and risks of investing in the Shares; or
- ☐ A corporation, Massachusetts or similar business trust, partnership or limited liability company with total assets in excess of US\$5,000,000 not formed for the specific purpose of acquiring the Shares; or
- ☐ An organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, with total assets in excess of US\$5,000,000 not formed for the specific purpose of acquiring the Shares; or
- ☐ Any of the following: (1) an “employee benefit plan” within the meaning of Title I of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment advisor, (2) an employee benefit plan with total assets in excess of US\$5,000,000, or (3) self-directed plans, if the investment decisions are made solely by persons that are Accredited Investors; or
- ☐ A private business development company as defined in Section 202(a)(22) of the Investment Advisors Act of 1940; or
- ☐ OTHER: If the Investor does not fit within any of the above categories, it must be a bank as defined in Section 3(a)(2) of the Securities Act, a savings and loan association or any other institution as defined in Section 3(a)(5)(A) of the Securities Act, a broker/dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended, an insurance company as defined in Section 2(13) of the Securities Act, an investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act, a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958, or any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of US\$5,000,000.

7. SUBSCRIPTION: THIS AGREEMENT AND INVESTOR REPRESENTATION LETTER (the “Agreement”) is made as of the date specified on the signature page hereto between ARCTRUST and the subscriber named on the signature page hereto.

Initial

The undersigned hereby irrevocably subscribes for, and agrees to purchase shares of Common Stock, par value \$0.01 per share (the “Shares”), of ARCTRUST for a purchase price of \$ [REDACTED] per Share, in the number of Shares and aggregate amount set forth on the first page of this Exhibit A, on the terms and conditions described herein and in the Confidential Private Placement Memorandum (together with any exhibits and supplements thereto, the “Memorandum”) relating to the offering (the “Offering”) of Shares of ARCTRUST. The undersigned tenders herewith funds payable to the order of ARC Property Trust, Inc., in the aggregate amount indicated on the first page of this Exhibit A.

ARCTRUST and Chauner Securities, Inc. (“CSI”), the managing dealer for the Offering, have the right to reject this subscription, in whole or in part, within 30 days of receipt of this subscription for any reason whatsoever or for no reason. The acceptance of this subscription will be evidenced by the execution of the Agreement by ARCTRUST. If this subscription or any part thereof is rejected, ARCTRUST shall promptly return the subscription funds relating to the rejected portion. The undersigned has no right to withdraw the undersigned’s subscription funds.

The undersigned acknowledges that any delivery of information relating to the Shares prior to the determination by ARCTRUST that the undersigned is an “Accredited Investor” as such term is defined in Rule 501(a) promulgated under the Securities Act, shall not constitute an offer of securities until such determination shall be made and the Shares are issued by ARCTRUST to the undersigned.

8. GENERAL REPRESENTATIONS, WARRANTIES, COVENANTS: The undersigned hereby acknowledges, represents and warrants to, and agrees with ARCTRUST as follows:

Initial

The undersigned is acquiring the Shares for the undersigned’s own account, for investment purposes only, and not with a view to, or for or in connection with, the resale, public distribution or offering, or fractionalization thereof, in whole or in part. The undersigned has no present intent to sell the Shares at any particular event or circumstances and has no agreement or other arrangement with any person to sell, transfer, or pledge any part of the Shares for which would guarantee the undersigned any profit or against any loss with respect to the Shares.

The undersigned meets the standards of an “Accredited Investor” set forth under Rule 501(a) of Regulation D under the Securities Act and has such knowledge and experience in financial and business matters, including business experience in private investments, that he/she/it, either alone or with the assistance of his/her/its representatives and/or advisors, is capable of evaluating the merits and risks of an investment in the Shares.

The undersigned understands that this Offering and sale of the Shares of ARCTRUST has not been reviewed by the U.S. Securities and Exchange Commission (the “SEC”), any state securities regulator or any other federal or state government official. The undersigned understands that any offering literature used in connection with this Offering has not been filed with, or reviewed by, the SEC, any state securities regulator or any other federal or state government official. The undersigned agrees that the undersigned shall not sell or otherwise transfer these Shares unless they are registered under the Securities Act or unless an exemption from such registration is available. The undersigned represents that the undersigned has adequate means of providing for the undersigned’s current needs and possible personal contingencies, and that the undersigned has no need for liquidity of this investment. It is understood that all documents, records and books pertaining to this investment have been made available for inspection by the undersigned or the undersigned’s attorney, accountant or representative, and that the books and records of ARCTRUST shall be available, upon reasonable notice, for inspection by investors at reasonable hours at its principal place of business.

To the extent the Shares are certificated, the certificates representing the Shares shall bear a legend, in addition to any legends required by ARCTRUST’s charter, in substantially the following form: “The shares represented by this certificate have not been registered under the Securities Act of 1933, as amended, or the applicable securities act of any state, but have been issued in reliance upon exemptions from registration contained in said acts. No sale, offer to sell or other transfer of the shares represented by this certificate may be made unless a registration statement under said acts is in effect with respect to the securities, or an exemption from the registration provisions of such acts is then in fact applicable.”

The undersigned is aware that ARCTRUST is not required to comply with the guidelines and policy statements of the North American Securities Administrators Association, Inc. (“NASAA”) and, accordingly, investors in ARCTRUST may not have many of the protections afforded to investors in public REITs and other REITs that comply with the NASAA Guidelines.

9. GENERAL REPRESENTATIONS, WARRANTIES, COVENANTS (cont'd.): The undersigned hereby acknowledges, represents and warrants to, and agrees with ARCTRUST as follows:

Initial

The undersigned has: (i) received and carefully read the Memorandum and understands and has evaluated the risks of a purchase of the Shares, including the risks set forth in the Memorandum, and has relied solely (except as indicated below) on the information contained in the Memorandum; (ii) been given the opportunity to ask questions of, and receive satisfactory answers from, ARCTRUST concerning ARCTRUST and the Offering and other matters pertaining to this investment, and to obtain any additional information necessary to verify the accuracy of the information contained in the Memorandum or otherwise provided, and has not been furnished any other offering literature or prospectus except as mentioned herein or in the Memorandum; (iii) been furnished with all additional documents and information requested by the undersigned; (iv) had an opportunity to consult with the undersigned's advisors and counsel regarding the consequences of an investment in ARCTRUST; and (v) determined that the Shares are a suitable investment and that at this time the undersigned could bear a complete loss of the investment.

The undersigned is aware that no resale market exists for the Shares, thereby requiring this investment to be maintained indefinitely. The undersigned shall not sell or otherwise transfer the Shares without registration under the Securities Act or an exemption therefrom. The undersigned must bear the economic risk of this investment for an indefinite period of time because there shall be no public market for the Shares. The Shares have not been registered under the Securities Act or under state securities laws and cannot be resold, pledged, assigned or otherwise disposed of unless subsequently registered under the Securities Act and under applicable state securities laws or an exemption from such registration is available. ARCTRUST is under no obligation to register the Shares or to assist in complying with any exemption from registration. In any event, ARCTRUST may, if it so desires, permit a transfer of the Shares only when such transfer is made in accordance with the charter and Bylaws of ARCTRUST and, if requested by ARCTRUST, the undersigned's request for transfer is accompanied by an opinion of counsel reasonably satisfactory to ARCTRUST that the proposed transfer does not result in a violation of the Securities Act or any applicable state securities laws. Sales or transfers of the Shares are further restricted by state securities laws and additional restrictions contained in ARCTRUST's charter, designed to protect its status as a real estate investment trust under the Internal Revenue Code of 1986, as amended, among other purposes. The undersigned recognizes that the Shares may not be transferred without the consent of ARCTRUST and that any such consent will be in the sole discretion of ARCTRUST.

If the undersigned is a corporation, partnership, trust or other entity, it: (i) is authorized and qualified to become a stockholder in, and authorized to make its investment in, ARCTRUST, and the person signing this Agreement on behalf of such entity has been duly authorized to do so; and (ii) was not formed for the specific purpose of investing in ARCTRUST nor did or shall the stockholders, partners or grantors, as the case may be, of the undersigned entity contribute additional capital for the specific purpose of purchasing the Shares.

ARC Capital Advisors, L.P. (the "Advisor") shall receive compensation based on the appreciation of ARCTRUST's properties and other compensation based on, among other things, ARCTRUST's purchases and sales of properties and the value of ARCTRUST's properties. The undersigned represents, warrants, acknowledges and understands that; (i) the compensation arrangements as described in the Memorandum may create an incentive for the Advisor to make investments that are riskier or more speculative than would be the case in the absence of such compensation; (ii) the Advisor may receive compensation based on unrealized appreciation, as well as realized gains derived from the value of ARCTRUST's properties.

No representations not contained in the Memorandum have been made to the undersigned by ARCTRUST, the Advisor, CSI or any officer, employee, agent or affiliate thereof.

Any information which the undersigned has heretofore furnished and herewith furnishes to ARCTRUST with respect to the undersigned's financial position and business experience is correct and complete as of the date of this Agreement, and if there should be any material change in such information prior to the issuance of the Shares, the undersigned shall immediately furnish such revised and corrected information to ARCTRUST.

There are risks associated with investing in ARCTRUST, including, but not limited to: (1) market risks and the potential for a decrease in the value of ARCTRUST's properties; (2) risks of investing in real estate occupied by one or only a few tenants; (3) risks that prospective investors may have no opportunity to evaluate the properties to be acquired by ARCTRUST and the risk of not being able to find suitable investments for ARCTRUST; and (4) risks of investing in real estate that is subject to mortgage debt, including the risk that a lender can foreclose on a property on which it holds a mortgage if ARCTRUST does not repay the mortgage loan. The undersigned has reviewed the additional risk factors outlined in the "Risk Factors" section beginning on page 18 of the Memorandum, as supplemented. The undersigned understands that the risk factors referred to above and in the Memorandum and in any other supplement is not a complete list of risks applicable to the purchase of the Shares, and the undersigned has taken full cognizance of, and understands, such risks, and has obtained sufficient information to evaluate the merits and risks of an investment in ARCTRUST and the purchase of the Shares.

10. INDEMNITY: The undersigned hereby acknowledges, represents and warrants to, and agrees with ARCTRUST as follows:

Initial

The undersigned agrees to indemnify and hold harmless ARCTRUST, the board of directors of ARCTRUST, CSI, any additional managing dealer and any of their respective agents, employees, affiliates and each other person, if any, who controls or is controlled by any of the foregoing, within the meaning of Section 15 of the Securities Act, against any and all loss, liability, claim, damage and expense whatsoever (including, but not limited to, attorney's fees and any and all expenses reasonably incurred in investigating, preparing or defending against any litigation commenced or threatened or any claim whatsoever) arising out of or based upon any false representation or warranty or breach or failure by the undersigned to comply with any covenant or agreement made by the undersigned herein or in any other document furnished by the undersigned in connection with the Offering.

11. MISCELLANEOUS: The undersigned hereby acknowledges, represents and warrants to, and agrees with ARCTRUST as follows:

Initial

ARCTRUST, CSI and any additional managing dealer shall use commercially reasonable efforts to keep the information provided in the answers to this Agreement strictly confidential. ARCTRUST and CSI may present this Agreement and the information provided in answers to it to such parties as they deem advisable if compelled by law or called upon to establish the availability under any federal or state securities laws of an exemption from registration of the private placement or if the contents thereof are relevant to any issue in any action or proceeding to which either ARCTRUST or CSI is a party or by which either is or may be bound.

Neither this Agreement nor any provisions hereof shall be modified, discharged or terminated except by an instrument in writing signed by the party against whom any waiver, change, discharge or termination is sought.

Any notice, demand or other communication which any party hereto may be required, or may elect, to give to anyone interested hereunder shall be sufficiently given if: (i) deposited, postage prepaid, in the United States mail, registered or certified mail, return receipt requested, addressed to such address as may be given herein; or (ii) delivered personally at such address.

Except as otherwise provided herein, this Agreement shall bind and benefit the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns. If the undersigned is more than one person, the obligations of the undersigned shall be joint and several and the agreements, representations, warranties and acknowledgments herein contained shall be deemed to be made by and be binding upon each such person and his/her heirs, executors, administrators and successors.

This instrument contains the entire agreement of the parties, and there are no representations, covenants or other agreements except as stated or referred to herein.

This Agreement is not transferable or assignable by the undersigned.

This Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey applicable to contracts made and to be performed entirely within such state.

All pronouns herein and any variations thereof shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the parties hereto may require.

This Agreement may be executed through the use of separate signature pages or in any number of counterparts, and each of such counterparts shall, for all purposes, constitute one agreement binding on all the parties, notwithstanding that all parties are not signatories to the same counterpart.

All capitalized terms used herein and not defined herein shall have the meanings ascribed to them in the Memorandum.

Section headings appearing in this Agreement are inserted solely as reference aids for the ease and convenience of the reader and will not be deemed to modify, limit or define the scope or substance of the provisions they introduce, nor will they be used in construing the intent or effect of such provisions.

12. INVESTOR SIGNATURE: (Date and Sign)

THE UNDERSIGNED HAS READ AND EXECUTED THIS SUBSCRIPTION AGREEMENT AND INVESTOR REPRESENTATION LETTER ON THIS _____ DAY OF _____, 20____.

X_____
Signature of Subscriber**X**_____
Signature of Joint Subscriber, if any_____
Print Name of Subscriber, and title if applicable_____
Print Name of Joint Subscriber, if any

PLEASE MAKE CHECKS PAYABLE TO “ARC Property Trust, Inc.”

-----**(Do Not Write Below This Line)**-----

ARC PROPERTY TRUST, INC. ACCEPTANCE: (For ARCTRUST Use)

THE FOREGOING SUBSCRIPTION AGREEMENT OF _____

_____ IS HEREBY ACCEPTED BY ARC PROPERTY TRUST, INC.

By: _____

Date: _____

Name:

Title:

BROKER VERIFICATION: (For Broker/Dealer Use)

The undersigned (the broker and/or registered representative) has reviewed the information provided in this Subscription Agreement and Investor Representation Letter by his/her client(s) and believes that such information is accurate based upon his/her knowledge of such client's affairs.

BROKER/REPRESENTATIVE**BROKER-DEALER**

Name(s): _____

Name of Firm: _____

Address: _____

Address: _____

Phone: _____

Phone: _____

Email: _____

Fax: _____

Signature(s): _____

Date: _____

Broker-Dealer's Authorized Signature: _____

Date: _____

EXHIBIT B
FINANCIAL STATEMENTS
OF
ARC PROPERTY TRUST, INC. (“ARCTRUST”)

**ARC PROPERTY TRUST, INC.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED DECEMBER 31, 2014
AND 2013**

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Bernstein & Pinchuk
ACCOUNTANTS AND CONSULTANTS
INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated balance sheets of ARC Property Trust, Inc. (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of income, changes in equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ARC Property Trust, Inc. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bernstein & Pinchuk LLP

Bernstein & Pinchuk LLP
New York, NY
April 7, 2015

Bernstein & Pinchuk LLP

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ARC PROPERTY TRUST, INC.
Consolidated Balance Sheets

	December 31,	
	2014	2013
Assets		
Property:		
Land	\$ 69,331,159	\$ 46,342,058
Land improvements	635,094	635,094
Building and improvements	90,213,471	47,610,686
	160,179,724	94,587,838
Less: accumulated depreciation	3,398,808	1,626,233
Property, net	156,780,916	92,961,605
Construction in progress	96,510	-
Cash and cash equivalents	2,204,141	8,158,079
Restricted cash	277,454	640,749
Rent receivable	7,325	102
Interest receivable	194,581	26,309
Deferred rent receivable	1,047,344	702,819
Loans receivable	16,368,361	7,647,272
Prepaid expense	18,129	16,622
Purchase deposits	876,429	370,000
Deferred transaction costs	27,330	179,301
Development program costs	2,509,505	-
Investments in Unconsolidated Joint Ventures	2,375,411	3,879,183
Interest rate cap	37,900	-
Deferred financing and other fees, net of accumulated amortization of \$1,476,010 and \$881,041 for 2014 and 2013, respectively	2,072,621	1,494,640
Total Assets	\$ 184,893,957	\$ 116,076,681
Liabilities and Equity		
Liabilities:		
Mortgage notes payable	\$ 10,410,127	\$ 3,969,067
Lines of credit	14,774,500	3,175,000
Security deposit	15,600	15,600
Accounts payable and accrued expenses	420,531	436,490
Taxes payable	4,003	-
Due to related parties	203,982	185,671
Deferred rental income	409,796	152,035
Deferred interest income	289,758	160,059
Due to tenant	246,983	97,871
Dividends payable	1,116,325	817,745
Total current liabilities	27,891,605	9,009,538
Mortgage notes payable-long term	86,888,272	51,517,737
Construction loan payable	664,189	-
Total liabilities	115,444,066	60,527,275
Equity:		
Class A Common shares: \$.01 par value per share; authorized 14,000,000 shares 8,851,839 offered; 6,600,063 and 5,396,719 shares issued and outstanding as of December 31, 2014 and 2013, respectively	66,001	53,967
Class S Common shares: \$.01 par value per share; authorized 1,000,000 shares 1,000,000 offered; 0 and 0 shares issued and outstanding as of December 31, 2014 and 2013, respectively	-	-
Additional paid in capital	65,725,813	52,568,413
Cumulative net income	11,864,492	9,410,149
Cumulative partnership distributions	(121,909)	(121,909)
Cumulative shareholder distributions	(10,850,896)	(6,562,964)
Total shareholders' equity	66,683,501	55,347,656
Noncontrolling interest	2,766,390	201,750
Total equity	69,449,891	55,549,406
Total Liabilities and Equity	\$ 184,893,957	\$ 116,076,681

See notes to consolidated financial statements

ARC PROPERTY TRUST, INC.
Consolidated Statements of Income

	Years Ended December 31,	
	2014	2013
Revenues:		
Rental revenues	\$ 9,211,457	\$ 5,740,570
Reimbursement of real estate taxes	1,654,741	1,211,824
Loan fees	625,871	218,540
Cost saving fee	47,162	84,816
Income from joint venture	86,969	48,460
Income from beneficial ownership interests in real estate	65,459	-
Gain on sale of beneficial ownership interests in real estate	57,364	-
Interest income	1,063,569	439,957
Total revenues	12,812,592	7,744,167
Expenses:		
Interest expense	3,144,864	1,896,754
Depreciation and amortization	2,367,544	1,681,384
Asset management fees-affiliate	1,407,295	799,010
Stock based compensation	587,689	-
General and administrative expense	195,219	86,296
Professional expenses	242,044	135,697
Real estate taxes	1,734,573	1,240,957
Property operating expenses	310,404	164,855
Costs from terminated transactions	228,485	143,825
State and local taxes	22,626	21,413
Total expenses	10,240,743	6,170,191
Federal taxes	4,003	-
Net income before gain on investments in unconsolidated joint ventures, gain on sales of properties and loss on early retirement of debt	\$ 2,567,846	\$ 1,573,976
Gain on investments in unconsolidated joint ventures	-	377,879
Gain on sale of properties	-	4,910,623
Loss on early retirement of debt	(95,020)	(556,160)
Net income before income attributable to noncontrolling interest	2,472,826	6,306,318
Net income attributable to noncontrolling interests	18,483	11,136
Net income attributable to ARC Property Trust, Inc.	\$ 2,454,343	\$ 6,295,182

See notes to consolidated financial statements

ARC PROPERTY TRUST INC.
Consolidated Statements of Changes in Equity

	<u>Common Shares</u>		<u>Additional Paid-in Capital</u>	<u>Cumulative Net Income</u>	<u>Cumulative Partnership Distribution</u>	<u>Cumulative Distributions</u>	<u>Non- Controlling Interests</u>	<u>Total Equity</u>
	<u>Shares</u>	<u>Amount</u>						
Balance, December 31, 2012	3,011,407	30,114	27,197,889	3,114,967	(121,909)	(3,837,217)	211,634	26,595,478
Issuance of shares in private offering	2,385,312	23,853	25,370,524	-	-	-	-	25,394,377
Net income	-	-	-	6,295,182	-	-	11,136	6,306,318
Dividends	-	-	-	-	-	(2,725,747)	-	(2,725,747)
Partnership distributions	-	-	-	-	-	-	(21,020)	(21,020)
Balance, December 31, 2013	5,396,719	\$ 53,967	\$ 52,568,413	\$ 9,410,149	\$ (121,909)	\$ (6,562,964)	\$ 201,750	\$ 55,549,406
Issuance of shares in private offering	1,203,344	12,034	12,569,711	-	-	-	-	12,581,745
Noncontrolling equity interests in a newly formed subsidiary	-	-	-	-	-	-	2,556,667	2,556,667
Stock based compensation	-	-	587,689	-	-	-	-	587,689
Net income	-	-	-	2,454,343	-	-	18,483	2,472,826
Dividends	-	-	-	-	-	(4,287,932)	-	(4,287,932)
Partnership distributions	-	-	-	-	-	-	(10,510)	(10,510)
Balance, December 31, 2014	<u>6,600,063</u>	<u>\$ 66,001</u>	<u>\$ 65,725,813</u>	<u>\$ 11,864,492</u>	<u>\$ (121,909)</u>	<u>\$ (10,850,896)</u>	<u>\$ 2,766,390</u>	<u>\$ 69,449,891</u>

See notes to consolidated financial statements

ARC PROPERTY TRUST, INC.
Consolidated Statements of Cash Flows

	For the Years Ended December 31,	
	2014	2013
Cash Flows from Operating Activities:		
Net income	\$ 2,472,826	\$ 6,306,318
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Depreciation and amortization	2,367,544	1,681,384
Gain on sale of property	-	(4,910,623)
Stock based compensation	587,689	-
Income from joint ventures	(86,969)	(48,460)
<i>Changes in operating assets and liabilities</i>		
Accounts receivable	(7,223)	31,843
Interest receivable	(168,272)	(26,309)
Shareholder receivable	-	25,000
Deferred rent receivable	(344,525)	(234,475)
Prepaid expense	(1,507)	3,326
Due to related parties (operating)	18,311	43,388
Accounts payable and accrued expenses	(15,959)	193,793
Taxes payable	4,003	-
Due to tenant	149,112	97,871
Deferred rental income	257,761	55,658
Deferred interest income	129,699	160,059
Net cash provided by operating activities	5,362,490	3,378,773
Cash Flows from Investing Activities:		
Acquisition of properties	(63,091,886)	(44,040,718)
Proceeds from sale of properties	-	19,060,230
Construction in progress	(96,510)	-
Investment in joint venture	(9,527)	(4,451,518)
Investment in beneficial interests in real estate	(5,151,000)	-
Sale of beneficial ownership interests in real estate	5,151,000	-
Distributions from joint venture	419,019	258,486
Non-controlling equity interest	46,157	(21,020)
Proceeds from refinancing of joint venture	1,181,250	1,633,838
Restricted cash	363,295	(469,849)
Loans receivable	(8,721,089)	(6,347,272)
Paydown of loans receivable	-	1,220,000
Interest rate cap	(37,900)	-
Development program costs	(2,509,505)	-
Purchase deposits	(506,429)	(370,000)
Deferred acquisition costs	151,971	(179,301)
Net cash used in investing activities	(72,811,154)	(33,707,124)
Cash Flows from Financing Activities:		
Mortgage principal amortization	(1,598,241)	(650,738)
Borrowings under mortgage notes payable	43,409,836	33,227,994
Borrowings under construction loan payable	664,189	-
Paydown of mortgage notes payable	-	(18,707,068)
Paydown under lines of credit	14,774,500	3,175,000
Borrowings under line of credit	(3,175,000)	(950,000)
Deferred mortgage costs and other fees	(1,172,950)	(1,262,310)
Due to related parties (financing)	-	63,700
Proceeds from the issuance of common stock	14,544,105	27,812,689
Offering costs paid	(1,962,361)	(2,418,312)
Dividends paid	(3,989,352)	(2,415,830)
Net cash provided by financing activities	61,494,726	37,875,125
Net Increase (Decrease) in Cash and Cash Equivalents	(5,953,938)	7,546,774
Cash and Cash Equivalents, Beginning of Period	8,158,079	611,305
Cash and Cash Equivalents, End of Period	\$ 2,204,141	\$ 8,158,079
Supplement Disclosure of Cash Flow Information:		
Cash payments for interest	\$ 3,022,622	\$ 1,890,719
Income tax paid	\$ -	\$ -

See notes to consolidated financial statements

**ARC PROPERTY TRUST, INC.
AND SUBSIDIARIES
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 its subsidiaries (collectively “ARCTrust”) specialize in the development, acquisition and finance 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, Spring Valley Land AT LLC, Trenton Quakerbridge AT LLC, Midlothian Huguenot AT LLC, Fredericksburg Warrenton AT LLC, North Riverside Cermak LLC, Glen Cove Forest LLC, Saber Tampa ARCT LLC, Garner Timber Drive LLC, Huntersville Sam Furr LLC, Union City AT LLC, Middletown Washington LLC, Springfield Land AT LLC, Willow Grove Easton LP, Willow Grove Easton 2350 LP, Weeki Wachee Cortez LLC, Palm Springs Congress LLC, Indialantic Miramar LLC, Syracuse Teall LLC, ChestPac ARCT LLC, Jacksonville Third LLC, Louisville Blankenbaker LLC, Lincoln Ridgeline LLC, Raleigh Wake Forest LLC, Doylestown North Easton LP, Lansdale County Line LP, Philadelphia Broad Street LP, Philadelphia City Line LP, Saber Tampa ARCT II LLC, Abington York LP, Garner Highway Forty Two LLC, Batavia Randall LLC, Gastonia Franklin LLC, Warwick Sandy LLC, Midlothian Route 60 LLC, Hazelton Airport LP, Capitol Heights Marlboro ARC LLC, Richmond Westover Hills LLC, Suitland Auth LLC, San Antonio Nacogdoches DST, ARC Morris Plains Speedwell LLC, ARCT 569 Broadway LLC and ARC Velocity LLC. Allentown Lloyd LP is the 100% owner of Washington DC Newton LLC. Manalapan ARCTrust LLC is the 100% owner of Syracuse Manalapan LLC. Edgewater Hudson is the 100% owner of Virginia Beach Pharmacy LLC, Union City AT LLC owns a 90% interest in Union City Bergenline LLC, ARC Morris Plains Speedwell LLC owns a 90% interest in Morris Plains Speedwell, LLC and ARCT 569 Broadway LLC owns a 50% interest in 569 Broadway Associates Limited Partnership.

On August 1, 2014, ARCTrust formed ARCTrust Holdings Inc. ARCTrust owns 100% of ARCTrust Holdings Inc. which has been set up as a Taxable REIT Subsidiary as defined under Section 856 of the Internal Revenue Code.

ARC Property Trust Inc. is also the 100% owner of ARCTrust TRS Inc. ARCTrust TRS Inc. was originally set up as a Taxable REIT Subsidiary as defined under Section 856 of the Internal Revenue Code. On June 30, 2013, ARCTrust filed the necessary documents with the Internal Revenue Service to convert it to a Qualified REIT Subsidiary.

On January 10, 2010 ARCTrust commenced a private offering of 2,000,000 shares at \$10 per share pursuant to a private placement memorandum. On April 15, 2011 ARCTrust increased the offering to 3,000,000 shares. On May 15, 2012 the Board authorized an amendment to ARCTrust’s charter increasing the number of authorized shares to 10,000,000 shares. On September 28, 2012, ARCTrust commenced a follow on private offering of up to an aggregate of 2,572,898 shares at \$11.66 per share pursuant to a private placement memorandum. On December 16, 2013, ARCTrust increased the follow on September 28, 2012 private offering to 3,430,532 shares at \$11.66 per share and extended the offering to January 31, 2014. On March 28, 2014, ARCTrust commenced a second follow on offering of 2,421,307 shares at \$12.39 per share. On April 4, 2014 the Board authorized an amendment to ARCTrust’s charter increasing the number of authorized common stock to 15,000,000 shares. On September 30, 2014, ARCTrust authorized the issuance of 1,000,000 Class S shares, each Class S share entitles the holder to a one-half of one vote on each matter submitted to a vote of stockholders and the same aggregate amount of dividends and distributions per share as the Class A common Stock. As of December 31, 2014, ARCTrust had \$72,743,554 of gross proceeds representing 6,600,063 class A common shares and 0 Class S shares from investors, which, net of offering costs, has yielded \$65,204,125.

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, as of December 31, 2014, the accounts of ARCTrust and its wholly-owned subsidiaries.

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- b. *Reclassification*** – The comparative figures have been reclassified to conform to current year presentation.
- c. *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.
- d. *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.

<u>Asset</u>	<u>Useful Life</u>
Land Improvements	15 years
Building	39-40 years
Furniture and equipment	5 years
Improvements for tenant	15 years

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

- e. *Accounting for Acquisitions*** – Upon acquisition of real estate properties, the Company determines if the acquisition meets the criteria to be accounted for as a business combination. Accordingly, the Company accounts for acquired single tenant properties that have an existing long-term triple-net lease or leases (greater than seven years) as asset acquisitions. Acquisitions of properties that include a process such as those with shorter-term leases or properties with multiple tenants that require business related activities to manage and maintain the properties are treated as business combinations. Costs incurred for asset acquisitions and development properties, including transaction costs, are capitalized. For asset acquisitions, the Company allocates the purchase price and other related costs incurred to the real estate assets acquired based on recent independent appraisals and management judgment. If the acquisition is determined to be a business combination, the Company records the fair value of acquired tangible assets (consisting of land, building, tenant improvements, and furniture, fixtures and equipment) and identified intangible assets and liabilities (consisting of above and below market leases, in-place leases, tenant relationships and assumed financing that is determined to be above or below market terms) as well as any noncontrolling interest. In addition, acquisition-related costs in connection with business combinations are expensed as incurred.
- f. *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 for the year ended December 31, 2014 or for the year ended December 31, 2013.

- g. *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.

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- h. *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.
- i. *Investments in Unconsolidated Joint Ventures*** – The Company accounts for its investments in unconsolidated joint ventures under the equity method of accounting as the Company exercises significant influence, but does not control these entities. These investments are recorded initially at cost and subsequently adjusted for cash contributions and distributions. Earnings for each investment are recognized in accordance with each respective investment agreement.
- j. *Amortization*** – Deferred financing and other fees are amortized using the straight-line method over the life of the related mortgage or line of credit.
- k. *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. operated as a Taxable REIT Subsidiary up until June 30, 2013 and was subject to corporate tax rates. On June 30, 2013, ARCTrust filed the necessary documents with the Internal Revenue Service to convert it to a Qualified REIT Subsidiary.

ARCTrust Holdings Inc. operates as a Taxable REIT Subsidiary and is subject to corporate tax rates. Estimated taxes payable were \$4,003 as of December 31, 2014.

- l. *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. ARCTrust has recorded deferred rent receivable of \$1,047,344 and \$702,819 which represents rental income recognized in excess of rent payments actually received pursuant to the terms of the individual lease agreements as of December 31, 2014 and 2013, respectively. This amount appears on the consolidated balance sheets under deferred rent receivable. The leases typically provide that the tenant is obligated to pay all real estate tax assessments. These payments are recognized as revenue in the period the related real estate tax expense is incurred.

m. *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, 2014 and 2013, respectively.

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.

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- n. Industry Segments** – ARCTrust operates in one industry segment, investments in credit lease properties.
- o. 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. 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.
- p. Recently issued accounting pronouncements affecting ARCTrust** – Management does not believe that any recently issued, but not yet effective, accounting standards or pronouncements, if currently adopted, would have a material effect on ARCTrust’s consolidated financial statements.

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 costs in connection with 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 costs directly related to the sale of shares. As of December 31, 2014 ARCTrust has incurred \$7,539,429 in total costs related to the selling of its shares.

4. PROPERTIES

The table below details the properties currently owned by ARCTrust and its subsidiaries:

Purchase Date	Purchase Entity	Location	Acreage	Sq. Ft.	Tenant	Purchase Price
December 1, 2009	Washington Blackhorse LLC	Washington, New Jersey	1.87	5,400	Wells Fargo/Wachovia	\$3,900,000
July 8, 2010	Millville ARCTrust LLC	Millville, New Jersey	1.222	7,381	AutoZone Inc.	\$1,937,500
December 10, 2010	ARCTrust TRS Inc.	Mount Arlington, New Jersey	1.05	2,875	Bank of America	\$2,727,226
April 29, 2011	Trenton Quakerbridge AT LLC	Trenton, New Jersey	1.15	NA	Lehigh Gas Inc.	\$2,078,012
June 20, 2011	Midlothian Huguenot AT LLC	Midlothian, Virginia	4.70	43,505	HH Gregg Inc.	\$2,425,000
September 15, 2011	Fredericksburg Warrenton AT LLC	Fredericksburg, Virginia	2.31	3,162	7 – 11 Inc.	\$1,168,200
November 14, 2011	Washington DC Newton LLC	Washington DC	.52	11,585	CVS Corp.	\$4,900,000
January 20, 2012	North Riverside Cermak LLC	North Riverside, Illinois	2.3	30,000	HH Gregg	\$4,225,000
March 7, 2012	Glen Cove Forest LLC	Glen Cove, New York	.78	3,620	Payless Shoes	\$1,318,553

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Purchase Date	Purchase Entity	Location	Acreage	Sq. Ft.	Tenant	Purchase Price
April 26, 2012	Garner Timber Drive LLC	Garner, North Carolina	1.5	9,990	CVS Corp.	\$2,122,975
April 26, 2012	Huntersville Sam Furr LLC	Huntersville, North Carolina	2.3	10,125	CVS Corp.	\$2,323,228
July 26, 2012	Union City AT LLC	Union City, New Jersey	.9	28,000	CVS Corp, Sleepys Mattress	\$5,575,000
August 27, 2012	Springfield Land AT, LLC	Springfield, New Jersey	1.25	NA	Walgreens Cos.	\$3,368,160
August 30, 2012	Middletown Washington LLC	Middletown, Connecticut	1.1	1,840	Bank of America	\$3,700,000
November 15, 2012	Willow Grove Easton LP	Willow Grove, Pennsylvania	2.90	12,937	Ruby Tuesday and Millers Ale House	\$4,153,000
November 15, 2012	Willow Grove Easton 2350 LP	Willow Grove, Pennsylvania	4.4	72,000	Marriot Corporation	\$2,200,000
February 26, 2013	Weeki Wachee Cortez, LLC	Weeki Wachee, Florida	3.5	12,291	CVS Corp.	\$3,923,403
May 13, 2013	Palm Springs Congress LLC	Palm Springs, Florida	1.5	12,739	CVS Corp.	\$4,700,000
June 12, 2013	Indialantic Miramar LLC	Indialantic, Florida	1.2	15,525	CVS Corp.	\$5,075,000
June 28, 2013	Syracuse Manalapan and Syracuse Teal LLC	Syracuse, New York	5.4	36,504	Wakefern Foods Inc.	\$6,177,000
September 17, 2013	Jacksonville Third LLC	Jacksonville, Florida	1.34	10,908	CVS Corp.	\$3,600,000
September 25, 2013	Louisville Blankenbaker LLC	Louisville, Kentucky	1.88	5,597	Republic Bank	\$1,600,000
November 20, 2013	Edgewater Hudson LLC	Springfield, New Jersey	NA	13,369	Walgreens Cos.	\$6,043,263
December 11, 2013	Doylestown North Easton LP	Doylestown, Pennsylvania	1.64	3,730	ARFA Enterprises Inc.	\$3,353,055
December 11, 2013	Lansdale County Line LP	Lansdale, Pennsylvania	1.98	3,233	ARFA Enterprises Inc.	\$2,890,389
December 11, 2013	Philadelphia Broad Street LP	Philadelphia, Pennsylvania	.34	631	ARFA Enterprises Inc.	\$1,235,320
December 11, 2013	Philadelphia City Line LP	Philadelphia, Pennsylvania	.46	780	ARFA Enterprises Inc.	\$1,329,505
December 27, 2013	Lincoln Ridgeline LLC	Lincoln, Nebraska	1.76	7,100	Mac Acquisitions LLC	\$1,990,000
January 21, 2014	Raleigh Wake Forest LLC	Raleigh, North Carolina	.83	4000	Mattress Firm	\$2,106,000
February 14, 2014	Edgewater Hudson LLC	Virginia Beach, Virginia	1.2	13,369	CVS Corp	\$4,814,003
March 19, 2014	Abington York, LP	Abington, Pennsylvania	.80	2904	Boston Market	\$2,903,858
March 20, 2014	Garner Highway Forty Two LLC	Garner, North Carolina	1.14	10,125	CVS Corp.	\$2,716,634
March 21, 2014	Batavia Randall LLC	Batavia, Illinois	4.46	42,500	Art Van Furniture Inc.	\$4,816,667
April 28, 2014	Gastonia Franklin LLC	Gastonia, North Carolina	3.68	55,025	Hobby Lobby	\$6,125,000
May 2, 2014	Warwick Sandy LLC	Warwick, Rhode Island	.61	NA	Stop and Shop (gas)	\$2,380,000

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Purchase Date	Purchase Entity	Location	Acreage	Sq. Ft.	Tenant	Purchase Price
June 18, 2014	Midlothian Route 60 LLC	Midlothian, Virginia	1.233	10,128	CVS	\$3,900,000
July 9, 2014	Hazelton Airport	Hazelton, Pennsylvania	1.03	11,988	Sleepy's Inc	\$1,106,000
July 10, 2014	Morris Plains Speedwell LLC	Morris Plains, New Jersey	3.40	32,200	Acme Markets Inc.	\$2,608,372
September 24, 2014	Capitol Heights Marlboro LLC	Capitol Heights, Maryland	.3439	7,200	Dollar General (under construction)	\$1,052,000
October 15, 2014	Richmond Westover Hills LLC	Richmond, Virginia	1.90	13,905	Walgreens Cos.	\$4,265,000
November 7, 2014	San Antonio Nacogdoches DST	San Antonio, Texas	3.05	12,900	CVS	\$4,129,815
November 20, 2014	Suitland Auth, LLC	Suitland, Maryland	5.46	36,960	Strayer University	\$11,550,000
December 24, 2014	ARCT 569 Broadway LLC	Richmond, Virginia	.958	10,299	Rite Aid	\$581,666 (*)
December 24, 2014	ARCT 569 Broadway LLC	Norfolk, Virginia	1.3427	11,300	Rite Aid	\$467,659(*)
December 24, 2014	ARCT 569 Broadway LLC	Alexandria, Virginia	1.38	11,180	Rite Aid	\$860,866(*)
December 24, 2014	ARCT 569 Broadway LLC	Chesapeake, Virginia	1.701	11,084	Rite Aid	\$589,809(*)

(*) ARCT 569 Broadway LLC purchased a 50% interest in 569 Broadway Associates Limited Partnership which owns the properties.

Depreciation expenses on these properties for the years ended December 31, 2014 and 2013 were \$1,772,576 and \$956,055 \$783,628, respectively.

5. CONSTRUCTION IN PROGRESS

On September 24, 2014, ARCTrust purchased land in Capitol Heights, Maryland (see note 4) to develop a Dollar General Store under the ARCTrust development program. In addition, the Union City property is incurring preliminary costs associated with exploring the development rights at that site. At December 31, 2014 these costs totaling \$96,510 are included in construction in progress on the consolidated balance sheets.

6. INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES

On March 19, 2012, ARCTrust through its subsidiary Saber Tampa ARCT LLC, made a direct investment of \$1,250,000 plus acquisition fees and other expenses in Saber Corner LLC. Saber Corner constructed 35,050 square feet of retail space on 3.1 acres on three separate pads in Tampa, Florida. The tenants include The Container Store, Sleep Number, Lime Fresh and Bank United. ARCTrust earned a 12% preferred return on its direct investment during the construction period. For the years ended December 31, 2014 and 2013 Saber Tampa ARCT received \$62,997 and \$114,468 in cash distributions and recorded income of \$78,592 and \$98,898, respectively. The income amounts appear on the consolidated statements of income under income from joint ventures.

On June 25, 2013, Saber Corner LLC, with the construction completed, placed permanent financing on the property. The financing resulted in a distribution to Saber Tampa ARCT LLC of \$1,718,655 of which \$1,250,000 was a return of its original investment and \$383,838 in excess funds from the finance proceeds. In addition, Saber Tampa ARCT LLC received a shared cost saving Success Fee for the under budget completion of the project totaling \$84,816. This amount appears on the consolidated statements of income.

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On June 26, 2013, ARCTrust through its subsidiary Saber Tampa ARCT II LLC made a direct investment of \$1,181,250 plus acquisition fees and other expenses in Saber Corner II LLC. Saber Corner II is constructing a 26,000 square feet of retail space on 3.55 acres in Tampa, Florida. Signed tenants include Longhorn Steak House, Pei Wei, AT&T, Gym Source and Olive Garden on ground leases. ARCTrust will earn a 12% preferred return on its direct investment during the construction period. On August 5, 2014, ARCTrust received a distribution of the proceeds from the refinancing of the property. The proceeds included the repayment of its initial direct investment of \$1,181,250. In addition, a Success fee totaling \$47,162 was paid. For the years ended December 31, 2014 and 2013 ARCTrust has received \$86,021 and \$70,875 in ordinary cash distributions and recorded income of \$11,975 and \$3,167 in income on this investment, respectively. The income amounts appear on the consolidated statements of income under income from joint ventures.

On September 17, 2013, ARCTrust through its subsidiary ChestPac ARCT, made a direct investment in Chest-Pac Associates LP. The direct investment totaled \$2,500,000 plus acquisition fees and other expenses. The investment is comprised of two tranches: a \$2,000,000 ten year preferred equity contribution that receives a 12% preferred return for years one through five and a 12% preferred return and return of capital for years five thru ten. In addition, there is a \$500,000 investment to purchase a 14.516% Priority Common Limited Partnership interest which earns an 8% priority preferred return. Chest-Pac Associates LP owns a condominium unit in the Packard Building in Philadelphia, Pennsylvania. The condominium unit consists of 145,000 square feet of retail and office space leased to Del Frisco's Restaurant, an upscale restaurant, and Defenders Association of Philadelphia, a public defenders law group sponsored by the City of Philadelphia, respectively. For the years ended December 31, 2014 and 2013, ChestPac ARCT had received \$240,000 and \$61,699 in preferred equity returns and \$30,000 and \$11,444 in priority returns for the years ended December 31, 2014 and 2013, respectively. Income on the investment totaled \$1,199 and a loss of \$41,064 for the years ended December 31, 2014 and 2013, respectively, and is included on the consolidated statements of income under income from joint ventures.

On September 5, 2013, ARCTrust entered into a joint venture program, to develop Dollar General stores in the Washington DC area. The joint venture is owned fifty percent by ARC Velocity LLC, a subsidiary of ARC Trust, and fifty percent by Pace Holding, a Washington DC area developer. The program calls for ARCTrust to fund the development costs for approved Dollar General Store locations and to receive a 12% preferred return on all invested funds. ARCTrust also has an option to buy the project on completion. As of December 31, 2014, ARCTrust has funded \$45,960. For the years ended December 31, 2014 and 2013, ARCTrust has recorded a loss of \$4,797 and \$12,541, respectively. These losses are included on the consolidated statements of income under income from joint ventures.

On December 23, 2014, ARCTrust with its joint venture partner purchased a property in Warwick, Pennsylvania to develop a WaWA Convenience Store and gas station. ARCTrust's investment in the joint venture project is in the form of loan, (see Note 10 Loans Receivable).

On December 23, 2014, ARCTrust with its joint venture partner purchased a property in Williamstown, Pennsylvania to develop an Applesbees Restaurant. ARCTrust's investment in the joint venture project is in the form of loan, (see Note 10 Loans Receivable).

7. NONCONTROLLING INTEREST

The Union City Bergenline LLC, Morris Plains Speedwell LLC and 569 Broadway Associates Limited Partnership include non ARCTrust equity positions in their capital structure. These non ARCTrust equity positions are reported under the Noncontrolling interest section of the consolidated balance sheets. In addition, any income or loss attributable to these properties are shown on the Consolidated Statements of Income in Net income attributable to noncontrolling interests

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	Union City Bergenline	Morris Plains Speedwell	569 Broadway Associates Limited	Total
Balance of Noncontrolling interest at December 31, 2013	\$ 201,750	\$ -	\$ -	\$ 201,750
Noncontrolling equity contributed in 2014	-	56,667	2,500,000	2,556,667
Distributions to Noncontrolling interests in 2014	(10,510)	-	-	(10,510)
Income (loss) allocated to Noncontrolling interest in 2014	19,884	(1,401)	-	18,483
Balance of Noncontrolling interest at December 31, 2014	\$ 211,124	\$ 55,266	\$ 2,500,000	\$ 2,766,390

8. INVESTMENT IN BENEFICIAL OWNERSHIP INTERESTS IN REAL ESTATE

On August 8, 2014, ARCTrust through ARCTrust Holdings Inc., its Taxable REIT Subsidiary, purchased \$5,151,000 beneficial ownership interests in real estate that represent fractional ownership in two medical office buildings located in Gaffney, North Carolina and Houston, Texas. These beneficial ownership interests in real estate were purchased for resale. At December 31, 2014, \$5,151,000 of these ownership interests had been sold, to an affiliate of the advisor, for a net gain of \$57,364. This amount appears on the consolidated statements of income under gain on sale of beneficial ownership interest in real estate. In addition, ARCTrust received net rental income of \$65,459 for the year ended December 31, 2014 and this amount appears on the consolidated statements of income under income from beneficial ownership interests in real estate.

9. RELATED PARTY TRANSACTIONS

ARCTrust is managed by the Advisor, which performs services for ARCTrust pursuant to the terms of 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 developing, 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 are an affiliate of the Advisor.

In addition to these fee based services performed by the Advisor, ARCTrust may from time to time develop, acquire or finance various properties with affiliates or related parties. These related party transactions are detailed in the appropriate sections of these Notes. (see Note 4 Properties and Note 7 Loans Receivable)

Costs, expenses and other transactions incurred during 2014 and 2013 were as follows:

Acquisition Fee – For all properties contracted for purchase before September 28, 2012, acquisition fees were generally equal to 3% of the purchase price of the property. For all properties contracted for purchase after September 28, 2012, acquisition fees are equal to 2% of the purchase price and an additional acquisition expense allowance equal to \$20,000 per property; the total not to exceed 3%. For properties purchased after April 1, 2014, acquisition fees are equal to 2% of the purchase price and an additional acquisition expense allowance equal to \$40,000 per property; the total not to exceed 3%.

On February 26, 2013, ARCTrust incurred an acquisition fee of \$98,468 with the purchase of the Weeki Wachee, Florida, property leased to the CVS Corp. The fee was calculated under the revised acquisition fee of 2% of the purchase price (\$3,923,403) and an additional acquisition expense allowance equal to \$20,000 per property; the total not to exceed 3%. All future acquisition fees will be calculated under this formula.

On May 13, 2013, ARCTrust incurred an acquisition fee of \$114,000 with the purchase of the Palm Springs, Florida property leased to CVS Corp. The acquisition fee was calculated using the purchase price of \$4,700,000.

On June 12, 2013, ARCTrust incurred an acquisition fee of \$121,500 with the purchase of the Indialantic, Florida property leased to CVS Corp. The acquisition fee was calculated using the purchase price of \$5,075,000.

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On June 26, 2013, ARCTrust incurred an acquisition fee of \$90,875 with the investment in the Saber Corner II LLC property. The acquisition fee was calculated on the project value of \$3,543,750.

On June 28, 2013, ARCTrust incurred an acquisition fee of \$143,540 with the purchase of the Syracuse, New York property leased to Wakefern Foods. The acquisition fee was calculated using the purchase price of \$6,177,000.

On September 17, 2013, ARCTrust incurred an acquisition fee of \$92,000 with the purchase of the Jacksonville, Florida property leased to CVS Corp. The acquisition fee was calculated using the purchase price of \$3,600,000.

On September 17, 2013, ARCTrust incurred an acquisition fee of \$150,412 on the investment in the Chest-Pac Associates LP project. The acquisition fee was calculated on the project value of \$6,520,624.

On September 25, 2013, ARCTrust incurred an acquisition fee of \$48,000 with the purchase of the Louisville, Kentucky property leased to Republic Bank and Trust. The acquisition fee was calculated using the purchase price of \$1,600,000.

On November 20, 2013, the Advisor agreed to waive the acquisition fee on the purchase of the Leasehold in Springfield, New Jersey leased to Walgreens Company.

On December 11, 2013, ARCTrust incurred an acquisition fee of \$87,061 with the purchase of the Doylestown, Pennsylvania property leased to ARFA Enterprises Inc. The acquisition fee was calculated using the purchase price of \$3,353,055.

On December 11, 2013, ARCTrust incurred an acquisition fee of \$77,808 with the purchase of the Lansdale, Pennsylvania property leased to ARFA Enterprises Inc. The acquisition fee was calculated using the purchase price of \$2,890,389.

On December 11, 2013, ARCTrust incurred an acquisition fee of \$37,060 with the purchase of the Broad Street, Philadelphia, Pennsylvania property leased to ARFA Enterprises Inc. The acquisition fee was calculated at 3% using the purchase price of \$1,235,320.

On December 11, 2013, ARCTrust incurred an acquisition fee of \$39,885 with the purchase of the City Line, Philadelphia, Pennsylvania property leased to ARFA Enterprises Inc. The acquisition fee was calculated at 3% using the purchase price of \$1,329,505.

On December 27, 2013, ARCTrust incurred an acquisition fee of \$59,700 with the purchase of the Lincoln, Nebraska property leased to Mac Acquisitions LLC. The acquisition fee was calculated using the purchase price of \$1,990,000.

On January 21, 2014, ARCTrust incurred an acquisition fee of \$62,120 with the purchase of the Raleigh, North Carolina property leased to Mattress Firm. The acquisition fee was calculated on the purchase price of \$2,106,000.

On February 14, 2014, ARCTrust incurred an acquisition fee of \$116,696 with the purchase of the Virginia Beach, Virginia property leased to CVS Corp. The acquisition fee was calculated on the purchase price of \$4,834,828.

On March 19, 2014, ARCTrust incurred an acquisition fee of \$78,077 with the purchase of the Abington, Pennsylvania property leased to Boston Market. The acquisition fee was calculated on the purchase price of \$2,903,858.

On March 20, 2014, ARCTrust incurred an acquisition fee of \$74,333 with the purchase of the Garner, North Carolina property leased to CVS Corp. The acquisition fee was calculated on the purchase price of \$2,716,634.

On March 21, 2014, ARCTrust incurred an acquisition fee of \$116,333 with the purchase of the Batavia, Illinois property leased to Art Van Furniture Inc. The acquisition fee was calculated on the purchase price of \$4,816,667.

On April 28, 2014, ARCTrust incurred an acquisition fee of \$142,500 with the purchase of the Gastonia, North Carolina property leased to Hobby Lobby Inc. The acquisition fee was calculated on the purchase price of \$6,125,000.

On May 2, 2014, ARCTrust incurred an acquisition fee of \$71,400 with the purchase of the Warwick, Rhode Island property leased to Stop and Shop Inc. The acquisition fee was calculated on the purchase price of \$2,380,000.

On June 18, 2014, ARCTrust incurred an acquisition fee of \$117,000 with the purchase of the Midlothian, Virginia property leased to CVS Inc. The acquisition fee was calculated on the purchase price of \$3,900,000.

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On July 9, 2014, ARC Trust incurred an acquisition fee of \$33,180 in connection with the purchase of the Hazelton, Pennsylvania property leased to Sleepys Inc. The acquisition fee was calculated on the purchase price of \$1,106,000.

On July 10, 2014, ARCTrust incurred an acquisition fee of \$70,426 in connection with the purchase of the Morris Plains, New Jersey property leased to Acme Markets Inc. The acquisition fee was calculated on the purchase price of \$2,608,372 effected for ARCTrusts 90% ownership interest.

On September 24, 2014, ARCTrust incurred an acquisition fee of \$47,342 in connection with the purchase of the Capitol Heights, Maryland property to be built for Dollar General. The acquisition fee was calculated on the purchase price of \$1,052,000 and the total construction budget of \$526,058.

On October 15, 2014, ARCTrust incurred an acquisition fee of \$125,300 in connection with the purchase of the Richmond, Virginia property leased to Walgreens Cos. The acquisition fee was calculated on the purchase price of \$4,265,000.

On November 7, 2014, ARCTrust incurred an acquisition fee of \$122,596 in connection with the purchase of the San Antonio, Texas property leased to CVS. The acquisition fee was calculated on the purchase price of \$4,129,815.

On November 20, 2014, ARCTrust incurred an acquisition fee of \$271,000 in connection with the purchase of the Suitland, Maryland property leased to Strayer University. The acquisition fee was calculated on the purchase price of \$11,550,000.

On December 24, 2014, ARCTrust incurred an acquisition fee of \$126,895 in connection with the purchase of the four RiteAids in Virginia. The acquisition fee was calculated on the purchase price of \$2,500,000 and ARCTrust's prorata share of the debt.

There were no unpaid acquisition fees included in due to related parties on the consolidated balance sheets at December 31, 2014 and 2013.

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

On February 22, 2013, ARCTrust incurred a finance fee in the amount of \$16,800 in connection with the refinance of the Willow Grove, Pennsylvania property leased to Marriot Corporation. The finance fee was calculated on the new mortgage of \$1,680,000.

On February 27, 2013, ARCTrust incurred a finance fee in the amount of \$39,500 in connection with the refinance of the Washington, NJ property. The finance fee was calculated on the mortgage of \$3,950,000 taken on the property.

On June 28, 2013, ARCTrust incurred a finance fee in the amount of \$70,200 in connection with the refinance of the Tampa, Florida joint venture project. The finance fee was calculated on the mortgage amount of \$13,500,000 adjusted for our 52% interest.

On June 30, 2013, ARCTrust incurred a finance fee in the amount of \$42,700 in connection with the Syracuse, NY property. The finance fee was calculated on the mortgage of \$4,270,000.

On July 12, 2013, ARCTrust incurred a finance fee of \$29,475 in connection with the Weeki Wachee, Florida property. The fee was calculated on the mortgage of \$2,947,500 taken on the property.

On July 12, 2013, ARCTrust incurred a finance fee of \$39,000 in connection with the Indialantic, Florida property. The fee was calculated on the mortgage of \$3,900,000 taken on the property.

On July 26, 2013, ARCTrust incurred a finance fee of \$36,187 in connection with the Palm Springs, Florida property. The fee was calculated on the mortgage of \$3,618,750 taken on the property.

On August 28, 2013, ARCTrust incurred a finance fee of \$4,000 on the replacement of the Trenton Quakerbridge LLC mortgage with a line of credit from Provident Bank. The fee was calculated on the increase of \$400,000 over the original mortgage.

On August 28, 2013, ARCTrust incurred a finance fee of \$10,150 on the Provident Bank line of credit. The fee was calculated on the line of credit totaling \$1,015,000 for the Glen Cove, New York property.

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On August 30, 2013, ARCTrust incurred a finance fee of \$20,000 on the renewal of the Union Center Bank line of credit. The \$20,000 fee was calculated on the increase in the line from \$8,000,000 to \$10,000,000.

On September 20, 2013, ARC Trust incurred a finance fee of \$7,260 on the increase of the National Penn Bank line of credit for the Mount Arlington, NJ property. The fee was calculated on the increase in the line from \$1,164,000 to \$1,890,000.

On September 20, 2013, ARCTrust incurred a finance fee of \$1,605 on the increase of the National Penn Bank line of credit for the Millville, New Jersey property. The fee was calculated on the increase in the line from \$1,239,500 to \$1,400,000.

On September 25, 2013, ARCTrust incurred a finance fee of \$10,000 in connection with the Louisville, Kentucky property. The finance fee was calculated on the mortgage of \$1,000,000.

On December 11, 2013, ARCTrust incurred a finance fee of \$24,500 in connection with the Doylestown, Pennsylvania property. The finance fee was calculated on the mortgage of \$2,450,000.

On December 11, 2013, ARCTrust incurred a finance fee of \$20,300 in connection with the Lansdale, Pennsylvania property. The finance fee was calculated on the mortgage of \$2,030,000.

On December 11, 2013, ARCTrust incurred a finance fee of \$9,100 in connection with the Broad Street, Philadelphia, Pennsylvania property. The finance fee was calculated on the mortgage of \$910,000.

On December 11, 2013, ARCTrust incurred a finance fee of \$9,800 with the purchase of the City Line, Philadelphia, Pennsylvania property. The finance fee was calculated on the line of credit of \$980,000 on the property.

On January 21, 2014, ARCTrust incurred a finance fee of \$15,790 in connection with the Raleigh, North Carolina property. The finance fee was calculated on the mortgage of \$1,579,000.

On April 3, 2014, ARCTrust incurred a finance fee of \$20,300 in connection with the Abington, Pennsylvania property. The finance fee was calculated on the mortgage of \$2,030,000.

On April 11, 2014, ARCTrust incurred a finance fee of \$53,550 in connection with the Saber Corner II property. The finance fee was calculated on the mortgage of \$10,200,000, adjusted for ARCTrust's 52.5% interest in the property.

On May 21, 2014, ARCTrust incurred a finance fee of \$13,500 in connection with the Lincoln, Nebraska property. The finance fee was calculated on the mortgage of \$1,350,000.

On May 30, 2014, ARCTrust incurred a finance fee of \$44,000 in connection with the Gastonia, North Carolina property. The finance fee was calculated on the mortgage of \$4,400,000.

On May 30, 2014, ARCTrust incurred a finance fee of \$20,750, in connection with the Garner, North Carolina property. The finance fee was calculated on the mortgage of \$2,075,000.

On June 4, 2014, ARCTrust incurred a finance fee of \$33,600 in connection with the Batavia, Illinois property. The finance fee was calculated on the mortgage of \$3,360,000.

On June 16, 2014, ARCTrust incurred a finance fee of \$16,000 in connection with the Warwick, Rhode Island property. The finance fee was calculated on the mortgage of \$1,600,000.

On July 3, 2014, ARCTrust incurred a finance fee of \$27,600 in connection with the Midlothian, Virginia property. The finance fee was calculated on the mortgage of \$2,760,000.

On September 10, 2014, ARCTrust incurred a finance fee of \$11,200 in connection with the Fredericksburg, Virginia property. The finance fee was calculated on the line of credit of \$1,120,000 on the property.

On September 29, 2014, ARCTrust incurred a finance fee of \$14,000 in connection with the Capitol Heights, Maryland property. The finance fee was calculated on the total construction loan of \$1,400,000.

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On October 1, 2014, ARCTrust incurred a finance fee of \$8,820 in connection with the Hazelton, Pennsylvania property. The finance fee was calculated on the line of credit of \$882,000 on the property.

On October 15, 2014, ARCTrust incurred a finance fee of \$29,855 in connection with the purchase of the Richmond, Virginia property. The finance fee was calculated on the mortgage of \$2,985,500.

On November 20, 2014, ARCTrust incurred a finance fee of \$80,850 in connection with the purchase of the Suitland, Maryland property. The finance fee was calculated on the mortgage of \$8,085,000.

Unpaid finance fees included in due to related parties on the consolidated balance sheets were \$0 and \$63,700 at December 31, 2014 and 2013, 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 \$1,407,295 and \$799,010 for the years ended December 31, 2014 and 2013, respectively.

Unpaid asset management fees, included in due to related parties on the consolidated balance sheets, were \$203,982 and \$121,971 at December 31, 2014 and 2013, respectively.

Disposition Fee – The disposition fee is generally equal to 2% of the contract sales price.

On March 18, 2013 a disposition fee of \$173,770 was incurred on the sale of the Manalapan, NJ property. The disposition fee was calculated on the sales price of \$8,688,525.

On October 1, 2013, a disposition fee of \$228,300 was incurred on the sale of the Edgewater, NJ Property. The disposition fee was calculated on the sales price of \$11,415,000.

There were no disposition fees incurred for the year ended December 31, 2014.

10. LOANS RECEIVABLE

On August 4, 2011, ARCTrust made a loan of \$100,000 to a developer for a purchase contract deposit on a net lease rental property in Hamilton, NJ under the ARCTrust Developer Program. The loan had an original maturity date of December 15, 2011 and carries an interest rate of 12% per annum. On December 15, 2011 the note was extended to January 31, 2012. On January 31, 2012 the note was further extended to June 30, 2012. On June 30, 2012, the loan was extended again to June 30, 2013. On June 15, 2013 the loan was extended again to December 31, 2014. On June 4, 2012 the developer repaid \$25,000 of the loan. On August 27, 2012, ARCTrust made an additional loan to the developer of \$25,000 on another property under this developer's control and simultaneously was repaid \$25,000 on the original loan. On January 1, 2013 the additional loan of \$25,000 was repaid. ARCTrust has earned and received of \$6,000 and \$5,989 in interest payments under these loans for the years ended December 31, 2014 and 2013, respectively.

On May 21, 2012, ARCTrust entered into a loan in the form of a line of credit agreement with the owner of a property in Houston, Texas, an affiliate of the advisor. The line was secured by the partnership interest in the property. The property was leased to a tenant under a ten year lease. \$1,195,000 was drawn on the line of credit which had a maximum lending amount of \$1,400,000. The line carried an interest rate of 12% per annum and had a maturity date of May 31, 2013. On May 31, 2013, the line was extended for one year with a new maturity date of May 31, 2014. The line was secured by the partnership interest in the property. The line of credit was repaid in full on October 31, 2013. Total interest earned and paid on the line for the year ended December 31, 2013 was \$119,664.

On December 2, 2012, ARCTrust made a loan in the form of a line of credit with the owner of a property in Wayne, New Jersey, an affiliate of the advisor, for the development of a new Walgreens. The loan carried an interest rate of 12% per annum, has a maximum lending amount of \$1,250,000, and a maturity date of November 30, 2013 with an option to extend it for one year. On August 30, 2013 the maturity date was extended to November 30, 2014. The line of credit is secured by the partnership interest in the property. On December 31, 2012, \$1,250,000 was drawn down on the line. The line of credit was repaid in full on February

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14, 2014. Total interest earned and paid on the line was \$15,616 and \$150,000 for the years ended December 31, 2014 and 2013, respectively.

On September 3, 2013, ARCTrust made a bridge loan of \$2,500,000 to an affiliate of the Advisor for the purchase of net lease properties. The loan has a maturity date of September 2, 2014 and carries an interest rate of 12% per annum. On December 20, 2013, \$1,545,184 was repaid on the loan leaving a balance of \$954,816 at December 31, 2013. On June 11, 2014, the loan was repaid in full. Interest earned and paid on the loan totaled \$37,256 and \$93,819 for the years ended December 31, 2014 and 2013, respectively.

On October 9, 2013, ARCTrust made a loan secured by a first mortgage in the form of a line of credit on a property located in Mount Laurel, New Jersey. The property is controlled by an affiliate of the advisor. The maximum amount available on the line is \$1,000,000. The mortgage carries an initial interest rate of 12% and has a maturity date of December 31, 2014. The mortgage amount includes an initial interest reserve of \$120,000 which appeared under deferred interest income on the consolidated balance sheets. On March 11, 2014 the loan was repaid in full. Interest earned and drawn from the interest reserve totaled \$17,084 and \$18,431 for the years ended December 31, 2014 and 2013, respectively.

On November 14, 2013, ARCTrust made a mezzanine loan in the amount of \$600,000 to the owner of a property located in Galloway Township, NJ. The property is leased to Wakerfern under an eight year lease. The loan is secured by the borrower's ownership interest in the property. The loan carries an initial interest rate of 12% and has a maturity date of November 30, 2015. On May 29, 2014, an additional loan of \$250,000 was made to this borrower. For the year ended December 31, 2014 interest earned and accrued totaled \$91,556. Interest paid totaled \$82,893 which included \$9,468 of interest accrued in 2013. Accrued and unpaid interest totaled \$8,663 and \$9,468 for the years ended December 31, 2014 and 2013, respectively. These amounts are included in interest receivable on the consolidated balance sheets. The loan balance was \$850,000 and \$600,000 at December 31, 2014 and 2013, respectively and is included in loans receivable on the consolidated balance sheets.

On December 20, 2013, ARCTrust made a first mortgage loan in the form of a secured line of credit on a property (vacant land) located in Washington, DC undergoing development as a mixed- use building. The maximum amount available on the line is \$579,000. The line carries an initial interest rate of 12% and has a maturity date of December 19, 2014. The line included an initial interest reserve of \$60,000 which appears under deferred interest income on the consolidated balance sheets. Interest earned and paid totaled \$58,436 and \$1,509 for the years ended December 31, 2014 and 2013, respectively. The loan was repaid in full on December 19, 2014.

On December 20, 2013, ARCTrust made a loan totaling \$3,608,819 secured by the borrower's interest in eight properties leased to CVS Corp. The loan carries an interest rate of 12% and has a maturity date of December 19, 2014. On December 19, 2014 the loan was extended for six months. Interest earned and paid totaled \$218,561 and \$16,841 for the years ended December 31, 2014 and 2013, respectively. The outstanding loan balance of \$1,045,390 and \$3,608,819 at December 31, 2014 and 2013, respectively are included in loans receivable on the consolidated balance sheets.

On February 6, 2014, ARCTrust made a loan secured by a first mortgage totaling \$1,130,000 on a property located in Mount Laurel, New Jersey. On June 15, 2014 the loan available to this borrower was increased by \$600,000. The property is controlled by an affiliate of the advisor. The loan has a maturity date of February 5, 2015 and carries an interest rate of 12%. The loan amount included an initial interest reserve of \$120,000. Interest earned and accrued totaled \$150,181. Unpaid interest at December 31, 2014 totaled \$30,181 and is included in interest receivable on the consolidated balance sheets. At December 31, 2014, the total loan outstanding was \$1,730,000 and is included in loan receivable on the consolidated balance sheets.

On March 20, 2014, ARCTrust made a loan totaling \$6,250,000 to the owner of a property in Las Vegas, Nevada leased to CVS Corp. The loan carries an interest rate of 12% and has a maturity date of March 19, 2015. On June 2, 2014 this loan was repaid in full. Interest earned and paid on this loan totaled \$111,984.

On March 28, 2014, ARCTrust made a mezzanine loan of \$1,270,525 to an affiliate of the advisor for the purchase of a property located in Longmont, Colorado. The loan was secured by the partnership interest in the property and carried an interest rate of 12%. On August 12, 2014 the loan was repaid in full. Interest paid on this loan totaled \$58,023.

On June 20, 2014, ARCTrust made a mezzanine loan of \$740,418 to an affiliate of the advisor for the purchase of a property located in Ebensburg, PA. The loan is secured by the partnership interest in the property and carries an interest rate of 12% and is due June 20, 2015. At December 31, 2014, interest of \$48,101 had been accrued and unpaid on this loan, and is included in interest receivable on the consolidated balance sheets.

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On July 24, 2014, ARCTrust made a loan totaling \$2,440,743 to the owner of Delaware Statutory Trust securities for a property in Deptford, New Jersey. The loan had a maturity date of July 24, 2015 and carried an interest rate of 12%. On September 16, 2014, the loan was repaid in full. A total of \$17,543 in interest was paid on this loan.

On August 22, 2014 ARCTrust made a loan totaling \$2,632,000 to the owner of a property in North Attleboro, Massachusetts leased to CVS Corp. The loan was secured by the property and had a maturity date of August 22, 2015 and carried an interest rate of 12%. On October 1, 2014 the loan was paid off and accrued interest of \$31,151 was paid.

On November 25, 2014, ARCTrust made a loan totaling \$2,878,951 to an owner of property located in West Orange, New Jersey. The loan has a maximum amount available of \$4,408,951. The loan carries an interest rate of 12% and a maturity date of November 24, 2020. The loan includes an interest reserve of \$324,028. As of December 31, 2014 interest totaling \$34,270 was earned and drawn on the interest reserve.

On November 20, 2014, ARCTrust made a loan totaling \$4,330,000 to the owner of Delaware Statutory Trust securities for a property located in Arlington, Texas. The loan carries an interest rate of 12% and matures on November 19, 2015. As of December 31, 2014 interest totaling \$60,620 was earned and accrued on this loan. This amount is included in interest receivable on the consolidated balance sheets at December 31, 2014. At December 31, 2014, \$4,330,000 was outstanding on this loan and is included in loan receivable on the consolidated balance sheets.

On December 1, 2014, ARCTrust made a loan totaling \$2,993,000 to the owner of Delaware Statutory Trust securities for properties located in Winslow, Arizona and Manitowoc, Wisconsin. The loan carries an interest rate of 12% and matures on November 30, 2015. As of December 31, 2014 interest totaling \$29,989 was earned on this loan and \$9,895 was paid and \$20,094 was accrued and is included in interest receivable on the consolidated balance sheets. At December 31, 2014, \$2,870,611 was outstanding on this loan and is included in loan receivable on the consolidated balance sheets.

On December 23, 2014, ARCTrust made a loan totaling \$1,525,659 to one of its joint venture developers operating company to purchase and develop a property in Warwick, Pennsylvania. This loan is a partnership loan to the joint venture operating company. Per the terms of the operating company's operating agreement the partnership loans accrue interest at a rate of 12%. As of December 31, 2014 interest totaling \$5,086 has been earned and accrued on this loan. This amount is included in interest receivable on the consolidated balance sheets at December 31, 2014.

On December 30, 2014, ARCTrust made a loan totaling \$347,332 to one of its joint venture developers operating company to purchase and develop a property in Williamstown, New Jersey. This loan is a partnership loan to the joint venture operating company. Per the terms of the operating company's operating agreement the partnership loans accrue interest at a rate of 12%. As of December 31, 2014 interest totaling \$232 has been earned and accrued on this loan. This amount is included in interest receivable on the consolidated balance sheets at December 31, 2014.

These loans, totaling \$16,368,361 and \$7,647,272 respectively, appear on the December 31, 2014, and December 31, 2013 consolidated balance sheets under loans receivable.

11. DEFERRED TRANSACTION COSTS

ARCTrust incurs professional and other expenses as part of its due diligence process when acquiring investment opportunities. Prior to the acquisition these costs are capitalized and appear under Deferred Transaction Costs on the consolidated balance sheets. Deferred Transaction Costs totaled \$27,330 and \$179,301 at December 31, 2014 and 2013, respectively.

12. DEVELOPMENT PROGRAM COSTS

ARCTrust, through its joint venture development program may allocate 5% of the proceeds from the current and prior stock offering to fund various development project costs. These funds earn interest at 12% from the date of the funding. Interest is accrued and paid at the time the entity is formed and the property is purchased. Prior to this, the costs are capitalized and appear under Development Program Costs on the consolidated balance sheets.

On September 26, 2014, ARCTrust purchased land in Capitol Heights, Maryland (see Note 4) to develop a Dollar General store under the ARCTrust development program. The development costs associated with this project previously included in Development Program costs totaling \$61,510, are now included in construction in progress on the consolidated balance sheets.

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On December 22, 2014, ARCTrust thru its joint venture partner purchased land in Warwick, Pennsylvania. In addition to the funds needed for the land purchase totaling \$697,431 there were previously incurred development costs associated with this project totaling \$828,228. These development costs and the land purchase costs are now included in loans receivable on the consolidated balance sheets.

On December 30, 2014, ARCTrust thru its joint venture partner purchased land in Williamstown, New Jersey. In addition to the funds needed for the land purchase totaling \$158,090 there were previously incurred development costs associated with this project totaling \$189,242. These development costs and the land purchase costs are now included in loans receivable on the consolidated balance sheets.

Development program costs at December 31, 2014 totaled \$2,509,505.

13. 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, 2014 are as follows:

2015	\$ 11,775,490
2016	11,539,209
2017	11,523,644
2018	11,204,735
2019	10,885,333
Thereafter	<u>116,834,662</u>
Total	<u>\$173,763,073</u>

14. LOAN FEES

ARCTrust makes loans and standby loans to developers and other real estate entities. These entities are affiliates of the advisor. It earns a 12% return on invested capital in the form of interest plus an additional return that may come from loan origination points for standby loans and preferred joint venture distributions.

For the years ended December 31, 2014 and 2013 ARCTrust has earned \$625,871 and \$218,540 in standby loan fees, respectively. These amounts are included on the consolidated statements of income under loan fees.

15. MORTGAGE NOTES PAYABLE

ARCTrust had the following mortgages payable at December 31, 2014 and 2013:

Mortgage payable to Wells Fargo with an annual rate of 4.33% and a maturity date of June 20, 2016. (Midlothian, VA)	\$ 1,572,410	\$1,611,964
Mortgage payable to First Merit Bank with an annual rate of one-month Libor plus 300 basis points and a maturity date of January 31, 2015. (North Riverside, IL)	2,323,750	2,323,750
Mortgage payable to Customers Bank with an annual interest rate of 3.5% for the first year and 4% thereafter with a maturity date of April 11, 2017. (Washington, DC)	4,045,000	4,045,000
Mortgage payable to Oritani Bank with an annual interest rate of 4.125% with a rate adjustment at the end of the first forty two months of the loan term. The mortgage has a maturity date of		

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August 1, 2018. (Union City, NJ)	3,804,334	3,876,574
Mortgage payable to Harbor Bank of Maryland with an annual interest rate of 3.99% and a maturity date of September 27, 2017. (Garner, NC)	1,525,869	1,565,742
Mortgage payable to Harbor Bank of Maryland with an annual interest rate of 3.99% and a maturity date of September 27, 2017. (Huntersville, NC)	1,695,982	1,740,301
Mortgage payable to Union Center Bank with an annual rate of 4.17% and a maturity date of December 1, 2023. (Springfield, NJ)	1,880,041	1,914,000
Mortgage payable to Provident Bank with an annual interest rate of 3.50% and a maturity date of September 1, 2017. (Middletown, CT)	2,643,349	2,660,000
Mortgage payable to M & T Bank with an annual rate of one-month LIBOR plus 325 basis points. On February 22, 2013 the mortgage maturity date was extended to February 22, 2018 and the principal was paid down by \$679,105. (Willow Grove, PA)	2,708,869	2,805,631
Mortgage payable to Customers Bank with an annual interest rate of 3.25% and a maturity date of February 21, 2018. (Willow Grove, PA)	1,600,375	1,643,245
Mortgage payable to Oritani Bank with an annual interest rate of 3.375% and a maturity date of March 1, 2023. (Washington Township, NJ)	3,812,758	3,892,172
Mortgage payable to Rockville Bank with an interest rate of 3.50% and a maturity date of July 1, 2023. (Syracuse, NY)	4,114,726	4,225,126
Mortgage payable to TD Bank with an interest rate of Libor Plus 250 basis points and an extended maturity date of March 7, 2015. (Weeki Wachee, FL)	2,791,950	2,901,750
Mortgage payable to Bank United with an interest rate of 3.60% and a maturity date of July 18, 2018. (Palm Springs, FL)	3,488,932	3,581,252
Mortgage payable to Bank United with an interest rate of 3.60% and a maturity date of July 11, 2018. (Indialantic, FL)	3,760,093	3,859,588
Mortgage payable to Wells Fargo with an interest rate of 5.64% and a maturity date of December 11, 2015. (Jacksonville Beach, FL)	2,320,500	2,372,992
Mortgage payable to Farmers National Bank with an interest rate of 3.95% and a maturity date of September 24, 2018. (Louisville, KY)	957,855	991,717
Mortgage payable to ConnectOne Bank with an interest rate of 4.17% and a maturity date of December 1, 2023.		

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(Edgewater, NJ)	4,016,790	4,086,000
Mortgage payable to Wells Fargo Bank with an interest rate of 4.70% and a maturity date of January 10, 2036. (Virginia Beach, VA)	4,189,120	-
Mortgage payable to National Penn Bank with an interest rate of 4.25% and a maturity date of December 1, 2018. (Doylestown, PA)	2,386,227	2,450,000
Mortgage payable to National Penn Bank with an interest rate of 4.25% and a maturity date of December 1, 2018. (Lansdale, PA)	1,977,159	2,030,000
Mortgage payable to National Penn Bank with an interest rate of 4.25% and a maturity date of December 1, 2018. (Broad St., Philadelphia, PA)	886,313	910,000
Mortgage payable to Harbor Bank of Maryland with an interest rate of 3.75% and a maturity date of January 21, 2019. (Raleigh, NC)	1,543,555	-
Mortgage payable to Union Bank and Trust of Lincoln with an interest rate of 4.30% and a maturity date of May 21, 2019. (Lincoln, NE)	1,326,746	-
Mortgage payable to Everbank with an interest rate of 3.69% and a maturity date of May 31, 2019. (Gastonia, NC)	4,345,895	-
Mortgage payable to Beneficial Bank with an interest rate of 3.88% and a maturity date of April 1, 2019. (Abington, PA)	1,984,547	-
Mortgage payable to Old Second National Bank with an interest rate of 4.15% and a maturity date of June 1, 2019. (Batavia, IL)	3,305,265	-
Mortgage payable to First Citizens Bank and Trust with an interest rate of 225 basis point over the one month LIBOR rate and a maturity date of May 31, 2019. (Garner, NC)	2,033,005	-
Mortgage payable to Farmington Bank with an interest rate of 3.70% and a maturity date of July 1, 2019. (Warwick, RI)	1,583,909	-
Mortgage payable to Everbank with an interest rate of 3.83% and a maturity date of August 1, 2019 (Midlothian, VA)	2,737,889	-
Mortgage payable to First Bank with an interest rate of 3.75% for the first five years and 225 basis points over the five year US Treasury Note rate thereafter. The mortgage has a maturity date of September 30, 2024. (Morris Plains, NJ)	1,640,187	-
Mortgage payable to Town Bank with an interest rate of 170 basis points over the one month LIBOR rate and a maturity date of November 12, 2021. (Richmond, VA)	2,977,138	-
Mortgage payable to Bay Bank with an interest rate of 4% and maturity date of December 1, 2022. (Suitland, MD)	8,085,000	-

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Mortgage payable to Wells Fargo with an interest rate of 4.016% and a maturity date of August 10, 2035. (San Antonio, TX)	3,543,408	-
Mortgage payable to Wells Fargo with an interest rate of 7.59% and a maturity date of June 10, 2019 (Richmond, VA)	858,412	-
Mortgage payable to Wells Fargo with an interest rate of 7.59% and a maturity date of June 10, 2019 (Norfolk, VA)	690,163	-
Mortgage payable to Wells Fargo with an interest rate of 7.59% and a maturity date of June 10, 2019 (Chesapeake, VA)	870,429	-
Mortgage payable to Wells Fargo with an interest rate of 7.59% and a maturity date of June 10, 2019 (Alexandria, VA)	1,270,449	-
Totals	<u>\$97,298,399</u>	<u>\$55,486,804</u>

All mortgage notes payable are collateralized by the underlying properties.

Interest expense incurred on mortgage notes payable totaled \$2,819,162 and \$1,821,233 for the years ended December 31, 2014 and 2013, respectively.

At December 31, 2014, the payment of principal under the fixed and variable rate mortgages for the next five years and thereafter is as follows:

	<u>Scheduled Amortization</u>	<u>Balloon Payments</u>	<u>Total</u>
2015	\$ 3,047,047	\$ 7,362,626	\$10,409,673
2016	3,118,476	1,510,074	4,628,550
2017	3,150,886	9,250,611	12,401,497
2018	2,856,413	19,382,530	22,238,943
2019	1,740,072	16,325,894	18,065,966
Thereafter	<u>9,017,241</u>	<u>20,536,529</u>	<u>29,553,770</u>
Totals	<u>\$22,930,135</u>	<u>\$74,368,264</u>	<u>\$97,298,399</u>

16. CONSTRUCTION LOAN PAYABLE

On September 26, 2014, ARCTrust incurred a construction loan payable for its Dollar General Store development in Capitol Heights, Maryland. The loan has a maximum funding of \$1,400,000, an interest rate at Prime and matures on March 25, 2016. At December 31, 2014, \$664,189 was drawn on this loan and appears on the consolidated balance sheets under construction loan payable.

17. LINES OF CREDIT

At December 31, 2014, ARCTrust had \$19,474,500 available on its lines of credit and \$14,774,500 drawn. Below is a list of the amounts drawn of these lines of credit at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
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, at an interest rate of Libor plus 300 basis points and a floor of 4%. The line was extended on July 8, 2011 for an		

**ARC PROPERTY TRUST, INC.
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additional twelve months and can be extended for one additional twelve month period. On July 8, 2012 the line was extended for an additional twelve months with a maximum available on the line of \$1,239,479. On July 8, 2012 this line was extended to September 19, 2013.

On September 19, 2013, ARCTrust entered into a line of credit with National Penn Bank which replaced the previous line with National Penn Bank. The new line of credit has a maximum amount available of \$7,500,000. It is currently secured by the Millville, New Jersey property with maximum draw of \$1,400,000, the Mount Arlington, NJ property with a maximum draw \$1,890,000, the City Line, Philadelphia, Pennsylvania property with a maximum draw of \$980,000, and the Hazeltown, PA property with a maximum draw of \$882,000. The line carries an interest rate of the Eurodollar rate plus 250 basis points with a floor of 3.5%. The line matures on September 18, 2015.

3,452,000 -

On August 27, 2013, ARCTrust entered into a line of credit with Provident Bank with a maximum amount available on the line of \$8,000,000. The line is currently secured by the Glen Cove, New York property with a maximum draw of \$1,015,000, the Trenton, New Jersey property with a maximum draw of \$2,100,000 and the Fredericksburg, VA property with a maximum draw of \$1,207,500. The line of credit carries an interest rate of Libor plus 300 basis points with a floor of 3.5%. The line matures on August 27, 2015.

4,322,500 -

On October 29, 2010, ARCTrust through its subsidiary ARCTrust SPG LLC entered into a line of credit with TriState Capital with a maximum amount available on the line of \$4,735,000 at an annual interest rate of Libor plus 350 basis points and a floor of 5.5%. This line was terminated on September 19, 2013.

- -

On August 24, 2011, ARCTrust entered into a line of credit with Union Center National Bank with a maximum amount available on the line of \$8,000,000. Interest is calculated at the lender's prime rate and has a floor of 4%. The line matured on August 24, 2013.

- -

On September 13, 2013, ARCTrust entered into an unsecured line of credit with Union Center National Bank (now Connectone Bank) with a maximum amount available on the line of \$10,000,000. Interest is calculated at the lender's prime rate and has a floor of 4%. The line matures on August 30, 2015.

7,000,000 3,175,000

Totals \$ 14,774,500 \$ 3,175,000

Interest expense incurred on these lines of credit for the years ended December 31, 2014 and 2013 were \$325,702 and \$75,521, respectively.

18. DEFERRED RENTAL INCOME

Deferred rental income represents tenant rent payments received in December 2014 for January 2015 rent obligations.

Also included in deferred income is \$150,000 rent in advance paid to ARCTrust by Chic Fil A as part of a lease swap with the Macaroni Grill, the original tenant of the Lincoln, Nebraska property. In addition to \$150,000 rent in advance payment, Chic Fil A, at their cost, will demolish the existing building and build a new 4,730 square foot building on the current Macaroni Grill site, Chic Fil A is obligated to pay rent from the inception of its lease.

Deferred rental income totaled \$409,796 and \$152,035 at December 31, 2014 and 2013 respectively and appears on the consolidated balance sheets.

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19. DUE TO TENANT

In connection with the purchase of the Syracuse, NY property ARCTrust received a credit for any overbilling of common area expenses to the tenant that occurred prior to our purchase of the property.

In connection with the purchase of the Batavia, Illinois property ARCTrust received a credit for any overbilling of real estate taxes to the tenant that occurred prior to our purchase of the property.

These amounts totaling \$246,983 and \$97,871 at December 31, 2014 and 2013, respectively appear under due to tenant on the consolidated balance sheet.

20. COSTS FROM TERMINATED TRANSACTIONS

ARCTrust incurs professional and other expenses as part of its due diligence process when acquiring investment opportunities. If ARC rejects a property and the acquisition is terminated all costs associated with the due diligence are expensed and appear under Costs from Terminated Transactions on the Consolidated Statements of Income. Costs from terminated transactions totaled \$228,485 and \$143,825 at December 31, 2014 and 2013, respectively.

21. DIVIDENDS TO SHAREHOLDERS

On December 27, 2012, the Board of Directors approved the payment of a dividend of \$0.175 per share to shareholders of record on December 31, 2012. The dividend was prorated from the admittance date of each shareholder, totaled \$507,828, and was paid on January 31, 2013.

On April 3, 2013, the Board of Directors approved the payment of a dividend of \$0.175 per share to shareholders of record on March 31, 2013. The dividend was prorated from the admittance date of each shareholder, totaled \$558,417, and was paid on April 30, 2013.

On July 15, 2013, the Board of Directors approved the payment of a dividend of \$0.175 per share to shareholders of record on June 30, 2013. The dividend was prorated from the admittance date of each shareholder, totaled \$641,060, and was paid on July 31, 2013.

On September 15, 2013, the Board of Directors approved the payment of a dividend of \$0.175 per share to shareholders of record on September 30, 2013. The dividend was prorated from the admittance date of each shareholder, totaled \$708,524, and was paid on October 31, 2013.

On January 15, 2014, the Board of Directors approved the payment of a dividend of \$0.175 per share to shareholders of record on December 31, 2013. The dividend was prorated from the admittance date of each shareholder, totaled \$817,745 and was paid on January 31, 2014.

On March 15, 2014, the Board of Directors approved the payment of a dividend of \$0.1775 per share to shareholders of record on March 31, 2014. The dividend, which was prorated from the admittance date of each shareholder, totaled \$1,029,851 and was paid on April 30, 2014.

On June 15, 2014 the Board of Directors approved the payment of a dividend of \$0.1775 per share to shareholders of record on June 30, 2014. The dividend, which was prorated from the admittance date of each shareholder, totaled \$1,057,988 and was paid on July 31, 2014.

On September 15, 2014 the Board of Directors approved the payment of a dividend of \$0.1775 per share to shareholders of record on September 30, 2014. The dividend, which was prorated from the admittance date of each shareholder, totaled \$1,083,768 and was paid on October 31, 2014.

22. FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

Below is the ARCTrust calculation of funds from operations and adjusted funds from operations. Funds from operations ("FFO") and adjusted funds from operations ("AFFO") are supplemental non-GAAP measures used by Real Estate Investment Trusts to further define cash from operations in addition to the Cash from Operating Activities section of the Cash Flow Statement.

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ARCTrust defines FFO as net income/(loss) attributable to common shareholders computed in accordance with GAAP, excluding (i) gains or losses from sales of operating real estate assets, (ii) non-recurring items, (iii) equity investment income from joint ventures, (iv) excess distribution from a cost method investment in joint venture, plus (v) depreciation and amortization and (vi) distributions from equity investment joint ventures. AFFO is presented by adding to FFO cost from terminated transactions and stock based compensation. FFO and AFFO do not represent cash flows from operations as defined by GAAP and are not indicative that cash flows are adequate to fund all cash needs and are not to be considered alternatives to net income or any other GAAP measure as a measurement of the results of our operations or our cash flows or liquidity as defined by GAAP. It should also be noted that not all REITs calculate FFO and AFFO the same way so comparisons with other REITs may not be meaningful. The funds from operations and adjusted funds from operations for the years ended December 31, 2014 and 2013 are:

	<u>2014</u>	<u>2013</u>
Net Income attributable to ARC Property Trust, Inc.	\$2,454,343	\$6,295,182
Distributions from joint ventures	419,019	258,486
Income from joint ventures	(86,969)	(48,460)
Gain on investment in joint venture	-	(377,879)
Straight line rent adjustment	(344,525)	(234,475)
Success fee	(47,162)	(84,816)
Loss from early retirement of debt	95,020	556,160
Gain on sale beneficial ownership interests	(57,364)	-
Gain on sale of property	-	(4,910,623)
<u>Depreciation and Amortization</u>	<u>2,367,544</u>	<u>1,681,384</u>
Funds from Operations	4,799,906	3,134,959
Stock based compensation	587,689	-
<u>Costs from terminated transactions</u>	<u>228,485</u>	<u>143,825</u>
Adjusted Funds from Operations	\$ 5,616,080	\$3,278,784
 Adjusted FFO per weighted average share outstanding	 <u>\$0.93</u>	 <u>\$0.84</u>
 Weighted average shares outstanding	 <u>6,039,341</u>	 <u>3,893,924</u>

23. 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.

At December 31, 2014, ARCTrust was not involved in any legal proceedings or claims arising from its business that would necessitate any accruals for loss contingencies.

24. STOCK OPTION PLAN

On August 12, 2013, the Board of Directors adopted, and, on December 31, 2013, the stockholders approved, the ARC Property Trust, Inc. Nonqualified Stock Option Plan (the "Plan") to attract and retain directors, officers, employees and consultants of ARCTrust.

ARCTrust's and its subsidiaries' directors, officers, employees and consultants are eligible to participate in the Plan. As of August 15, 2013, approximately ten directors, six officers and three consultants are eligible to participate in the Plan.

The Plan authorizes only the granting of nonqualified stock options ("options" or "nonqualified stock options"). The exercise price of each option will be determined by the Board of Directors or a committee thereof to which the Board has delegated such power, as plan administrator, provided that the price cannot be less than 100% of the fair market value of the shares of common stock of ARCTrust on the date on which the option is granted. FMV will be determined in a manner which the Plan Administrator determines to be appropriate.

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An option granted under the Plan will generally become vested and exercisable with respect to one-third of the shares of common stock subject to the option (rounded to a whole share) on each of the first, second and third anniversaries of the grant date, provided the participant has continued to provide services as a director, officer, employee or consultant of ARCTrust or any subsidiary of ARCTrust through the respective anniversary. In addition, in certain instances upon a change in control (or an initial public offering of our common stock) a participant's options will become 100% vested and exercisable.

Under the Plan, ARCTrust may issue up to 600,000 shares of common stock, which number may be increased by the Board of Directors in its sole discretion, provided that, at the time of such increase, the number of shares eligible for issuance under the Plan does not exceed 15% of the issued and outstanding shares of common stock of ARCTrust. During any twelve month period, nonqualified stock options accounting for no more than 15% of the outstanding shares of common stock may be issued.

No option may be granted under the Plan after the day immediately preceding the tenth anniversary of the effective date of the Plan, but options granted prior to such termination may extend beyond that date. Options granted under the Plan, and shares of stock issued upon exercise of the options, are generally non-transferable.

The Board of Directors may modify or terminate the Plan or any portion thereof at any time, provided that no modification may be made without stockholder approval if it would increase the number of shares of common stock subject to the Plan (other than any increase that does not exceed 15% of the then outstanding shares of common stock of ARCTrust) or if stockholder approval is required to comply with any tax or regulatory requirement or rule of any applicable exchange or over-the-counter market upon which ARCTrust's common stock is listed or quoted.

On January 31, 2014, pursuant to the Option Committee's November 12, 2013 report, 878,240 options were granted at \$10.6687 per share representing the recipient's fair market value of shares. Using an independent appraisal company the value of the options was calculated to be \$2.19 per option. The amount of \$587,689 represents the cost through December 31, 2014 of the issued options using the three year vesting as stated in the option agreement. This amount appears as stock based compensation on the consolidated statements of income and changes in equity.

25. SUBSEQUENT EVENTS

ARC Trust has evaluated subsequent events from the balance sheet date through April 7, 2015 and noted the following material subsequent events:

On December 15, 2014 the Board of Directors approved the payment of a dividend of \$0.1775 per share to shareholders of record on December 31, 2014. The dividend, which was prorated from the admittance date of each shareholder, totaled \$1,116,325 and was paid on January 31, 2015.

On January 13, 2015, ARCTrust through its subsidiary ARC TN Memphis Park LLC purchased a property in Memphis, Tennessee leased to CVS Inc. The purchase price of the property was \$4,330,826.

On January 13, 2015, ARCTrust through its subsidiary Skokie Oakton LLC purchased a property in Skokie, Illinois leased to Floor and Décor Outlets of America Inc. The purchase price of the property was \$12,737,000.

On February 4, 2015, ARCTrust through its subsidiary Farmingville North Ocean LLC purchased a property in Farmingville, New York leased to a Stop and Shop gas station. The purchase price of the property was \$3,457,000.

On February 12, 2015 ARCTrust modified its \$10,000,000 unsecured line of credit with Connect One Bank (formerly Union Center National Bank) increasing the line of credit to \$17,000,000. The line carries an interest only rate equal to the Connect One Bank's prime rate with a floor of 4%. The line has a term expiring on January 27, 2016.

On February 27, 2015 ARC Trust converted its funding in the Hamilton Crosswicks development project, shown on December 31, 2014 consolidated balance sheets in Deferred Development costs, into a loan. The loan carries an interest rate of 12 % and has a maturity date of March 1, 2016.

On March 4, 2015, ARCTrust, through its subsidiary ARC Property Trust Investments, LP, entered into a secured line of credit agreement with KeyBank. The line provides ARCTrust ARC Property Trust Investments, LP with \$10,000,000 that can be used to provide financing to purchase Delaware Statutory Trust Beneficial Interests. The line has a one year term and carries an interest rate of LIBOR plus 425 basis points.

On March 4, 2015, ARCTrust, through its taxable REIT subsidiary ARCTrust Holdings, Inc., accepted assignment of beneficial ownership interests in the Delaware statutory trust properties securing ARCTrust's loans to ADP DST Holdings, LLC and WGC

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DST Portfolio, LLC. Upon obtaining the beneficial ownership interests the loans were satisfied and discharged. The conversion of the loan assets into beneficial ownership interests held by ARCTrust Holdings, Inc. was made pursuant to the terms of the KeyBank line of credit that requires the beneficial interests of properties financed on the line to be held directly by the ARCTrust subsidiary. See Note above for other specific information regarding the KeyBank line of credit.

On April 1, 2015, ARCTrust through its subsidiary Mt Lebanon Cooke LP, purchased a 13,824 square foot building on 1.83 acres in Mount Lebanon, Pennsylvania leased to Rite Aid Corporation. The purchase price of the land and building was \$5,470,537 plus acquisition fees and other expenses.

**ARC PROPERTY TRUST, INC.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015
AND FOR THE YEAR ENDED DECEMBER 31, 2014**

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ARC PROPERTY TRUST, INC.

Consolidated Balance Sheets

As of September 30, 2015 (Unaudited) and the year ended December 31, 2014

	2015	2014
Assets		
Property:		
Land	\$ 92,816,291	\$ 69,331,159
Land Improvements	635,094	635,094
Building	108,682,081	90,213,471
	<hr/>	<hr/>
	202,133,466	160,179,724
Less: accumulated depreciation	5,250,028	3,398,808
	<hr/>	<hr/>
Property, net	196,883,438	156,780,916
Construction in progress	35,000	96,510
	-	-
Cash and cash equivalents	2,912,559	2,204,141
Restricted cash	1,351,229	277,454
Rent receivable	45,430	7,325
Interest receivable	205,471	194,581
Deferred rent receivable	1,457,707	1,047,344
Loans receivable	8,669,751	16,368,361
Prepaid expense	27,463	18,129
Purchase deposits	1,115,000	876,429
Deferred transaction costs	127,675	27,330
Development program costs	4,706,182	2,509,505
Investments in Unconsolidated Joint Ventures	2,286,832	2,375,411
Investment in beneficial ownership interests in real estate	7,994,474	-
Interest rate cap	8,130	37,900
Deferred financing and other fees, net of accumulated amortization of \$1,872,885 and \$1,476,010 for 2015 and 2014, respectively	2,821,681	2,072,621
	<hr/>	<hr/>
Total Assets	\$ 230,648,022	\$ 184,893,957
	<hr/>	<hr/>
Liabilities and Equity		
Liabilities:		
Mortgage notes payable	\$ 3,322,474	\$ 10,410,127
Lines of credit	10,337,287	14,774,500
Security deposit	15,600	15,600
Accounts payable and accrued expenses	599,856	420,531
Taxes payable	98,120	4,003
Due to related party	363,964	203,982
Deferred rental income	314,438	409,796
Deferred interest income	-	289,758
Due to tenant	97,871	246,983
Dividends payable	1,454,042	1,116,325
	<hr/>	<hr/>
Total current liabilities	16,603,652	27,891,605
Mortgage notes payable-long term	122,185,256	86,888,272
Construction loan payable	1,400,000	664,189
	<hr/>	<hr/>
Total liabilities	140,188,908	115,444,066
	<hr/>	<hr/>
Class A Common shares: \$.01 par value per share; authorized 10,000,000 shares 9,003,430 offered; 8,373,640 and 6,600,063 issued and outstanding as of September 30, 2015 and December 31, 2014, respectively	83,736	66,001
Class S common shares: \$.01 par value per share; authorized 1,000,000 shares 1,000,000 offered; 0 and 0 shares issued and outstanding		
Additional paid in capital	85,235,684	65,725,813
Cumulative net income	17,260,667	11,864,492
Cumulative partnership distributions	(234,316)	(121,909)
Cumulative shareholder distributions	(14,878,969)	(10,850,896)
	<hr/>	<hr/>
Total shareholders' equity	87,466,802	66,683,501
Noncontrolling interest	2,992,312	2,766,390
	<hr/>	<hr/>
Total equity	90,459,114	69,449,891
	<hr/>	<hr/>
Total Liabilities and Equity	\$ 230,648,022	\$ 184,893,957
	<hr/>	<hr/>

See notes to consolidated financial statements

ARC PROPERTY TRUST, INC.

Consolidated Statements of Income For the Nine Months Ended September 30, 2015 and September 30, 2014

	2015	2014
Revenues:		\$
Rental revenues	\$ 10,649,296	6,522,457
Reimbursement of real estate taxes	1,390,641	898,024
Loan fees	584,929	249,847
Success fee	-	82,962
Loss on interest rate cap	(29,770)	-
Income from joint venture	243,413	147,628
Income from beneficial ownership interests in real estate	229,480	20,629
Gain on sale of beneficial ownership interests in real estate	295,574	50,571
Interest income	1,150,322	716,163
Total revenues	14,513,885	8,688,281
Expenses:		
Interest expense	3,944,212	2,136,259
Depreciation and amortization	2,696,768	1,685,073
Asset Management fees-affiliate	1,673,111	1,001,730
Deferred stock based compensation	480,836	427,410
General and administrative expense	111,995	110,688
Professional expenses	245,198	127,416
Real estate taxes	1,563,697	906,314
Property operating expenses	485,832	176,395
Costs from terminated transactions	72,933	122,834
State and local taxes	32,730	8,163
Total expenses	11,307,312	6,702,282
Federal taxes	98,364	4,622
Net income before gain on sales of properties and early retirement of debt	\$ 3,108,209	\$ 1,981,377
Gain on sale of property	2,517,888	-
Loss on early retirement of debt	-	(91,020)
Net income before income attributable to noncontrolling interest	5,626,097	1,890,357
Net income attributable to noncontrolling interests	229,922	13,860
Net income attributable to ARC Property Trust, Inc.	\$ 5,396,175	\$ 1,876,497

See notes to consolidated financial statements

ARC PROPERTY TRUST, INC.

Consolidated Statements of Changes in Equity

	<u>Class A Common Shares</u>		<u>Additional</u>	<u>Cumulative</u>	<u>Cumulative</u>	<u>Cumulative</u>	<u>Non-</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Net Income</u>	<u>Partnership</u>	<u>Distributions</u>	<u>Controlling</u>	<u>Equity</u>
			<u>Capital</u>	<u>(Loss)</u>	<u>Distribution</u>		<u>Interests</u>	
Balance, December 31, 2012	3,011,407	\$ 30,114	\$ 27,197,889	\$ 3,114,967	\$ (121,909)	\$ (3,837,217)	\$ 211,634	\$ 26,595,478
Issuance of shares in private offering	2,385,312	23,853	25,370,524	---	---	---	---	25,394,377
Noncontrolling equity interests in a newly formed subsidiary	---	---	---	---	---	---	---	-
Net income	---	---	---	6,295,182	---	---	11,136	6,306,318
Dividends	---	---	---	---	---	(2,725,747)	---	(2,725,747)
Partnership distributions	---	---	---	---	---	---	(21,020)	(21,020)
Balance, December 31, 2013	5,396,719	53,967	52,568,413	9,410,149	(121,909)	(6,562,964)	201,750	55,549,406
Issuance of shares in private offering	1,203,344	12,034	12,569,711	---	---	---	---	12,581,745
Noncontrolling equity interests in newly formed subsidiary	---	---	---	---	---	---	2,556,667	2,556,667
Net income	---	---	---	2,454,343	---	---	18,483	2,472,826
Deferred stock based compensation	---	---	587,689	---	---	---	---	587,689
Dividends	---	---	---	---	---	(4,287,932)	---	(4,287,932)
Partnership distributions	---	---	---	---	---	---	(10,510)	(10,510)
Balance, December 31, 2014	6,600,063	66,001	65,725,813	11,864,492	(121,909)	(10,850,896)	2,766,390	69,449,891
Issuance of shares in private offering	1,773,577	17,735	19,426,445	---	---	---	---	19,444,180
Noncontrolling equity interests in a newly formed subsidiary	---	---	---	---	---	---	---	-
Purchase of partnership interests	---	---	(397,410)	---	---	---	---	(397,410)
Deferred stock based compensation	---	---	480,836	---	---	---	---	480,836
Net income	---	---	---	5,396,175	---	0	229,922	5,626,097
Dividends	---	---	---	---	(112,407)	(4,028,073)	---	(4,140,480)
Partnership distributions	---	---	---	---	---	---	(4,000)	(4,000)
Balance, December 31, 2015	8,373,640	\$ 83,736	\$ 85,235,684	\$ 17,260,667	\$ (234,316)	\$ (14,878,969)	\$ 2,992,312	\$ 90,459,114

The accompanying notes to consolidated financial statements are an integral part of these statements.

ARC PROPERTY TRUST, INC.

Consolidated Statements of Cash Flows

	For the nine months ended September 30,	
	2015	2014
Cash Flows from Operating Activities:		
Net income	\$ 5,626,097	\$ 1,890,357
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Depreciation and amortization	2,696,768	1,685,073
Loss on interest rate cap	29,770	-
Gain on sale of property	(2,517,888)	-
Loss on early retirement of debt	-	-
Deferred stock based compensation	480,836	427,410
Income from joint ventures	(243,413)	(147,628)
<i>Changes in operating assets and liabilities</i>		
Rent receivable	(38,105)	(2,163)
Loan fee receivable	-	(35,800)
Interest receivable	(10,890)	(42,358)
Deferred rent receivable	(410,363)	(244,011)
Prepaid expense	(9,334)	(13,214)
Due to related parties (operating)	159,982	5,974
Accounts payable and accrued expenses	179,325	(144,512)
Taxes payable	94,117	4,622
Due to tenant	(149,112)	149,112
Deferred rental income	(95,358)	93,218
Deferred interest income	(289,758)	(124,598)
Net cash provided by operating activities	5,502,674	3,501,482
Cash Flows from Investing Activities:		
Acquisition of properties	(57,695,675)	(35,963,950)
Proceeds from sale of properties	18,544,828	-
Increase in properties from reclass of Construction in progress	(503,619)	-
Decrease in Construction in progress	61,510	(175,293)
Investment in joint venture	(1,743)	(1,870)
Distributions from joint venture	333,735	337,205
Investment in beneficial interests in real estate, net	(7,994,474)	(3,446,029)
Non-controlling equity interest	(4,000)	48,904
(Increase) decrease restricted cash	(1,073,775)	363,057
Proceeds from refinance of joint ventures	-	1,181,251
Loans receivable	(4,035,442)	191,292
Paydown of loans receivable	11,734,052	(2,437,345)
Increase in Development program costs	(2,196,677)	-
(Increase) decrease in purchase deposits	(238,571)	(1,426,000)
(Increase) decrease in deferred transaction costs	(100,345)	(120,432)
Net cash used in investing activities	(43,170,196)	(41,449,210)
Cash Flows from Financing Activities:		
Mortgage principal amortization	(2,648,810)	(1,096,277)
Borrowings under mortgage notes payable	43,209,454	23,438,183
Paydown of mortgage notes payable	(12,351,313)	-
Borrowings under construction loan payable	735,811	660,250
Paydown under lines of credit	(14,774,500)	(3,175,000)
Borrowings under line of credit	10,337,287	7,385,000
Purchase of partnership interests	(397,410)	-
Increase in deferred mortgage costs and other fees	(1,375,997)	(780,432)
Proceeds from the issuance of common stock	21,974,572	9,452,641
Offering costs paid	(2,530,392)	(1,470,959)
Partnership payout	(112,407)	-
Dividends paid	(3,690,355)	(2,905,584)
Net cash provided by (used in) financing activities	38,375,940	31,507,822
Net Increase (Decrease) in Cash and Cash Equivalents	708,418	(6,439,906)
Cash and Cash Equivalents, Beginning of Period	2,204,141	8,158,079
Cash and Cash Equivalents, End of Period	\$ 2,912,559	\$ 1,718,173
Supplement Disclosure of Cash Flow Information:		
Cash payments for interest	\$ 3,865,120	\$ 2,066,526

See notes to consolidated financial statements

**ARC PROPERTY TRUST, INC.
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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 its subsidiaries (collectively “ARCTRUST”) specialize in the development, acquisition and finance 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, Spring Valley Land AT LLC, Trenton Quakerbridge AT LLC, Midlothian Huguenot AT LLC, Fredericksburg Warrenton AT LLC, North Riverside Cermak LLC, Glen Cove Forest LLC, Saber Tampa ARCT LLC, Garner Timber Drive LLC, Huntersville Sam Furr LLC, Union City AT LLC, Middletown Washington LLC, Springfield Land AT LLC, Willow Grove Easton LP, Willow Grove Easton 2350 LP, Weeki Wachee Cortez LLC, Palm Springs Congress LLC, Indialantic Miramar LLC, Syracuse Teall LLC, ChestPac ARCT LLC, Jacksonville Third LLC, Louisville Blankenbaker LLC, Lincoln Ridgeline LLC, Raleigh Wake Forest LLC, Doylestown North Easton LP, Lansdale County Line LP, Philadelphia Broad Street LP, Philadelphia City Line LP, Saber Tampa ARCT II LLC, Abington York LP, Garner Highway Forty Two LLC, Batavia Randall LLC, Gastonia Franklin LLC, Warwick Sandy LLC, Midlothian Route 60 LLC, Hazelton Airport LP, Capitol Heights Marlboro ARC LLC, Richmond Westover Hills LLC, Suitland Auth LLC, San Antonio Nacogdoches DST, ARC Morris Plains Speedwell LLC, ARCT 569 Broadway LLC, ARC Velocity LLC, ARC TN Memphis Park LLC, Skokie Oakton LLC, Farmingville North Ocean LLC, Mt. Lebanon Cooke LP, Winter Park ARCT LLC, LLC, Sanford ARCT LLC, Orlando Ocala ARCT LLC, Houston Eldridge LLC, Williamstown TVC ARC LLC, Chicago Pulaski DST and Jacksonville San Jose LLC.

Allentown Lloyd LP is the 100% owner of Washington DC Newton LLC. Manalapan ARCTrust LLC is the 100% owner of Syracuse Manalapan LLC and Syracuse Teal LLC. Edgewater Hudson is the 100% owner of Virginia Beach Pharmacy LLC, Union City AT LLC owns a 90% interest in Union City Bergenline LLC, ARC Morris Plains Speedwell LLC owns a 90% interest in Morris Plains Speedwell, LLC, ARCT 569 Broadway LLC owns a 50% interest in 569 Broadway Associates Limited Partnership and Lincoln Ridgeline LLC is the 100% owner of Winter Park University 6503PT LLC. Winter Park ARCT LLC is the 100% owner of Winter Park University 6245P LLC, Winter Park University 6627DD LLC, Winter Park University 6709BK LLC, and Winter Park University 3391CFA LLC. Sanford ARCT LLC is the 100% owner of Sanford Oregon LLC, Sanford Towne 100DP LLC, and Sanford Towne 110MFAF LLC. Orlando Ocala ARCT LLC is the 100% owner of Ocala College LLC, Orlando Kirk 4621BM LLC, and Orlando Kirk 4639EB LLC.

On August 1, 2014, ARCTRUST formed ARCTrust Holdings Inc. ARCTRUST owns 100% of ARCTrust Holdings Inc. which has been set up as a Taxable REIT Subsidiary as defined under Section 856 of the Internal Revenue Code.

ARC Property Trust Inc. is also the 100% owner of ARCTrust TRS Inc. ARCTrust TRS Inc. was originally set up as a Taxable REIT Subsidiary as defined under Section 856 of the Internal Revenue Code. On June 30, 2013, ARCTRUST filed the necessary documents with the Internal Revenue Service to convert it to a Qualified REIT Subsidiary.

On January 10, 2010 ARCTRUST commenced a private offering of 2,000,000 shares at \$10 per share pursuant to a private placement memorandum. On April 15, 2011 ARCTRUST increased the offering to 3,000,000 shares. On May 15, 2012 the Board authorized an amendment to ARCTRUST’s charter increasing the number of authorized shares to 10,000,000 shares. On September 28, 2012, ARCTRUST commenced a follow on private offering of up to an aggregate of 2,572,898 shares at \$11.66 per share pursuant to a private placement memorandum. On December 16, 2013, ARCTRUST increased the follow on private offering by 3,430,532 shares at \$11.66 per share and extended the offering to January 31, 2014. On March 28, 2014, ARCTRUST commenced a second follow on offering of 2,421,307 shares at \$12.39 per share.

As of September 30, 2015, ARCTRUST had sales of 8,373,640 shares to investors, which, net of offering costs, has yielded \$84,648,305. Also included in additional paid in capital is \$1,068,525 in deferred stock based compensation. Additional paid in

**ARC PROPERTY TRUST, INC.
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capital is reduced by \$397,410 for the purchase of partnership interests in the Capital Heights, Maryland and Williamstown, New Jersey joint venture development projects.

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, as of September 30, 2015, the accounts of ARCTRUST and its wholly-owned subsidiaries.
- b. Reclassification** – The comparative figures have been reclassified to conform to current year presentation.
- c. 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.
- d. 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.

<u>Asset</u>	<u>Useful Life</u>
Land Improvements	15 years
Building	39-40 years
Furniture and equipment	5 years
Improvements for tenant	15 years

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

- e. Accounting for Acquisitions** – Upon acquisition of real estate properties, the Company determines if the acquisition meets the criteria to be accounted for as a business combination. Accordingly, the Company accounts for acquired single tenant properties that have an existing long-term triple-net lease or leases (greater than seven years) as asset acquisitions. Acquisitions of properties that include a process such as those with shorter-term leases or properties with multiple tenants that require business related activities to manage and maintain the properties are treated as business combinations. Costs incurred for asset acquisitions and development properties, including transaction costs, are capitalized. For asset acquisitions, the Company allocates the purchase price and other related costs incurred to the real estate assets acquired based on recent independent appraisals and management judgment. If the acquisition is determined to be a business combination, the Company records the fair value of acquired tangible assets (consisting of land, building, tenant improvements, and furniture, fixtures and equipment) and identified intangible assets and liabilities (consisting of above and below market leases, in-place leases, tenant relationships and assumed financing that is determined to be above or below market terms) as well as any noncontrolling interest. In addition, acquisition-related costs in connection with business combinations are expensed as incurred.
- f. 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 for the nine months ended September 30, 2015 or for the year ended December 31, 2014.

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- g. 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, insurance and funds held by a qualified intermediary for a tax free exchange

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.

- h. 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.
- i. Investments in Unconsolidated Joint Ventures** – The Company accounts for its investments in unconsolidated joint ventures under the equity method of accounting as the Company exercises significant influence, but does not control these entities. These investments are recorded initially at cost and subsequently adjusted for cash contributions and distributions. Earnings for each investment are recognized in accordance with each respective investment agreement.
- j. Amortization** – Deferred financing and other fees are amortized using the straight-line method over the life of the related mortgage or line of credit.
- k. 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. operated as a Taxable REIT Subsidiary up until June 30, 2013 and was subject to corporate tax rates. On June 30, 2013, ARCTRUST filed the necessary documents with the Internal Revenue Service to convert it to a Qualified REIT Subsidiary.

ARCTrust Holdings Inc. operates as a Taxable REIT Subsidiary and is subject to corporate tax rates. Estimated taxes payable were \$98,120 and \$4,003 as of September 30, 2015 and December 31, 2014, respectively.

- l. 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. ARCTRUST has recorded deferred rent receivable of \$1,457,707 and \$1,047,344 which represents rental income recognized in excess of rent payments actually received pursuant to the terms of the individual lease agreements as of September 30, 2015 and December 31, 2014, respectively. This amount appears on the consolidated balance sheets under deferred rent receivable. The leases typically provide that the tenant is obligated to pay all real estate tax assessments. These payments are recognized as revenue in the period the related real estate tax expense is incurred.

m. 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

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instruments. ARCTRUST did not have any nonfinancial assets or liabilities that are measured at fair value on a recurring basis as of September 30, 2015 and December 31, 2014, respectively.

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.

- n. Industry Segments** – ARCTRUST operates in one industry segment, investments in credit lease properties.
- o. 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. 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.
- p. Recently issued accounting pronouncements affecting ARCTRUST** – Management does not believe that any recently issued, but not yet effective, accounting standards or pronouncements, if currently adopted, would have a material effect on ARCTRUST’s consolidated financial statements.

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 costs in connection with 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 costs directly related to the sale of shares. As of September 30, 2015 ARCTRUST has incurred \$10,069,822 in total costs related to the selling of its shares.

4. PROPERTIES

The table below details the properties currently owned by ARCTRUST and its subsidiaries:

Purchase Date	Purchase Entity	Location	Acreage	Sq. Ft.	Tenant	Purchase Price
December 1, 2009	Washington Blackhorse LLC	Washington, New Jersey	1.87	5,400	Wells Fargo/Wachovia	\$3,900,000
July 8, 2010	Millville ARCTrust LLC	Millville, New Jersey	1.22	7,381	AutoZone Inc.	\$1,937,500
December 10, 2010	ARCTrust TRS Inc.	Mount Arlington, New Jersey	1.05	2,875	Bank of America	\$2,727,226
April 29, 2011	Trenton Quakerbridge AT LLC	Trenton, New Jersey	1.15	NA	Lehigh Gas Inc.	\$2,078,012

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Purchase Date	Purchase Entity	Location	Acreage	Sq. Ft.	Tenant	Purchase Price
June 20, 2011	Midlothian Huguenot AT LLC	Midlothian, Virginia	4.70	43,505	HH Gregg Inc.	\$2,425,000
September 15, 2011	Fredericksburg Warrenton AT LLC	Fredericksburg, Virginia	2.31	3,162	7 – 11 Inc.	1,168,200
November 14, 2011	Washington DC Newton LLC	Washington DC	.52	11,585	CVS Corp.	\$4,900,000
January 20, 2012	North Riverside Cermak LLC	North Riverside, Illinois	2.30	30,000	HH Gregg	\$4,225,000
March 7, 2012	Glen Cove Forest LLC	Glen Cove, New York	.78	3,620	Payless Shoes	\$1,318,553
April 26, 2012	Garner Timber Drive LLC	Garner, North Carolina	1.50	9,990	CVS Corp.	\$2,122,975
April 26, 2012	Huntersville Sam Furr LLC	Huntersville, North Carolina	2.30	10,125	CVS Corp.	\$2,323,228
July 26, 2012	Union City AT LLC	Union City, New Jersey	.90	28,000	CVS Corp, Sleepy's Inc.	\$5,575,000
August 27, 2012	Springfield Land AT, LLC	Springfield, New Jersey	1.25	NA	Walgreens Cos.	\$3,368,160
August 30, 2012	Middletown Washington LLC	Middletown, Connecticut	1.10	1,840	Bank of America	\$3,700,000
November 15, 2012	Willow Grove Easton LP	Willow Grove, Pennsylvania	2.90	12,937	Ruby Tuesday and Millers Ale House	\$4,153,000
November 15, 2012	Willow Grove Easton 2350 LP	Willow Grove, Pennsylvania	4.40	72,000	Marriot Corporation	\$2,200,000
May 13, 2013	Palm Springs Congress LLC	Palm Springs, Florida	1.50	12,739	CVS Corp.	\$4,700,000
June 12, 2013	Indialantic Miramar LLC	Indialantic, Florida	1.20	15,525	CVS Corp.	\$5,075,000
June 28, 2013	Syracuse Manalapan and Syracuse Teal LLC	Syracuse, New York	5.40	36,504	Wakefern Foods Inc.	\$6,177,000
September 17, 2013	Jacksonville Third LLC	Jacksonville, Florida	1.34	10,908	CVS Corp.	\$3,600,000
September 25, 2013	Louisville Blankenbaker LLC	Louisville, Kentucky	1.88	5,597	Republic Bank	\$1,600,000
November 20, 2013	Edgewater Hudson LLC	Springfield, New Jersey	NA	13,369	Walgreens Cos.	\$6,043,263
December 11, 2013	Doylestown North Easton LP	Doylestown, Pennsylvania	1.64	3,730	ARFA Enterprises Inc.	\$3,353,055
December 11, 2013	Lansdale County Line LP	Lansdale, Pennsylvania	1.98	3,233	ARFA Enterprises Inc.	\$2,890,389
December 11, 2013	Philadelphia Broad Street LP	Philadelphia, Pennsylvania	.34	631	ARFA Enterprises Inc.	\$1,235,320
December 11, 2013	Philadelphia City Line LP	Philadelphia, Pennsylvania	.46	780	ARFA Enterprises Inc.	\$1,329,505
January 21, 2014	Raleigh Wake Forest LLC	Raleigh, North Carolina	.83	4,000	Mattress Firm	\$2,106,000
February 14, 2014	Edgewater Hudson LLC	Virginia Beach, Virginia	1.2	13,369	CVS Corp	\$4,814,003

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Purchase Date	Purchase Entity	Location	Acreage	Sq. Ft.	Tenant	Purchase Price
March 19, 2014	Abington York LP	Abington, Pennsylvania	.80	2904	Boston Market	\$2,903,858
March 20, 2014	Garner Highway Forty Two LLC	Garner, North Carolina	1.14	10,125	CVS Corp.	\$2,716,634
March 21, 2014	Batavia Randall LLC	Batavia, Illinois	4.46	42,500	Art Van Furniture Inc.	\$4,816,667
April 28, 2014	Gastonia Franklin LLC	Gastonia, North Carolina	3.68	55,025	Hobby Lobby	\$6,125,000
May 2, 2014	Warwick Sandy LLC	Warwick, Rhode Island	.61	NA	Stop and Shop (gas)	\$2,380,000
June 18, 2014	Midlothian Route 60 LLC	Midlothian, Virginia	1.23	10,128	CVS Corp.	\$3,900,000
July 9, 2014	Hazelton Airport LP	Hazelton, Pennsylvania	1.03	11,988	Sleepy's Inc.	\$1,106,000
July 10, 2014	Morris Plains Speedwell LLC	Morris Plains, New Jersey	3.40	32,200	Acme Markets Inc.	\$2,608,372
September 24, 2014	Capitol Heights Marlboro LLC	Capitol Heights, Maryland	.34	7,200	Dollar General	\$1,052,000
October 15, 2014	Richmond West-over Hills LLC	Richmond, Virginia	1.90	13,905	Walgreens Cos.	\$4,265,000
November 20, 2014	Suitland Auth, LLC	Suitland, Maryland	5.46	36,960	Strayer University	\$11,550,000
December 24, 2014	ARCT 569 Broadway LLC	Richmond, Virginia	.958	10,299	Rite Aid	\$581,666 (*)
December 24, 2014	ARCT 569 Broadway LLC	Norfolk, Virginia	1.34	11,300	Rite Aid	\$467,659(*)
December 24, 2014	ARCT 569 Broadway LLC	Alexandria, Virginia	1.38	11,180	Rite Aid	\$860,866(*)
December 24, 2014	ARCT 569 Broadway LLC	Chesapeake, Virginia	1.70	11,084	Rite Aid	\$589,809(*)
January 13, 2015	Skokie Oakton LLC	Skokie, Illinois	3.61	73,000	Floor and Decor	12,737,000
February 2, 2015	Farmingville North Ocean LLC	Farmingville, New York	.98	500	Stop and Shop (Gas)	\$3,457,000
April 1, 2015	Mt. Lebanon Cooke LP	Mt. Lebanon, Pennsylvania	1.70	13,850	Rite Aid	\$5,470,537
July 15, 2015	Winter Park Univ. 6503 PT LLC	Winter Park, Florida	.87	3,424	Pollo Tropical	\$1,305,091
July 15, 2015	Winter Park Univ. 6245P LLC	Winter Park, Florida	1.17	5,321	Perkins and Marie Callenders	\$1,083,333
July 15, 2015	Winter Park Univ. 6627 DD LLC	Winter Park, Florida	1.08	2,559	Dunkin Donuts	\$1,320,000
July 15, 2015	Winter Park Univ. 6709BK LLC	Winter Park, Florida	1.03	2,860	Burger King	\$1,659,145
July 15, 2015	Winter Park Univ. 3391CFA LLC	Winter Park, Florida	1.27	4,295	Chick-Fil A Inc.	\$1,954,118
July 15, 2015	Sanford Oregon LLC	Sanford, Florida	1.01	4,932	7-Eleven Corp.	\$1,749,543
July 15, 2015	Sanford Towne, 100DP LLC	Sanford, Florida	1.67	7,912	Don Pablos Restaurant	\$2,137,771

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Purchase Date	Purchase Entity	Location	Acreage	Sq. Ft.	Tenant	Purchase Price
July 15, 2015	Sanford Towne 110MFAF LLC	Sanford, Florida	.91	7,000	Mattress Firm and Armed Forces District Engineers	\$1,781,285
July 15, 2015	Ocala College LLC	Ocala, Florida	1.01	3,207	Boston Market	\$1,672,899
July 15, 2015	Orlando Kirk 4621BM LLC	Orlando, Florida	1.00	3,140	Boston Market	\$1,804,631
July 15, 2015	Orlando Kirk 4639EB LLC	Orlando, Florida	.67	2,130	Einstein and Noah Bagels	\$1,532,183
August 12, 2015	Houston Eldridge LLC	Houston, Texas	1.72	3,502	Capital One Bank	\$1,904,761
September 24, 2015	Chicago, Illinois	Chicago Polaski DST	.69	15,500	CVS Corp	\$5,800,000
September 29, 2015	Jacksonville San Jose LLC (**)	Jacksonville, Florida	1.37	14,587	Walgreens Cos.	\$2,652,000

(*) ARCT 569 Broadway LLC purchased a 50% interest in 569 Broadway Associates Limited Partnership which owns the properties.

(**) ARCTRUST owns a 50% controlling interest in Jacksonville San Jose LLC

On February 18, 2015 the Weeki Wachee Florida property leased to CVS Corp was sold. The sale generated a gain of \$894,970 which appears on the consolidated statements of income under Gain on sale of property. Proceeds from the sale, totaling \$2,172,987, were placed with a qualified intermediary in an escrow account to be used for a tax free exchange. These funds were used to purchase a 13,824 square foot building on 1.83 acres in Mount Lebanon, Pennsylvania leased to Rite Aid Corporation.

On April 24, 2015 the Nebraska property leased to Chick-Fil A was sold. The sale generated a gain of \$1,006,062 which appears on the consolidated statements of income under Gain on sale of property. Proceeds from the sale, totaling \$1,741,042, were placed with a qualified intermediary in an escrow account to be used for a tax free exchange. On July 15, 2015, \$1,077,655 of these funds were used to purchase the Winter Park, Florida property leased to Pollo Tropical. On August 12, 2015, the remaining \$663,387 of these funds were used to purchase the Houston, Texas property leased to Capital One Bank.

On July 27, 2015, the Memphis, Tennessee property leased to CVS was sold. The sale generated a gain of \$485 which appears on the consolidated statements of income under Gain on sale of property. Proceeds from the sale, totaling \$772,937, were placed with a qualified intermediary in an escrow account to be used for a tax free exchange. On, September 24, 2015, these funds were used to buy a 76.4% interest in the Chicago Pulaski DST.

On August 6, 2015, the San Antonio, Texas property leased to CVS was sold. The sale generated a gain of \$791 which appears on the consolidated statements of income under Gain on sale of property. Proceeds from the sale, totaling \$764,287, were placed with a qualified intermediary in an escrow account to be used for a tax free exchange.

On August 3, 2015 ARCTRUST purchased the joint venture partnership interest of our partner in the project in Williamstown, New Jersey leased to Applebees. The total purchase price for the partnership interest was \$170,719 and 50% of any remaining construction escrows then being held. On August 6, 2015, this property (see Note 10) was sold. The sale generated a gain of \$615,580 which appears on the consolidated statements of income under Gain on sale of property. Proceeds from the sale, totaling \$740,461, were placed with a qualified intermediary in an escrow account to be used for a tax free exchange. On September 24, 2015, \$522,422 of these funds were used to buy a 23.6% interest in the Chicago Pulaski DST.

Depreciation expenses on these properties for the nine months ended September 30, 2015 and 2014 were \$2,069,895 and \$1,772,576, respectively.

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5. CONSTRUCTION IN PROGRESS

On September 24, 2014, ARCTRUST purchased land in Capitol Heights, Maryland (see note 4) to develop a Dollar General Store under the ARCTRUST development program. On May 10, 2015 rent commenced on this property and all costs in construction in progress related to this property were moved into Building on the consolidated balance sheets.

In addition, the Union City property is incurring preliminary costs associated with exploring the development rights at that site. At September 30, 2015 these costs totaling \$35,000 are included in construction in progress on the consolidated balance sheets.

6. INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES

On March 19, 2012, ARCTRUST through its subsidiary Saber Tampa ARCT LLC, made a direct investment of \$1,250,000 plus acquisition fees and other expenses in Saber Corner LLC. Saber Corner constructed 35,050 square feet of retail space on 3.1 acres on three separate pads in Tampa, Florida. The tenants include The Container Store, Sleep Number, Lime Fresh and Bank United. ARCTRUST earned a 12% preferred return on its direct investment during the construction period. For the nine months ended September 30, 2015 and 2014 Saber Tampa ARCT received \$53,813 and \$51,185 in cash distributions and recorded income of \$116,795 and \$85,939 respectively. The income amounts appear on the consolidated statements of income under income from joint ventures.

On June 26, 2013, ARCTRUST through its subsidiary Saber Tampa ARCT II LLC made a direct investment of \$1,181,250 plus acquisition fees and other expenses in Saber Corner II LLC. Saber Corner II is constructing a 26,000 square feet of retail space on 3.55 acres in Tampa, Florida. Signed tenants include Longhorn Steak House, Pei Wei, AT&T, Gym Source and Olive Garden on ground leases. ARCTRUST will earn a 12% preferred return on its direct investment during the construction period. On August 5, 2014, ARCTRUST received a distribution of the proceeds from the refinancing of the property. The proceeds included the repayment of its initial direct investment of \$1,181,250. In addition, a Success fee totaling \$47,162 was paid. For the nine months ended September 30, 2015 and 2014 ARCTRUST has received \$69,922 and \$86,020 in ordinary cash distributions and recorded income of \$72,517 and \$36,153 on this investment, respectively. The income amounts appear on the consolidated statements of income under income from joint ventures.

On September 17, 2013, ARCTRUST through its subsidiary ChestPac ARCT, made a direct investment in Chest-Pac Associates LP. The direct investment totaled \$2,500,000 plus acquisition fees and other expenses. The investment is comprised of two tranches: a \$2,000,000 ten year preferred equity contribution that receives a 12% preferred return for years one through five and a 12% preferred return and return of capital for years five thru ten. In addition, there is a \$500,000 investment to purchase a 14.516% Priority Common Limited Partnership interest which earns an 8% priority preferred return. Chest-Pac Associates LP owns a condominium unit in the Packard Building in Philadelphia, Pennsylvania. The condominium unit consists of 145,000 square feet of retail and office space leased to Del Frisco's Restaurant, an upscale restaurant, and Defenders Association of Philadelphia, a public defenders law group sponsored by the City of Philadelphia, respectively. For the nine months ended September 30, 2015 and 2014, ChestPac ARCT has received \$210,000 in preferred equity returns and \$30,000 in priority returns, respectively. Income on the investment totaled \$55,844 and \$26,500 respectively, and is included on the consolidated statements of income under income from joint ventures.

On September 5, 2013, ARCTRUST entered into a joint venture program, to develop Dollar General stores in the Washington DC area. The joint venture is owned fifty percent by ARC Velocity LLC, a subsidiary of ARC Trust, and fifty percent by Pace Holding, a Washington DC area developer. The program calls for ARCTRUST to fund the development costs for approved Dollar General Store locations and to receive a 12% preferred return on all invested funds. ARCTRUST also has an option to buy the project on completion. As of September 30, 2015, ARCTRUST has funded \$47,703 into this venture. For the nine months ended September 30, 2015 and, 2014, ARCTRUST incurred a loss of \$1,743 and \$964, respectively and these amounts are included in the consolidated statements of income under income from joint ventures.

On December 23, 2014, ARCTRUST with its joint venture partner purchased a property in Warwick, Pennsylvania to develop a Wawa convenience store and gas station. ARCTRUST's investment in the joint venture project is in the form of loan. (see Note 10 Loans Receivable).

On December 23, 2014, ARCTRUST with its joint venture partner purchased a property in Williamstown, New Jersey to develop an Applesbees Restaurant. ARCTRUST's investment in the joint venture project is in the form of loan. (see Note 10 Loans Receivable).

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7. NONCONTROLLING INTEREST

The Union City Bergenline LLC, Morris Plains Speedwell LLC, 569 Broadway Associates Limited Partnership and Jacksonville San Jose LLC include non ARCTRUST equity positions in their capital structure. These non ARCTRUST equity positions are reported under the Noncontrolling interest section of the consolidated balance sheets. In addition, any income or loss attributable to these properties are shown on the Consolidated Statements of Income in Net income attributable to noncontrolling interests

	<u>Union City Bergenline</u>	<u>Morris Plains Speedwell</u>	<u>569 Broadway Associates</u>	<u>Capital Heights Marlboro</u>	<u>Jacksonville San Jose</u>	<u>Total</u>
Balance, December 31, 2014	\$ 211,124	\$ 55,266	\$2,500,000	\$ -	-	\$2,766,390
Distributions to Non controlling interest in 2015	(4,000)	-	-	-	-	(4,000)
Income (loss) allocated to Non controlling interest in 2015	13,515	(4,042)	213,451	6,998	-	229,922
Balance of Non controlling interest at September 30, 2015	\$ 220,639	\$ 51,224	\$2,713,451	\$ 6,998	-	\$2,992,312

On July 1, 2015 ARCTrust bought out its joint venture partner in Capital Heights Marlboro. The buyout price totaled \$226,691. At the time of the buyout, income allocated to the joint venture partner totaled \$6,998.

8. INVESTMENT IN BENEFICIAL OWNERSHIP INTERESTS IN REAL ESTATE

On March 4, 2015, ARCTRUST, through its taxable REIT subsidiary ARCTrust Holdings, Inc., accepted assignment of beneficial ownership interests in the Delaware Statutory Trust properties securing ARCTRUST's loans receivable to ADP DST Holdings, LLC and WGC DST Portfolio, LLC. Upon obtaining the beneficial ownership interests the loans were satisfied and discharged. (see note 10)

These beneficial interests are for properties located in Winslow, Arizona and Manitowoc, Wisconsin leased to Bio-medical Applications Inc. and Arlington as well as Mansfield, Texas leased to Arlington Orthopedic Associates. The total value of the assigned beneficial interests in the Delaware Statutory Trust units totaled \$6,600,254 at the time of assignment. The conversion of the loan assets into beneficial ownership interests was made pursuant to the terms of the KeyBank line of credit that requires the beneficial interests of properties financed on the line to be held directly by the ARCTRUST subsidiary. (see Note 17)

ARCTRUST, as part of the assignment of the ADP DST Holdings LLC beneficial ownership interests, entered into a loan agreement with ADP DST Holding. The initial loan totaled \$1,561,112 and carried an interest rate of 12%. On May 8, 2015 the loan and interest of \$18,827 was repaid.

On March 12, 2015, ARCTRUST, through its taxable REIT subsidiary ARCTrust Holdings Inc., purchased beneficial ownership interests in a Delaware statutory trust property located in Chicago, Illinois leased to WSKC Dialysis Services Inc. The purchase price of the beneficial interest was \$2,835,806.

On May 7, 2015, ARCTRUST, through its taxable REIT subsidiary ARCTrust Holding Inc., purchased beneficial ownership interests in a Delaware statutory trust property located in Houston, Texas leased to Neighbors Emergency Care Center, The purchase price of the beneficial interests was \$3,206,383.

On June 12, 2015 ARCTRUST, directly purchased 7.87% of the beneficial ownership interests in the Neighbors Emergency Care Center for \$1,135,000 and its prorated share of the mortgage.

On June 19, 2015, ARCTRUST, through its taxable REIT Subsidiary ARCTrust Holding Inc., purchased beneficial ownership interests in a Delaware statutory trust properties in North and South Carolina leased to Food Lion. The purchase price of the beneficial interests was \$4,000,000.

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On August 5, 2015, ARCTRUST, through its taxable REIT subsidiary ARCTrust Holding Inc., purchased beneficial ownership interests in a Delaware statutory trust property located in Ranson, West Virginia leased to Rite Aid. The purchase price of the beneficial interests was \$2,277,831.

On August 12, 2015, ARCTRUST, through its taxable REIT subsidiary ARCTrust Holding Inc., purchased beneficial ownership interests in a Delaware statutory trust property located in Lake City, Florida leased to Bio-Medical Applications of Florida Inc. The purchase price of the beneficial interests was \$2,327,012.

Sales of beneficial ownership interests totaled \$12,419,060 for the nine months ended September 30, 2015 and generated income of \$295,574 which is included on the consolidated statements of income under gain on sale of beneficial ownership interests in real estate.

Income from the ownership of these beneficial ownership interests in real estate totaled \$229,480 and is included on the consolidated statements of income under income from beneficial ownership interests in real estate.

9. RELATED PARTY TRANSACTIONS

ARCTRUST is managed by the Advisor, which performs services for ARCTRUST pursuant to the terms of 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 developing, 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 are affiliates of the Advisor.

In addition to these fee based services performed by the Advisor, ARCTRUST may from time to time develop, acquire or finance various properties with affiliates or related parties. These related party transactions are detailed in the appropriate sections of these Notes. (see Note 4 Properties and Note 10 Loans Receivable)

Costs, expenses and other transactions incurred during 2015 and 2014 were as follows:

Acquisition Fee – For all properties contracted for purchase before September 28, 2012, acquisition fees were generally equal to 3% of the purchase price of the property. For all properties contracted for purchase after September 28, 2012, acquisition fees are equal to 2% of the purchase price and an additional acquisition expense allowance equal to \$20,000 per property; the total not to exceed 3%. For properties purchased after April 1, 2014, acquisition fees are equal to 2% of the purchase price and an additional acquisition expense allowance equal to \$40,000 per property; the total not to exceed 3%.

On January 21, 2014, ARCTRUST incurred an acquisition fee of \$62,120 with the purchase of the Raleigh, North Carolina property leased to Mattress Firm. The acquisition fee was calculated on the purchase price of \$2,106,000.

On February 14, 2014, ARCTRUST incurred an acquisition fee of \$116,696 with the purchase of the Virginia Beach, Virginia property leased to CVS Corp. The acquisition fee was calculated on the purchase price of \$4,834,828.

On March 19, 2014, ARCTRUST incurred an acquisition fee of \$78,077 with the purchase of the Abington, Pennsylvania property leased to Boston Market. The acquisition fee was calculated on the purchase price of \$2,903,858.

On March 20, 2014, ARCTRUST incurred an acquisition fee of \$74,333 with the purchase of the Garner, North Carolina property leased to CVS Corp. The acquisition fee was calculated on the purchase price of \$2,716,634.

On March 21, 2014, ARCTRUST incurred an acquisition fee of \$116,333 with the purchase of the Batavia, Illinois property leased to Art Van Furniture Inc. The acquisition fee was calculated on the purchase price of \$4,816,667.

On April 28, 2014, ARCTRUST incurred an acquisition fee of \$142,500 with the purchase of the Gastonia, North Carolina property leased to Hobby Lobby Inc. The acquisition fee was calculated on the purchase price of \$6,125,000.

On May 2, 2014, ARCTRUST incurred an acquisition fee of \$71,400 with the purchase of the Warwick, Rhode Island property leased to Stop and Shop Inc. The acquisition fee was calculated on the purchase price of \$2,380,000.

On June 18, 2014, ARCTRUST incurred an acquisition fee of \$117,000 with the purchase of the Midlothian, Virginia property leased to CVS Inc. The acquisition fee was calculated on the purchase price of \$3,900,000.

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On July 9, 2014, ARCTRUST incurred an acquisition fee of \$33,180 in connection with the purchase of the Hazelton, Pennsylvania property leased to Sleepy's Inc. The acquisition fee was calculated on the purchase price of \$1,106,000.

On July 10, 2014, ARCTRUST incurred an acquisition fee of \$70,426 in connection with the purchase of the Morris Plains, New Jersey property leased to Acme Markets Inc. The acquisition fee was calculated on the purchase price of \$2,608,372 affected for ARCTRUST's 90% ownership interest.

On September 24, 2014, ARCTRUST incurred an acquisition fee of \$47,342 in connection with the purchase of the Capitol Heights, Maryland property to be built for Dollar General. The acquisition fee was calculated on the purchase price of \$1,052,000 and the total construction budget of \$526,058.

On October 15, 2014, ARCTRUST incurred an acquisition fee of \$125,300 in connection with the purchase of the Richmond, Virginia property leased to Walgreens Cos. The acquisition fee was calculated on the purchase price of \$4,265,000.

On November 7, 2014, ARCTRUST incurred an acquisition fee of \$122,596 in connection with the purchase of the San Antonio, Texas property leased to CVS. The acquisition fee was calculated on the purchase price of \$4,129,815.

On November 20, 2014, ARCTRUST incurred an acquisition fee of \$271,000 in connection with the purchase of the Suitland, Maryland property leased to Strayer University. The acquisition fee was calculated on the purchase price of \$11,550,000.

On December 24, 2014, ARCTRUST incurred an acquisition fee of \$126,895 in connection with the purchase of the four RiteAids in Virginia. The acquisition fee was calculated on the purchase price of \$2,500,000 and ARCTRUST's prorata share of the debt.

On January 13, 2015, ARCTRUST incurred an acquisition fee of \$126,617 in connection with the purchase of the CVS in Memphis, Tennessee. The acquisition fee was calculated on the purchase price of \$4,330,825.

On January 13, 2015, ARCTRUST incurred an acquisition fee of \$294,740 in connection with the purchase of the Floor and Decor in Skokie, Illinois. The acquisition fee was calculated on the purchase price of \$12,737,000.

On February 2, 2015, ARCTRUST incurred an acquisition fee of \$103,710 in connection with the purchase of the Stop and Shop gas station in Farmingville, New York. The acquisition fee was calculated on the purchase price of \$3,457,000.

On April 1, 2015, ARCTRUST incurred an acquisition fee of \$149,411 in connection with the purchase of the Rite Aid in Mt. Lebanon, Pennsylvania. The acquisition fee was calculated on the purchase price of \$5,470,537.

On July 15, 2015, ARCTRUST incurred an acquisition fee of \$39,153 in connection with the purchase of the Pollo Tropical in Winter Park, Florida. The acquisition fee was calculated on the purchase price of \$1,305,091.

On July 15, 2015, ARCTRUST incurred an acquisition fee of \$160,332 in connection with the purchase of the Perkins and Callenders, Dunkin Donuts, Burger King and Chick-Fil A in Winter Park, Florida. The acquisition fee was calculated on the combined purchase price of \$6,016,596.

On July 15, 2015, ARCTRUST incurred an acquisition fee of \$153,372 in connection with the purchase of the 7-Eleven Corp, the Don Pablos Restaurant and the Mattress Firm and Armed Forces District Engineer properties in Sanford, Florida. The acquisition fee was calculated on the combined purchase price of \$5,668,599.

On July 15, 2015, ARCTRUST incurred an acquisition fee of \$140,194 in connection with the purchase of the two Boston Markets and the Einstein Noah Bagel properties in Ocala and Orlando, Florida. The acquisition fee was calculated on the combined purchase price of \$5,009,713.

On August 12, 2015, ARCTRUST incurred an acquisition fee of \$57,143 in connection with the purchase of the Capital One Bank in Houston, Texas. The acquisition fee was calculated on the purchase price of \$1,904,761.

On September 24, 2015, ARCTRUST incurred an acquisition fee of \$156,000 in connection with the purchase of the CVS Corp in Chicago, Illinois. The acquisition fee was calculated on the purchase price of \$5,800,000.

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On September 29, 2015, the Advisor agreed to waive its acquisition fee in connection with the purchase of the Walgreens Cos. in Jacksonville, Florida.

There were no unpaid acquisition fees included in due to related parties on the consolidated balance sheets at September 30, 2015 and December 31, 2014.

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

On January 21, 2014, ARCTRUST incurred a finance fee of \$15,790 in connection with the Raleigh, North Carolina property. The finance fee was calculated on the mortgage of \$1,579,000.

On April 3, 2014, ARCTRUST incurred a finance fee of \$20,300 in connection with the Abington, Pennsylvania property. The finance fee was calculated on the mortgage of \$2,030,000.

On April 11, 2014, ARCTRUST incurred a finance fee of \$53,550 in connection with the Saber Corner II property. The finance fee was calculated on the mortgage of \$10,200,000, adjusted for ARCTRUST's 52.5% interest in the property.

On May 21, 2014, ARCTRUST incurred a finance fee of \$13,500 in connection with the Lincoln, Nebraska property. The finance fee was calculated on the mortgage of \$1,350,000.

On May 30, 2014, ARCTRUST incurred a finance fee of \$44,000 in connection with the Gastonia, North Carolina property. The finance fee was calculated on the mortgage of \$4,400,000.

On May 30, 2014, ARCTRUST incurred a finance fee of \$20,750, in connection with the Garner, North Carolina property. The finance fee was calculated on the mortgage of \$2,075,000.

On June 4, 2014, ARCTRUST incurred a finance fee of \$33,600 in connection with the Batavia, Illinois property. The finance fee was calculated on the mortgage of \$3,360,000.

On June 16, 2014, ARCTRUST incurred a finance fee of \$16,000 in connection with the Warwick, Rhode Island property. The finance fee was calculated on the mortgage of \$1,600,000.

On July 3, 2014, ARCTRUST incurred a finance fee of \$27,600 in connection with the Midlothian, Virginia property. The finance fee was calculated on the mortgage of \$2,760,000.

On September 10, 2014, ARCTRUST incurred a finance fee of \$11,200 in connection with the Fredericksburg, Virginia property. The finance fee was calculated on the line of credit of \$1,120,000 on the property.

On September 29, 2014, ARCTRUST incurred a finance fee of \$14,000 in connection with the Capitol Heights, Maryland property. The finance fee was calculated on the total construction loan of \$1,400,000.

On October 1, 2014, ARCTRUST incurred a finance fee of \$8,820 in connection with the Hazelton, Pennsylvania property. The finance fee was calculated on the line of credit of \$882,000 on the property.

On October 15, 2014, ARCTRUST incurred a finance fee of \$29,855 in connection with the purchase of the Richmond, Virginia property. The finance fee was calculated on the mortgage of \$2,985,500.

On November 20, 2014, ARCTRUST incurred a finance fee of \$80,850 in connection with the purchase of the Suitland, Maryland property. The finance fee was calculated on the mortgage of \$8,085,000.

On January 13, 2015, ARCTRUST incurred a finance fee of \$82,791 in connection with the purchase of the Floor and Decor in Skokie, Illinois. The finance fee was calculated on the mortgage of \$8,279,050.

On February 2, 2015, ARCTRUST incurred a finance fee of \$24,000 in connection with the purchase of the Stop and Shop gas station in Farmingville, New York. The acquisition fee was calculated on the mortgage of \$2,400,000.

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On April 1, 2015, ARCTRUST incurred a finance fee of \$38,500 in connection with the purchase of the Rite Aid in Mt. Lebanon, Pennsylvania. The acquisition fee was calculated on the mortgage of \$3,850,000.

On July 15, 2015, ARCTRUST incurred a finance fee of \$38,250 in connection with the purchase of the Perkins and Callenders, Dunkin Donuts, Burger King and Chick-Fil A in Winter Park, Florida. The finance fee was calculated on the mortgage of \$3,825,000.

On July 15, 2015, ARCTRUST incurred a finance fee of \$40,000 in connection with the purchase of the 7-Eleven Corp, the Don Pablos Restaurant and the Mattress Firm and Armed Forces District Engineer properties in Sanford, Florida. The finance fee was calculated on the mortgage of \$4,000,000.

On July 15, 2015, ARCTRUST incurred a finance fee of \$35,000 in connection with the purchase of the two Boston Markets and the Einstein Noah Bagel properties in Ocala and Orlando, Florida. The finance fee was calculated on the mortgage of \$3,500,000.

On September 23, 2015, ARCTRUST incurred finance fees totaling \$160,952 in connection with the refinancing of existing lines of credit and mortgages. The finance fees were only taken on refinancing that extended the existing lines of credit or mortgages for five years or more. (see Note 15 and Note 17)

At September 30, 2015, ARCTrust Holding, ARCTRUST's taxable REIT subsidiary had accrued finance fees of \$38,387 and \$22,778 for the financing of the Food Giant and Rite Aid beneficial ownership interests, respectively. These amounts are included in due to related parties on the consolidated balance sheets.

ARCTRUST, had no unpaid finance fees included in due to related parties on the consolidated balance sheets at September 30, 2015 and December 31, 2014.

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 \$1,673,111 and \$1,001,730 for the nine months ended September 30, 2015 and 2014, respectively.

Unpaid asset management fees, included in due to related parties on the consolidated balance sheets, were \$302,799 and \$203,982 at September 30, 2015 and December 31, 2014, respectively.

Disposition Fee – The disposition fee is generally equal to 2% of the contract sales price.

On February 18, 2015, ARCTRUST incurred a disposition fee of \$102,012 in connection with the sale of the Weeki Wachee, Florida property. The disposition fee was calculated on the sales price of \$5,100,607.

On April 24, 2015, ARCTRUST incurred a disposition fee \$64,285 in connection with the sale of the Lincoln, Nebraska property. The disposition fee was calculated on the sales price of \$3,214,285.

On July 27, 2015, the Advisor agreed to waive the disposition fee in connection with the sale of the Memphis, Tennessee property.

On August 6, 2015, the Advisor agreed to waive the disposition fee in connection with the sale of the San Antonio, Texas property.

On August 6, 2015 ARCTrust incurred a disposition fee of \$24,177 in connection with the sale of the Williamstown, New Jersey property. The disposition fee was calculate on the sales price of \$2,417,712.

There were no unpaid disposition fees included in due to related parties on the consolidated balance sheets at September 30, 2015 and December 31, 2014.

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10. LOANS RECEIVABLE

On December 2, 2012, ARCTRUST made a loan in the form of a line of credit with the owner of a property in Wayne, New Jersey, an affiliate of the advisor, for the development of a new Walgreens. The loan carried an interest rate of 12% per annum, has a maximum lending amount of \$1,250,000, and a maturity date of November 30, 2013 with an option to extend it for one year. On August 30, 2013 the maturity date was extended to November 30, 2014. The line of credit is secured by the partnership interest in the property. On December 31, 2012, \$1,250,000 was drawn down on the line. The line of credit was repaid in full on February 14, 2014. Total interest earned and paid on the line was \$0 and \$15,616 for the nine months ended September 30, 2015 and 2014, respectively.

On September 3, 2013, ARCTRUST made a bridge loan of \$2,500,000 to an affiliate of the Advisor for the purchase of net lease properties. The loan has a maturity date of September 2, 2014 and carries an interest rate of 12% per annum. On December 20, 2013, \$1,545,184 was repaid on the loan leaving a balance of \$954,816 at December 31, 2013. On June 11, 2014, the loan was repaid in full. Interest earned and paid on the loan totaled \$0 and \$37,256 for the nine months ended September 30, 2015 and 2014, respectively.

On October 9, 2013, ARCTRUST made a loan secured by a first mortgage in the form of a line of credit on a property located in Mount Laurel, New Jersey. The property is controlled by an affiliate of the advisor. The maximum amount available on the line is \$1,000,000. The mortgage carries an initial interest rate of 12% and has a maturity date of December 31, 2014. The mortgage amount includes an initial interest reserve of \$120,000 which appeared under deferred interest income on the consolidated balance sheets. On March 11, 2014 the loan was repaid in full. Interest earned and drawn from the interest reserve totaled \$0 and \$17,084 for the nine months ended September 30, 2015 and 2014, respectively.

On November 14, 2013, ARCTRUST made a mezzanine loan in the amount of \$600,000 to the owner of a property located in Galloway Township, NJ. The property is leased to Wakerfern under an eight year lease. The loan is secured by the borrower's ownership interest in the property. The loan carries an initial interest rate of 12% and has a maturity date of November 30, 2015. On May 29, 2014, an additional loan of \$250,000 was made to this borrower. Interest earned and paid totaled \$69,304 and \$64,094 for the nine months ended September 30, 2015 and 2014, respectively. Interest earned and accrued totaled \$24,010 at September 30, 2015. This amount is included in interest receivable on the consolidated balance sheets. The loan balance was \$850,000 at September 30, 2015 and December 31, 2014, respectively and is included in loans receivable on the consolidated balance sheets.

On December 20, 2013, ARCTRUST made a first mortgage loan in the form of a secured line of credit on a property (vacant land) located in Washington, DC undergoing development as a mixed- use building. The maximum amount available on the line is \$579,000. The line carried an initial interest rate of 12% and had a maturity date of December 19, 2014. The line included an initial interest reserve of \$60,000. For the nine months ended September 30, 2014, \$43,439 was earned and drawn from the interest reserve. The loan was repaid in full on December 19, 2014.

On December 20, 2013, ARCTRUST made a loan totaling \$3,608,819 secured by the borrower's interest in eight properties leased to CVS Corp. The loan carries an interest rate of 12% and has a maturity date of December 19, 2014. On December 19, 2014 the loan was extended for six months. On June 19, 2015 the loan was extended for another six months. Interest earned and paid totaled \$4,407 and \$183,917 for the nine months ended September 30, 2015 and 2014, respectively. On July 29, 2015 the loan was repaid in full.

On February 6, 2014, ARCTRUST made a loan secured by a first mortgage totaling \$1,130,000 on a property located in Mount Laurel, New Jersey. On June 15, 2014 the loan available to this borrower was increased by \$600,000. The property is controlled by an affiliate of the advisor. The loan has a maturity date of February 5, 2015 and carries an interest rate of 12%. On February 4, 2015, the loan was extended for one year. The loan amount included an initial interest reserve of \$120,000. Interest earned and paid for the nine months ended September 30, 2015 totaled \$187,611. In addition, accrued interest at December 31, 2014 totaling \$30,181 was also paid in the first quarter of 2015. At September 30, 2015 and December 31, 2014, the total loan outstanding was \$1,730,000 and is included in loan receivable on the consolidated balance sheets.

On March 20, 2014, ARCTRUST made a loan totaling \$6,250,000 to the owner of a property in Las Vegas, Nevada leased to CVS Corp. The loan carries an interest rate of 12% and has a maturity date of March 19, 2015. On June 2, 2014 this loan was repaid in full. Interest earned and accrued on this loan for the nine months ended September 30, 2014 totaled \$111,984.

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On March 28, 2014, ARCTRUST made a mezzanine loan of \$1,270,525 to an affiliate of the advisor for the purchase of a property located in Longmont, Colorado. The loan was secured by the partnership interest in the property and carried an interest rate of 12%. On August 12, 2014 the loan was repaid in full. Interest paid on this loan totaled \$0 and \$58,023 for the nine months ended September 30, 2015 and 2014, respectively.

On June 20, 2014, ARCTRUST made a mezzanine loan of \$740,418 to an affiliate of the advisor for the purchase of a property located in Ebensburg, PA. The loan was secured by the partnership interest in the property and carried an interest rate of 12% and was due June 20, 2015. On January 1, 2015 the loan was repaid in full. Interest earned and accrued on this line totaled \$4,058 and \$25,401 for the nine months ended September 30, 2015 and 2014, respectively.

On November 25, 2014, ARCTRUST made an initial loan totaling \$2,878,951 to an owner of a property located in West Orange, New Jersey. The loan has a maximum amount available of \$4,408,951. The loan carries an interest rate of 12% and a maturity date of November 24, 2020. At September 30, 2015 the balance outstanding on this loan was \$3,493,301. For the nine months ended September 30, 2015 interest totaling \$269,107 had been earned and drawn on the loan balance.

On November 20, 2014, ARCTRUST made a loan totaling \$4,330,000 to the owner of Delaware Statutory Trust units for a property located in Arlington, Texas. The loan carries an interest rate of 12% and matures on November 19, 2015. As of December 31, 2014 interest totaling \$60,620 was earned and accrued on this loan. This amount is included in interest receivable on the consolidated balance sheets at December 31, 2014. At December 31, 2014, \$4,330,000 was outstanding on this loan and is included in loan receivable on the consolidated balance sheets. On March 4, 2015, the remaining Delaware Statutory Trust units securing the loan were assigned to ARCTRUST Holding Inc., a Taxable REIT subsidiary owned by ARCTRUST, and the loan was satisfied and discharged. Interest earned and paid on the loan for the period of January 1, 2015 to March 4, 2015 totaled \$74,871.

On December 1, 2014, ARCTRUST made a loan totaling \$2,993,000 to the owner of Delaware Statutory Trust units for properties located in Winslow, Arizona and Manitowoc, Wisconsin. The loan carries an interest rate of 12% and matures on November 30, 2015. As of December 31, 2014 interest totaling \$29,989 was earned on this loan and \$9,895 was paid and \$20,094 was accrued and is included in interest receivable on the consolidated balance sheets. At December 31, 2014, \$2,870,611 was outstanding on this loan and is included in loan receivable on the consolidated balance sheets. On March 4, 2015, the remaining Delaware Statutory Trust units securing the loan were assigned to ARCTRUST Holding Inc., a Taxable REIT subsidiary owned by ARCTRUST, and the loan was satisfied and discharged. Interest earned and paid on the loan for the period of January 1, 2015 to March 4, 2015 totaled \$61,781.

On December 23, 2014, ARCTRUST made a loan totaling \$1,525,659 to one of its joint venture developers to purchase and develop a property in Warwick, Pennsylvania. This loan is a partnership loan to the joint venture. Per the terms of the operating agreement the partnership loans accrue interest at a rate of 12%. For the nine months ended September 30, 2015 interest earned and accrued totaled \$138,834 and is included in interest receivable on the consolidated balance sheets at September 30, 2015.

On December 30, 2014, ARCTRUST made a loan totaling \$347,332 to one of its joint venture developers to purchase and develop a property in Williamstown, New Jersey. This loan is a partnership loan to the joint venture. Per the terms of the operating agreement, the partnership loans accrue interest at a rate of 12%. On August 3, 2015, ARCTRUST purchased the ownership interest of its joint venture partner and converted its partnership loan to equity. For the period January 1, 2015 to August 3, 2015 interest earned and paid on this loan totaled \$36,458.

On February 27, 2015, ARCTRUST converted its funding in the Hamilton Crosswicks development project, included on the December 31, 2014 consolidated balance sheets in deferred development costs into a loan. The loan carries an interest rate of 12% and maturity date of March 1, 2016. The loan totals \$1,070,492 at September 30, 2015. For the nine months ended September 30, 2015, interest earned and paid on the loan totaled \$165,016.

These loans, totaling \$8,669,751 and \$16,368,361 respectively, and appears on the September 30, 2015, and December 31, 2014 consolidated balance sheets under loans receivable.

11. DEFERRED TRANSACTION COSTS

ARCTRUST incurs professional and other expenses as part of its due diligence process when acquiring investment opportunities.

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Prior to the acquisition these costs are capitalized and appear under Deferred Transaction Costs on the consolidated balance sheets. Deferred Transaction Costs totaled \$127,675 and \$27,330 at September 30, 2015 and December 31, 2014, respectively.

12. DEVELOPMENT PROGRAM COSTS

ARCTRUST, through its joint venture development program may allocate 5% of the proceeds from the current and prior stock offering to fund various development project costs. These funds earn interest at 12% from the date of the funding. Interest is accrued and paid at the time the entity is formed and the property is purchased. Prior to this, the costs are capitalized and appear under Development Program Costs on the consolidated balance sheets.

On September 26, 2014, ARCTRUST purchased land in Capitol Heights, Maryland (see Note 4) to develop a Dollar General store under the ARCTRUST development program. The development costs associated with this project previously included in Development Program costs totaling \$267,468, are now included in Building on the consolidated balance sheets.

On December 22, 2014, ARCTRUST through its joint venture partner purchased land in Warwick, Pennsylvania. In addition to the funds needed for the land purchase totaling \$697,431 there were previously incurred development costs associated with this project totaling \$828,228. These development costs and the land purchase costs are now included in Loans receivable on the consolidated balance sheets. (see Note 10)

On December 30, 2014, ARCTRUST through its joint venture partner purchased land in Williamstown, New Jersey. In addition to the funds needed for the land purchase totaling \$158,090 there were previously incurred development costs associated with this project totaling \$189,242. These development costs and the land purchase costs are now included in Loans receivable on the consolidated balance sheets. (see Note 10)

Development program costs were \$4,706,182 and \$2,509,505 at September 30, 2015 and December 31, 2014, respectively.

13. 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 September 30, 2015 are as follows:

2015	\$ 3,622,939
2016	14,395,057
2017	14,310,204
2018	13,934,735
2019	13,327,905
Thereafter	<u>97,316,343</u>
Total	<u>\$156,907,183</u>

14. LOAN FEES

ARCTRUST makes loans and standby loans to developers and other real estate entities. These entities may be affiliates of the advisor. It earns a 12% return on invested capital in the form of interest plus an additional return that may come from loan origination points for standby loans and preferred joint venture distributions.

For the nine months ended September 30, 2015 and 2014 ARCTRUST has earned \$584,929 and \$249,847 in standby loan fees, respectively. These amounts are included on the consolidated statements of income under loan fees.

15. MORTGAGE NOTES PAYABLE

ARCTRUST had the following mortgages payable at September 30, 2015 and December 31, 2014:

2015

2014

Mortgage payable to Wells Fargo with an annual rate of 4.33%

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	<u>2015</u>	<u>2014</u>
and a maturity date of June 20, 2016. (Midlothian, VA)	\$1,541,529	\$ 1,572,410
Mortgage payable to First Merit Bank with an annual rate of one-month Libor plus 300 basis points and a maturity date of January 31, 2017. (North Riverside, IL)	2,272,094	2,323,750
Mortgage payable to Customers Bank with an annual interest rate of 3.5% for the first year and 4% thereafter with an original maturity date of April 11, 2017. On May 15, 2015 the maturity date was extended to May 11, 2020. (Washington, DC)	3,998,402	4,045,000
Mortgage payable to Oritani Bank with an annual interest rate of 4.125% with a rate adjustment at the end of the first forty two months of the loan term. On August 1, 2015 the original maturity date of August 1, 2018 was extended to September 22, 2022. (Union City, NJ)	3,747,913	3,804,334
Mortgage payable to Harbor Bank of Maryland with an annual interest rate of 3.99% and a maturity date of September 27, 2017. On July 1, 2015 the maturity date was extended to September 27, 2022. (Garner, NC)	1,494,762	1,525,869
Mortgage payable to Harbor Bank of Maryland with an annual interest rate of 3.99%. and a maturity date of September 27, 2017. On July 1, 2015 the maturity date was extended to September 27, 2022. (Huntersville, NC)	1,661,407	1,695,982
Mortgage payable to ConnectOne Bank with an annual rate of 4.17% and a maturity date of December 1, 2023. (Springfield, NJ)	1,854,871	1,880,041
Mortgage payable to Provident Bank with an annual interest rate of 3.50% and a maturity date of September 1, 2017. (Middletown, CT)	2,590,394	2,643,349
Mortgage payable to M & T Bank with an annual rate of one-month LIBOR plus 325 basis points. On February 22, 2013 the maturity date was extended to February 22, 2018 and the principal was paid down by \$679,105. (Willow Grove, PA)	2,633,276	2,708,869
Mortgage payable to Customers Bank with an annual interest rate of 3.25% and a maturity date of February 21, 2018. On July 1, 2015, the maturity date was extended to May 31, 2020. (Willow Grove, PA)	1,567,580	1,600,375
Mortgage payable to Oritani Bank with an annual interest rate of 3.375% and a maturity date of March 1, 2023. (Washington Township, NJ)	3,751,416	3,812,758
Mortgage payable to Rockville Bank with an interest rate of 3.50% and a maturity date of July 1, 2023. (Syracuse, NY)	4,029,359	4,114,726
Mortgage payable to TD Bank with an interest rate of Libor		

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	<u>2015</u>	<u>2014</u>
plus 250 basis points and an extended maturity date of March 7, 2015. The mortgage was paid off on February 18, 2015 when the property was sold. (Weeki Wachee, FL)	-	2,791,950
Mortgage payable to Bank United with an interest rate of 3.60% and an original maturity date of July 18, 2018. On June 11, 2015 the maturity date was extended to June 18, 2020. (Palm Springs, FL)	3,417,481	3,488,932
Mortgage payable to Bank United with an interest rate of 3.60% and an original maturity date of July 11, 2018. On June 11, 2015 the maturity date was extended to July 11, 2020. (Indialantic, FL)	3,683,089	3,760,093
Mortgage payable to Wells Fargo with an interest rate of 5.64% and a maturity date of December 11, 2015. (Jacksonville Beach, FL)	2,279,205	2,320,500
Mortgage payable to Farmers National Bank with an interest rate of 3.95% and a maturity date of September 24, 2018. (Louisville, KY)	931,808	957,855
Mortgage payable to ConnectOne Bank with an interest rate of 4.17% and a maturity date of December 1, 2023. (Edgewater, NJ)	3,963,040	4,016,790
Mortgage payable to Wells Fargo Bank with an interest rate of 4.70% and a maturity date of January 10, 2036. (Virginia Beach, VA)	4,100,324	4,189,120
Mortgage payable to National Penn Bank with an interest rate of 4.25% and an original maturity of December 1, 2018. On June 9, 2015 the maturity date was extended to December 1, 2020. (Doylestown, PA)	2,343,350	2,386,227
Mortgage payable to National Penn Bank with an interest rate of 4.25% and an original maturity date of December 1, 2018. On June 9, 2015 the maturity date was extended to December 1, 2020. (Lansdale, PA)	1,941,642	1,977,159
Mortgage payable to National Penn Bank with an interest rate of 4.25% and an original maturity date of December 1, 2018. On June 09, 2015 the maturity date was extended to December 1, 2020. (Broad St., Philadelphia, PA)	870,387	886,313
Mortgage payable to Harbor Bank of Maryland with an interest rate of 3.75% and a maturity date of January 21, 2019. On July 20, the maturity date was extended to January 21, 2024. (Raleigh, NC)	1,513,761	1,543,555
Mortgage payable to Union Bank and Trust of Lincoln with an interest rate of 4.30% and a maturity date of May 21, 2019. The mortgage was paid off on April 24, 2015 when the property was sold. (Lincoln, NE)	-	1,326,746

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	<u>2015</u>	<u>2014</u>
Mortgage payable to Everbank with an interest rate of 3.69% and an original maturity date of May 31, 2019. On June 1, 2015 the maturity date was extended to June 1, 2022. (Gastonia, NC)	4,255,983	4,345,895
Mortgage payable to Beneficial Bank with an interest rate of 3.88% and a maturity date of April 1, 2019. (Abington, PA)	1,932,358	1,984,547
Mortgage payable to Old Second National Bank with an interest rate of 4.15% and an original maturity date of June 1, 2019. On May 20, 2015 the maturity date was extended to June 1, 2020. (Batavia, IL)	3,222,582	3,305,265
Mortgage payable to First Citizens Bank and Trust with an interest rate of 225 basis point over the one month LIBOR rate and an original maturity date of May 31, 2019. On June 1, 2015 the maturity date was extended to May 31, 2020. (Garner, NC)	1,984,723	2,033,005
Mortgage payable to Farmington Bank with an interest rate of 3.70% and a maturity date of July 1, 2019. (Warwick, RI)	1,554,071	1,583,909
Mortgage payable to Everbank with an interest rate of 3.83% and an original maturity date of August 1, 2019. On May 1, 2015 the maturity date was extended to June 1, 2022. (Midlothian, VA)	2,687,806	2,737,889
Mortgage payable to First Bank with an interest rate of 3.75% for the first five years and 225 basis points over the five year US Treasury Note rate thereafter. The mortgage has a maturity date of September 30, 2024. (Morris Plains, NJ)	1,609,639	1,640,187
Mortgage payable to Towne Bank with an interest rate of 170 basis points over the one month LIBOR rate and a maturity date of November 12, 2021. (Richmond, VA)	2,901,875	2,977,138
Mortgage payable to Bay Bank with an interest rate of 4% and maturity date of December 1, 2022. (Suitland, MD)	7,942,806	8,085,000
Mortgage payable to Wells Fargo with an interest rate of 4.016% and a maturity date of August 10, 2035. The mortgage was paid off on August 6, 2015 when the property was sold. (San Antonio, TX)	-	3,543,408
Mortgage payable to Wells Fargo with an interest rate of 7.59% and a maturity date of June 10, 2019. (Richmond, VA)	734,846	858,412
Mortgage payable to Wells Fargo with an interest rate of 7.59% and a maturity date of June 10, 2019. (Norfolk, VA)	590,817	690,163
Mortgage payable to Wells Fargo with an interest rate of 7.59% and a maturity date of June 10, 2019. (Chesapeake, VA)	745,134	870,429
Mortgage payable to Wells Fargo with an interest rate of 7.59%		

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	<u>2015</u>	<u>2014</u>
and a maturity date of June 10, 2019. (Alexandria, VA)	1,087,573	1,270,449
Mortgage payable to Wells Fargo with an interest rate of 4.016% and a maturity date of August 10, 2035. The mortgage was paid off on July 27, 2015 when the property was sold. (Memphis, TN)	-	-
Mortgage payable to Old Second National Bank with an interest rate of 4.15% and a maturity date of January 13, 2020. (Skokie, IL)	8,152,069	-
Mortgage payable to Provident Bank with an interest rate of 3.30% and a maturity date of March 1, 2020. (Farmingville, NY)	2,367,661	-
Mortgage payable to National Penn Bank with an interest rate of 3.8% and a maturity date of April 1, 2020. (Mt. Lebanon, PA)	3,810,997	-
On June 25, 2015 the line of credit secured by the Trenton, NJ property was converted to a fixed rate mortgage payable to Provident Bank with an interest rate of 3.8% and a maturity date of July 1, 2020. (Trenton, NJ)	2,089,093	-
On June 25, 2015 the line of credit secured by Fredericksburg VA property was converted to a fixed rate mortgage payable to Provident Bank with an interest rate of 3.8% and a maturity date of July 1, 2020. (Fredericksburg, VA)	1,201,229	-
On June 25, 2015 the line of credit secured by Glen Cove Property was converted to a fixed rate mortgage payable to Provident Bank with an interest rate of 3.8% and a maturity date of July 1, 2020. (Glen Cove, NY)	1,023,656	-
On July 28, 2015 the line of credit secured by the Millville, NJ property was converted to a fixed rate mortgage payable to National Penn Bank with an interest rate of 3.9% and a maturity date of July 1, 2020. (Millville, NJ)	1,390,584	-
On July 28, 2015 the line of credit secured by the Mt. Arlington NJ property was converted to a fixed rate mortgage payable to National Penn Bank with an interest rate of 3.9% and a maturity date of July 1, 2020. (Mt. Arlington, NJ)	1,877,342	-
Mortgage payable to Bank United with an interest rate of 250 basis points over LIBOR and a maturity date of July 15, 2015. (Winter Park, FL)	3,808,558	-
Mortgage payable to BankUnited with an interest rate of 250 basis points over LIBOR and a maturity date of July 15, 2015. (Sanford, FL)	3,982,806	-
Mortgage payable to BankUnited with an interest rate of 250 basis points over LIBOR maturity date of July 15, 2015. (Orlando, FL)	3,484,955	-

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	<u>2015</u>	<u>2014</u>
Mortgage payable to Provident Bank with an interest rate of 3.60% and a maturity date of September 1, 2020. (Houston, TX)	1,200,000	-
Mortgage payable to Wells Fargo Bank with an interest rate of 6.64% and a maturity date of October 10, 2024. (Chicago, IL)	3,681,477	-
Totals	<u>\$125,507.730</u>	<u>\$97,298,399</u>

All mortgage notes payable are collateralized by the underlying properties.

Interest expense incurred on mortgage notes payable totaled \$3,379,740 and \$1,972,855 for the nine months ended September 30, 2015 and 2014, respectively.

At September 30, 2015, the payment of principal under the fixed and variable rate mortgages for the next five years and thereafter is as follows:

	<u>Scheduled Amortization</u>	<u>Balloon Payments</u>	<u>Total</u>
2015	\$ 1,053,753	\$ 2,265,226	\$3,318,979
2016	4,240,793	1,510,074	5,750,867
2017	4,327,351	4,618,128	8,945,479
2018	4,367,486	3,186,576	7,554,062
2019	5,567,436	2,761,886	8,329,322
Thereafter	<u>6,834,572</u>	<u>84,774,449</u>	<u>91,609,021</u>
Totals	<u>\$26,391,391</u>	<u>\$99,116,339</u>	<u>\$125,507,730</u>

16. CONSTRUCTION LOAN PAYABLE

On September 26, 2014, ARCTRUST incurred a construction loan payable for its Dollar General Store development in Capitol Heights, Maryland. The loan has a maximum funding of \$1,400,000, an interest rate at Prime and matures on March 25, 2016. Construction loan payable totaled \$1,400,000 and \$664,189 at September 30, 2015 and December 31, 2014, respectively and appears on the consolidated balance sheets under construction loan payable.

Interest expense incurred on the construction loan payable upon completion of the construction and rent commencement totaled \$22,881 and \$0 for the nine months ended September 30, 2015 and 2014, respectively. Interest incurred prior to construction completion and rent commencement was capitalized as part of the construction cost.

17. LINES OF CREDIT

At September 30, 2015, ARCTRUST had \$42,500,000 available on its lines of credit and \$10,337,287 drawn. Below is a list of the amounts drawn of these lines of credit at September 30, 2015 and December 31, 2014:

	<u>2015</u>	<u>2014</u>
On September 19, 2013, ARCTRUST entered into a line of credit with National Penn Bank which replaced the previous line with National Penn Bank. The line of credit has a maximum amount available of \$7,500,000. It is currently secured by the Millville, New Jersey property with maximum draw of \$1,400,000,		

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	<u>2015</u>	<u>2014</u>
the Mount Arlington, NJ property with a maximum draw \$1,890,000, the City Line, Philadelphia, Pennsylvania property with a maximum draw of \$980,000, and the Hazelton, PA property with a maximum draw of \$882,000. The line carries an interest rate of the Eurodollar rate plus 250 basis points with a floor of 3.5%.		
The line matures on September 18, 2015. On July 28, 2015 the lines of credit associated with the Millville and Mt. Arlington, NJ properties were converted to fixed rate mortgages. The maturity date on the remaining secured lines of credit were extended to September 18, 2016.	1,862,000	3,452,000
On August 27, 2013, ARCTRUST entered into a line of credit with Provident Bank with a maximum amount available on the line of \$8,000,000. The line is currently secured by the Glen Cove, New York property with a maximum draw of \$1,015,000, the Trenton, New Jersey property with a maximum draw of \$2,100,000 and the Fredericksburg, VA property with a maximum draw of \$1,207,500. The line of credit carried an interest rate of Libor plus 300 basis points with a floor of 3.5%. On June 25, 2015 these lines of credit were converted to fixed rate mortgages.	-	4,322,500
On September 13, 2013, ARCTRUST entered into an unsecured line of credit with Union Center National Bank (now ConnectOne Bank) with a maximum amount available on the line of \$10,000,000. Interest is calculated at the lender's prime rate and has a floor of 4%. On February 12, 2015, the line was modified, increasing the amount available under the line to \$17,000,000 and changing the maturity date to January 27, 2016.	5,450,000	7,000,000
On March 4, 2015 ARCTRUST through its subsidiary ARC Property Trust Investment LP entered into a secured line of credit with KeyBank. The line provides ARCTRUST with \$10,000,000 that can be used in financing the purchase of Delaware Statutory Trust Beneficial Interests. The line has a one year term and carries an interest rate of Libor plus 425 basis points.	3,025,287	-
Totals	<u>\$10,337,287</u>	<u>\$ 14,774,500</u>

Interest expense incurred on these lines of credit for the nine months ended September 30, 2015 and 2014 were \$541,591 and \$163,404, respectively.

18. DEFERRED RENTAL INCOME

Deferred rental income represents tenant rent payments received in September 2015 for October 2015 rent obligations.

Included in deferred income at December 31, 2015 was \$150,000 rent in advance paid to ARCTRUST by Chick Fil A as part of a lease swap with the Macaroni Grill, the original tenant of the Lincoln, Nebraska property. On April, 24, 2015, the Lincoln Nebraska property was sold and the remaining deferred rental income associated with the lease swap was included in rental income.

Deferred rental income totaled \$314,438 and \$409,796 at September 30, 2015 and December 31, 2014, respectively and appears on the consolidated balance sheets.

19. DUE TO TENANT

In connection with the purchase of the Syracuse, NY property ARCTRUST received a credit for any overbilling of common area expenses to the tenant that occurred prior to our purchase of the property.

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In connection with the purchase of the Batavia, Illinois property ARCTRUST received a credit for any overbilling of real estate taxes to the tenant that occurred prior to our purchase of the property.

These amounts totaling \$97,871 and \$246,983 at September 30, 2015 and December 31, 2014, respectively appear under due to tenant on the consolidated balance sheet.

20. COSTS FROM TERMINATED TRANSACTIONS

ARCTRUST incurs professional and other expenses as part of its due diligence process when acquiring investment opportunities. If ARCTRUST rejects a property and the acquisition is terminated all costs associated with the due diligence are expensed and appear under Costs from Terminated Transactions on the Consolidated Statements of Income. For the nine months ended September 30, 2015 and 2014 costs from terminated transactions totaled \$72,933 and \$122,834, respectively.

21. DIVIDENDS TO SHAREHOLDERS

On January 15, 2014, the Board of Directors approved the payment of a dividend of \$0.175 per share to shareholders of record on December 31, 2013. The dividend was prorated from the admittance date of each shareholder, totaled \$817,745 and was paid on January 31, 2014.

On March 15, 2014, the Board of Directors approved the payment of a dividend of \$0.1775 per share to shareholders of record on March 31, 2014. The dividend, which was prorated from the admittance date of each shareholder, totaled \$1,029,851 and was paid on April 30, 2014.

On June 15, 2014 the Board of Directors approved the payment of a dividend of \$0.1775 per share to shareholders of record on June 30, 2014. The dividend, which was prorated from the admittance date of each shareholder, totaled \$1,057,988 and was paid on July 31, 2014.

On September 15, 2014 the Board of Directors approved the payment of a dividend of \$0.1775 per share to shareholders of record on September 30, 2014. The dividend, which was prorated from the admittance date of each shareholder, totaled \$1,083,768 and was paid on October 31, 2014.

On December 15, 2014 the Board of Directors approved the payment of a dividend of \$0.1775 per share to shareholders of record on December 31, 2014. The dividend, which was prorated from the admittance date of each shareholder, totaled \$1,116,325 and was paid on January 31, 2015.

On March 15, 2015 the Board of Directors approved the payment of a dividend of \$0.1825 per share to shareholders of record on March 31, 2015. The dividend, which was prorated from the admittance date of each shareholder, totaled \$1,242,740 and was paid on April 30, 2015.

On June 15, 2015 the Board of Directors approved the payment of a dividend of \$.1825 per share to shareholders of record on June 30, 2015. The dividend, which was prorated from the admittance date of each shareholder totaled \$1,331,290 and was paid on July 31, 2015.

22. FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

Below is the ARCTRUST calculation of funds from operations and adjusted funds from operations. Funds from operations ("FFO") and adjusted funds from operations ("AFFO") are supplemental non-GAAP measures used by Real Estate Investment Trusts to further define cash from operations in addition to the Cash from Operating Activities section of the Cash Flow Statement. ARCTRUST defines FFO as net income/(loss) attributable to common shareholders computed in accordance with GAAP, excluding (i) gains or losses from sales of operating real estate assets, (ii) non-recurring items, (iii) equity investment income from joint ventures, (iv) excess distribution from a cost method investment in joint venture, plus (v) depreciation and amortization and (vi) distributions from equity investment joint ventures. AFFO is presented by adding to FFO cost from terminated transactions and stock based compensation. FFO and AFFO do not represent cash flows from operations as defined by GAAP and are not indicative that cash flows are adequate to fund all cash needs and are not to be considered alternatives to net income or any other GAAP measure as a measurement of the results of our operations or our cash flows or liquidity as defined by GAAP. It should also be noted that not all REITs calculate FFO and AFFO the same way so comparisons with other

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REITs may not be meaningful. The funds from operations and adjusted funds from operations for the nine months ended September 30, 2015 and 2014 are:

	<u>2015</u>	<u>2014</u>
Net Income attributable to ARC Property Trust, Inc.	\$ 5,383,326	\$ 1,876,497
Distributions from joint ventures	333,735	337,205
(Income) Loss from joint ventures	(243,413)	(147,628)
Success fee	-	(82,962)
Straight line rent adjustment	(410,363)	(244,010)
Loss from early retirement of debt	-	91,020
Gain on sale of property	(2,517,888)	-
<u>Depreciation and Amortization</u>	<u>2,696,768</u>	<u>1,685,073</u>
Funds from Operations	5,242,165	3,515,195
Stock based compensation	480,836	427,410
<u>Costs from terminated transactions</u>	<u>72,933</u>	<u>122,834</u>
Adjusted Funds from Operations	\$5,795,934	\$4,065,439
 FFO per weighted average share outstanding	 <u>\$0.71</u>	 <u>\$0.59</u>
 Adjusted FFO per weighted average share outstanding	 <u>\$0.79</u>	 <u>\$0.68</u>
 Weighted average shares outstanding	 <u>7,356,902</u>	 <u>5,956,069</u>

23. 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.

At September 30, 2015, ARCTRUST was not involved in any legal proceedings or claims arising from its business that would necessitate any accruals for loss contingencies.

24. STOCK OPTION PLAN

On August 12, 2013, the Board of Directors adopted, and, on December 31, 2013, the stockholders approved, the ARC Property Trust, Inc. Nonqualified Stock Option Plan (the "Plan") to attract and retain directors, officers, employees and consultants of ARCTRUST. ARCTRUST's and its subsidiaries' directors, officers, employees and consultants are eligible to participate in the Plan. As of August 15, 2013, approximately ten directors, six officers and three consultants are eligible to participate in the Plan.

The Plan authorizes only the granting of nonqualified stock options ("options" or "nonqualified stock options"). The exercise price of each option will be determined by the Board of Directors or a committee thereof to which the Board has delegated such power, as plan administrator, provided that the price cannot be less than 100% of the fair market value of the shares of common stock of ARCTRUST on the date on which the option is granted. FMV will be determined in a manner which the Plan Administrator determines to be appropriate.

An option granted under the Plan will generally become vested and exercisable with respect to one-third of the shares of common stock subject to the option (rounded to a whole share) on each of the first, second and third anniversaries of the grant date, provided the participant has continued to provide services as a director, officer, employee or consultant of ARCTRUST or any subsidiary of ARCTRUST through the respective anniversary. In addition, in certain instances upon a change in control (or an initial public offering of our common stock) a participant's options will become 100% vested and exercisable.

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Under the Plan, ARCTRUST may issue up to 600,000 shares of common stock, which number may be increased by the Board of Directors in its sole discretion, provided that, at the time of such increase, the number of shares eligible for issuance under the Plan does not exceed 15% of the issued and outstanding shares of common stock of ARCTRUST. During any twelve month period, nonqualified stock options accounting for no more than 15% of the outstanding shares of common stock may be issued.

No option may be granted under the Plan after the day immediately preceding the tenth anniversary of the effective date of the Plan, but options granted prior to such termination may extend beyond that date. Options granted under the Plan, and shares of stock issued upon exercise of the options, are generally non-transferable.

The Board of Directors may modify or terminate the Plan or any portion thereof at any time, provided that no modification may be made without stockholder approval if it would increase the number of shares of common stock subject to the Plan (other than any increase that does not exceed 15% of the then outstanding shares of common stock of ARCTRUST) or if stockholder approval is required to comply with any tax or regulatory requirement or rule of any applicable exchange or over-the-counter market upon which ARCTRUST's common stock is listed or quoted.

On January 31, 2014, pursuant to the Option Committee's November 12, 2013 report, 878,240 options were granted at \$10.6687 per share representing the recipient's fair market value of shares. Using an independent appraisal company the value of the options was calculated to be \$2.19 per option. For the nine months ended September 30, 2015 and 2014 deferred stock based compensation totaled \$480,836 and \$427,410 respectively and appears on the consolidated statements of income. Total deferred compensation from the inception of the current stock option plan totals \$1,068,525 and is included in additional paid in capital in the equity section of the consolidated balance sheets.

25. SUBSEQUENT EVENTS

ARC Trust has evaluated subsequent events from the balance sheet date through October 31, 2015 and noted the following material subsequent events:

On September 15, 2015, the Board of Directors approved the payment of a dividend of \$0.1825 per share to shareholders of record on September 30, 2015. The dividend, which was prorated from the admittance date of each shareholder, totaled \$1,454,042 and was paid on October 31, 2015.

On October 15, 2015, the loan receivable on the property in Galloway Township was paid in full along with all accrued and unpaid interest.

On October 29, 2015, ARCTRUST purchased a package of thirteen gas and convenience properties located in New Jersey and Pennsylvania. The total purchase price of the properties was \$15,587,000.

Purchase Date	Purchase Entity	Location	Acres	Sq. Ft.	Tenant	Purchase Price
Oct. 29, 2015	Ambler Butler Pike, LLC	Ambler, PA	0.57	2,265	Shell (ARFA)	\$1,667,000
Oct. 29, 2015	Audubon South Kings, LLC	Audubon, NJ	0.54	2,352	Shell (ARFA)	\$840,000
Oct. 29, 2015	Delran Chester, LLC	Delran, NJ	0.64	1,056	Amera (ARFA)	\$970,000
Oct. 29, 2015	Doylestown Easton ARFA, LLC	Doylestown, PA	1.33	1,860	Shell (ARFA)	\$1,700,000
Oct. 29, 2015	Franklinville Delsea, LLC	Franklinville, NJ	2.11	900	Gulf (ARFA)	\$640,000
Oct. 29, 2015	Gibbsboro Route 561, LLC	Gibbsboro, NJ	0.63	1,620	Shell (ARFA)	\$920,000
Oct. 29, 2015	Levittown New Falls 8601, LLC	Levittown, PA	0.87	2,238	Shell (ARFA)	\$1,650,000
Oct. 29, 2015	Lindenwold Whitehorse, LLC	Lindenwold, NJ	1.35	2,201	Shell (ARFA)	\$840,000
Oct. 29, 2015	Moorestown Camden, LLC	Moorestown, NJ	0.97	1,450	Citgo (ARFA)	\$650,000
Oct. 29, 2015	Philadelphia Abbottsford, LLC	Philadelphia, PA	0.68	2,070	BP (ARFA)	\$1,960,000
Oct. 29, 2015	Turnersville Blackhorse, LLC	Turnersville, NJ	0.96	2,822	Shell (ARFA)	\$1,200,000
Oct. 29, 2015	Warminster West Street, LLC	Warminster, PA	1.26	1,992	Shell (ARFA)	\$1,540,000
Oct. 29, 2015	West Berlin Route 73, LLC	West Berlin, NJ	2.91	1,968	Shell (ARFA)	\$1,010,000