Phillips Edison – ARC Shopping Center REIT, Inc

Phillips Edison – ARC Shopping Center REIT was formed in 2010 to invest primarily in necessity-based neighborhood and community shopping centers throughout the United States with a focus on well-located grocery-anchored shopping centers that are well-occupied at the time of purchase and typically cost less than $20.0 million per property. The REIT owned two assets as of March 31, 2011 totaling 182,500 square feet and had total assets under management of $21.9 million. The REIT is in the Emerging Stage of effective REITs, which is typically characterized by above average levels of variable debt, not meaningful distribution payout ratios, and limited diversification.

Key Highlights

- After becoming effective in August 2010, the REIT broke escrow within 30 days, raising $3.3 million.
- The REIT has raised a total of $10.2 million and acquired $21.9 million in assets.
- Distribution Payout Source – Distributions were funded from advances from the Sub-advisor and cash generated from operations.

Capital Raise/Capital Stack Review

- Capital Raised – $ 10.2 million has been raised by the REIT since its inception in 2010 and is part of Realty Capital Securities' list of product offerings.
- Debt – Short-term variable-rate third-party debt was utilized to purchase the two assets with the debt maturing in 2012. Included was a $1.5 million bridge loan from its sub-advisor, Phillips Edison NTR, LLC. The loan was repaid in February 2011.
- Cash-to-Total-Assets Ratio – The REIT has a below median 1.3% Cash ratio which indicates an efficient use of capital, especially for this Stage.

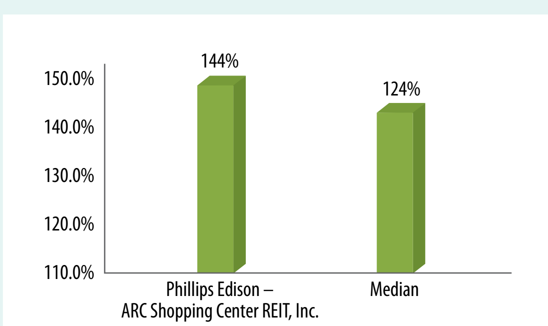
Metrics

- MFFO Payout is above average when compared to the median for all nontraded REITs currently raising capital.
- Interest coverage of 1.3x EBITDA is in line with REITs at this stage, as is the 51% debt ratio at the end of the first quarter.
- Distribution percentage is 6.5% based upon a $10.00 per share price.

Real Estate

- Fundamentals – The REIT owns two grocery-anchored shopping centers with a combined occupancy of 98%.
- Acquisitions – Two acquisitions were completed in December 2010 at median market pricing:
  - the 82,033-square-foot Lakeside Plaza grocery-anchored shopping center in Salem, Virginia (as suburb of Roanoke), for $9.8 million ($119/SF). It is a 99% occupied, Kroger and CVS anchored shopping center with only 2.4 years weighted average lease term remaining at acquisition.
  - Snow View Plaza, a 100,460-square-foot grocery-anchored shopping center located in Parma, Ohio (Cleveland), for $12.3 million ($122/SF). The 98% leased center is anchored by Giant Eagle grocery store with a weighted-average remaining lease term for all tenants of 5.2 years.

Current MFFO Payout Ratio to Median



Current Distribution Yield to Median