REALTY INCOME CORP
Form 10-K
February 13, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2011

Commission File Number 1-13374

REALTY INCOME CORPORATION
(Exact name of registrant as specified in its charter)

Maryland	33-0580106
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification Number)

600 La Terraza Boulevard, Escondido, California 92025-3873
(Address of Principal Executive Offices)

Registrant's telephone number, including area code: (760) 741-2111

Securities registered pursuant to Section 12 (b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock, $0.01 Par Value	New York Stock Exchange
Class D Preferred Stock, $0.01 Par Value(1)	New York Stock Exchange
Class E Preferred Stock, $0.01 Par Value	New York Stock Exchange
Class F Preferred Stock, $0.01 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12 (g) of the Act: None

(1) On January 31, 2012, we announced that we plan to redeem the Class D Preferred Stock on March 1, 2012.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES x NO o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES o NO x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES x NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES o NO x

At June 30, 2011, the aggregate market value of the Registrant's shares of common stock, $1.00 par value, held by non-affiliates of the Registrant was $4.2 billion based upon the last reported sale price of $33.49 per share on the New York Stock Exchange on June 30, 2011, the last business day of the Registrant's most recently completed second fiscal quarter.

At February 7, 2012, the number of shares of common stock outstanding was 133,384,973, the number of shares of Class D preferred stock outstanding was 5,100,000 and the number of shares of Class E preferred stock outstanding was 8,800,000. On February 7, 2012, we issued and had 14,950,000 shares of Class F preferred stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III, Items 10, 11, 12, 13 and 14 incorporate by reference certain specific portions of the definitive Proxy Statement for Realty Income Corporation's Annual Meeting to be held on May 8, 2012, to be filed pursuant to Regulation 14A. Only those portions of the proxy statement which are specifically incorporated by reference herein shall constitute a part of this annual report.

REALTY INCOME CORPORATION

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PART I

Item 1: Business

THE COMPANY

Realty Income Corporation, The Monthly Dividend Company®, is a Maryland corporation organized to operate as an equity real estate investment trust, or REIT. Our primary business objective is to generate dependable monthly cash distributions from a consistent and predictable level of funds from operations, or FFO, per share. Our monthly distributions are supported by the cash flow from our portfolio of properties leased to retail and other commercial enterprises. We have in-house acquisition, leasing, legal, credit research, real estate research, portfolio management and capital markets expertise. Over the past 43 years, Realty Income and its predecessors have been acquiring and owning freestanding retail and other properties that generate rental revenue under long-term lease agreements (primarily 10 to 20 years).

In addition, we seek to increase distributions to stockholders and FFO per share through both active portfolio management and the acquisition of additional properties.

Generally, our portfolio management efforts seek to achieve:

- Contractual rent increases on existing leases;
- Rent increases at the termination of existing leases, when market conditions permit; and
- The active management of our property portfolio, including re-leasing vacant properties, and selectively selling properties, thereby mitigating our exposure to certain tenants and markets.

In acquiring additional properties, our strategy is primarily to acquire properties that are:

- Freestanding, single-tenant locations;
- Leased to regional and national commercial enterprises; and
- Leased under long-term, net-lease agreements.

At December 31, 2011, we owned a diversified portfolio:

- Of 2,634 properties;
- With an occupancy rate of 96.7%, or 2,547 properties leased and only 87 properties available for lease;
- Leased to 136 different retail and other commercial enterprises doing business in 38 separate industries;
- Located in 49 states;
- With over 27.3 million square feet of leasable space; and
- With an average leasable space per property of approximately 10,400 square feet.

Of the 2,634 properties in the portfolio, 2,619, or 99.4%, are single-tenant properties, and the remaining 15 are multi-tenant properties. At December 31, 2011, of the 2,619 single-tenant properties, 2,533 were leased with a weighted average remaining lease term (excluding rights to extend a lease at the option of the tenant) of approximately 11.3 years.

We typically acquire properties under long-term leases with regional and national retailers and other commercial enterprises. Our acquisition and investment activities generally focus on businesses providing goods and services that satisfy basic consumer and business needs.

In general, our net-lease agreements:

- Are for initial terms of 10 to 20 years;
- Require the tenant to pay minimum monthly rent and property operating expenses (taxes, insurance and maintenance); and
- Provide for future rent increases based on increases in the consumer price index (typically subject to ceilings), additional rent calculated as a percentage of the tenants' gross sales above a specified level, or fixed increases.

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We commenced operations as a REIT on August 15, 1994 through the merger of 25 public and private real estate limited partnerships. Each of the partnerships was formed between 1970 and 1989 for the purpose of acquiring and managing long-term, net-leased properties.

Our nine senior officers owned 1.0% of our outstanding common stock with a market value of $47.2 million at January 31, 2012. Our directors and nine senior officers, as a group, owned 1.2% of our outstanding common stock with a market value of $57.7 million at January 31, 2012.

Our common stock is listed on The New York Stock Exchange, or NYSE, under the ticker symbol "O" with a cusip number of 756109-104. Our central index key number is 726728.

Our Class D cumulative redeemable preferred stock is listed on the NYSE under the ticker symbol "OprD" with a cusip number of 756109-609.

Our Class E cumulative redeemable preferred stock is listed on the NYSE under the ticker symbol "OprE" with a cusip number of 756109-708.

Our Class F cumulative redeemable preferred stock is listed on the NYSE under the ticker symbol “OprF” with a cusip number of ––––––756109-807.

In February 2012, we had 83 employees as compared to 79 employees in February 2011.

We maintain an Internet website at www.realtyincome.com. On our website we make available, free of charge, copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, Form 3s, Form 4s, Form 5s, current reports on Form 8-K, and amendments to those reports, as soon as reasonably practicable after we electronically file these reports with the Securities and Exchange Commission, or SEC. None of the information on our website is deemed to be part of this report.

RECENT DEVELOPMENTS

Increases in Monthly Distributions to Common Stockholders

We continue our 43-year policy of paying distributions monthly. Monthly distributions per common share increased by $0.0003125 in April 2011 to $0.1445625, in July 2011 to $0.144875, in October 2011 to $0.1451875 and in January 2012 to $0.1455. The increase in January 2012 was our 57th consecutive quarterly increase and the 64th increase in the amount of our dividend since our listing on the NYSE in 1994. In 2011, we paid three monthly cash distributions per common share in the amount of $0.14425, three in the amount of $0.1445625, three in the amount of $0.144875 and three in the amount of $0.1451875, totaling $1.736625. In December 2011, January 2012 and February 2012, we declared distributions of $0.1455 per share, which were paid in January 2012 and will be paid in February 2012 and March 2012, respectively.

The current monthly distribution of $0.1455 per share represents an annualized distribution of $1.746 per share, and an annualized distribution yield of approximately 5.0% based on the last reported sale price of our common stock on the NYSE of $34.96 on December 31, 2011. Although we expect to continue our policy of paying monthly distributions, we cannot guarantee that we will maintain our current level of distributions, that we will continue our pattern of increasing distributions per share, or what our actual distribution yield will be in any future period.

Acquisitions During 2011

During 2011, we invested $1.02 billion in 164 new properties, and properties under development, with an initial weighted average contractual lease rate of 7.8%. The majority of the lease revenue from these properties will be generated from tenants that have investment grade ratings on their senior debt securities. These 164 new properties, and properties under development, are located in 26 states, contain over 6.2 million leasable square feet, and are 100% leased with an average lease term of 13.4 years.

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The initial weighted average contractual lease rate is computed as estimated contractual net operating income (in a net-leased property that is equal to the aggregate base rent or, in the case of a property under development, the estimated base rent) for the first year of each lease, divided by the estimated total cost of the properties. Since it is possible that a tenant could default on the payment of contractual rent, we cannot provide assurance that the actual return on the funds invested will remain at the percentages listed above.

Included in the $1.02 billion invested during 2011 are:

(1) The acquisition of 33 single-tenant retail, distribution, office and manufacturing properties for approximately $543.8 million, under long-term, net lease agreements.
(2) The acquisition of 60 properties operating in the restaurant - quick service industry for $41.9 million, under long-term, net lease agreements.
(3) The acquisition of six properties operating in the wholesale clubs industry for $156.1 million, under long-term, net lease agreements.
(4) The acquisition of 36 properties operating in the grocery store industry for $151.4 million under long-term, net lease agreements.
(5) The acquisition of nine properties operating in the health and fitness industry for $63.2 million, under long-term, net lease agreements.
(6) The remaining 20 properties acquired totaled approximately $59.8 million.

Portfolio Discussion

Leasing Results
At December 31, 2011, we had 87 properties available for lease out of 2,634 properties in our portfolio, which represents a 96.7% occupancy rate. Since December 31, 2010, when we reported 84 properties available for lease and a 96.6% occupancy rate, we:

Leased 37 properties;
Sold 21 properties available for lease; and
Have 61 new properties available for lease.

During 2011, 89 properties with expiring leases were leased to either existing or new tenants. The rent on these leases was $9.6 million, as compared to the previous rent on these same properties of $10.4 million. At December 31, 2011, our average annualized rental revenue per square foot was approximately $17.06.

Matters Pertaining To Certain Tenants
In January 2012, Friendly Ice Cream Corporation, or Friendly's, one of our tenants, announced that it was emerging from voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code (which they had filed for in October 2011). Pursuant to the bankruptcy proceedings, Friendly's accepted 102 of their 121 leases with us. Friendly's rejected 19 leases with us, representing approximately $1.8 million of annualized rent, and received rent concessions and term reductions on some of their accepted leases with us. We estimate that we will recover approximately 80% of the $16.1 million of annualized rent that Friendly's was paying the Company before the bankruptcy filing.

Additionally, in January 2012, Buffets Holding, Inc., or Buffets, another one of our tenants, filed for voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code. Buffets leases 86 properties from us that, as of December 31, 2011, represented approximately $18.2 million, or approximately 3.9% of our annualized rental revenue. Buffets rejected the leases on seven of our 86 properties, representing approximately $1.8 million of annualized rent. Additionally, we have reached a preliminary agreement (subject to bankruptcy court approval) with Buffets regarding rent concessions and term reductions on some of Buffets' other leases with us. Overall, post-bankruptcy, we estimate that we will recover approximately 65% of the $18.2 million of annualized rent that Buffets was paying us before the bankruptcy filing. Friendly's and Buffets both operate casual dining restaurants.

For both Friendly's and Buffets, any properties returned to us are immediately available for re-lease to other tenants. We believe that demand in the market for the rejected properties will allow us to find suitable replacement tenants within the next 18 months. However, there can be no assurance that we will be successful in finding replacement tenants for these properties within this timeframe, or at all, or that Friendly's or Buffets will continue to pay rent for the remainder of the lease terms on their accepted leases.

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In addition, we have recently concluded an analysis of our portfolio and have identified other tenants, whose leases represented approximately 2% to 3% of our total annualized rent as of December 31, 2011, that we believe may make similar bankruptcy filings in 2012. However, the foregoing percentages are estimates and are subject to numerous assumptions and uncertainties and the actual percentage of annualized rent represented by other tenants who make bankruptcy filings during 2012 may be different.

Investments in Existing Properties
In 2011, we capitalized costs of $4.2 million on existing properties in our portfolio, consisting of $1.7 million for re-leasing costs and $2.5 million for building and tenant improvements. In 2010, we capitalized costs of $3.6 million on existing properties in our portfolio, consisting of $1.5 million for re-leasing costs and $2.1 million for building improvements.

As part of our re-leasing costs, we pay leasing commissions and sometimes provide tenant rent concessions. Leasing commissions are paid based on the commercial real estate industry standard and any rent concessions provided are minimal. We do not consider the collective impact of the leasing commissions or tenant rent concessions to be material to our financial position or results of operations.

The majority of our building and tenant improvements are related to roof repairs, HVAC improvements, and parking lot resurfacing and replacements. It is not customary for us to offer significant tenant improvements on our properties as tenant incentives. The amounts of our capital expenditures can vary significantly, depending on the rental market, credit worthiness, and the willingness of tenants to pay higher rents over the terms of the leases.

Issuance of Preferred Stock
In February 2012, we issued 14.95 million shares of 6.625% Monthly Income Class F cumulative redeemable preferred stock, including 1.95 million shares purchased by the underwriters upon the exercise of their overallotment option. The net proceeds of approximately $361.7 million from this issuance will be used to redeem the outstanding Class D preferred stock, repay borrowings under our acquisition credit facility and for other general corporate purposes. Beginning February 15, 2017, the Class F preferred shares are redeemable at our option for $25.00 per share. The initial dividend of $0.1702257 per share will be paid on March 15, 2012, and will cover 37 days. Thereafter, dividends of $0.1380208 per share will be paid monthly.

Redemption of Preferred Stock
In January 2012, we announced that we plan to redeem our outstanding Class D preferred stock on March 1, 2012. We will redeem the Class D preferred stock at $25.00 per share, plus accrued dividends.

Issuance of Common Stock
In September 2011, we issued 6,300,000 shares of common stock at a price of $34.00 per share. After underwriting discounts and other offering costs of $10.6 million, the net proceeds of $203.6 million were used to repay borrowings under our acquisition credit facility, which were used to fund recent acquisitions.

In March 2011, we issued 8,625,000 shares of common stock at a price of $34.81 per share. After underwriting discounts and offering costs of $14.6 million, the net proceeds of $285.6 million were used to fund property acquisitions.

Re-opening of Unsecured Bonds due 2035
In June 2011, we “re-opened” our 5.875% senior unsecured bonds due 2035, or the 2035 Bonds, and issued $150 million in aggregate principal amount of additional 2035 Bonds. The public offering price for the additional 2035 Bonds was 94.578% of the principal amount for an effective yield of 6.318% per annum. Those 2035 Bonds constituted an additional issuance of, and a single series with, the $100 million in aggregate principal amount of 2035 Bonds that we

issued in March 2005. The net proceeds of $140.1 million were used to fund property acquisitions.

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Dividend Reinvestment and Stock Purchase Plan
In March 2011, we established a Dividend Reinvestment and Stock Purchase Plan, or The Plan, to provide our common shareholders, as well as new investors, with a convenient and economical method to purchase our common stock and/or reinvest their distributions. The Plan authorizes up to 6,000,000 common shares to be issued. Through December 31, 2011, we issued 59,605 shares and received net proceeds of approximately $1.9 million under The Plan.

Net Income Available to Common Stockholders
Net income available to common stockholders was $132.8 million in 2011 versus $106.5 million in 2010, an increase of $26.3 million. On a diluted per common share basis, net income was $1.05 in 2011, as compared to $1.01 in 2010.

The calculation to determine net income available to common stockholders includes gains from the sale of properties and excess land. The amount of gains varies from period to period based on the timing of property sales and can significantly impact net income available to common stockholders.

The gain from the sale of properties and excess real estate during 2011 was $5.7 million, as compared to $8.7 million during 2010.

Funds from Operations Available to Common Stockholders (FFO)
In 2011, our FFO increased by $55.5 million, or 28.6%, to $249.4 million versus $193.9 million in 2010. On a diluted per common share basis, FFO was $1.98 in 2011, compared to $1.83 in 2010, an increase of $0.15, or 8.2%.

See our discussion of FFO (which is not a financial measure under U.S. generally accepted accounting principles, or GAAP), which includes a reconciliation of net income available to common stockholders to FFO, in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this annual report.

Adjusted Funds from Operations Available to Common Stockholders (AFFO)
In 2011, our AFFO increased by $56.1 million, or 28.4%, to $253.4 million versus $197.3 million in 2010. On a diluted per common share basis, AFFO was $2.01 in 2011, compared to $1.86 in 2010, an increase of $0.15, or 8.1%.

See our discussion of AFFO (which is not a financial measure under U.S. GAAP), which includes a reconciliation of net income available to common stockholders to FFO and AFFO, in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this annual report.

DISTRIBUTION POLICY

Distributions are paid monthly to our common, Class D preferred and Class E preferred stockholders if, and when, declared by our Board of Directors.

In order to maintain our tax status as a REIT for federal income tax purposes, we generally are required to distribute dividends to our stockholders aggregating annually at least 90% of our taxable income (excluding net capital gains), and we are subject to income tax to the extent we distribute less than 100% of our taxable income (including net capital gains). In 2011, our cash distributions totaled $243.6 million, or approximately 127.7% of our estimated taxable income of $190.8 million. Our estimated REIT taxable income reflects non-cash deductions for depreciation and amortization. Our estimated REIT taxable income is presented to show our compliance with REIT distribution requirements and is not a measure of our liquidity or performance.

We intend to continue to make distributions to our stockholders that are sufficient to meet this distribution requirement and that will reduce or eliminate our exposure to income taxes. Furthermore, we believe our funds from operations are more than sufficient to support our current level of cash distributions to our stockholders. Our 2011 cash distributions to common stockholders totaled $219.3 million, representing 87.9% of our funds from operations available to common stockholders of $249.4 million.

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The Class D preferred stockholders receive cumulative distributions at a rate of 7.375% per annum on the $25 per share liquidation preference (equivalent to $1.84375 per annum per share). On January 31, 2012, we announced that the Class D preferred stock would be redeemed on March 1, 2012. The Class E preferred stockholders receive cumulative distributions at a rate of 6.75% per annum on the $25 per share liquidation preference (equivalent to $1.6875 per annum per share). The Class F preferred stockholders receive cumulative distributions at a rate of 6.625% per annum on the $25 per share liquidation preference (equivalent to $1.65625 per annum per share). The initial Class F preferred stock dividend will be paid on March 15, 2012. Dividends on our Class D and Class E preferred stock are current.

Future distributions will be at the discretion of our Board of Directors and will depend on, among other things, our results of operations, FFO, cash flow from operations, financial condition and capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code of 1986, as amended, our debt service requirements and any other factors the Board of Directors may deem relevant. In addition, our credit facility contains financial covenants that could limit the amount of distributions payable by us in the event of a default, and which prohibit the payment of distributions on the common or preferred stock in the event that we fail to pay when due (subject to any applicable grace period) any principal or interest on borrowings under our credit facility.

Distributions of our current and accumulated earnings and profits for federal income tax purposes generally will be taxable to stockholders as ordinary income, except to the extent that we recognize capital gains and declare a capital gains dividend, or that such amounts constitute "qualified dividend income" subject to a reduced rate of tax. The maximum tax rate of non-corporate taxpayers for "qualified dividend income" has generally been reduced to 15% (until it “sunsets” or reverts to the provisions of prior law, which under current law will occur with respect to taxable years beginning after December 31, 2012). In general, dividends payable by REITs are not eligible for the reduced tax rate on qualified dividend income, except to the extent that certain holding requirements have been met with respect to the REIT’s stock and the REIT’s dividends are attributable to dividends received from taxable corporations (such as our taxable REIT subsidiary, Crest Net Lease, Inc., or Crest) or to income that was subject to tax at the corporate or REIT level (for example, if we distribute taxable income that we retained and paid tax on in the prior taxable year).

Distributions in excess of earnings and profits generally will be treated as a non-taxable reduction in the stockholders' basis in their stock. Distributions above that basis, generally, will be taxable as a capital gain to stockholders who hold their shares as a capital asset. Approximately 20.6% of the distributions to our common stockholders, made or deemed to have been made in 2011, were classified as a return of capital for federal income tax purposes. We are unable to predict the portion of future distributions that may be classified as a return of capital.

BUSINESS PHILOSOPHY AND STRATEGY

Capital Philosophy

Historically, we have met our long-term capital needs by issuing common stock, preferred stock and long-term unsecured notes and bonds. Over the long term, we believe that common stock should be the majority of our capital structure. However, we may issue additional preferred stock or debt securities from time to time. We may issue common stock when we believe that our share price is at a level that allows for the proceeds of any offering to be accretively invested into additional properties. In addition, we may issue common stock to permanently finance properties that were financed by our credit facility or debt securities. However, we cannot provide assurance that we will have access to the capital markets at times and at terms that are acceptable to us.

Our primary cash obligations, for the current year and subsequent years, are included in the “Table of Obligations,” which is presented in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” We expect to fund our operating expenses and other short-term liquidity requirements, including property acquisitions and development costs, payment of principal and interest on our outstanding indebtedness, property improvements, re-leasing costs and cash distributions to common and preferred stockholders, primarily through cash provided by operating activities, borrowing on our $425 million credit facility and occasionally through public securities offerings.

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Conservative Capital Structure

We believe that our stockholders are best served by a conservative capital structure. Therefore, we seek to maintain a conservative debt level on our balance sheet and solid interest and fixed charge coverage ratios. At December 31, 2011, our total outstanding borrowings of senior unsecured notes, mortgages payable and credit facility borrowings were $2.06 billion, or approximately 29.1% of our total market capitalization of $7.06 billion.

We define our total market capitalization at December 31, 2011 as the sum of:

- Shares of our common stock outstanding of 133,223,338 multiplied by the last reported sales price of our common stock on the NYSE of $34.96 per share on December 31, 2011, or $4.66 billion;
- Aggregate liquidation value (par value of $25 per share) of the Class D preferred stock of $127.5 million;
- Aggregate liquidation value (par value of $25 per share) of the Class E preferred stock of $220 million;
- Outstanding mortgages payable of $67.8 million;
- Outstanding borrowings of $237.4 million on our credit facility; and
- Outstanding senior unsecured notes and bonds of $1.75 billion.

Investment Philosophy

We believe that owning an actively managed, diversified portfolio of commercial properties under long-term, net leases produces consistent and predictable income. Net leases typically require the tenant to be responsible for monthly rent and property operating expenses including property taxes, insurance and maintenance. In addition, tenants are typically subject to future rent increases based on increases in the consumer price index (typically subject to ceilings), additional rent calculated as a percentage of the tenants' gross sales above a specified level, or fixed increases. We believe that owning a portfolio of properties under long-term leases, coupled with the tenant's responsibility for property expenses, generally produces a more predictable income stream than many other types of real estate portfolios, while continuing to offer the potential for growth in rental income.

Investment Strategy

When identifying new properties for acquisition, our focus is generally on providing capital to owners and operators of retail and other commercial enterprises by acquiring, then leasing back, the real estate they consider important to the successful operation of their business.

We primarily focus on acquiring properties leased to retail and other commercial enterprises based on the following guidelines:

- Tenants with reliable and sustainable cash flow;
- Tenants with revenue and cash flow from multiple sources;
- Large owners and users of real estate;
- Real estate that is critical to the tenant’s ability to generate revenue (i.e. they need the property in which they operate in order to conduct their business);
- Real estate and tenants that are willing to sign a long-term lease (10 or more years); and
- Property transactions where we can achieve an attractive spread over our cost of capital.

Historically, our investment focus has primarily been on retail and other commercial enterprises that have a service component because we believe the lease revenue from these types of businesses is more stable. Because of this investment focus, for the quarter ended December 31, 2011, approximately 83% of our retail rental revenue was derived from tenants with a service component in their business. We believe these service-oriented businesses would generally be difficult to duplicate over the Internet and that our properties continue to perform well relative to competition from Internet-based businesses.

Credit Strategy

We typically acquire and lease properties to regional and national commercial enterprises and believe that within this market we can achieve an attractive risk-adjusted return. Since 1970, our occupancy rate at the end of each year has never been below 96%.

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We believe the principal financial obligations of most commercial enterprises typically include their bank and other debt, payment obligations to suppliers and real estate lease obligations. Because we typically own the land and building in which a tenant conducts its business, we believe the risk of default on a tenant’s lease obligations is less than the tenant’s unsecured general obligations. It has been our experience that since tenants must retain their profitable locations in order to survive, in the event of reorganization they are less likely to reject a lease for a profitable location because this would terminate their right to use the property. Thus, as the property owner, we believe we will fare better than unsecured creditors of the same tenant in the event of reorganization. If a property is rejected by the tenant during reorganization, we own the property and can either lease it to a new tenant or sell the property. In addition, we believe that the risk of default on the real estate leases can be further mitigated by monitoring the performance of the tenants' individual unit locations and considering whether to sell locations that are weaker performers.

In order to qualify for inclusion in our portfolio, new property acquisitions must meet stringent investment and credit requirements. The properties must generate attractive current yields and the tenant must meet our credit profile. We have established a three-part analysis that examines each potential investment based on:

- Industry, company, market conditions and credit profile;
- For retail locations, store profitability, if profitability data is available, and the importance of the location of the real estate to the operations of the company’s business; and
- Overall real estate characteristics, including property value and comparative rental rates.

The typical profile of companies whose properties have been approved for acquisition are those with 50 or more locations. Generally the properties:

- Are located in highly visible areas;
- Have easy access to major thoroughfares; and
- Have attractive demographics.

Acquisition Strategy

We seek to invest in industries in which several, well-organized, regional and national retailers and other commercial enterprises are capturing market share through service, quality control, economies of scale, strong consumer brands, advertising, and the selection of prime locations. We execute our acquisition strategy by acting as a source of capital to regional and national commercial enterprises by acquiring and leasing back their real estate locations. We undertake thorough research and analysis to identify what we consider to be appropriate industries, tenants and property locations for investment. Our research expertise is instrumental to uncovering net-lease opportunities in markets where our real estate financing program adds value. In selecting potential investments, we generally seek to acquire real estate that has the following characteristics:

- Properties that are freestanding, commercially-zoned with a single tenant;
- Properties that are important locations for regional and national commercial enterprises;
- Properties that we deem to be profitable for the tenants and/or can generally be characterized as important to the operations of the company’s business;
- Properties that are located within attractive demographic areas, relative to the business of our tenants, with high visibility and easy access to major thoroughfares; and
- Properties that can be purchased with the simultaneous execution or assumption of long-term, net-lease agreements, offering both current income and the potential for rent increases.

Impact of Real Estate and Credit Markets

In the commercial real estate market, property prices generally continue to fluctuate. Likewise, the U.S. credit markets have experienced significant price volatility, dislocations and liquidity disruptions, which may impact our access to and cost of capital. We continue to monitor the commercial real estate and U.S. credit markets carefully and, if required, will make decisions to adjust our business strategy accordingly. See Item 1A entitled "Risk Factors" in this annual report.

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Portfolio Management Strategy
The active management of the property portfolio is an essential component of our long-term strategy. We continually monitor our portfolio for any changes that could affect the performance of the industries, tenants and locations in which we have invested. We also regularly analyze our portfolio with a view toward optimizing its returns and enhancing our credit quality.

Our executives regularly review and analyze:

- The performance of the various industries of our tenants; and
- The operation, management, business planning, and financial condition of our tenants.

We have an active portfolio management program that incorporates the sale of assets when we believe the reinvestment of the sale proceeds will:

- Generate higher returns;
- Enhance the credit quality of our real estate portfolio;
- Extend our average remaining lease term; or
- Decrease tenant or industry concentration.

At December 31, 2011, we classified real estate with a carrying amount of $2.2 million as held for sale on our balance sheet. In 2012, we intend to employ more active disposition efforts to further enhance the credit quality of our real estate portfolio. As a result, we anticipate selling investment properties from our portfolio that have not yet been specifically identified, from which we anticipate receiving between $25 million and $60 million in proceeds during the next 12 months. We intend to invest these proceeds into new property acquisitions, if there are attractive opportunities available. However, we cannot guarantee that we will sell properties during the next 12 months or be able to invest the proceeds from the sales of any properties in new properties.

Universal Shelf Registration
In March 2009, we filed a shelf registration statement with the SEC, which expires in March 2012. In accordance with the SEC rules, the amount of securities to be issued pursuant to this shelf registration statement was not specified when it was filed and there is no specific dollar limit. The securities covered by this registration statement include common stock, preferred stock, debt securities, or any combination of these securities. We may periodically offer one or more of these securities in amounts, prices and on terms to be announced when and if the securities are offered. The specifics of any future offerings, along with the use of proceeds of any securities offered, will be described in detail in a prospectus supplement, or other offering materials, at the time of any offering. We plan to file a new shelf registration statement prior to the expiration of our existing shelf registration.

$425 Million Acquisition Credit Facility
We have a $425 million unsecured, revolving credit facility. The initial term of the credit facility expires in March 2014 and includes two, one-year extension options. Under the credit facility, the current investment grade credit ratings on our debt securities provide for financing at the London Interbank Offered Rate, commonly referred to as LIBOR, plus 185 basis points with a facility commitment fee of 35 basis points, for all-in drawn pricing of 220 basis points over LIBOR. The borrowing rate is not subject to an interest rate floor or ceiling. We also have other interest rate options available to us under the credit facility. Our credit facility is unsecured and, accordingly, we have not pledged any assets as collateral for this obligation. At December 31, 2011, we had a borrowing capacity of $187.6 million available on our credit facility (subject to customary conditions to borrowing) and an outstanding balance of $237.4 million. As a result of the issuance of our Class F preferred stock in February 2012, we paid off all outstanding credit facility borrowings on February 7, 2012. The interest rate on borrowings outstanding under our credit facility at December 31, 2011 was 2.1% per annum. We must comply with various financial and other

covenants in our credit facility. At December 31, 2011, we remain in compliance with these covenants.

We expect to use our credit facility to acquire additional properties and for other corporate purposes. Any additional borrowings will increase our exposure to interest rate risk. We have the right to request an increase in the borrowing capacity of the credit facility, up to $200 million, to a total borrowing capacity of $625 million. Any increase in the borrowing capacity is subject to approval by the lending banks participating in our credit facility.

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We generally use our credit facility for the short-term financing of new property acquisitions. Thereafter, when capital is available on acceptable terms, we generally seek to refinance those borrowings with the net proceeds of long-term or permanent financing, which may include the issuance of common stock, preferred stock or debt securities. We cannot assure you, however, that we will be able to obtain any such refinancing, or that market conditions prevailing at the time of refinancing will enable us to issue equity or debt securities upon acceptable terms.

Credit Agency Ratings

The borrowing rates under our credit facility are based upon our credit ratings. We are currently assigned the following investment grade corporate credit ratings on our senior unsecured notes and bonds: Fitch Ratings has assigned a rating of BBB+, Moody's Investors Service has assigned a rating of Baa1 and Standard & Poor's Ratings Group has assigned a rating of BBB to our senior notes. All of these ratings have "stable" outlooks.

Based on our current ratings, the current facility interest rate is LIBOR plus 185 basis points with a facility commitment fee of 35 basis points, for all-in drawn pricing of 220 basis points over LIBOR. The credit facility provides that the interest rate can range between: (i) LIBOR plus 300 basis points if our credit facility is lower than BBB-/Baa3 and (ii) LIBOR plus 175 basis points if our credit rating is A-/A3 or higher.

In addition, our credit facility provides for a facility commitment fee based on our credit ratings, which ranges from: (i) 50 basis points for a rating lower than BBB-/Baa3, and (ii) 30 basis points for a credit rating of A-/A3 or higher.

We also issue senior debt securities from time to time and our credit ratings can impact the interest rates charged in those transactions. If our credit ratings or ratings outlook change, our cost to obtain debt financing could increase or decrease.

The credit ratings assigned to us could change based upon, among other things, our results of operations and financial condition. These ratings are subject to ongoing evaluation by credit rating agencies and we cannot assure you that our ratings will not be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant. Moreover, a rating is not a recommendation to buy, sell or hold our debt securities, preferred stock or common stock.

Mortgage Debt

As of December 31, 2011, we have $67.2 million of mortgages payable to third-party lenders that were assumed in 2011, in connection with our property acquisitions. We paid $279,000 in principal payments on these mortgages payable during 2011. Additionally, net premiums totaling $820,000, in aggregate, were recorded upon assumption of the mortgages payable at the time of the respective property acquisitions to account for above-market interest rates. We recorded amortization of $189,000 related to these net premiums during 2011.

Our mortgages payable are secured by the properties on which the debt was placed and are non-recourse. We expect to pay off the mortgages payable as soon as prepayment penalties and costs make it economically feasible to do so. We intend to continue our policy of primarily identifying property acquisitions that are free from mortgage indebtedness.

No Off-Balance Sheet Arrangements or Unconsolidated Investments

We have no unconsolidated or off-balance sheet investments in "variable interest entities" or off-balance sheet financing, nor do we engage in trading activities involving energy or commodity contracts or other derivative instruments. Additionally, we have no joint ventures or mandatorily redeemable preferred stock. As such, our financial position and results of operations are not affected by accounting regulations regarding the consolidation of off-balance sheet entities and classification of financial instruments with characteristics of both liabilities and equity.

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Competitive Strategy

We believe that to successfully pursue our investment philosophy and strategy, we must seek to maintain the following competitive advantages:

Type of Investment Properties: We believe net-leased properties, whether purchased individually or as part of larger portfolio purchases, represent an attractive investment opportunity in today's real estate environment. The less intensive day-to-day property management required by net-lease agreements, coupled with the active management of a large portfolio of properties, is an effective investment strategy. The tenants of our freestanding properties generally provide goods and services that satisfy basic consumer needs. In order to grow and expand, they generally need capital. Since the acquisition of real estate is typically the single largest capital expenditure of many of these tenants, our method of purchasing the property and then leasing it back, under a net-lease arrangement, allows the commercial enterprise to free up capital.

Investment in New Industries: We will seek to further diversify our portfolio among a variety of industries. We believe diversification will allow us to invest in industries that currently are growing and have characteristics we find attractive. When analyzing new industries, we seek to acquire properties that are critical to the success of a commercial enterprise, through its distribution of the product or service. Other characteristics may include, but are not limited to, industries that are dominated by local store operators where regional and national store operators and other commercial enterprises can increase market share and dominance by consolidating local operators and streamlining their operations, as well as capitalizing on major demographic shifts in a population base.

Diversification: Diversification of the portfolio by industry type, tenant, and geographic location is key to our objective of providing predictable investment results for our stockholders, therefore further diversification of our portfolio is a continuing objective. At December 31, 2011, we owned a diversified property portfolio that consisted of 2,634 properties located in 49 states, leased to 136 different retail and other commercial enterprises doing business in 38 industry segments. Each of the 38 industry segments, represented in our property portfolio, individually accounted for no more than 17.2% of our rental revenue for the quarter ended December 31, 2011.

Management Specialization: We believe that our management's specialization in acquiring and managing single-tenant properties, operated under net-lease agreements, purchased individually or as part of a larger portfolio, is important to meeting our objectives. We plan to maintain this specialization and will seek to employ and train high-quality professionals in this specialized area of real estate ownership, finance and management.

Technology: We intend to stay at the forefront of technology in our efforts to carry out our operations efficiently and economically. We maintain sophisticated information systems that allow us to analyze our portfolio's performance and actively manage our investments. We believe that technology and information-based systems play an important role in our competitiveness as an investment manager and source of capital to a variety of industries and tenants.

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PROPERTY PORTFOLIO INFORMATION

At December 31, 2011, we owned a diversified portfolio:

- Of 2,634 properties;
- With an occupancy rate of 96.7%, or 2,547 properties leased and only 87 properties available for lease;
- Leased to 136 different retail and other commercial enterprises doing business in 38 separate industries;
- Located in 49 states;
- With over 27.3 million square feet of leasable space; and
- With an average leasable space per property of approximately 10,400 square feet.

At December 31, 2011, of our 2,634 properties, 2,533 were leased under net-lease agreements. A net lease typically requires the tenant to be responsible for minimum monthly rent and certain property operating expenses including property taxes, insurance and maintenance. In addition, our tenants are typically subject to future rent increases based on increases in the consumer price index (typically subject to ceilings), additional rent calculated as a percentage of the tenants' gross sales above a specified level, or fixed increases.

In order to more accurately reflect our exposure to various industries, the following industry table has been modified from similar tables we have prepared in the past to reflect the changes below:

- Properties previously included in the “distribution and office” industry were reclassified to the “home improvement,” “convenience store,” and “restaurant” industries, to better reflect the industry in which the tenant operates;
- The “restaurant” industry was separated into the “restaurants - casual dining” industry, which includes dinner houses and family restaurants, and the “restaurants - quick service” industry, which includes fast food restaurants;
- The “equipment rental” industry was renamed “equipment services;”
- The “travel plazas” industry was renamed “transportation services;” and
- The “wine and spirits” industry was renamed “beverages.”

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Industry Diversification

The following table sets forth certain information regarding Realty Income's property portfolio classified according to the business of the respective tenants, expressed as a percentage of our total rental revenue:

	Percentage of Rental Revenue(1)													
	For the Quarter Ended December 31,		For the Years Ended											
Industries	2011		Dec 31, 2011		Dec 31, 2010		Dec 31, 2009		Dec 31, 2008		Dec 31, 2007		Dec 31, 2006	
Apparel stores	1.3	%	1.4	%	1.2	%	1.1	%	1.1	%	1.2	%	1.7	%
Automotive collision services	0.9		0.9		1.0		1.1		1.0		1.1		1.3	
Automotive parts	1.3		1.2		1.4		1.5		1.6		2.1		2.8	
Automotive service	3.4		3.7		4.7		4.8		4.8		5.2		6.9	
Automotive tire services	4.9		5.6		6.4		6.9		6.7		7.3		6.1	
Aviation	0.8		0.5		--		--		--		--		--	
Beverages	5.3		5.6		3.0		--		--		--		--	
Book stores	0.1		0.1		0.1		0.2		0.2		0.2		0.2	
Business services	*		*		*		*		*		0.1		0.1	
Child care	4.7		5.2		6.5		7.3		7.6		8.4		10.3	
Consumer electronics	0.5		0.5		0.6		0.7		0.8		0.9		1.1	
Convenience stores	17.2		18.5		17.1		16.9		15.8		14.0		16.1	
Crafts and novelties	0.2		0.2		0.3		0.3		0.3		0.3		0.4	
Drug stores	3.6		3.8		4.1		4.3		4.1		2.7		2.9	
Education	0.7		0.7		0.8		0.9		0.8		0.8		0.8	
Entertainment	0.9		1.0		1.2		1.3		1.2		1.4		1.6	
Equipment services	0.4		0.4		0.2		0.2		0.2		0.2		0.2	
Financial services	0.6		0.5		0.2		0.2		0.2		0.2		0.1	
Food processing	1.2		0.7		--		--		--		--		--	
General merchandise	0.6		0.6		0.8		0.8		0.8		0.7		0.6	
Grocery stores	1.7		1.6		0.9		0.7		0.7		0.7		0.7	
Health and fitness	6.9		6.4		6.9		5.9		5.6		5.1		4.3	
Home furnishings	1.0		1.1		1.3		1.3		2.4		2.6		3.1	
Home improvement	1.6		1.7		2.0		2.2		2.1		2.4		3.4	
Motor vehicle dealerships	2.1		2.2		2.6		2.7		3.2		3.1		3.4	
Office supplies	0.8		0.9		0.9		1.0		1.0		1.1		1.3	
Packaging	0.6		0.4		--		--		--		--		--	
Paper	0.2		0.1		--		--		--		--		--	
Pet supplies and services	0.7		0.7		0.9		0.9		0.8		0.9		1.1	
Restaurants - casual dining	9.8		10.9		13.4		13.7		14.3		14.9		7.0	
Restaurants - quick service	6.6		6.6		7.7		8.3		8.2		6.6		4.9	

Shoe stores	0.1		0.2		0.1		--		--		--		--	
Sporting goods	2.5		2.7		2.7		2.6		2.3		2.6		2.9	
Telecommunications	0.9		0.7		--		--		--		--		--	
Theaters	9.8		8.8		8.9		9.2		9.0		9.0		9.6	
Transportation services	2.2		1.8		0.2		0.2		0.2		0.2		0.3	
Video rental	0.0		0.0		0.2		1.0		1.1		1.7		2.1	
Wholesale clubs	2.7		0.7		--		--		--		--		--	
Other	1.2		1.4		1.7		1.8		1.9		2.3		2.7	
Totals	100.0	%	100.0	%	100.0	%	100.0	%	100.0	%	100.0	%	100.0	%

* Less than 0.1%

(1) Includes rental revenue for all properties owned by Realty Income at the end of each period presented, including revenue from properties reclassified as discontinued operations. Excludes revenue from properties owned by Crest.

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Property Type Diversification

The following table sets forth certain property type information regarding Realty Income's property portfolio as of December 31, 2011 (dollars in thousands):

Property Type	Number of Properties	Approximate Leasable Square Feet	Rental Revenue for the Quarter Ended December 31, 2011(1)	Percentage of Revenue	
Retail	2,577	22,109,800	$97,841	86.4	%
Agriculture	15	184,500	4,961	4.4	
Distribution	13	2,027,100	3,520	3.1	
Manufacturing	6	1,418,600	2,509	2.2	
Office	8	778,500	2,897	2.6	
Industrial	15	850,500	1,531	1.3	
Totals	2,634	27,369,000	$113,259	100.0	%

(1) Includes rental revenue for all properties owned by Realty Income at December 31, 2011, including revenue from properties reclassified as discontinued operations of $52. Excludes revenue of $23 from properties owned by Crest.

Tenant Diversification

The largest tenants based on percentage of total portfolio rental revenue at December 31, 2011 include the following:

AMC Theatres	5.3%	NPC International/Pizza Hut	2.7%
Diageo	5.0%	BJ's Wholesale Club	2.6%
L.A. Fitness	4.6%	Rite Aid	2.6%
Northern Tier Energy/Super America	4.4%	Smart & Final	2.4%
Hometown Buffet	3.9%	FreedomRoads/Camping World	2.2%
Regal Cinemas	3.4%	TBC Corporation	2.2%
Friendly's Ice Cream	3.2%	La Petite Academy	2.2%
The Pantry	3.1%		

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Service Category Diversification for our Retail Portfolio

The following table sets forth certain information regarding the 2,577 retail properties owned by Realty Income at December 31, 2011, classified according to the business types and the level of services they provide (dollars in thousands):

Retail Industry	Number of Properties	Retail Rental Revenue for the Quarter Ended December 31, 2011(1)	Percentage of Retail Rental Revenue	
Tenants Providing Services				
Automotive collision services	18	$967	1.0	%
Automotive service	234	3,857	3.9	
Child care	238	5,367	5.5	
Education	14	807	0.8	
Entertainment	8	1,074	1.1	
Equipment services	2	150	0.2	
Financial services	13	197	0.2	
Health and fitness	46	7,829	8.0	
Theaters	43	11,097	11.4	
Transportation services	1	187	0.2	
Other	9	115	0.1	
	626	31,647	32.4	
Tenants Selling Goods and Services				
Automotive parts (with installation)	25	478	0.5	
Automotive tire services	158	5,575	5.7	
Business services	1	5	*	
Convenience stores	719	19,341	19.8	
Motor vehicle dealerships	15	2,391	2.4	
Pet supplies and services	14	744	0.7	
Restaurants - casual dining	316	10,461	10.7	
Restaurants - quick service	373	7,500	7.7	
Video rental	6	--	0.0	
	1,627	46,495	47.5	
Tenants Selling Goods				
Apparel stores	10	1,494	1.5	
Automotive parts	41	946	1.0	
Book stores	1	83	0.1	
Consumer electronics	9	592	0.6	
Crafts and novelties	4	228	0.2	
Drug stores	57	4,033	4.1	
General merchandise	33	693	0.7	
Grocery stores	57	1,959	2.0	
Home furnishings	45	1,191	1.2	
Home improvement	28	1,515	1.6	
Office supplies	11	891	0.9	

Shoe stores	1	168	0.2	
Sporting goods	21	2,881	2.9	
Wholesale clubs	6	3,025	3.1	
	324	19,699	20.1	
Totals	2,577	$97,841	100.0	%

* Less than 0.1%

(1) Includes rental revenue for all retail properties owned by Realty Income at December 31, 2011, including revenue from properties reclassified as discontinued operations of $52. Excludes revenue of $23 from properties owned by Crest.

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Lease Expirations

The following table sets forth certain information regarding Realty Income's property portfolio regarding the timing of the lease term expirations (excluding rights to extend a lease at the option of the tenant) on our 2,533 net leased, single-tenant properties as of December 31, 2011 (dollars in thousands):

	Total Portfolio				Initial Expirations(3)			Subsequent Expirations(4)		
Year	Number of Leases Expiring(1)	Approx. Leasable Sq. Feet	Rental Revenue for the Quarter Ended Dec. 31, 2011(2)	% of Total Rental Revenue	Number of Leases Expiring	Rental Revenue for the Quarter Ended Dec. 31, 2011	% of Total Rental Revenue	Number of Leases Expiring	Rental Revenue for the Quarter Ended Dec. 31, 2011	% of Total Rental Revenue
2012	161	1,079,800	$ 3,700	3.3 %	39	$ 1,134	1.0 %	122	$ 2,566	2.3 %
2013	162	1,348,000	4,968	4.5	64	2,658	2.4	98	2,310	2.1
2014	127	959,700	3,478	3.1	30	1,465	1.3	97	2,013	1.8
2015	157	888,800	4,283	3.9	79	2,537	2.3	78	1,746	1.6
2016	170	852,400	3,630	3.3	113	2,325	2.1	57	1,305	1.2
2017	70	842,400	2,890	2.6	41	2,341	2.1	29	549	0.5
2018	84	1,243,500	3,985	3.6	74	3,730	3.4	10	255	0.2
2019	140	1,520,700	7,303	6.6	132	6,878	6.2	8	425	0.4
2020	85	1,597,400	5,009	4.5	75	4,664	4.2	10	345	0.3
2021	186	1,975,600	8,761	7.9	178	8,257	7.4	8	504	0.5
2022	106	890,200	4,652	4.2	105	4,619	4.2	1	33	*
2023	252	2,094,000	10,000	9.0	250	9,926	8.9	2	74	0.1
2024	61	549,500	2,271	2.0	60	2,209	2.0	1	62	*
2025	208	1,724,400	11,655	10.5	203	11,522	10.4	5	133	0.1
2026	111	1,878,700	7,155	6.4	108	7,074	6.3	3	81	0.1
2027	170	1,424,100	5,984	5.4	169	5,966	5.4	1	18	*
2028	85	1,111,600	5,821	5.2	83	5,771	5.2	2	50	*
2029	53	960,800	2,258	2.0	50	2,197	2.0	3	61	*
2030	36	417,300	4,989	4.5	36	4,989	4.5	--	--	--
2031	90	1,876,900	6,216	5.6	89	6,197	5.6	1	19	*
2032	2	289,400	668	0.6	2	668	0.6	--	--	--
2033	8	94,000	540	0.5	8	540	0.5	--	--	--
2034	6	84,900	509	0.5	6	509	0.5	--	--	--
2037	2	48,800	354	0.3	2	354	0.3	--	--	--
2043	1	3,600	13	*	--	--	--	1	13	*
Totals	2,533	25,756,500	$ 111,092	100.0 %	1,996	$ 98,530	88.8 %	537	$ 12,562	11.2 %

*Less than 0.1%

(1) Excludes 14 multi-tenant properties and 87 vacant unleased properties, one of which is a multi-tenant property. The lease expirations for properties under construction are based on the estimated date of completion of those properties.

(2) Includes rental revenue of $52 from properties reclassified as discontinued operations and excludes revenue of $2,167 from 14 multi-tenant properties and from 87 vacant and unleased properties at December 31, 2011. Excludes revenue of $23 from three properties owned by Crest.

(3) Represents leases to the initial tenant of the property that are expiring for the first time.
(4) Represents lease expirations on properties in the portfolio, which have previously been renewed, extended or re-tenanted.

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Geographic Diversification
The following table sets forth certain state-by-state information regarding Realty Income's property portfolio as of December 31, 2011 (dollars in thousands):

State	Number of Properties	Percent Leased		Approximate Leasable Square Feet	Rental Revenue for the Quarter Ended December 31, 2011(1)	Percentage of Rental Revenue	
Alabama	62	95	%	420,200	$1,784	1.6	%
Alaska	2	100		128,500	300	0.3	
Arizona	87	98		619,500	2,879	2.5	
Arkansas	17	88		92,400	315	0.3	
California	123	99		2,670,100	13,054	11.5	
Colorado	58	95		485,900	1,854	1.6	
Connecticut	23	87		269,100	1,153	1.0	
Delaware	17	100		33,300	433	0.4	
Florida	184	95		1,881,000	7,839	6.9	
Georgia	143	95		1,242,900	5,077	4.5	
Hawaii	--	--		--	--	--	
Idaho	12	83		80,700	324	0.3	
Illinois	101	98		1,335,900	6,170	5.5	
Indiana	81	96		799,000	3,633	3.2	
Iowa	21	100		290,600	1,024	0.9	
Kansas	37	92		642,900	1,397	1.2	
Kentucky	23	100		134,700	709	0.6	
Louisiana	34	100		344,200	1,183	1.1	
Maine	3	100		22,500	163	0.1	
Maryland	29	100		384,000	2,182	1.9	
Massachusetts	64	91		575,400	2,517	2.2	
Michigan	54	96		287,200	1,278	1.1	
Minnesota	150	100		1,003,600	6,774	6.0	
Mississippi	72	99		360,700	1,605	1.4	
Missouri	76	96		1,027,500	3,848	3.4	
Montana	2	100		30,000	77	0.1	
Nebraska	19	95		196,300	492	0.4	
Nevada	15	100		325,800	1,007	0.9	
New Hampshire	15	93		217,200	974	0.9	
New Jersey	33	91		260,400	1,948	1.7	
New Mexico	9	100		58,400	212	0.2	
New York	42	93		776,200	4,272	3.8	
North Carolina	94	100		572,400	2,968	2.6	
North Dakota	6	100		36,600	74	0.1	
Ohio	134	96		1,124,800	3,973	3.5	
Oklahoma	35	100		752,400	1,505	1.3	
Oregon	20	100		384,200	1,305	1.2	
Pennsylvania	103	99		905,800	4,207	3.7	

Rhode Island	3	100		11,000	60	0.1	
South Carolina	98	99		371,400	2,268	2.0	
South Dakota	10	100		89,800	186	0.2	
Tennessee	128	98		740,200	2,983	2.6	
Texas	215	96		3,134,800	10,130	9.0	
Utah	6	100		121,700	251	0.2	
Vermont	4	100		12,700	131	0.1	
Virginia	105	95		1,519,400	4,649	4.1	
Washington	35	97		298,100	1,048	0.9	
West Virginia	2	100		23,000	101	0.1	
Wisconsin	27	93		269,200	943	0.8	
Wyoming	1	0		5,400	0	0.0	
Totals/Average	2,634	97	%	27,369,000	$ 113,259	100.0	%

(1) Includes rental revenue for all properties owned by Realty Income at December 31, 2011, including revenue from properties reclassified as discontinued operations of $52. Excludes revenue of $23 from properties owned by Crest.

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FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K, including the documents incorporated by reference herein, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended. When used in this annual report, the words "estimated", "anticipated", "expect", "believe", "intend" and similar expressions are intended to identify forward-looking statements. Forward-looking statements include discussions of strategy, plans or intentions of management. Forward-looking statements are subject to risks, uncertainties, and assumptions about Realty Income Corporation, including, among other things:

- Our anticipated growth strategies;
- Our intention to acquire additional properties and the timing of these acquisitions;
- Our intention to sell properties and the timing of these property sales;
- Our intention to re-lease vacant properties;
- Anticipated trends in our business, including trends in the market for long-term net-leases of freestanding, single-tenant properties; and
- Future expenditures for development projects.

Future events and actual results, financial and otherwise, may differ materially from the results discussed in the forward-looking statements. In particular, some of the factors that could cause actual results to differ materially are:

- Our continued qualification as a real estate investment trust;
- General business and economic conditions;
- Competition;
- Fluctuating interest rates;
- Access to debt and equity capital markets;
- Continued volatility and uncertainty in the credit markets and broader financial markets;
- Other risks inherent in the real estate business including tenant defaults, potential liability relating to environmental matters, illiquidity of real estate investments, and potential damages from natural disasters;
- Impairments in the value of our real estate assets;
- Changes in the tax laws of the United States of America;
- The outcome of any legal proceedings to which we are a party or which may occur in the future; and
- Acts of terrorism and war.

Additional factors that may cause risks and uncertainties include those discussed in the sections entitled "Business", "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this annual report.

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date that this annual report was filed with the SEC. While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We undertake no obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date of this annual report or to reflect the occurrence of unanticipated events. In light of these risks and uncertainties, the forward-looking events discussed in this annual report might not occur.

Item 1A: Risk Factors

This "Risk Factors" section contains references to our "capital stock" and to our "stockholders." Unless expressly stated otherwise, the references to our "capital stock" represent our common stock and any class or series of our preferred stock, while the references to our "stockholders" represent holders of our common stock and any class or series of our preferred stock.

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In order to grow we need to continue to acquire investment properties. The acquisition of investment properties may be subject to competitive pressures.
We face competition in the acquisition, operation and sale of property. We expect competition from:

- Businesses;
- Individuals;
- Fiduciary accounts and plans; and
- Other entities engaged in real estate investment and financing.

Some of these competitors are larger than we are and have greater financial resources. This competition may result in a higher cost for properties we wish to purchase.

Negative market conditions or adverse events affecting our existing or potential tenants, or the industries in which they 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 tenants on economically favorable terms. We could be adversely affected by various facts and events over which we have limited or no control, such as:

- Lack of demand in areas where our properties are located;
- Inability to retain existing tenants and attract new tenants;
- Oversupply of space and changes in market rental rates;
- 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;
- 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;
- Economic or physical decline of the areas where the properties are located; and
- Deterioration of physical condition of our properties.

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 payments when due could result in the termination of the tenant's lease and material losses to us.

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 shareholders 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.

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 a 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.

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Eighty-seven of our properties were available for lease or sale at December 31, 2011, all but one of which were single-tenant properties. At December 31, 2011, 33 of our properties under lease were unoccupied and available for sublease by the tenants, all of which were current with their rent and other obligations. During 2011, each of our tenants accounted for less than 10% of our rental revenue.

For the fourth quarter of 2011, our tenants in the "convenience stores" industry accounted for 17.2% of our rental revenue. A downturn in this industry, whether nationwide or limited to specific sectors of the United States, could adversely affect tenants in this industry, which in turn could have a material adverse affect on our financial position, results of operations and our ability to pay the principal of and interest on our debt securities and other indebtedness and to make distributions on our common stock and preferred stock.

We believe that the ongoing economic recession has also had an adverse effect on many casual dining restaurants, such as our tenants, Friendly Ice Cream Corporation and Buffets Holdings, Inc. Both of these tenants filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code, and the impact of bankruptcy filings by these or other tenants in the casual dining industry could, as described in the immediately preceding sentence, adversely affect us. Individually, each of the other industries in our property portfolio accounted for less than 10% of our rental revenue for the fourth quarter of 2011. Nevertheless, downturns in these other industries 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 debt securities and other indebtedness and to make distributions on our common and preferred stock. In addition, we may in the future make additional investments in the "convenience stores" industry, which would increase this industry's percentage of our rental revenues, thereby increasing the effect that such a downturn in this industry would have on us.

In addition, a substantial number of our properties are leased to middle-market retail and other commercial enterprises that generally have more limited financial and other resources than certain upper-market retail and other commercial enterprises, 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.

Furthermore, we have made and may continue to make selected acquisitions of properties that fall outside our historical focus on freestanding, single-tenant, net-lease retail locations in the United States. We may be exposed to a variety of new risks by expanding into new property types and/or new jurisdictions outside the United States and properties leased to tenants engaged in non-retail businesses. For example, our acquisitions in 2011 included distribution properties, office properties, and manufacturing properties leased to tenants in a range of non-retail businesses. These risks may include a limited knowledge and understanding of the industry in which the tenant operates, limited experience in managing certain types of new properties, new types of real estate locations and lease structures, and the laws and culture of any non-U.S. jurisdiction.

As a property owner, we may be subject to unknown environmental liabilities.
Investments in real property can create a potential for environmental liability. An owner of property can face liability for environmental contamination created by the presence or discharge of hazardous substances on the property. We can face such liability regardless of:

Our knowledge of the contamination;
The timing of the contamination;
The cause of the contamination; or
The party responsible for the contamination of the property.

There may be environmental problems associated with our properties of which we are unaware. In that regard, a number of our properties are leased to operators of convenience stores that sell petroleum-based fuels, as well as to operators of oil change and tune-up facilities and operators that use chemicals and other waste products. These facilities, and some other of our properties, use, or may have used in the past, underground lifts or underground tanks for the storage of petroleum-based or waste products, which could create a potential for the release of hazardous substances.

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The presence of hazardous substances on a property may adversely affect our ability to lease or sell that property and we may incur substantial remediation costs. Although our leases generally require our tenants to operate in compliance with all applicable federal, state and local environmental laws, ordinances and regulations, and to indemnify us against any environmental liabilities arising from the tenants' activities on the property, we could nevertheless be subject to strict liability by virtue of our ownership interest. There also can be no assurance that our tenants could or would satisfy their indemnification obligations under their leases. The discovery of environmental liabilities attached to our properties could have an adverse effect on our results of operations, our financial condition or our ability to make distributions to stockholders and to pay the principal of and interest on our debt securities and other indebtedness.

In addition, several of our properties were built during the period when asbestos was commonly used in building construction and other buildings with asbestos may be acquired by us in the future. Environmental laws govern the presence, maintenance and removal of asbestos-containing materials, or ACMs, and require that owners or operators of buildings containing asbestos properly manage and maintain the asbestos, that they adequately inform or train those who may come into contact with asbestos and that they undertake special precautions, including removal or other abatement in the event that asbestos is disturbed during renovation or demolition of a building. These laws may impose fines and penalties on building owners or operators for failure to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos fibers.

It is also possible that some of our properties may contain or develop harmful mold, which could lead to liability for adverse health effects and costs of remediation of the problem. When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Concern about indoor exposure to mold has been increasing, as exposure to mold may cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, should our tenants or their employees or customers be exposed to mold at any of our properties we could be required to undertake a costly remediation program to contain or remove the mold from the affected property, which would reduce our cash available for distribution. In addition, exposure to mold by our tenants or others could expose us to liability if property damage or health concerns arise.

Compliance. We have not been notified by any governmental authority, and are not otherwise aware, of any material noncompliance, liability or claim relating to hazardous substances, toxic substances, or petroleum products in connection with any of our present properties. In addition, we believe we are in compliance in all material respects with all present federal, state and local laws relating to ACMs. Nevertheless, if environmental contamination should exist, we could be subject to strict liability by virtue of our ownership interest.

Insurance and Indemnity. In June 2005, we entered into a seven-year environmental insurance policy, or the June 2005 policy, which expires on June 1, 2012 on our property portfolio which replaced the previous five-year environmental insurance policy. The limits on our current policy are $10 million per occurrence, and $50 million in the aggregate, subject to a $40,000 self insurance retention, per occurrence, for properties with underground storage tanks and a $100,000 self insurance retention, per occurrence, for all other properties.

Additionally, in December 2009, we entered into a ten-year environmental insurance policy that expires in December 2019 that will initially act in an excess capacity to our June 2005 policy. On June 1, 2012, this policy will become our primary environmental policy with the same limits as the June 2005 policy, except that once we pay a total of $1 million for self insurance retention, there will be a $50,000 per loss maintenance fee, rather than the $100,000 self insurance retention, per occurrence, for general environmental claims.

It is possible that our insurance could be insufficient to address any particular environmental situation and that, in the future, we could be unable to obtain insurance for environmental matters at a reasonable cost, or at all. Our tenants are generally responsible for, and indemnify us against, liabilities for environmental matters that occur on our properties. For properties that have underground storage tanks, in addition to providing an indemnity in our favor, the tenants generally obtain environmental insurance or rely upon the state funds in the states where these properties are located to reimburse tenants for environmental remediation.

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If we fail to qualify as a real estate investment trust, the amount of dividends we are able to pay would decrease, which could adversely affect the market price of our capital stock and could adversely affect the value of our debt securities.
Commencing with our taxable year ended December 31, 1994, we believe that we have been organized and have operated, and we intend to continue to operate, so as to qualify as a REIT under Sections 856 through 860 of the Code. However, we cannot assure you that we have been organized or have operated in a manner that has satisfied the requirements for qualification as a REIT, or that we will continue to be organized or operate in a manner that will allow us to continue to qualify as a REIT.

Qualification as a REIT involves the satisfaction of numerous requirements under highly technical and complex Code provisions, for which there are only limited judicial and administrative interpretations, as well as the determination of various factual matters and circumstances not entirely within our control.

For example, in order to qualify as a REIT, at least 95% of our gross income in each year must be derived from qualifying sources, and we must pay distributions to stockholders aggregating annually at least 90% of our REIT taxable income (as defined in the Code and determined without regard to the dividends paid deduction and by excluding net capital gains).

In the future, it is possible that legislation, new regulations, administrative interpretations or court decisions will change the tax laws with respect to qualification as a REIT, or the federal income tax consequences of such qualification.

If we fail to satisfy all of the requirements for qualification as a REIT, we may be subject to certain penalty taxes or, in some circumstances, we may fail to qualify as a REIT. If we were to fail to qualify as a REIT in any taxable year:

- We would be required to pay federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates;
- We would not be allowed a deduction in computing our taxable income for amounts distributed to our stockholders;
- We could be disqualified from treatment as a REIT for the four taxable years following the year during which qualification is lost;
- We would no longer be required to make distributions to stockholders; and
- This treatment would substantially reduce amounts available for investment or distribution to stockholders because of the additional tax liability for the years involved, which could have a material adverse effect on the market price of our capital stock and the value of our debt securities.

Even if we qualify for and maintain our REIT status, we may be subject to certain federal, state and local taxes on our income and property. For example, if we have net income from a prohibited transaction, that income will be subject to a 100% tax. Our subsidiary, Crest, is subject to federal and state taxes at the applicable tax rates on its income and property.

Distributions 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 REIT taxable income, determined without regard to the dividends paid deduction and by 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 REIT 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.

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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 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 upon the exercise of outstanding options or pursuant to stock incentive plans. Likewise, our Board of Directors is authorized to cause us to issue preferred stock of any class or series (with dividend, voting and other rights as determined by the Board of Directors). Accordingly, the Board of Directors may authorize the issuance of preferred stock with voting, dividend and other similar rights that could dilute, or otherwise adversely affect, the interest of holders of our common stock.

We are subject to risks associated with debt and capital stock financing.
We intend to incur additional indebtedness in the future, including borrowings under our $425 million acquisition credit facility. At December 31, 2011, we had $237.4 million of outstanding borrowings under our acquisition credit facility, a total of $1.75 billion of outstanding unsecured senior debt securities and $67.8 million of outstanding mortgage debt. As a result of the issuance of our Class F preferred stock in February 2012, we paid off all outstanding credit facility borrowings on February 7, 2012. To the extent that new indebtedness is added to our current debt levels, the related risks that we now face would increase. As a result, we are and will be subject to risks associated with debt financing, including the risk that our cash flow could be insufficient to meet required payments on our debt. We also face variable interest rate risk as the interest rate on our acquisition credit facility is variable and could therefore increase over time. We also face the risk that we may be unable to refinance or repay our debt as it comes due. Given past disruptions in the financial markets and the ongoing financial crisis in Europe (which relates primarily to concerns that certain European countries may be unable to repay their national debt), we also face the risk that one or more of the participants in our acquisition credit facility may not be able to lend us money.

In addition, our acquisition credit facility contains provisions that could limit or, in certain cases, prohibit the payment of distributions on our common stock and preferred stock. In particular, our acquisition credit facility provides that, if an event of default (as defined in the credit facility) exists, neither we nor any of our subsidiaries may make any distributions on (except distributions payable in shares of a given class of our stock to the shareholders of that class), or repurchase or redeem, among other things, any shares of our common stock or preferred stock, during any period of four consecutive fiscal quarters in an aggregate amount in excess of the greater of:

- The sum of (a) 95% of our adjusted funds from operations (as defined in the credit facility) for that period plus (b) the aggregate amount of cash distributions on our preferred stock for that period, and
- The minimum amount of cash distributions required to be made to our shareholders in order to maintain our status as a REIT for federal income tax purposes,

except that we may repurchase or redeem preferred stock with the net proceeds from the issuance of our common stock or preferred stock. The acquisition credit facility further provides that, in the event of a failure to pay principal, interest or any other amount payable thereunder when due or upon the occurrence of certain events of bankruptcy, insolvency or reorganization with respect to us or with respect to any of our subsidiaries that has guaranteed amounts payable under the credit facility or that meets a significance test set forth in the credit facility, we and our subsidiaries may not pay any distributions on (except distributions payable in shares of a given class of our stock to the shareholders of that class), or repurchase or redeem, among other things, any shares of our common stock or preferred stock. If any such event of default under our acquisition credit facility were to occur, it would likely have a material adverse effect on the market price of our outstanding common and preferred stock and on the market value of our debt securities, could limit the amount of distributions payable on our common stock and preferred stock or prevent us from paying those distributions altogether, and may adversely affect our ability to qualify, or prevent us from qualifying, as a REIT.

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Our indebtedness could also have other important consequences to holders of our common and preferred stock, including:

- Increasing our vulnerability to general adverse economic and industry conditions;
- Limiting our ability to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements;
- Requiring the use of a substantial portion of our cash flow from operations for the payment of principal and interest on our indebtedness, thereby reducing our ability to use our cash flow to fund working capital, acquisitions, capital expenditures and general corporate requirements;
- Limiting our flexibility in planning for, or reacting to, changes in our business and our industry; and
- Putting us at a disadvantage compared to our competitors with less indebtedness.

If we default under a mortgage loan, we will automatically be in default of any other loan that has cross-default provisions, and we may lose the properties securing these loans.

Our business operations may not generate the cash needed to make distributions on our capital stock or to service our indebtedness.
Our ability to make distributions on our common stock and preferred stock and payments on our indebtedness, and to fund planned acquisitions and capital expenditures will depend on our ability to generate cash in the future. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to make distributions on our common stock and preferred stock, to pay our indebtedness, or to fund our other liquidity needs.

The market value of our capital stock and debt securities could be substantially affected by various factors.
The market value of our capital stock and debt securities will depend on many factors, which may change from time to time, including:

- Prevailing interest rates, increases in which may have an adverse effect on the market value of our capital stock and debt securities;
- The market for similar securities issued by other REITs;
- General economic and financial market conditions;
- The financial condition, performance and prospects of us, our tenants and our competitors;
- Changes in financial estimates or recommendations by securities analysts with respect to us, our competitors or our industry;
- Changes in our credit ratings; and
- Actual or anticipated variations in quarterly operating results of us and our competitors.

In addition, over the last several years, prices of common stock in the U.S. trading markets have been experiencing extreme price fluctuations, and the market price of our common stock has also fluctuated significantly during this period. As a result of these and other factors, investors who purchase our capital stock and debt securities may experience a decrease, which could be substantial and rapid, in the market value of our capital stock and debt securities, including decreases unrelated to our operating performance or prospects.

Real estate ownership is subject to particular economic conditions that may have a negative impact on our revenue.
We are subject to all of the inherent risks associated with the ownership of real estate. In particular, we face the risk that rental revenue from our properties may be insufficient to cover all corporate operating expenses, debt service payments on indebtedness we incur and distributions on our capital stock. Additional real estate ownership risks include:

- Adverse changes in general or local economic conditions;
- Changes in supply of, or demand for, similar or competing properties;
- Changes in interest rates and operating expenses;
- Competition for tenants;
- Changes in market rental rates;

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- Inability to lease properties upon termination of existing leases;
- Renewal of leases at lower rental rates;
- Inability to collect rents from tenants due to financial hardship, including bankruptcy;
- Changes in tax, real estate, zoning and environmental laws that may have an adverse impact upon the value of real estate;
- Uninsured property liability;
- Property damage or casualty losses;
- Unexpected expenditures for capital improvements or to bring properties into compliance with applicable federal, state and local laws;
- The need to periodically renovate and repair our properties;
- Physical or weather-related damage to properties;
- The potential risk of functional obsolescence of properties over time;
- Acts of terrorism and war; and
- Acts of God and other factors beyond the control of our management.

An uninsured loss or a loss that exceeds the policy limits on our properties could subject us to lost capital or revenue on those properties.
Under the terms and conditions of the leases currently in force on our properties, tenants generally are required to indemnify and hold us harmless from liabilities resulting from injury to persons, air, water, land or property, due to activities conducted on the properties, except for claims arising from the negligence or intentional misconduct of us or our agents. Additionally, tenants are generally required, at the tenant's expense, to obtain and keep in full force during the term of the lease, liability and property damage insurance policies. The insurance policies our tenants are required to maintain for property damage are generally in amounts not less than the full replacement cost of the improvements less slab, foundations, supports and other customarily excluded improvements. Our tenants are generally required to maintain general liability coverage varying between $1,000,000 and $10,000,000 depending on the tenant and the industry in which the tenant operates.

In addition to the indemnities and required insurance policies identified above, many of our properties are also covered by flood and earthquake insurance policies (subject to substantial deductibles) obtained and paid for by the tenants as part of their risk management programs. Additionally, we have obtained blanket liability, flood and earthquake (subject to substantial deductibles) and property damage insurance policies to protect us and our properties against loss should the indemnities and insurance policies provided by the tenants fail to restore the properties to their condition prior to a loss. However, 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. Given the recent disruptions in the insurance industry, 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.

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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.

Property taxes may increase without notice.
The real property taxes on our properties and any other properties that we develop or acquire in the future may increase as property tax rates change and as those properties are assessed or reassessed by tax authorities.

We depend on key personnel.
We depend on the efforts of our executive officers and key employees. The loss of the services of our executive officers and key employees could have a material adverse effect on our results of operations or financial condition and on our ability to pay the principal and interest on our debt securities and other indebtedness and to make distributions to our stockholders. It is possible that we will not be able to recruit additional personnel with equivalent experience in the net-lease industry.

Terrorist attacks and other acts of violence or war may affect the value of our debt and equity securities, the markets in which we operate and our results of operations.
Terrorist attacks may negatively affect our operations, the market price of our capital stock and the value of our debt securities. There can be no assurance that there will not be further terrorist attacks against the United States or U.S. businesses. These attacks, or armed conflicts, may directly impact our physical facilities or the businesses of our tenants.

If events like these were to occur, they could 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 and on the market price of our capital stock and on the value of our debt securities. It could also have an adverse effect on our ability to pay principal and interest on our debt securities or other indebtedness and to make distributions to our stockholders.

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Disruptions in the financial markets could affect our ability to obtain financing on reasonable terms and have other adverse effects on us and the market price of our common stock.

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. In addition, the ongoing financial crisis in Europe (which relates primarily to concerns that certain European countries may be unable to pay their national debt) has had a similar effect. 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 or preferred stock or debt securities. These disruptions in the financial markets also may have a material adverse effect on the market value of our common stock, preferred stock and debt securities, the income we receive from our properties and the lease rates we can charge for our properties, as well as other unknown adverse effects on us or the economy in general.

Inflation may adversely affect our financial condition and results of operations.

Although inflation has not materially impacted our results of operations in the recent past, increased inflation could have a more pronounced negative impact on any variable rate debt we incur in the future 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.

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 which are currently difficult to assess, as well as estimates of future performance or receivables collectability which 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.

Changes in accounting standards may adversely impact our financial condition and results of operations.

The SEC is currently considering whether issuers in the U.S. should be required to prepare financial statements in accordance with International Financial Reporting Standards, or IFRS, instead of U.S. generally accepted accounting principles, or GAAP. IFRS is a comprehensive set of accounting standards promulgated by the International Accounting Standards Board, or IASB, which are rapidly gaining worldwide acceptance. If the SEC decides to require IFRS, it expects that U.S. issuers would first report under the new standards beginning in approximately 2015 or 2016, although the timeframe has not been finalized. Additionally, the Financial Accounting Standards Board, or FASB, is considering various changes to GAAP, some of which may be significant, as part of a joint effort with the IASB to converge accounting standards. Although the FASB and IASB currently have a project on their agenda to examine the accounting for leases, the project may not result in the issuance of a final standard or a standard that would be comparable to current GAAP. If IFRS is adopted, the potential issues associated with lease accounting, along with other potential changes associated with the adoption or convergence with IFRS, may adversely impact our financial condition and results of operations.

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Item 1B: Unresolved Staff comments

There are no unresolved staff comments.

Item 2: Properties

Information pertaining to our properties can be found under Item 1.

Item 3: Legal Proceedings

We are subject to certain claims and lawsuits in the ordinary course of business, the outcome of which cannot be determined at this time. In the opinion of management, any liability we might incur upon the resolution of these claims and lawsuits will not, in the aggregate, have a material adverse effect on our consolidated financial position or results of operations.

Item 4: (Removed and Reserved)

PART II

Item 5: Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

A. Our common stock is traded on the NYSE under the ticker symbol "O." The following table shows the high and low sales prices per share for our common stock as reported by the NYSE, and distributions declared per share of common stock for the periods indicated.

	Price Per Share of Common Stock		Distributions
	High	Low	Declared(1)
2011			
First quarter	$36.12	$33.40	$ 0.4330625
Second quarter	36.35	32.19	0.4340000
Third quarter	35.03	27.95	0.4349375
Fourth quarter	35.76	29.79	0.4358750
Total			$ 1.7378750
2010			
First quarter	$31.18	$25.30	$ 0.4293125
Second quarter	34.53	28.42	0.4302500
Third quarter	34.79	29.12	0.4311875
Fourth quarter	35.97	32.92	0.4321250
Total			$ 1.7228750

(1) Common stock cash distributions currently are declared monthly by us based on financial results for the prior months. At December 31, 2011, a distribution of $0.1455 per common share had been declared and was paid in January 2012.

There were 8,288 registered holders of record of our common stock as of December 31, 2011. We estimate that our total number of shareholders is just over 100,000 when we include both registered and beneficial holders of our common stock.

During the fourth quarter of 2011, no shares of stock were withheld for state and federal payroll taxes on the vesting of stock awards, as permitted under the 2003 Incentive Award Plan of Realty Income Corporation.

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Item 6: Selected Financial Data
(not covered by Report of Independent Registered Public Accounting Firm)
(dollars in thousands, except for per share data)

As of or for the years ended December 31,	2011	2010	2009	2008	2007
Total assets (book value)	$4,419,389	$3,535,590	$2,914,787	$2,994,179	$3,077,352
Cash and cash equivalents	4,165	17,607	10,026	46,815	193,101
Total debt	2,055,181	1,600,000	1,354,600	1,370,000	1,470,000
Total liabilities	2,164,535	1,688,625	1,426,778	1,439,518	1,539,260
Total stockholders' equity	2,254,854	1,846,965	1,488,009	1,554,661	1,538,092
Net cash provided by operating activities	298,952	243,368	226,707	246,155	318,169
Net change in cash and cash equivalents	(13,442)	7,581	(36,789)	(146,286)	182,528
Total revenue	421,059	343,492	322,550	322,211	286,050
Income from continuing operations	151,137	120,734	118,855	108,181	119,872
Income from discontinued operations	5,895	10,050	12,272	23,660	20,537
Net income	157,032	130,784	131,127	131,841	140,409
Preferred stock cash dividends	(24,253)	(24,253)	(24,253)	(24,253)	(24,253)
Net income available to common stockholders	132,779	106,531	106,874	107,588	116,156
Cash distributions paid to common stockholders	219,297	182,500	178,008	169,655	157,659
Basic and diluted net income per common share	1.05	1.01	1.03	1.06	1.16
Cash distributions paid per common share	1.736625	1.721625	1.706625	1.662250	1.560250
Cash distributions declared per common share	1.737875	1.722875	1.707875	1.667250	1.570500
Basic weighted average number of common shares outstanding	126,142,696	105,869,637	103,577,507	101,178,191	100,195,031
Diluted weighted average number of common shares outstanding	126,189,399	105,942,721	103,581,053	101,209,883	100,333,966

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Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations

GENERAL

Realty Income Corporation, The Monthly Dividend Company®, is a Maryland corporation organized to operate as an equity real estate investment trust, or REIT. Our primary business objective is to generate dependable monthly cash distributions from a consistent and predictable level of funds from operations, or FFO, per share. Our monthly distributions are supported by the cash flow from our portfolio of properties leased to retail and other commercial enterprises. We have in-house acquisition, leasing, legal, credit research, real estate research, portfolio management and capital markets expertise. Over the past 43 years, Realty Income and its predecessors have been acquiring and owning freestanding retail and other properties that generate rental revenue under long-term lease agreements (primarily 10 to 20 years).

In addition, we seek to increase distributions to stockholders and FFO per share through both active portfolio management and the acquisition of additional properties.

At December 31, 2011, we owned a diversified portfolio:

Of 2,634 properties;
With an occupancy rate of 96.7%, or 2,547 properties leased and only 87 properties available for lease;
Leased to 136 different retail and other commercial enterprises doing business in 38 separate industries;
Located in 49 states;
With over 27.3 million square feet of leasable space; and
With an average leasable space per property of approximately 10,400 square feet.

Of the 2,634 properties in the portfolio, 2,619, or 99.4%, are single-tenant properties, and the remaining 15 are multi-tenant properties. At December 31, 2011, of the 2,619 single-tenant properties, 2,533 were leased with a weighted average remaining lease term (excluding rights to extend a lease at the option of the tenant) of approximately 11.3 years.

LIQUIDITY AND CAPITAL RESOURCES

Capital Philosophy
Historically, we have met our long-term capital needs by issuing common stock, preferred stock and long-term unsecured notes and bonds. Over the long term, we believe that common stock should be the majority of our capital structure. However, we may issue additional preferred stock or debt securities from time to time. We may issue common stock when we believe that our share price is at a level that allows for the proceeds of any offering to be accretively invested into additional properties. In addition, we may issue common stock to permanently finance properties that were financed by our credit facility or debt securities. However, we cannot assure you that we will have access to the capital markets at times and at terms that are acceptable to us.

Our primary cash obligations, for the current year and subsequent years, are included in the "Table of Obligations," which is presented later in this section. We expect to fund our operating expenses and other short-term liquidity requirements, including property acquisitions and development costs, payment of principal and interest on our outstanding indebtedness, property improvements, re-leasing costs and cash distributions to common and preferred stockholders, primarily through cash provided by operating activities, borrowing on our $425 million credit facility and occasionally through public securities offerings.

Conservative Capital Structure

We believe that our stockholders are best served by a conservative capital structure. Therefore, we seek to maintain a conservative debt level on our balance sheet and solid interest and fixed charge coverage ratios. At December 31, 2011, our total outstanding borrowings of senior unsecured notes and bonds, mortgages payable and credit facility borrowings were $2.06 billion, or approximately 29.1% of our total market capitalization of $7.06 billion.

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We define our total market capitalization at December 31, 2011 as the sum of:

- Shares of our common stock outstanding of 133,223,338 multiplied by the last reported sales price of our common stock on the NYSE of $34.96 per share on December 31, 2011, or $4.66 billion;
- Aggregate liquidation value (par value of $25 per share) of the Class D preferred stock of $127.5 million;
- Aggregate liquidation value (par value of $25 per share) of the Class E preferred stock of $220 million;
- Outstanding mortgages payable of $67.8 million;
- Outstanding borrowings of $237.4 million on our credit facility; and
- Outstanding senior unsecured notes and bonds of $1.75 billion.

Mortgage Debt

As of December 31, 2011, we have $67.2 million of mortgages payable to third-party lenders that were assumed in 2011, in connection with our property acquisitions. We paid $279,000 in principal payments on these mortgages payable during 2011. Additionally, net premiums totaling $820,000, in aggregate, were recorded upon assumption of the mortgages payable at the time of the respective property acquisitions to account for above-market interest rates. We recorded amortization of $189,000 related to these net premiums during 2011.

Our mortgages payable are secured by the properties on which the debt was placed and are non-recourse. We expect to pay off the mortgages payable as soon as prepayment penalties and costs make it economically feasible to do so. We intend to continue our policy of primarily identifying property acquisitions that are free from mortgage indebtedness.

$425 Million Acquisition Credit Facility

We have a $425 million unsecured, revolving credit facility. The initial term of the credit facility expires in March 2014 and includes two, one-year extension options. Under the credit facility, the current investment grade credit ratings on our debt securities provide for financing at the London Interbank Offered Rate, commonly referred to as LIBOR, plus 185 basis points with a facility commitment fee of 35 basis points, for all-in drawn pricing of 220 basis points over LIBOR. The borrowing rate is not subject to an interest rate floor or ceiling. We also have other interest rate options available to us under the credit facility. At December 31, 2011, we had a borrowing capacity of $187.6 million available on our credit facility (subject to customary conditions to borrowing) and an outstanding balance of $237.4 million. As a result of the issuance of our Class F preferred stock in February 2012, we paid off all outstanding credit facility borrowings on February 7, 2012. The interest rate on borrowings outstanding under our credit facility at December 31, 2011 was 2.1% per annum. We must comply with various financial and other covenants in our credit facility. At December 31, 2011, we remain in compliance with these covenants.

We expect to use our credit facility to acquire additional properties and for other corporate purposes. Any additional borrowings will increase our exposure to interest rate risk. We have the right to request an increase in the borrowing capacity of the credit facility, up to $200 million, to a total borrowing capacity of $625 million. Any increase in the borrowing capacity is subject to approval by the lending banks participating in our credit facility.

Cash Reserves

We are organized to operate as an equity REIT that acquires and leases properties and distributes to stockholders, in the form of monthly cash distributions, a substantial portion of our net cash flow generated from leases on our properties. We intend to retain an appropriate amount of cash as working capital. At December 31, 2011, we had cash and cash equivalents totaling $4.2 million.

We believe that our cash and cash equivalents on hand, cash provided from operating activities, and borrowing capacity is sufficient to meet our liquidity needs for the foreseeable future. We intend, however, to use additional sources of capital to fund property acquisitions and to repay future borrowings under our credit facility.

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Acquisitions During 2011

During 2011, we invested $1.02 billion in 164 new properties, and properties under development, with an initial weighted average contractual lease rate of 7.8%. The majority of the lease revenue from these properties will be generated from tenants that have investment grade ratings on their senior debt securities. These 164 new properties, and properties under development, are located in 26 states, contain over 6.2 million leasable square feet, and are 100% leased with an average lease term of 13.4 years.

The initial weighted average contractual lease rate is computed as estimated contractual net operating income (in a net-leased property that is equal to the aggregate base rent or, in the case of a property under development, the estimated base rent) for the first year of each lease, divided by the estimated total cost of the properties. Since it is possible that a tenant could default on the payment of contractual rent, we cannot provide assurance that the actual return on the funds invested will remain at the percentages listed above.

Included in the $1.02 billion invested during 2011 are:

(1) The acquisition of 33 single-tenant retail, distribution, office and manufacturing properties for approximately $543.8 million, under long-term, net lease agreements.
(2) The acquisition of 60 properties operating in the restaurant - quick service industry for $41.9 million, under long-term, net lease agreements.
(3) The acquisition of six properties operating in the wholesale clubs industry for $156.1 million, under long-term, net lease agreements.
(4) The acquisition of 36 properties operating in the grocery store industry for $151.4 million under long-term, net lease agreements.
(5) The acquisition of nine properties operating in the health and fitness industry for $63.2 million, under long-term, net lease agreements.
(6) The remaining 20 properties acquired totaled approximately $59.8 million.

Portfolio Discussion

Leasing Results

At December 31, 2011, we had 87 properties available for lease out of 2,634 properties in our portfolio, which represents a 96.7% occupancy rate. Since December 31, 2010, when we reported 84 properties available for lease and a 96.6% occupancy rate, we:

Leased 37 properties;
Sold 21 properties available for lease; and
Have 61 new properties available for lease.

During 2011, 89 properties with expiring leases were leased to either existing or new tenants. The rent on these leases was $9.6 million, as compared to the previous rent on these same properties of $10.4 million. At December 31, 2011, our average annualized rental revenue per square foot was approximately $17.06.

Investments in Existing Properties

In 2011, we capitalized costs of $4.2 million on existing properties in our portfolio, consisting of $1.7 million for re-leasing costs and $2.5 million for building and tenant improvements. In 2010, we capitalized costs of $3.6 million on existing properties in our portfolio, consisting of $1.5 million for re-leasing costs and $2.1 million for building improvements.

As part of our re-leasing costs, we pay leasing commissions and sometimes provide tenant rent concessions. Leasing commissions are paid based on the commercial real estate industry standard and any rent concessions provided are minimal. We do not consider the collective impact of the leasing commissions or tenant rent concessions to be material to our financial position or results of operations.

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The majority of our building and tenant improvements are related to roof repairs, HVAC improvements, and parking lot resurfacing and replacements. It is not customary for us to offer significant tenant improvements on our properties as tenant incentives. The amounts of our capital expenditures can vary significantly, depending on the rental market, credit worthiness, and the willingness of tenants to pay higher rents over the terms of the leases.

Impact of Real Estate and Credit Markets

In the commercial real estate market, property prices generally continue to fluctuate. Likewise, the U.S. credit markets have experienced significant price volatility, dislocations and liquidity disruptions, which may impact our access to and cost of capital. We continue to monitor the commercial real estate and U.S. credit markets carefully and, if required, will make decisions to adjust our business strategy accordingly. See our discussion of "Risk Factors" in this annual report.

Increases in Monthly Distributions to Common Stockholders

We continue our 43-year policy of paying distributions monthly. Monthly distributions per common share increased \$0.0003125 in April 2011 to \$0.1445625, in July 2011 to \$0.144875, in October 2011 to \$0.1451875 and in January 2012 to \$0.1455. The increase in January 2012 was our 57th consecutive quarterly increase and the 64th increase in the amount of our dividend since our listing on the NYSE in 1994. In 2011, we paid three monthly cash distributions per common share in the amount of \$0.14425, three in the amount of \$0.1445625, three in the amount of \$0.144875 and three in the amount of \$0.1451875, totaling \$1.736625. In December 2011, January 2012 and February 2012, we declared distributions of \$0.1455 per share, which were paid in January 2012 and will be paid in February 2012 and March 2012, respectively.

The current monthly distribution of \$0.1455 per share represents an annualized distribution of \$1.746 per share, and an annualized distribution yield of approximately 5.0% based on the last reported sale price of our common stock on the NYSE of \$34.96 on December 31, 2011. Although we expect to continue our policy of paying monthly distributions, we cannot guarantee that we will maintain our current level of distributions, that we will continue our pattern of increasing distributions per share, or what our actual distribution yield will be in any future period.

Issuance of Preferred Stock

In February 2012, we issued 14.95 million shares of 6.625% Monthly Income Class F cumulative redeemable preferred stock, including 1.95 million shares purchased by the underwriters upon the exercise of their overallotment option. The net proceeds of approximately \$361.7 million from this issuance will be used to redeem the outstanding Class D preferred stock, repay borrowings under our acquisition credit facility and for other general corporate purposes. Beginning February 15, 2017, the Class F preferred shares are redeemable at our option for \$25.00 per share. The initial dividend of \$0.1702257 will be paid on March 15, 2012, and will cover 37 days. Thereafter, dividends of \$0.1380208 per share will be paid monthly.

Redemption of Preferred Stock

In January 2012, we announced that we plan to redeem our outstanding Class D preferred stock on March 1, 2012. We will redeem the Class D preferred stock at \$25.00 per share, plus accrued dividends.

Issuance of Common Stock

In September 2011, we issued 6,300,000 shares of common stock at a price of \$34.00 per share. After underwriting discounts and other offering costs of \$10.6 million, the net proceeds of \$203.6 million were used to repay borrowings under our acquisition credit facility, which were used to fund recent acquisitions.

In March 2011, we issued 8,625,000 shares of common stock at a price of \$34.81 per share. After underwriting discounts and offering costs of \$14.6 million, the net proceeds of \$285.6 million were used to fund property acquisitions.

In December 2010, we issued 7,360,000 shares of common stock at a price of $33.70 per share. The net proceeds of approximately $235.7 million were used to repay borrowings of $179.8 million under our acquisition credit facility and to fund property acquisitions. The remaining net proceeds were used for general corporate purposes and working capital.

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In September 2010, we issued 6,198,500 shares of common stock at a price of $33.40 per share. The net proceeds of approximately $196.9 million were used to repay borrowings of $49.7 million under our acquisition credit facility and to fund $126.5 million of property acquisitions. The remaining net proceeds were used for general corporate purposes and working capital.

Re-opening of Unsecured Bonds due 2035

In June 2011, we "re-opened" our 5.875% senior unsecured bonds due 2035, or the 2035 Bonds, and issued $150 million in aggregate principal amount of additional 2035 Bonds. The public offering price for the additional 2035 Bonds was 94.578% of the principal amount for an effective yield of 6.318% per annum. Those 2035 Bonds constituted an additional issuance of, and a single series with, the $100 million in aggregate principal amount of 2035 Bonds that we issued in March 2005. The net proceeds of $140.1 million were used to fund property acquisitions.

Note Issuance

In June 2010, we issued $250.0 million in aggregate principal amount of 5.75% senior unsecured notes due January 2021, or the 2021 Notes. The public offering price for the 2021 Notes was 99.404% of the principal amount for an effective yield of 5.826% per annum. The net proceeds of $246.1 million from this offering were used to repay borrowings under our acquisition credit facility, which were incurred to finance the acquisition of our properties.

Dividend Reinvestment and Stock Purchase Plan

In March 2011, we established a Dividend Reinvestment and Stock Purchase Plan, or The Plan, to provide our common shareholders, as well as new investors, with a convenient and economical method to purchase our common stock and/or reinvest their distributions. The Plan authorizes up to 6,000,000 common shares to be issued. Through December 31, 2011, we issued 59,605 shares and received net proceeds of approximately $1.9 million under The Plan.

Universal Shelf Registration

In March 2009, we filed a shelf registration statement with the SEC, which expires in March 2012. In accordance with the SEC rules, the amount of securities to be issued pursuant to this shelf registration statement was not specified when it was filed and there is no specific dollar limit. The securities covered by this registration statement include common stock, preferred stock, debt securities, or any combination of these securities. We may periodically offer one or more of these securities in amounts, prices and on terms to be announced when and if the securities are offered. The specifics of any future offerings, along with the use of proceeds of any securities offered, will be described in detail in a prospectus supplement, or other offering materials, at the time of any offering. Our plan is to file a new shelf registration statement prior to the expiration of our existing shelf registration.

Credit Agency Ratings

The borrowing rates under our credit facility are based upon our credit ratings. We are currently assigned the following investment grade corporate credit ratings on our senior unsecured notes and bonds: Fitch Ratings has assigned a rating of BBB+, Moody's Investors Service has assigned a rating of Baa1 and Standard & Poor's Ratings Group has assigned a rating of BBB to our senior notes. All of these ratings have "stable" outlooks.

Based on our current ratings, the current facility interest rate is LIBOR plus 185 basis points with a facility commitment fee of 35 basis points, for all-in drawn pricing of 220 basis points over LIBOR. The credit facility provides that the interest rate can range between: (i) LIBOR plus 300 basis points if our credit facility is lower than BBB-/Baa3 and (ii) LIBOR plus 175 basis points if our credit rating is A-/A3 or higher.

In addition, our credit facility provides for a facility commitment fee based on our credit ratings, which ranges from: (i) 50 basis points for a rating lower than BBB-/Baa3, and (ii) 30 basis points for a credit rating of A-/A3 or higher.

We also issue senior debt securities from time to time and our credit ratings can impact the interest rates charged in those transactions. If our credit ratings or ratings outlook change, our cost to obtain debt financing could increase or decrease.

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The credit ratings assigned to us could change based upon, among other things, our results of operations and financial condition. These ratings are subject to ongoing evaluation by credit rating agencies and we cannot assure you that our ratings will not be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant. Moreover, a rating is not a recommendation to buy, sell or hold our debt securities, preferred stock or common stock.

Notes Outstanding

Our senior unsecured note and bond obligations consist of the following as of December 31, 2011, sorted by maturity date (dollars in millions):

5.375% notes, issued in March 2003 and due in March 2013	$	100
5.5% notes, issued in November 2003 and due in November 2015		150
5.95% notes, issued in September 2006 and due in September 2016		275
5.375% notes, issued in September 2005 and due in September 2017		175
6.75% notes, issued in September 2007 and due in August 2019		550
5.75% notes, issued in June 2010 and due in January 2021		250
5.875% bonds, $100 issued in March 2005 and $150 issued in June 2011, both due in March 2035		250
	$	1,750

All of our outstanding notes and bonds have fixed interest rates. Interest on all of our senior note and bond obligations is paid semiannually. All of these notes and bonds contain various covenants, including: (i) a limitation on incurrence of any debt which would cause our debt to total adjusted assets ratio to exceed 60%; (ii) a limitation on incurrence of any secured debt which would cause our secured debt to total adjusted assets ratio to exceed 40%; (iii) a limitation on incurrence of any debt which would cause our debt service coverage ratio to be less than 1.5 times; and (iv) the maintenance at all times of total unencumbered assets not less than 150% of our outstanding unsecured debt. At December 31, 2011, we remain in compliance with these covenants.

The following is a summary of the key financial covenants for our senior unsecured notes, as defined and calculated per the terms of our notes. These calculations, which are not based on U.S. GAAP measurements, are presented to investors to show our ability to incur additional debt under the terms of our notes only and are not measures of our liquidity or performance. The actual amounts as of December 31, 2011 are:

Note Covenants	Required	Actual	
Limitation on incurrence of total debt	≤ 60% of adjusted assets	40.7	%
Limitation on incurrence of secured debt	≤ 40% of adjusted assets	1.3	%
Debt service coverage (trailing 12 months)	≥ 1.5 x	3.6	x
Maintenance of total unencumbered assets	≥ 150% of unsecured debt	247.0	%

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The following table summarizes the maturity of each of our obligations as of December 31, 2011 (dollars in millions):

Table of Obligations

Year of Maturity	Credit Facility(1)	Notes and Bonds	Mortgages Payable(2)	Interest (3)	Ground Leases Paid by Realty Income(4)	Ground Leases Paid by Our Tenants(5)	Other (6)	Totals
2012	$ --	$--	$ 11.3	$114.3	$ 0.2	$ 4.1	$16.9	$146.8
2013	--	100.0	20.9	109.8	0.2	4.0	--	234.9
2014	237.4	--	11.4	103.2	0.2	3.8	--	356.0
2015	--	150.0	23.6	123.4	0.2	3.7	--	300.9
2016	--	275.0	--	87.2	0.2	3.7	--	366.1
Thereafter	--	1,225.0	--	429.3	0.4	49.0	--	1,703.7
Totals	$ 237.4	$1,750.0	$ 67.2	$967.2	$ 1.4	$ 68.3	$16.9	$3,108.4

(1) The initial term of the credit facility expires in March 2014 and includes two, one-year extension options.
(2) Excludes net premiums of $820,000 recorded on the mortgages payable.
(3) Interest on the credit facility, notes, bonds and mortgages payable has been calculated based on outstanding balances as of December 31, 2011 through their respective maturity dates.
(4) Realty Income currently pays the ground lessors directly for the rent under the ground leases.
(5) Our tenants, who are generally sub-tenants under ground leases, are responsible for paying the rent under these ground leases. In the event a tenant fails to pay the ground lease rent, we are primarily responsible.
(6) "Other" consists of $16.2 million of commitments under construction contracts and $621,000 of contingent payments for tenant improvements and leasing costs.

Our credit facility and notes payable obligations are unsecured. Accordingly, we have not pledged any assets as collateral for these obligations. Our mortgages payable are secured by the properties on which the debt was placed and are non-recourse.

Preferred Stock Outstanding

In 2004, we issued 5.1 million shares of 7.375% Class D cumulative redeemable preferred stock. On May 27, 2009, shares of Class D preferred stock became redeemable at our option for $25 per share, plus any accrued and unpaid dividends. Dividends on shares of Class D preferred stock are paid monthly in arrears. On January 31, 2012, we announced that the Class D preferred stock would be redeemed on March 1, 2012.

In 2006, we issued 8.8 million shares of 6.75% Class E cumulative redeemable preferred stock. Beginning December 7, 2011, shares of Class E preferred stock are redeemable at our option for $25 per share, plus any accrued and unpaid dividends. Dividends on shares of Class E preferred stock are paid monthly in arrears.

In February 2012, we issued 14.95 million shares of 6.625% Class F cumulative redeemable preferred stock, including 1.95 million shares purchased by the underwriters upon the exercise of their overallotment option. Beginning February 15, 2017, shares of Class F preferred stock are redeemable at our option for $25 per share, plus any accrued and unpaid dividends. The initial dividend for the Class F preferred stock will be paid on March 15, 2012. Dividends on shares of Class F preferred stock will be paid monthly in arrears.

We are current in our obligations to pay dividends on our Class D and Class E preferred stock. The initial dividend on shares of Class F preferred stock will be paid on March 15, 2012.

No Off-Balance Sheet Arrangements or Unconsolidated Investments
We have no unconsolidated or off-balance sheet investments in "variable interest entities" or off-balance sheet financing, nor do we engage in trading activities involving energy or commodity contracts or other derivative instruments. Additionally, we have no joint ventures or mandatorily redeemable preferred stock. As such, our financial position and results of operations are not affected by accounting regulations regarding the consolidation of off-balance sheet entities and classification of financial instruments with characteristics of both liabilities and equity.

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Matters Pertaining To Certain Tenants

In January 2012, Friendly Ice Cream Corporation, or Friendly's, one of our tenants, announced that it was emerging from voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code (which they had filed for in October 2011). Pursuant to the bankruptcy proceedings, Friendly's accepted 102 of their 121 leases with us. Friendly's rejected 19 leases with us, representing approximately $1.8 million of annualized rent, and received rent concessions and term reductions on some of their accepted leases with us. Overall, post-bankruptcy, we estimate that we will recover approximately 80% of the $16.1 million of annualized rent that Friendly's was paying the Company before the bankruptcy filing.

Additionally, in January 2012, Buffets Holding, Inc., or Buffets, another one of our tenants, filed for voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code. Buffets leases 86 properties from us that, as of December 31, 2011, represented approximately $18.2 million, or approximately 3.9% of our annualized rental revenue. Buffets rejected the leases on seven of our 86 properties, representing approximately $1.8 million of annualized rent. Additionally, we have reached a preliminary agreement (subject to bankruptcy court approval) with Buffets regarding rent concessions and term reductions on some of Buffets' other leases with us. Overall, post-bankruptcy, we estimate that we will recover approximately 65% of the $18.2 million of annualized rent that Buffets was paying us before the bankruptcy filing. Friendly's and Buffets both operate casual dining restaurants.

For both Friendly's and Buffets, any properties returned to us are immediately available for re-lease to other tenants. We believe that demand in the market for the rejected properties will allow us to find suitable replacement tenants within the next 18 months. However, there can be no assurance that we will be successful in finding replacement tenants for these properties within this timeframe, or at all, or that Friendly's or Buffets will continue to pay rent for the remainder of the lease terms on their accepted leases.

In addition, we have recently concluded an analysis of our portfolio and have identified other tenants, whose leases represented approximately 2% to 3% of our total annualized rent as of December 31, 2011, that we believe may make similar bankruptcy filings in 2012. However, the foregoing percentages are estimates and are subject to numerous assumptions and uncertainties and the actual percentage of annualized rent represented by other tenants who make bankruptcy filings during 2012 may be different.

RESULTS OF OPERATIONS

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with generally accepted accounting principles, or GAAP, and are the basis for our discussion and analysis of financial condition and results of operations. Preparing our consolidated financial statements requires us to make a number of estimates and assumptions that affect the reported amounts and disclosures in the consolidated financial statements. We believe that we have made these estimates and assumptions in an appropriate manner and in a way that accurately reflects our financial condition. We continually test and evaluate these estimates and assumptions using our historical knowledge of the business, as well as other factors, to ensure that they are reasonable for reporting purposes. However, actual results may differ from these estimates and assumptions. This summary should be read in conjunction with the more complete discussion of our accounting policies and procedures included in note 2 to our consolidated financial statements.

In order to prepare our consolidated financial statements according to the rules and guidelines set forth by GAAP, many subjective judgments must be made with regard to critical accounting policies. One of these judgments is our estimate for useful lives in determining depreciation expense for our properties. Depreciation on a majority of our buildings and improvements is computed using the straight–line method over an estimated useful life of 25 years. If we use a shorter or longer estimated useful life, it could have a material impact on our results of operations. We believe that 25 years is an appropriate estimate of useful life.

When acquiring a property for investment purposes, we allocate the fair value of real estate acquired to: 1) land and 2) building and improvements, based in each case on their estimated fair values. In addition, any assumed mortgages payable are recorded at their estimated fair values.

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For properties acquired with in-place operating leases, we allocate the fair value of real estate to: (1) land, (2) building and improvements, and (3) identified intangible assets and liabilities, based in each case on their estimated fair values. Intangible assets and liabilities consist of above-market and below-market leases, the value of in-place leases and tenant relationships, as applicable.

Another significant judgment must be made as to if, and when, impairment losses should be taken on our properties when events or a change in circumstances indicate that the carrying amount of the asset may not be recoverable. A provision is made for impairment if estimated future operating cash flows (undiscounted and without interest charges) plus estimated disposition proceeds (undiscounted) are less than the current book value of the property. Key inputs that we estimate in this analysis include projected rental rates, estimated holding periods, capital expenditures, and property sales capitalization rates. If a property is held for sale, it is carried at the lower of carrying cost or estimated fair value, less estimated cost to sell. The carrying value of our real estate is the largest component of our consolidated balance sheet. Our strategy of primarily holding properties, long-term, directly decreases the likelihood of their carrying values not being recoverable, thus requiring the recognition of an impairment. However, if our strategy, or one or more of the above assumptions were to change in the future, an impairment may need to be recognized. If events should occur that require us to reduce the carrying value of our real estate by recording provisions for impairment, it could have a material impact on our results of operations.

The following is a comparison of our results of operations for the years ended December 31, 2011, 2010 and 2009.

Rental Revenue
Rental revenue was $419.4 million for 2011 versus $342.8 million for 2010, an increase of $76.6 million, or 22.3%. Rental revenue was $321.7 million in 2009. The increase in rental revenue in 2011 compared to 2010 is primarily attributable to:

- The 164 properties (6.2 million square feet) acquired by Realty Income in 2011, which generated $31.5 million of rent in 2011;
- The 186 properties (2.3 million square feet) acquired by Realty Income in 2010, which generated $56.16 million of rent in 2011 compared to $15.94 million in 2010, an increase of $40.2 million;
- Same store rents generated on 2,116 properties (16.5 million square feet) during the entire years of 2011 and 2010, increased by $4.3 million, or 1.3%, to $319.86 million from $315.61 million;
- A net increase of $681,000 relating to the aggregate of (i) rental revenue from 151 properties (1.3 million square feet) that were available for lease during part of 2011 or 2010, (ii) rental revenue related to 54 properties sold during 2011 and 2010, and (iii) lease termination settlements which, in aggregate, totaled $10.33 million in 2011 compared to $9.65 million in 2010; and
- A net decrease in straight-line rent and other non-cash adjustments to rent of $7,000 in 2011 as compared to 2010.

For purposes of determining the same store rent property pool, we include all properties that were owned for the entire year-to-date period, for both the current and prior year except for properties during the current or prior year that; (i) were available for lease at any time, (ii) were under development, (iii) we have made an additional investment, (iv) were involved in eminent domain and rent was reduced and (v) were re-leased with rent-free periods. Each of the exclusions from the same store pool is separately addressed within the applicable sentences above explaining the changes in rental revenue for the period.

Of the 2,634 properties in the portfolio at December 31, 2011, 2,619, or 99.4%, are single-tenant properties and the remaining 15 are multi-tenant properties. Of the 2,619 single-tenant properties, 2,533, or 96.7%, were net leased with a weighted average remaining lease term (excluding rights to extend a lease at the option of the tenant) of approximately 11.3 years at December 31, 2011. Of our 2,533 leased single-tenant properties, 2,341 or 92.4% were under leases that provide for increases in rents through:

Primarily base rent increases tied to a consumer price index (typically subject to ceilings);
Percentage rent based on a percentage of the tenants' gross sales;
Fixed increases; or
A combination of two or more of the above rent provisions.

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Percentage rent, which is included in rental revenue, was $1.4 million in 2011, $1.3 million in 2010 and $1.3 million in 2009 (excluding percentage rent reclassified to discontinued operations of $17,000 in 2011, $55,000 in 2010 and $112,000 in 2009). Percentage rent in 2011 was less than 1% of rental revenue and we anticipate percentage rent to be less than 1% of rental revenue in 2012.

Our portfolio of real estate, leased primarily to regional and national commercial enterprises under net leases, continues to perform well and provides dependable lease revenue supporting the payment of monthly dividends to our stockholders. At December 31, 2011, our portfolio of 2,634 properties was 96.7% leased with 87 properties available for lease as compared to 84 at December 31, 2010. It has been our experience that approximately 2% to 4% of our property portfolio will be unleased at any given time; however, it is possible that the number of properties available for lease could exceed these levels in the future.

Depreciation and Amortization

Depreciation and amortization was $121.8 million in 2011 versus $94.9 million in 2010 and $89.9 million in 2009. The increases in depreciation and amortization in 2011 and 2010 were primarily due to the acquisition of properties in 2011 and 2010, which was partially offset by property sales in those same years. As discussed in the section entitled "Funds from Operations Available to Common Stockholders," depreciation and amortization is a non-cash item that is added back to net income available to common stockholders for our calculation of FFO and AFFO.

Interest Expense

Interest expense was $108.3 million in 2011 versus $93.2 million in 2010 and $85.5 million in 2009. The increase in interest expense from 2010 to 2011 was primarily due to an increase in borrowings attributable to the issuance of our $250 million of 5.75% senior unsecured notes in June 2010, the $150 million re-opening of our 5.875% senior unsecured bonds due 2035 in June 2011 and higher credit facility commitment fees and origination costs as a result of our $425 million acquisition credit facility, which was entered into in December 2010.

As a result of entering into our current credit facility, we incurred credit facility origination costs of $4.2 million that were classified as part of other assets on our consolidated balance sheet at December 31, 2010. At December 31, 2011, the balance of these credit facility origination costs was $3.1 million, which is being amortized over the remaining term of the credit facility.

The following is a summary of the components of our interest expense (dollars in thousands):

	2011	2010	2009
Interest on our credit facility, notes, bonds and mortgages	$104,452	$89,916	$82,460
Interest included in discontinued operations	(785)	(557)	(595)
Credit facility commitment fees	1,508	1,017	990
Amortization of credit facility origination costs, deferred financing costs and net mortgage premiums	3,564	2,871	2,678
Interest capitalized	(438)	(10)	(5)
Interest expense	$108,301	$93,237	$85,528

Credit facility, mortgages and notes outstanding	2011	2010	2009
Average outstanding balances (dollars in thousands)	$1,754,935	$1,496,150	$1,350,791
Average interest rates	6.0%	6.0%	6.1%

At December 31, 2011, the weighted average interest rate on our:

Notes and bonds payable of $1.75 billion was 6.03%;

Mortgages payable of $67.8 million was 5.3%;

Credit facility outstanding borrowings of $237.4 million was 2.15%; and
Combined outstanding notes, bonds, mortgages and credit facility borrowings of $2.1 billion was 5.6%.

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EBITDA and Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization)
EBITDA and Adjusted EBITDA are non-GAAP financial measures. Our EBITDA and Adjusted EBITDA computation may not be comparable to EBITDA and Adjusted EBITDA reported by other companies that interpret the definitions of EBITDA and Adjusted EBITDA differently than we do. Management believes EBITDA and Adjusted EBITDA to be meaningful measures of a REIT's performance because it is widely followed by industry analysts, lenders and investors and is used by management as one measure of performance. In addition, management utilizes Adjusted EBITDA because our $425 million credit facility uses a similar metric to measure our compliance with certain covenants. EBITDA and Adjusted EBITDA should be considered along with, but not an alternative to, net income, cash flow and FFO, as measures of our operating performance.

The following is a reconciliation of net income, our most directly comparable GAAP measure, to Adjusted EBITDA (dollars in thousands):

	2011	2010	2009
Net income	$157,032	$130,784	$131,127
Interest expense	108,301	93,237	85,528
Interest expense included in discontinued operations	785	557	595
Income taxes	1,470	1,393	677
Income tax benefit included in discontinued operations	(351)	(344)	(645)
Depreciation and amortization	121,751	94,907	89,902
Depreciation and amortization in discontinued operations	428	1,242	2,045
EBITDA	389,416	321,776	309,229
Provisions for impairment	405	213	110
Amortization of net premiums on mortgages payable	(189)	--	--
Gain on property sales	(540)	--	--
Gain on property sales in discontinued operations	(5,193)	(8,676)	(8,059)
Adjusted EBITDA	$383,899	$313,313	$301,280

Interest Coverage Ratio
Interest coverage ratio is calculated as: Adjusted EBITDA divided by interest expense, including interest recorded as discontinued operations. We consider interest coverage ratio to be an appropriate supplemental measure of a company’s ability to meet its interest expense obligations. Our calculation of interest coverage ratio may be different from the calculation used by other companies and, therefore, comparability may be limited. This information should not be considered as an alternative to any GAAP liquidity measures.

Dollars in thousands	2011	2010	2009
Adjusted EBITDA	$383,899	$313,313	$301,280
Divided by interest expense(1)	$ 109,086	$ 93,794	$ 86,123
Interest coverage ratio	3.5	3.3	3.5

(1) Includes interest expense recorded to discontinued operations.

Fixed Charge Coverage Ratio
Fixed charge coverage ratio is calculated in exactly the same manner as interest coverage ratio, except that preferred stock dividends are also added to the denominator. We consider fixed charge coverage ratio to be an appropriate supplemental measure of a company’s ability to make its interest and preferred stock dividend payments. Our calculation of the fixed charge coverage ratio may be different from the calculation used by other companies and, therefore, comparability may be limited. This information should not be considered as an alternative to any GAAP liquidity measures or information presented in Exhibit 12.1 to this Annual Report.

	2011	2010	2009
Adjusted EBITDA	$383,899	$313,313	$301,280
Divided by interest expense plus preferred stock dividends(1)	$ 133,339	$ 118,047	$ 110,376
Fixed charge coverage ratio	2.9	2.7	2.7

(1) Includes interest expense recorded to discontinued operations.

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General and Administrative Expenses
General and administrative expenses increased by $5.7 million to $31.0 million in 2011 as compared to $25.3 million in 2010. General and administrative expenses were $20.9 million in 2009. Included in general and administrative expenses are acquisition transaction costs of $1.5 million for 2011, $368,000 for 2010 and $62,000 for 2009. General and administrative expenses increased during 2011 primarily due to increases in employee costs and higher acquisition transaction costs. General and administrative expenses as a percentage of total revenue were 7.4% in 2011, as compared to 7.4% in 2010 and 6.5% in 2009. In February 2012, we had 83 employees, as compared to 79 employees in February 2011 and 72 employees in February 2010.

Property Expenses
Property expenses consist of costs associated with unleased properties, non-net leased multi-tenant properties and general portfolio expenses. Expenses related to unleased properties and multi-tenant properties include, but are not limited to, property taxes, maintenance, insurance, utilities, property inspections, bad debt expense and legal fees. General portfolio costs include, but are not limited to, insurance, legal, property inspections, and title search fees. At December 31, 2011, 87 properties were available for lease, as compared to 84 at December 31, 2010 and 75 at December 31, 2009.

Property expenses were $7.4 million in 2011, $7.1 million in 2010 and $6.4 million in 2009. The increase in property expenses in 2011 is primarily attributable to an increase in insurance costs and legal fees associated with properties available for lease, partially offset by a decrease in bad debt expense.

Income Taxes
Income taxes were $1.5 million in 2011, as compared to $1.4 million in 2010 and $677,000 in 2009. These amounts are for city and state income and franchise taxes paid by Realty Income. Income taxes for 2009 were lower primarily a result of a prior year review of our state tax filings, where we determined that it was appropriate to amend some prior year tax returns from which we realized a tax benefit of $308,000 in 2009.

Discontinued Operations
Operations from five investment properties classified as held for sale at December 31, 2011, plus properties previously sold, have been classified as discontinued operations. The following is a summary of income from discontinued operations on our consolidated statements of income (dollars in thousands):

Income from discontinued operations	2011	2010	2009
Gain on sales of investment properties	$5,193	$8,676	$8,059
Rental revenue	1,125	3,016	5,730
Other revenue	43	32	588
Depreciation and amortization	(428)	(1,242)	(2,045)
Property expenses	(485)	(1,207)	(1,122)
Provisions for impairment	(395)	(171)	(110)
Crest’s income from discontinued operations	842	946	1,172
Income from discontinued operations	$ 5,895	$ 10,050	$ 12,272
Per common share, basic and diluted	$0.05	$0.09	$0.12

The above per share amounts have each been calculated independently.

Crest’s Assets and Property Sales
At December 31, 2011, our wholly-owned taxable REIT subsidiary, Crest Net Lease, Inc., or Crest, had an inventory of three properties, which are classified as held for investment. In addition to the three properties, Crest also holds notes receivable of $19.0 million at December 31, 2011. During 2011, the principal balance of one note receivable

was paid in full, from which we received proceeds of approximately $2.9 million.

During 2011 and 2010, Crest did not sell any properties. During 2009, Crest sold two properties for $2.0 million, which resulted in no gain. Crest's gains on sales are reported before income taxes and are included in discontinued operations.

Gain on Sales of Investment Properties by Realty Income
During 2011, we sold 26 investment properties for $21.8 million, which resulted in a gain of $5.2 million. The results of operations for these properties have been reclassified as discontinued operations. Additionally, we sold excess real estate from six properties for $2.3 million, which resulted in a gain of $540,000. This gain is included in other revenue on our consolidated statement of income for 2011, because this excess real estate was associated with properties that continue to be owned as part of our core operations.

During 2010, we sold 28 investment properties and excess land from one property for $27.2 million, which resulted in a gain of $8.7 million. The results of operations for these properties have been reclassified as discontinued operations.

During 2009, we sold 25 investment properties and excess land from one property for $20.5 million, which resulted in a gain of $8.1 million. The results of operations for these properties have been reclassified as discontinued operations.

We have an active portfolio management program that incorporates the sale of assets when we believe the reinvestment of the sale proceeds will:

Generate higher returns;
Enhance the credit quality of our real estate portfolio;
Extend our average remaining lease term; or
Decrease tenant or industry concentration.

At December 31, 2011, we classified real estate with a carrying amount of $2.2 million as held for sale on our balance sheet. In 2012, we intend to employ more active disposition efforts to further enhance the credit quality of our real estate portfolio. As a result, we anticipate selling investment properties from our portfolio that have not yet been specifically identified, from which we anticipate receiving between $25 million and $60 million in proceeds during the next 12 months. We intend to invest these proceeds into new property acquisitions, if there are attractive opportunities available. However, we cannot guarantee that we will sell properties during the next 12 months or be able to invest the proceeds from the sales of any properties in new properties.

Provisions for Impairment on Real Estate Acquired for Resale by Crest
During 2011, Crest did not record any provisions for impairment.

During 2010, Crest recorded total provisions for impairment of $807,000 on three properties held for investment at December 31, 2010. These provisions for impairment are included in continuing operations on our consolidated statement of income for 2010.

During 2009, Crest recorded total provisions for impairment of $199,000 on three properties classified as held for investment at December 31, 2010. These provisions for impairment are included in continuing operations on our consolidated statement of income for 2009. Additionally, in 2009, Crest recorded total provisions for impairment of $78,000 on two properties which were sold in 2009. These provisions for impairment are included in income from discontinued operations on our consolidated statement of income for 2009.

Provisions for Impairment on Realty Income Investment Properties
During 2011, Realty Income recorded total provisions for impairment of $405,000 on two properties in the automotive service industry, one property in the motor vehicle dealerships industry and one property in the pet supplies and services industry. These provisions for impairment are included in income from discontinued operations, except for $10,000 which is included in income from continuing operations.

During 2010, Realty Income recorded total provisions for impairment of $213,000 on three properties in the restaurant industry and one property in the child care industry. Provisions for impairment of $171,000 are included in income from discontinued operations. Since one of these properties was subsequently reclassified from held for sale to held for investment during 2011, a provision for impairment of $42,000 is included in income from continuing operations.

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During 2009, we recorded a provision for impairment of $110,000 on one property in the convenience store industry, which was sold during 2010. This provision for impairment is included in income from discontinued operations.

Preferred Stock Dividends
Preferred stock cash dividends totaled $24.3 million in 2011, 2010 and 2009.

Net Income Available to Common Stockholders
Net income available to common stockholders was $132.8 million in 2011, an increase of $26.3 million as compared to $106.5 million in 2010. Net income available to common stockholders in 2009 was $106.9 million.

The calculation to determine net income available to common stockholders includes gains from the sale of properties and excess land. The amount of gains varies from period to period based on the timing of property sales and can significantly impact net income available to common stockholders.

Gain from the sale of investment properties and the sale of excess real estate recognized during 2011 was $5.7 million, as compared to an $8.7 million gain recognized during 2010 and an $8.1 million gain recognized during 2009.

FUNDS FROM OPERATIONS AVAILABLE TO COMMON STOCKHOLDERS (FFO)

FFO for 2011 increased by $55.5 million, or 28.6%, to $249.4 million, as compared to $193.9 million in 2010 and $190.6 million in 2009. The following is a reconciliation of net income available to common stockholders (which we believe is the most comparable GAAP measure) to FFO. Also presented is information regarding distributions paid to common stockholders and the weighted average number of common shares used for the basic and diluted computation per share (dollars in thousands, except per share amounts):

	2011	2010	2009
Net income available to common stockholders	$132,779	$106,531	$106,874
Depreciation and amortization:			
Continuing operations	121,751	94,907	89,902
Discontinued operations	428	1,242	2,045
Depreciation of furniture, fixtures and equipment	(238)	(291)	(318)
Provisions for impairment on Realty Income investment properties	405	213	110
Gain on sales of land and investment properties:			
Continuing operations	(540)	--	--
Discontinued operations	(5,193)	(8,676)	(8,059)
FFO available to common stockholders	$249,392	$193,926	$190,554
FFO per common share, basic and diluted:	$1.98	$1.83	$1.84
Distributions paid to common stockholders	$219,297	$182,500	$178,008
FFO in excess of distributions paid to common stockholders	$30,095	$11,426	$12,546
Weighted average number of common shares used for computation per share:			
Basic	126,142,696	105,869,637	103,577,507
Diluted	126,189,399	105,942,721	103,581,053

We define FFO, a non-GAAP measure, consistent with the National Association of Real Estate Investment Trust’s definition, as net income available to common stockholders, plus depreciation and amortization of real estate assets, plus impairments of real estate assets, reduced by gains on sales of investment properties and extraordinary items.

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We consider FFO to be an appropriate supplemental measure of a REIT's operating performance as it is based on a net income analysis of property portfolio performance that adds back items such as depreciation and impairments. The historical accounting convention used for real estate assets requires straight-line depreciation of buildings and improvements, which implies that the value of real estate assets diminishes predictably over time. Since real estate values historically rise and fall with market conditions, presentations of operating results for a REIT, using historical accounting for depreciation, could be less informative. The use of FFO is recommended by the REIT industry as a supplemental performance measure. In addition, FFO is used as a measure of our compliance with the financial covenants of our credit facility.

Presentation of this information is intended to assist the reader in comparing the operating performance of different REITs, although it should be noted that not all REITs calculate FFO the same way, so comparisons with other REITs may not be meaningful. Furthermore, FFO is not necessarily indicative of cash flow available to fund cash needs and should not be considered as an alternative to net income as an indication of our performance. In addition, FFO should not be considered as an alternative to reviewing our cash flows from operating, investing and financing activities as a measure of liquidity, of our ability to make cash distributions or of our ability to pay interest payments.

ADJUSTED FUNDS FROM OPERATIONS AVAILABLE TO COMMON STOCKHOLDERS (AFFO)

AFFO for 2011 increased by $56.1 million, or 28.4%, to $253.4 million as compared to $197.3 million in 2010 and $192.7 million in 2009. We consider AFFO to be an appropriate supplemental measure of our performance. Most companies in our industry use a similar measurement, but they may use the term "CAD" (for Cash Available for Distribution) or "FAD" (for Funds Available for Distribution).

The following is a reconciliation of net income available to common stockholders (which we believe is the most comparable GAAP measure) to FFO and AFFO. Also presented is information regarding distributions paid to common stockholders and the weighted average number of common shares used for the basic and diluted computation per share (dollars in thousands, except per share amounts):

	2011	2010	2009
Net income available to common stockholders	$132,779	$106,531	$106,874
Cumulative adjustments to calculate FFO(1)	116,613	87,395	83,680
FFO available to common stockholders	249,392	193,926	190,554
Amortization of share-based compensation	7,873	6,166	4,726
Amortization of deferred financing costs(2)	1,881	1,548	1,363
Provisions for impairment on real estate acquired for resale by Crest	--	807	277
Capitalized leasing costs and commissions	(1,722)	(1,501)	(1,185)
Capitalized building improvements	(2,450)	(2,077)	(1,879)
Other adjustments(3)	(1,602)	(1,613)	(1,117)
Total AFFO available to common stockholders	$253,372	$197,256	$192,739
AFFO per common share, basic and diluted:	$2.01	$1.86	$1.86
Distributions paid to common stockholders	$219,297	$182,500	$178,008
AFFO in excess of distributions paid to common stockholders	$34,075	$14,756	$14,731
Weighted average number of common shares used for computation per share:			
Basic	126,142,696	105,869,637	103,577,507

Diluted	126,189,399	105,942,721	103,581,053

(1) See reconciling items for FFO presented under "Funds from Operations Available To Common Stockholders (FFO)."

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(2) Includes the amortization of costs incurred and capitalized when our senior notes were issued in March 2003, November 2003, March 2005, September 2005, September 2006, September 2007, June 2010 and June 2011. Additionally, this includes the amortization of deferred financing costs incurred and capitalized in connection with our assumption of the mortgages payable in 2011. These costs are being amortized over the lives of the respective mortgages. No costs associated with our credit facility agreements or annual fees paid to credit rating agencies have been included.

(3) Includes straight-line rent revenue and the amortization of above and below-market leases.

We believe the non-GAAP financial measure AFFO provides useful information to investors because it is a widely accepted industry measure of the operating performance of real estate companies that is used by industry analysts and investors who look at and compare those companies. In particular, AFFO provides an additional measure by which to compare the operating performance of different REITs without having to account for differing depreciation assumptions and other unique revenue and expense items which are not pertinent to the measurement of the particular company's on-going operating performance. Therefore, we believe that AFFO is an appropriate supplemental performance metric, and that the most appropriate GAAP performance metric to which AFFO should be reconciled is net income available to common stockholders.

Presentation of the information regarding FFO and AFFO is intended to assist the reader in comparing the operating performance of different REITs, although it should be noted that not all REITs calculate FFO and AFFO in the same way, so comparisons with other REITs may not be meaningful. Furthermore, FFO and AFFO are not necessarily indicative of cash flow available to fund cash needs and should not be considered as an alternative to net income as an indication of our performance. FFO and AFFO should not be considered as an alternative to reviewing our cash flows from operating, investing, and financing activities. In addition, FFO and AFFO should not be considered as a measure of liquidity, of our ability to make cash distributions, or of our ability to pay interest payments.

IMPACT OF INFLATION

Tenant leases generally provide for limited increases in rent as a result of increases in the tenants' sales volumes, increases in the consumer price index (typically subject to ceilings), and/or fixed increases. We expect that inflation will cause these lease provisions to result in rent increases over time. During times when inflation is greater than increases in rent, as provided for in the leases, rent increases may not keep up with the rate of inflation.

Of our 2,634 properties in our portfolio, approximately 96.2% or 2,533 are leased to tenants under net leases where the tenant is responsible for property expenses. Net leases tend to reduce our exposure to rising property expenses due to inflation. Inflation and increased costs may have an adverse impact on our tenants if increases in their operating expenses exceed increases in revenue.

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

For information on the impact of recent accounting pronouncements on our business, see note 2 of the Notes to Consolidated Financial Statements.

Item 7A: Quantitative and Qualitative Disclosures about Market Risk

We are exposed to interest rate changes primarily as a result of our credit facility and long-term notes and bonds used to maintain liquidity and expand our real estate investment portfolio and operations. Our interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flow and to lower our overall borrowing costs. To achieve these objectives we issue long-term notes and bonds, primarily at fixed rates. We do not enter into any derivative transactions for speculative or trading purposes.

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The following table presents by year of expected maturity, the principal amounts, average interest rates and estimated fair values of our fixed and variable rate debt as of December 31, 2011. This information is presented to evaluate the expected cash flows and sensitivity to interest rate changes (dollars in millions):

Expected Maturity Data

Year of maturity	Fixed rate debt	Average interest rate on fixed rate debt		Variable rate debt	Average interest rate on variable rate debt	
2012(1)	$11.3	5.91	%	$--	--	%
2013(2)	120.9	5.67		--	--	
2014(3)	11.4	6.25		237.4	2.15	
2015(4)	150.0	5.50		23.6	4.75	
2016(5)	275.0	5.95		--	--	
Thereafter(6)	1,225.0	6.17		--	--	
Totals(7)	$1,793.6	6.05	%	$261.0	2.38	%
Fair Value(8)	$1,946.3			$261.2		

(1) $11.3 million of fixed rate mortgages mature in 2012. For one $10.7 million mortgage payable which matures in May 2012, we have provided notice to the lender that we will be paying it off in March 2012.
(2) $100 million of fixed rate senior notes mature in March 2013 and $20.9 million of fixed rate mortgages mature in 2013.
(3) $11.3 million of fixed rate mortgages mature in September 2014 and the credit facility expires in March 2014.
(4) $150 million of fixed rate senior notes mature in November 2015 and $23.6 million of variable rate mortgages mature in June 2015. The variable interest rate on the mortgages of $23.6 million is capped at 5.5%.
(5) $275 million of fixed rate senior notes mature in September 2016.
(6) As it relates to fixed rate senior notes, $175 million matures in September 2017, $550 million matures in August 2019, $250 million matures in January 2021 and $250 million matures in March 2035.
(7) Excludes net premiums of $820,000 recorded on mortgages payable.
(8) We base the estimated fair value of the fixed rate senior notes at December 31, 2011 on the indicative market prices and recent trading activity of our notes payable. We base the estimated fair value of our fixed rate and variable rate mortgages at December 31, 2011 on the current 5-year Treasury yield curve, plus an applicable credit-adjusted spread. We believe that the carrying value of the credit facility balance reasonably approximates its estimated fair value at December 31, 2011.

The table incorporates only those exposures that exist as of December 31, 2011. It does not consider those exposures or positions that could arise after that date. As a result, our ultimate realized gain or loss, with respect to interest rate fluctuations, would depend on the exposures that arise during the period, our hedging strategies at the time, and interest rates.

All of our outstanding senior notes and bonds have fixed interest rates. All of our mortgages payable, except one, have fixed interest rates. Interest on our credit facility balance is variable. Based on our credit facility balance of $237.4 million at December 31, 2011, a 1% change in interest rates would change our interest costs by $2.4 milliion per year. As a result of the issuance of our Class F preferred stock in February 2012, we paid off all outstanding credit facility borrowings on February 7, 2012.

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Item 8: Financial Statements and Supplementary Data

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Schedules not filed: All schedules, other than that indicated in the Table of Contents, have been omitted as the required information is either not material, inapplicable or the information is presented in the financial statements or related notes.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Realty Income Corporation:

We have audited the accompanying consolidated balance sheets of Realty Income Corporation and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2011. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule III. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Realty Income Corporation and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Realty Income Corporation's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 13, 2012 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

San Diego, California
February 13, 2012

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Realty Income Corporation:

We have audited Realty Income Corporation’s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Realty Income Corporation’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Realty Income Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Realty Income Corporation and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, stockholders’ equity, and cash flows for each of the years in the three-year period ended December 31, 2011, and our report dated February 13, 2012 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

San Diego, California
February 13, 2012

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REALTY INCOME CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets

December 31, 2011 and 2010
(dollars in thousands, except per share data)

	2011	2010
ASSETS		
Real estate, at cost:		
Land	$1,749,378	$1,520,413
Buildings and improvements	3,222,603	2,592,449
Total real estate, at cost	4,971,981	4,112,862
Less accumulated depreciation and amortization	(814,126)	(711,615)
Net real estate held for investment	4,157,855	3,401,247
Real estate held for sale, net	2,153	3,631
Net real estate	4,160,008	3,404,878
Cash and cash equivalents	4,165	17,607
Accounts receivable, net	15,375	11,301
Goodwill	17,206	17,206
Other assets, net	222,635	84,598
Total assets	$4,419,389	$3,535,590
LIABILITIES AND STOCKHOLDERS' EQUITY		
Distributions payable	$21,405	$19,051
Accounts payable and accrued expenses	58,770	47,019
Other liabilities	29,179	22,555
Line of credit payable	237,400	--
Mortgages payable, net	67,781	--
Notes payable	1,750,000	1,600,000
Total liabilities	2,164,535	1,688,625
Commitments and contingencies		
Stockholders' equity:		
Preferred stock and paid in capital, par value $0.01 per share and $1.00 per share as of December 31, 2011 and 2010, respectively, and 20,000,000 shares authorized, 13,900,000 shares issued and outstanding as of December 31, 2011 and 2010, respectively	337,790	337,790
Common stock and paid in capital, par value $0.01 per share, 200,000,000 shares authorized, 133,223,338 shares issued and outstanding as of December 31, 2011, and par value $1.00 per share, 200,000,000 shares authorized, 118,058,988 shares issued and outstanding as of December 31, 2010	2,563,048	2,066,287
Distributions in excess of net income	(645,984)	(557,112)
Total stockholders' equity	2,254,854	1,846,965
Total liabilities and stockholders' equity	$4,419,389	$3,535,590

The accompanying notes to consolidated financial statements are an integral part of these statements.

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REALTY INCOME CORPORATION AND SUBSIDIARIES
Consolidated Statements Of Income

Years Ended December 31, 2011, 2010 and 2009
(dollars in thousands, except per share data)

	2011	2010	2009
REVENUE			
Rental	$419,396	$342,835	$321,682
Other	1,663	657	868
Total revenue	421,059	343,492	322,550
EXPENSES			
Depreciation and amortization	121,751	94,907	89,902
Interest	108,301	93,237	85,528
General and administrative	30,954	25,311	20,946
Property	7,436	7,061	6,443
Income taxes	1,470	1,393	677
Provisions for impairment	10	849	199
Total expenses	269,922	222,758	203,695
Income from continuing operations	151,137	120,734	118,855
Income from discontinued operations	5,895	10,050	12,272
Net income	157,032	130,784	131,127
Preferred stock cash dividends	(24,253)	(24,253)	(24,253)
Net income available to common stockholders	$132,779	$106,531	$106,874
Amounts available to common stockholders per common share:			
Income from continuing operations:			
Basic	$1.01	$0.91	$0.91
Diluted	$1.01	$0.91	$0.91
Net income:			
Basic	$1.05	$1.01	$1.03
Diluted	$1.05	$1.01	$1.03
Weighted average common shares outstanding:			
Basic	126,142,696	105,869,637	103,577,507
Diluted	126,189,399	105,942,721	103,581,053

The accompanying notes to consolidated financial statements are an integral part of these statements.

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REALTY INCOME CORPORATION AND SUBSIDIARIES
Consolidated Statements Of Stockholders' Equity

Years Ended December 31, 2011, 2010 and 2009
(dollars in thousands)

	Shares of preferred stock	Shares of common stock	Preferred stock and paid in capital	Common stock and paid in capital	Distributions in excess of net income	Total
Balance, December 31, 2008	13,900,000	104,211,541	$337,790	$1,624,622	$ (407,751)	$1,554,661
Net income	--	--	--	--	131,127	131,127
Distributions paid and payable	--	--	--	--	(202,394)	(202,394)
Share-based compensation	--	75,164	--	4,615		4,615
Balance, December 31, 2009	13,900,000	104,286,705	337,790	1,629,237	(479,018)	1,488,009
Net income	--	--	--	--	130,784	130,784
Distributions paid and payable	--	--	--	--	(208,878)	(208,878)
Shares issued in stock offerings, net of offering costs of $22,471	--	13,558,500	--	432,591	--	432,591
Share-based compensation	--	213,783	--	4,459	--	4,459
Balance, December 31, 2010	13,900,000	118,058,988	337,790	2,066,287	(557,112)	1,846,965
Net income	--	--	--	--	157,032	157,032
Distributions paid and payable	--	--	--	--	(245,904)	(245,904)
Shares issued in stock offerings, net of offering costs of $25,200	--	14,925,000	--	489,236	--	489,236
Shares issued pursuant to dividend reinvestment and stock purchase plan, net	--	59,605	--	1,930	--	1,930
Share-based compensation	--	179,745	--	5,595	--	5,595
Balance, December 31, 2011	13,900,000	133,223,338	$337,790	$2,563,048	$ (645,984)	$2,254,854

The accompanying notes to consolidated financial statements are an integral part of these statements.

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REALTY INCOME CORPORATION AND SUBSIDIARIES

Consolidated Statements Of Cash Flows

Years Ended December 31, 2011, 2010 and 2009
(dollars in thousands)

	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 157,032	$ 130,784	$ 131,127
Adjustments to net income:			
Depreciation and amortization	121,751	94,907	89,902
Income from discontinued operations	(5,895)	(10,050)	(12,272)
Gain on sale of real estate	(540)	--	--
Amortization of share-based compensation	7,873	6,166	4,726
Amortization of net premiums on mortgages payable	(189)	--	--
Provisions for impairment on real estate held for investment	10	849	199
Cash provided by discontinued operations:			
Real estate	1,525	2,787	6,446
Proceeds from sales of real estate	--	--	1,987
Collection of principal on notes receivable	3,032	138	129
Changes in assets and liabilities:			
Accounts receivable and other assets	5,209	5,270	3,607
Accounts payable, accrued expenses and other liabilities	9,144	12,517	856
Net cash provided by operating activities	298,952	243,368	226,707
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of income producing investment properties	(957,347)	(716,776)	(61,319)
Proceeds from sales of real estate:			
Continuing operations	2,268	--	--
Discontinued operations	21,859	25,779	20,074
Loan receivable	(1,593)	--	--
Restricted escrow deposits	(50)	(6,361)	(4,479)
Net cash used in investing activities	(934,863)	(697,358)	(45,724)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash distributions to common stockholders	(219,297)	(182,500)	(178,008)
Cash dividends to preferred stockholders	(24,253)	(24,253)	(24,253)
Borrowings under lines of credit	612,800	612,200	4,600
Payments on lines of credit	(375,400)	(616,800)	--
Principal payments on mortgages	(279)	--	--
Proceeds from common stock offerings, net	489,236	432,591	--
Proceeds from bonds issued, net	140,136	--	--
Proceeds from notes payable issued, net	--	246,131	--
Debt issuance costs	--	(4,091)	--
Principal payment on notes payable	--	--	(20,000)
Proceeds from dividend reinvestment and stock purchase plan, net	1,894	--	--
Other items	(2,368)	(1,707)	(111)
Net cash provided by (used in) financing activities	622,469	461,571	(217,772)
Net increase (decrease) in cash and cash equivalents	(13,442)	7,581	(36,789)
Cash and cash equivalents, beginning of year	17,607	10,026	46,815

Cash and cash equivalents, end of year	$4,165	$17,607	$10,026

For supplemental disclosures, see note 14.

The accompanying notes to consolidated financial statements are an integral part of these statements.

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REALTY INCOME CORPORATION AND SUBSIDIARIES
Notes To Consolidated Financial Statements
December 31, 2011, 2010 and 2009

1. Organization and Operation

Realty Income Corporation ("Realty Income," the "Company," "we", "our" or "us") is organized as a Maryland corporation. We invest in commercial real estate and have elected to be taxed as a real estate investment trust, or REIT.

At December 31, 2011, we owned 2,634 properties, located in 49 states, containing over 27.3 million leasable square feet, along with three properties owned by our wholly-owned taxable REIT subsidiary, Crest Net Lease, Inc., or Crest.

Information with respect to number of properties, square feet, average initial lease term and weighted average contractual lease rate is unaudited.

2. Summary of Significant Accounting Policies and Procedures and Recent Accounting Pronouncements

Federal Income Taxes. We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, or the Code. We believe we have qualified and continue to qualify as a REIT. Under the REIT operating structure, we are permitted to deduct distributions paid to our stockholders and generally will not be required to pay federal corporate income taxes on such income. Accordingly, no provision has been made for federal income taxes in the accompanying consolidated financial statements, except for the federal income taxes of Crest, which are included in discontinued operations. The income taxes recorded on our consolidated statements of income represent amounts paid by Realty Income for city and state income and franchise taxes.

Earnings and profits that determine the taxability of distributions to stockholders differ from net income reported for financial reporting purposes due to differences in the estimated useful lives and methods used to compute depreciation and the carrying value (basis) of the investments in properties for tax purposes, among other things.

The following reconciles our net income available to common stockholders to taxable income (dollars in thousands):

	2011(1)	2010	2009
Net income available to common stockholders	$132,779	$106,531	$106,874
Preferred stock cash dividends	24,253	24,253	24,253
Depreciation and amortization timing differences	32,215	23,024	27,094
Tax gain on the sales of real estate less than book gain	--	--	(5,436)
Tax loss on the sale of real estate less than book gain	(6,661)	(10,063)	--
Elimination of net revenue and expenses from Crest	418	1,337	378
Compensation deduction per Section 162(m) of the Code	4,896	2,915	2,144
Adjustment for share-based compensation	(622)	562	1,824
Adjustment for straight-line rent	(1,562)	(1,613)	(1,117)
Adjustment for acquisition expenses	1,503	368	62
Adjustment for an increase in prepaid rent	3,584	4,223	1,273
Other adjustments	6	(30)	(2,958)
Taxable net income, before our dividends paid deduction	$190,809	$151,507	$154,391

(1) The 2011 information presented is a reconciliation of our net income available to common stockholders to estimated taxable net income.

We regularly analyze our various federal and state filing positions and only recognize the income tax effect in our financial statements when certain criteria regarding uncertain income tax positions have been met. We believe that our income tax positions would more likely than not be sustained upon examination by all relevant taxing authorities. Therefore, no reserves for uncertain income tax positions have been recorded in our financial statements.

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Absent an election to the contrary, if a REIT acquires property that is or has been owned by a C corporation in a transaction in which the tax basis of the property in the hands of the REIT is determined by reference to the tax basis of the property in the hands of the C corporation, and the REIT recognizes gain on the disposition of such property during the 10 year period beginning on the date on which it acquired the property, then the REIT will be required to pay tax at the highest regular corporate tax rate on this gain to the extent of the excess of the fair value of the property over the REIT's adjusted basis in the property, in each case determined as of the date the REIT acquired the property. In August 2007, we acquired 100% of the stock of a C corporation that owned real property. At the time of acquisition, the C corporation became a Qualified REIT Subsidiary, was deemed to be liquidated for Federal income tax purposes, and the real property was deemed to be transferred to us with a carryover tax basis. As of December 31, 2011, we have built-in gains of $60.5 million with respect to such property. We do not expect that we will be required to pay income tax on the built-in gains in these properties during the ten-year period ending August 28, 2017. It is our intent, and we have the ability, to defer any dispositions of these properties to periods when the related gains would not be subject to the built-in gain income tax or otherwise to defer the recognition of the built-in gain related to these properties. However, our plans could change and it may be necessary to dispose of one or more of these properties in a taxable transaction before August 28, 2017, in which case we would be required to pay corporate level tax with respect to the built-in gains on these properties as described above.

Net Income Per Common Share. Basic net income per common share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during each period. Diluted net income per common share is computed by dividing net income available to common stockholders for the period by the weighted average number of common shares that would have been outstanding assuming the issuance of common shares for all potentially dilutive common shares outstanding during the reporting period.

The following is a reconciliation of the denominator of the basic net income per common share computation to the denominator of the diluted net income per common share computation:

	2011	2010	2009
Weighted average shares used for the basic net income per share computation	126,142,696	105,869,637	103,577,507
Incremental shares from share-based compensation	46,703	73,084	3,546
Adjusted weighted average shares used for diluted net income per share computation	126,189,399	105,942,721	103,581,053
Unvested shares from share-based compensation that were anti-dilutive	13,020	87,600	542,368

Other Assets. Other assets consist of the following (dollars in thousands) at:

December 31,	2011	2010
Value of in-place leases, net of accumulated amortization	$123,255	$21,635
Value of above-market leases, net of accumulated amortization	30,081	4,586
Deferred bond financing costs, net	22,209	14,203
Notes receivable issued in connection with Crest property sales	19,025	22,075
Prepaid expenses	9,833	8,431
Note receivable issued in connection with 2011 acquisitions	8,780	--
Credit facility origination costs, net	3,141	4,619
Loans receivable	2,178	--
Corporate assets, net of accumulated depreciation and amortization	849	827
Deferred financing costs on mortgages payable, net	751	--
Restricted escrow deposits	50	6,361

Other items	2,483	1,861
	$222,635	$84,598

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Distributions Payable. Distributions payable consist of the following declared distributions (dollars in thousands) at:

December 31,	2011	2010
Common stock distributions	$19,384	$17,030
Preferred stock dividends	2,021	2,021
	$21,405	$19,051

Accounts Payable and Accrued Expenses. Accounts payable and accrued expenses consist of the following (dollars in thousands) at:

December 31,	2011	2010
Bond interest payable	$35,195	$33,240
Accrued costs on properties under development	4,766	420
Other items	18,809	13,359
	$58,770	$47,019

Other Liabilities. Other liabilities consist of the following (dollars in thousands) at:

December 31,	2011	2010
Rent received in advance	$18,149	$14,564
Value of in-place below-market leases, net of accumulated amortization	6,423	3,452
Security deposits	4,607	4,539
	$29,179	$22,555

Discontinued Operations. Operations from five investment properties classified as held for sale at December 31, 2011, plus properties previously sold, are reported as discontinued operations. Their respective results of operations have been reclassified as income from discontinued operations on our consolidated statements of income. We do not depreciate properties that are classified as held for sale.

If we determine we have no plans to sell a property asset in the near term (i.e. within the next 12 months), and this property was previously classified as held for sale, the property is reclassified to real estate held for investment. A property that is reclassified to held for investment is measured and recorded at the lower of (i) its carrying amount before the property was classified as held for sale, adjusted for any depreciation expense that would have been recognized had the property been continuously classified as held for investment, or (ii) the fair value at the date of the subsequent decision not to sell.

No debt was assumed by buyers of our investment properties, or repaid as a result of our investment property sales, and we do not allocate interest expense to discontinued operations related to real estate held for investment. We allocate interest expense related to borrowings specifically attributable to Crest. The interest expense amounts allocated to Crest are included in income from discontinued operations.

The following is a summary of income from discontinued operations on our consolidated statements of income (dollars in thousands):

Income from discontinued operations	2011	2010	2009
Gain on sales of investment properties	$5,193	$8,676	$8,059
Rental revenue	1,125	3,016	5,730
Other revenue	43	32	588
Depreciation and amortization	(428)	(1,242)	(2,045)
Property expenses	(485)	(1,207)	(1,122)
Provisions for impairment	(395)	(171)	(110)
Crest’s income from discontinued operations	842	946	1,172

Income from discontinued operations	$ 5,895	$ 10,050	$ 12,272
Per common share, basic and diluted	$0.05	$0.09	$0.12

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The per share amounts for income from discontinued operations above and the income from continuing operations and net income reported on the consolidated statements of income have each been calculated independently.

Revenue Recognition and Accounts Receivable. All leases are accounted for as operating leases. Under this method, lease payments that have fixed and determinable rent increases are recognized on a straight-line basis over the lease term. Any rental revenue contingent upon a tenant's sales is recognized only after the tenant exceeds their sales breakpoint. Rental increases based upon changes in the consumer price indexes are recognized only after the changes in the indexes have occurred and are then applied according to the lease agreements.

We recognize an allowance for doubtful accounts relating to accounts receivable for amounts deemed uncollectible. We consider tenant specific issues, such as financial stability and ability to pay, when determining collectibility of accounts receivable and appropriate allowances to record. Our allowance for doubtful accounts was $507,000 at December 31, 2011 and $1.1 million at December 31, 2010.

Other revenue includes non-operating interest earned from investments in money market funds and other notes of $502,000 in 2011, $96,000 in 2010 and $51,000 in 2009.

Principles of Consolidation. The accompanying consolidated financial statements include the accounts of Realty Income and other entities for which we make operating and financial decisions (i.e. control), after elimination of all material intercompany balances and transactions. We have no unconsolidated or off-balance sheet investments in variable interest entities.

Cash Equivalents. We consider all short-term, highly liquid investments that are readily convertible to cash and have an original maturity of three months or less at the time of purchase to be cash equivalents. Our cash equivalents are primarily investments in United States Treasury or government money market funds.

Gain on Sales of Properties. When real estate is sold, the related net book value of the applicable assets is removed and a gain from the sale is recognized in our consolidated statements of income. We record a gain from the sale of real estate provided that various criteria, relating to the terms of the sale and any subsequent involvement by us with the real estate, have been met.

Allocation of the Purchase Price of Real Estate Acquisitions. When acquiring a property for investment purposes, we allocate the fair value of real estate acquired to: 1) land and 2) building and improvements, based in each case on their estimated fair values. In addition, assumed mortgages payable are recorded at their estimated fair values.

For properties acquired with in-place operating leases, we allocate the fair value of real estate acquired to: 1) land, 2) building and improvements, and 3) identified intangible assets and liabilities, based in each case on their estimated fair values. Intangible assets and liabilities consist of above-market and below-market leases, the value of in-place leases and tenant relationships, as applicable.

Our estimated fair value determinations are based on management’s judgment, which is based on various factors, including: (1) market conditions, (2) industry that tenant operates in, (3) characteristics of the real estate, i.e.: location, size, demographics, value and comparative rental rates, (4) tenant credit profile, (5) store profitability and the importance of the location of the real estate to the operations of the tenant’s business, and/or (6) real estate valuations, prepared by an independent valuation firm. When real estate valuations are utilized, the measurement of fair value related to the allocation of the purchase price of real estate acquisitions is derived principally from observable market data that is not readily available to the public (and thus should be categorized as level 2 on FASB’s three-level valuation hierarchy). Our other methodologies for measuring fair value related to the allocation of the purchase price of real estate acquisitions (except for independent third-party real estate valuations) include unobservable inputs that reflect our own internal assumptions and calculations (and thus should be categorized as level 3 on FASB's three-level valuation hierarchy).

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The fair value of the tangible assets of an acquired property with an in-place operating lease (which includes land and buildings/improvements) is determined by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated to land and buildings/improvements based on our determination of the fair value of these assets. Our fair value determinations are based on a real estate valuation for each property, prepared by an independent valuation firm, and consider estimates of carrying costs during the expected lease-up periods, current market conditions, as well as costs to execute similar leases. In allocating the fair value to identified intangibles for above-market or below-market leases, an amount is recorded based on the present value of the difference between (i) the contractual amount to be paid pursuant to the in-place lease and (ii) our estimate of fair market lease rate for the corresponding in-place lease, measured over a period equal to the remaining term of the lease.

Capitalized above-market lease values are amortized as a reduction of rental income over the remaining terms of the respective leases. Capitalized below-market lease values are amortized as an increase to rental income over the remaining terms of the respective leases and expected below-market renewal option periods. The amounts amortized as a net (decrease) increase to rental income for capitalized above-market and below-market leases for 2011 was $(1.1 million), for 2010 was $154,000 and for 2009 was $185,000.

The aggregate value of other acquired intangible assets consists of the value of in-place leases and tenant relationships, as applicable. These are measured by the excess of the purchase price paid for a property, after adjusting for above or below-market lease value, less the estimated fair value of the property "as if vacant," determined as set forth above. The value of in-place leases, exclusive of the value of above-market and below-market in-place leases, is amortized to expense over the remaining periods of the respective leases. The amount amortized to expense for 2011 was $8.3 million, for 2010 was $1.4 million and for 2009 was $1.1 million. If a lease were to be terminated prior to its stated expiration, all unamortized amounts relating to that lease would be recorded to revenue or expense as appropriate.

The following table presents the impact during the next five years and thereafter related to the net decrease to rental revenue from the amortization of the acquired above-market and below-market lease intangibles and the increase to amortization expense from the amortization of the in-place lease intangibles for properties owned at December 31, 2011 (in thousands):

	Net decrease to rental revenue	Increase to amortization expense
2012	$ (1,930)	$ 13,280
2013	(1,930)	13,281
2014	(2,015)	13,069
2015	(1,962)	12,275
2016	(1,957)	12,196
Thereafter	(13,864)	59,154
Totals	$ (23,658)	$ 123,255

In allocating the fair value to assumed mortgages, amounts are recorded to debt premiums or discounts based on the present value of the estimated cash flows, which is calculated to account for either above or below-market interest rates. These assumed mortgage payables are amortized as a reduction to interest expense over the remaining term of the respective mortgages.

Depreciation and Amortization. Land, buildings and improvements are recorded and stated at cost. Major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives, while ordinary repairs and maintenance are expensed as incurred. Buildings and improvements that are under redevelopment, or are being developed, are carried at cost and no depreciation is recorded on these assets. Additionally, amounts essential to the development of the property, such as pre-construction, development, construction, interest and any other costs incurred during the period of development are capitalized. We cease capitalization when the property is available for occupancy upon substantial completion of tenant improvements, but in any event no later than one year from the completion of major construction activity.

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Properties are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings	Typically 25 years
Building improvements	4 to 15 years
Tenant improvements and lease commissions	The shorter of the term of the related lease or useful life
Acquired in-place leases	Remaining terms of the respective leases

Provisions for Impairment. We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment is recorded if estimated future operating cash flows (undiscounted and without interest charges) plus estimated disposition proceeds (undiscounted) are less than the current book value of the property. Key factors that we use in this analysis include: projected rental rates, estimated holding periods, capital expenditures and property sales capitalization rates. Additionally, a property classified as held for sale is carried at the lower of carrying cost or estimated fair value, less estimated cost to sell.

In 2011, Realty Income recorded total provisions for impairment of $405,000 on two properties in the automotive service industry, one property in the motor vehicle dealerships industry and one property in the pet supplies and services industry. These provisions for impairment are included in income from discontinued operations, except for $10,000 which is included in income from continuing operations.

In 2010, Realty Income recorded total provisions for impairment of $213,000 on three properties in the restaurant industry and one property in the child care industry. Provisions for impairment of $171,000 are included in income from discontinued operations. Since one of these properties was subsequently reclassified from held for sale to held for investment during 2011, a provision for impairment of $42,000 is included in income from continuing operations. Additionally, during 2010, Crest recorded total provisions for impairment of $807,000 on three properties held for investment at December 31, 2010 and 2011. These provisions for impairment are included in income from continuing operations.

In 2009, Realty Income recorded a provision for impairment of $110,000 on one property in the convenience store industry, which was sold during 2010. This provision for impairment is included in income from discontinued operations. During 2009, Crest recorded total provisions for impairment of $199,000 on three properties classified as held for investment at December 31, 2011. These provisions for impairment are included in income from continuing operations. Additionally, Crest recorded total provisions for impairment of $78,000 on two properties which were sold in 2009. These provisions for impairment are included in income from discontinued operations.

Asset Retirement Obligations. We analyze our future legal obligations associated with the other-than-temporary removal of tangible long-lived assets, also referred to as asset retirement obligations. When we determine that we have a legal obligation to provide services upon the retirement of a tangible long-lived asset, we record a liability for this obligation based on the estimated fair value of this obligation and adjust the carrying amount of the related long-lived asset by the same amount. This asset is amortized over its estimated useful life. The estimated fair value of the asset retirement obligation is calculated by discounting the future cash flows using a credit-adjusted risk-free interest rate.

Goodwill. Goodwill is tested for impairment during the second quarter of each year as well as when events or circumstances occur indicating that our goodwill might be impaired. During our tests for impairment of goodwill, during the second quarters of 2011, 2010 and 2009, we determined that the estimated fair values of our reporting units exceeded their carrying values. We did not record any impairment on our existing goodwill during 2011, 2010 or 2009.

Government Taxes. We collect and remit sales and property taxes assessed by different governmental authorities that are both imposed on and concurrent with a revenue-producing transaction between us and our tenants. We report the collection of these taxes on a net basis (excluded from revenues). The amounts of these taxes are not significant to our financial position or results of operations.

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Use of Estimates. The consolidated financial statements were prepared in conformity with U.S. generally accepted accounting principles, or GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Impact of Recent Accounting Pronouncements. In August 2011, the FASB issued ASU No. 2011-08, Intangibles - Goodwill and Other (Topic 350), which is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Under the amendments in ASU No. 2011-08, an entity, through an assessment of qualitative factors, is not required to calculate the estimated fair value of a reporting unit, in connection with the two-step goodwill impairment test, unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. ASU No. 2011-08 will apply only to our disclosures related to our annual goodwill impairment test.

Par Value Change. In August 2011, we changed the par value of our common and preferred stock from $1.00 per share to $0.01 per share. This change did not have an impact on the amount of our total stockholders' equity.

Reclassifications. We report, in discontinued operations, the results of operations of properties that have either been disposed of or are classified as held for sale. As a result of these discontinued operations, certain of the 2010 and 2009 balances have been reclassified to conform to the 2011 presentation.

3. Investments in Real Estate

We acquire the land, buildings and improvements that are necessary for the successful operations of retail and other commercial enterprises.

A. During 2011, we invested $1.02 billion in 164 new properties, and properties under development, with an initial weighted average contractual lease rate of 7.8%. These 164 new properties, and properties under development, are located in 26 states, contain over 6.2 million leasable square feet, and are 100% leased with an average lease term of 13.4 years. The initial weighted average contractual lease rate is computed by dividing the estimated aggregate base rent for the first year of each lease by the estimated total cost of the properties. Acquisition transaction costs of $1.5 million were recorded to general and administrative expense on our consolidated statement of income for 2011.

Included in the $1.02 billion invested during 2011 are:

(1) The acquisition of 33 single-tenant retail, distribution, office and manufacturing properties for approximately $543.8 million, under long-term, net lease agreements. All of the properties acquired have in-place leases.
(2) The acquisition of 60 properties operating in the restaurant – quick service industry for $41.9 million, under long-term, net lease agreements.
(3) The acquisition of six properties operating in the wholesale clubs industry for $156.1 million, under long-term, net lease agreements.
(4) The acquisition of 36 properties operating in the grocery store industry for $151.4 million under long-term, net lease agreements.
(5) The acquisition of nine properties operating in the health and fitness industry for $63.2 million, under long-term, net lease agreements.
(6) The remaining 20 properties acquired totaled approximately $59.8 million.

The 2011 aggregate acquisitions were allocated as follows: $239.3 million to land, $645.0 million to buildings and improvements, $137.0 million to intangible assets and $5.1 million to intangible and assumed liabilities, which includes mortgage premiums of $820,000. The majority of our 2011 acquisitions were cash purchases, except for one that also included the assumption of $8.8 million in notes receivable and four that also included the assumption of $67.4 million of mortgages payable. There was no contingent consideration associated with these acquisitions.

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The properties acquired during 2011 generated total revenues of $32.4 million and income from continuing operations of $12.6 million.

The following pro forma total revenue and income from continuing operations, for 2011 and 2010, assumes the 2011 property acquisitions took place on January 1, 2010 (in millions):

	Total revenue	Income from continuing operations
Supplemental pro forma for the year ended December 31, 2011(1)	$ 467.9	$ 156.2
Supplemental pro forma for the year ended December 31, 2010(1)	$ 420.8	$ 130.5

(1) This unaudited pro forma supplemental information does not purport to be indicative of what our operating results would have been had the acquisitions occurred on January 1, 2010, and may not be indicative of future operating results. No material, non-recurring pro-forma adjustments were included in the calculation of this information.

In comparison, during 2010, we invested $713.5 million in 186 new properties with an initial weighted average contractual lease rate of 7.9%. These 186 properties are located in 14 states, contain over 2.2 million leasable square feet, and are 100% leased with an average lease term of 15.7 years. Acquisition transaction costs of $368,000 were recorded to general and administrative expense on our consolidated statement of income for 2010.

Included in the $713.5 million invested during 2010 are:

(1) The acquisition and lease-back of approximately $304.1 million of winery and vineyard properties under 20-year, triple-net lease arrangements with Diageo Chateau & Estates Wine Company, guaranteed by Diageo plc (NYSE: ADR: DEO), or, together with its subsidiaries, Diageo. The properties are primarily located in California's Napa Valley and include two wineries that produce wines for Diageo's Sterling Vineyards, or Sterling, and Beaulieu Vineyards, or BV, brands and 14 vineyards producing grapes for their Sterling, BV and other brands. The properties include approximately 3,600 acres and 426,000 square feet of winery, production, storage, shipping and tourist buildings. Diageo will continue to operate the wineries and vineyards.

(2) The acquisition of 23 retail properties leased to 13 tenants in six states, for approximately $126.5 million, under long-term, net lease agreements. The properties are in eight different industries, all of which are already in our portfolio. All of the properties acquired have in-place leases.

(3) The acquisition of 135 SuperAmerica convenience stores and one support facility, for approximately $247.6 million, under long-term, triple-net lease agreements. The stores are located in Minnesota and Wisconsin, and average approximately 3,500 leasable square feet on approximately 1.14 acres.

(4) The remaining 11 properties acquired totaled approximately $35.3 million.

The 2010 aggregate acquisitions were allocated as follows: $358.3 million to land, $339.8 million to buildings and improvements, $17.0 million to intangible assets and $1.6 million to intangible liabilities. All of the 2010 acquisitions were cash purchases and there was no contingent consideration associated with these acquisitions.

In 2011, we capitalized costs of $4.2 million on existing properties in our portfolio, consisting of $1.7 million for re-leasing costs and $2.5 million for building and tenant improvements. In 2010, we capitalized costs of $3.6 million on existing properties in our portfolio, consisting of $1.5 million for re-leasing costs and $2.1 million for building improvements.

B. Of the $1.02 billion we invested in 2011, approximately $592.1 million was used to acquire 94 properties with existing leases. Associated with these 94 properties, we recorded $109.9 million as the intangible value of the in-place leases, $27.1 million as the intangible value of above-market leases and $3.5 million as the intangible value of below-market leases for 2011. The value of the in-place and above-market leases is recorded to other assets on our consolidated balance sheet, and the value of the below-market leases is recorded to other liabilities on our consolidated balance sheet. The value of the in-place leases is amortized as depreciation and amortization expense, while the value of the above-market and below-market leases is amortized as rental revenue on our consolidated statements of income. All of these amounts are amortized over the life of the respective leases.

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Of the $713.5 million we invested in 2010, approximately $126.5 million was used to acquire 23 properties with existing leases. Associated with these 23 properties, we recorded $12.6 million as the intangible value of the in-place leases, $4.4 million as the intangible value of above-market leases and $1.6 million as the intangible value of below-market leases for 2010.

4. Credit Facility

In December 2010, we entered into a $425 million unsecured, revolving credit facility that replaced our previous $355 million acquisition credit facility that was scheduled to expire in May 2011. The initial term of the credit facility expires in March 2014 and includes two, one-year extension options. Under this credit facility, the current investment grade credit ratings on our debt securities provide for financing at the London Interbank Offered Rate, commonly referred to as LIBOR, plus 185 basis points with a facility commitment fee of 35 basis points, for all-in drawn pricing of 220 basis points over LIBOR. The borrowing rate is not subject to an interest rate floor or ceiling. We also have other interest rate options available to us under the credit facility. Our credit facility is unsecured and, accordingly, we have not pledged any assets as collateral for this obligation.

As a result of entering into our current credit facility, we incurred credit facility origination costs of $4.2 million that were classified as part of other assets on our consolidated balance sheet at December 31, 2010. At December 31, 2011, the balance of these credit facility origination costs was $3.1 million, which is being amortized over the remaining term of the credit facility.

At December 31, 2011, we had a borrowing capacity of $187.6 million available on our credit facility (subject to customary conditions to borrowing) and an outstanding balance of $237.4 million, as compared to no borrowings at December 31, 2010. The average interest rate on outstanding borrowings under our credit facility during 2011 was 2.1% per annum and, during 2010, was 1.3% per annum. During 2009, we did not utilize our credit facility until December and had an effective borrowing rate of 1.2% per annum at December 31, 2009. Our current and prior credit facilities are and were subject to various leverage and interest coverage ratio limitations. We are and have been in compliance with these covenants.

5. Notes Payable

A. General

Our senior unsecured notes and bonds consisted of the following, sorted by maturity date (dollars in millions):

December 31,	2011	2010
5.375% notes, issued in March 2003 and due in March 2013	$100	$100
5.5% notes, issued in November 2003 and due in November 2015	150	150
5.95% notes, issued in September 2006 and due in September 2016	275	275
5.375% notes, issued in September 2005 and due in September 2017	175	175
6.75% notes, issued in September 2007 and due in August 2019	550	550
5.75% notes, issued in June 2010 and due in January 2021	250	250
5.875% bonds, $100 issued in March 2005 and $150 issued in June 2011, both due in March 2035	250	100
	$1,750	$1,600

The following table summarizes the maturity of our notes and bonds payable as of December 31, 2011 (dollars in millions):

Year of Maturity		Notes and Bonds
2012	$	--
2013		100
2014		--
2015		150
2016		275
Thereafter		1,225
Totals	$	1,750

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Interest incurred on all of the notes and bonds for 2011 was $101.5 million, for 2010 was $89.7 million and for 2009 was $82.5 million. The interest rate on each of these notes and bonds is fixed.

Our outstanding notes and bonds are unsecured; accordingly, we have not pledged any assets as collateral for these or any other obligations. Interest on all of the senior note and bond obligations is paid semiannually.

All of these notes and bonds contain various covenants, including: (i) a limitation on incurrence of any debt which would cause our debt to total adjusted assets ratio to exceed 60%; (ii) a limitation on incurrence of any secured debt which would cause our secured debt to total adjusted assets ratio to exceed 40%; (iii) a limitation on incurrence of any debt which would cause our debt service coverage ratio to be less than 1.5 times; and (iv) the maintenance at all times of total unencumbered assets not less than 150% of our outstanding unsecured debt. At December 31, 2011, we remain in compliance with these covenants.

B. Re-opening of Unsecured Bonds due 2035

In June 2011, we "re-opened" our 5.875% senior unsecured bonds due 2035, or the 2035 Bonds, and issued $150 million in aggregate principal amount of these 2035 Bonds. The public offering price for the additional 2035 Bonds was 94.578% of the principal amount for an effective yield of 6.318% per annum. Those 2035 Bonds constituted an additional issuance of, and a single series with, the $100 million in aggregate principal amount of the 2035 Bonds that we issued in March 2005. The net proceeds of $140.1 million were used to fund property acquisitions. Interest is paid semiannually on the 2035 Bonds.

C. Note Issuance

In June 2010, we issued $250 million in aggregate principal amount of 5.75% senior unsecured notes due January 2021, or the 2021 Notes. The price to the investor for the 2021 Notes was 99.404% of the principal amount for an effective yield of 5.826% per annum. The net proceeds of $246.1 million from this offering were used to repay borrowings under our acquisition credit facility, which were incurred to fund property acquisitions. Interest is paid semiannually on the 2021 Notes.

D. Note Redemptions

On their maturity date in January 2009, we redeemed, using cash on hand, all of our outstanding 8.00% notes issued in January 1999 at a redemption price equal to 100% of the principal amount of $20 million, plus accrued and unpaid interest.

6. Mortgages Payable

As part of the $1.02 billion invested in new properties during 2011, we assumed $67.4 million of mortgages payable to third-party lenders. These four mortgages are secured by the properties on which the debt was placed and are non-recourse. We expect to pay off the mortgages as soon as prepayment penalties and costs make it economically feasible to do so. We intend to continue our policy of primarily identifying property acquisitions that are free from mortgage indebtedness.

In aggregate, net premiums totaling $820,000 were recorded upon assumption of the mortgages at the time of the respective property acquisitions to account for above-market interest rates. Amortization of these net premiums is recorded as a reduction to interest expense over the remaining term of the respective notes, using a method that approximates the effective-interest method. These mortgages contain customary covenants, such as limiting our ability to further mortgage each applicable property or to discontinue insurance coverage, without the prior consent of the lender.

As a result of assuming these mortgages payable in 2011, we incurred deferred financing costs of $917,000 that were classified as part of other assets on our consolidated balance sheet. The balance of these deferred financing costs at December 31, 2011, was $751,000, which is being amortized over the remaining term of each mortgage.

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The following is a summary of our mortgages payable as of December 31, 2011 (principal balance, unamortized premiums (discounts) and mortgage payable balances in thousands):

Tenant Name	Stated Interest Rate(1)	Effective Interest Rate	Maturity Date(2)	Remaining Principal Balance(2)	Amortized Premium (Discount) Balance	Mortgage Payable Balance
T-Mobile USA, Inc. (3)	5.89 %	5.19 %	5/6/12	$10,664	$26	$10,690
Aviall Services, Inc. (4)	6.25 %	4.63 %	12/1/13	12,410	314	12,724
Aviall Services, Inc. (4)	6.25 %	5.09 %	9/1/14	11,671	359	12,030
MeadWestvaco Corporation	4.73 %	4.84 %	6/10/15	23,625	(68)	23,557
Solae, LLC(4)(5)	8.26 %	8.26 %	12/28/13	4,510	--	4,510
Solae, LLC(4)(5)	8.26 %	8.26 %	12/28/13	4,270	--	4,270
				$67,150	$631	$67,781

(1) With the exception of the MeadWestvaco Corporation mortgage, the mortgages are at fixed interest rates. The MeadWestvaco Corporation mortgage is at a floating variable interest rate calculated as the sum of the current 1 month LIBOR plus 4.50%, not to exceed an all-in interest rate of 5.5%.

(2) The mortgages require monthly payments, with a principal payment due at maturity.

(3) We have notified the lender that the mortgage will be paid off on March 6, 2012, as allowed for in the agreement.

(4) These are mortgages associated with one property occupied by the applicable tenant.

(5) As part of the assumption of these mortgages payable related to our acquisition of Solae, LLC, we also assumed an $8.8 million note receivable, upon which we will receive interest income at a stated rate of 8.14% through December 28, 2013.

7. Common Stock Offerings

In September 2011, we issued 6,300,000 shares of common stock at a price of $34.00 per share. After underwriting discounts and other offering costs of $10.6 million, the net proceeds of $203.6 million were used to repay borrowings under our acquisition credit facility, which were used to fund recent property acquisitions.

In March 2011, we issued 8,625,000 shares of common stock at a price of $34.81 per share. After underwriting discounts and other offering costs of $14.6 million, the net proceeds of $285.6 million were used to fund property acquisitions.

In December 2010, we issued 7,360,000 shares of common stock at a price of $33.70 per share. The net proceeds of $235.7 million were used to repay borrowings of $179.8 million under our acquisition credit facility and to fund property acquisitions during December 2010. The remaining net proceeds were used for general corporate purposes and working capital.

In September 2010, we issued 6,198,500 shares of common stock at a price of $33.40 per share. The net proceeds of $196.9 million were used to repay borrowings of $49.7 million under our acquisition credit facility and to fund $126.5 million of property acquisitions during October 2010. The remaining net proceeds were used for general corporate purposes and working capital.

8. Preferred Stock

A. In 2004, we issued 5.1 million shares of 7.375% Monthly Income Class D cumulative redeemable preferred stock. On May 27, 2009, the Class D preferred shares became redeemable, at our option, for $25 per share. During 2011, 2010 and 2009, we paid twelve monthly dividends to holders of our Class D preferred stock totaling $1.8437508 per share, or $9.4 million, and at December 31, 2011, a monthly dividend of $0.1536459 per share was payable and was paid in January 2012. On January 31, 2012, we announced that we plan to redeem our outstanding Class D preferred stock on March 1, 2012. We will redeem the Class D preferred stock at $25.00 per share, plus accrued dividends.

B. In 2006, we issued 8.8 million shares of 6.75% Monthly Income Class E cumulative redeemable preferred stock. Beginning December 7, 2011, the Class E preferred shares are redeemable, at our option, for $25 per share. During 2011, 2010 and 2009, we paid twelve monthly dividends to holders of our Class E preferred stock totaling $1.6875 per share, or $14.9 million, and at December 31, 2011, a monthly dividend of $0.140625 per share was payable and was paid in January 2012.

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We are current in our obligations to pay dividends on our Class D and Class E preferred stock.

9. Distributions Paid and Payable

A. Common Stock

We pay monthly distributions to our common stockholders. The following is a summary of monthly distributions paid per common share for the years:

Month	2011	2010	2009
January	$0.1442500	$0.1430000	$0.1417500
February	0.1442500	0.1430000	0.1417500
March	0.1442500	0.1430000	0.1417500
April	0.1445625	0.1433125	0.1420625
May	0.1445625	0.1433125	0.1420625
June	0.1445625	0.1433125	0.1420625
July	0.1448750	0.1436250	0.1423750
August	0.1448750	0.1436250	0.1423750
September	0.1448750	0.1436250	0.1423750
October	0.1451875	0.1439375	0.1426875
November	0.1451875	0.1439375	0.1426875
December	0.1451875	0.1439375	0.1426875
Total	$1.7366250	$1.7216250	$1.7066250

The following presents the federal income tax characterization of distributions paid or deemed to be paid per common share for the years:

	2011	2010	2009
Ordinary income	$1.3787863	$1.2598879	$1.2739214
Nontaxable distributions	0.3578387	0.4617371	0.4113034
Capital gain	--	--	0.0214002
Totals	$1.7366250	$1.7216250	$1.7066250

At December 31, 2011, a distribution of $0.1455 per common share was payable and was paid in January 2012. At December 31, 2010, a distribution of $0.14425 per common share was payable and was paid in January 2011.

B. Class D Preferred Stock

Dividends of $0.1536459 per share are paid monthly in arrears on the Class D preferred stock. We declared dividends to holders of our Class D preferred stock totaling $9.4 million in 2011, 2010 and 2009, respectively. On January 31, 2012, we announced that we plan to redeem the Class D preferred stock on March 1, 2012.

The following presents the federal income tax characterization of dividends paid per share to our Class D preferred stockholders for the years:

	2011	2010	2009
Ordinary income	$1.8437508	$1.8437508	$1.8206316
Capital gain	--	--	0.0231192
Totals	$1.8437508	$1.8437508	$1.8437508

C. Class E Preferred Stock

Dividends of $0.140625 per share are paid monthly in arrears on the Class E preferred stock. We declared dividends to holders of our Class E preferred stock totaling $14.9 million in 2011, 2010 and 2009.

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The following presents the federal income tax characterization of dividends paid per share to our Class E preferred stockholders for the years:

	2011	2010	2009
Ordinary income	$1.6875000	$1.6875000	$1.6663392
Capital gain	--	--	0.0211608
Totals	$1.6875000	$1.6875000	$1.6875000

10. Operating Leases

A. At December 31, 2011, we owned 2,634 properties in 49 states, plus an additional three properties owned by Crest. Of the 2,634 properties, 2,619, or 99.4%, are single-tenant properties, and the remaining 15 are multi-tenant properties. At December 31, 2011, 87 properties were vacant and available for lease or sale.

Substantially all leases are net leases where the tenant pays property taxes and assessments, maintains the interior and exterior of the building and leased premises, and carries insurance coverage for public liability, property damage, fire and extended coverage.

Rent based on a percentage of a tenants' gross sales (percentage rents) for 2011, 2010 and 2009 was $1.4 million, including amounts recorded to discontinued operations of $17,000 in 2011, $55,000 in 2010 and $112,000 in 2009.

At December 31, 2011, minimum future annual rents to be received on the operating leases for the next five years and thereafter are as follows (dollars in thousands):

2012	$454,695
2013	439,836
2014	422,577
2015	407,459
2016	392,067
Thereafter	3,105,365
Total	$5,221,999

B. Major Tenants - No individual tenant's rental revenue, including percentage rents, represented more than 10% of our total revenue for each of the years ended December 31, 2011, 2010 or 2009.

11. Gain on Sales of Real Estate Acquired for Resale

During 2011 and 2010, Crest did not sell any properties. During 2009, Crest sold two properties for $2.0 million, which resulted in no gain. Crest's gains on sales are reported before income taxes and are included in income from discontinued operations.

12. Gain on Sales of Investment Properties

During 2011, we sold 26 investment properties for $21.8 million, which resulted in a gain of $5.2 million. The results of operations for these properties have been reclassified as discontinued operations. Additionally, we sold excess real estate from six properties for $2.3 million, which resulted in a gain of $540,000. This gain is included in other revenue on our consolidated statement of income for 2011, because this excess real estate was associated with properties that continue to be owned as part of our core operations.

During 2010, we sold 28 investment properties and excess land from one property for $27.2 million, which resulted in a gain of $8.7 million. The results of operations for these properties have been reclassified as discontinued operations.

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During 2009, we sold 25 investment properties and excess land from one property for $20.5 million, which resulted in a gain of $8.1 million. The results of operations for these properties have been reclassified as discontinued operations.

13. Fair Value of Financial Instruments

Fair value is defined as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The disclosure for assets and liabilities measured at fair value requires allocation to a three-level valuation hierarchy. This valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Categorization within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

We believe that the carrying values reflected in our consolidated balance sheets reasonably approximate the fair values for cash and cash equivalents, accounts receivable, escrow deposits, and all liabilities, due to their short-term nature, except for our notes receivable issued in connection with property sales, mortgages payable and our senior notes and bonds payable, which are disclosed below (dollars in millions):

At December 31, 2011	Carrying value per balance sheet	Estimated fair market value
Notes receivable issued in connection with property sales	$19.0	$19.6
Note receivable issued in connection with 2011 acquisitions	$8.8	$8.8
Mortgages payable assumed in connection with 2011 acquisitions	$67.8	$68.2
Notes payable	$1,750.0	$1,901.9

At December 31, 2010	Carrying value per balance sheet	Estimated fair market value
Notes receivable issued in connection with property sales	$22.1	$23.2
Notes payable	$1,600.0	$1,707.1

The estimated fair value of our notes receivable, issued in connection with property sales, has been calculated by discounting the future cash flows using an interest rate based upon the current 5-year or 7-year Treasury yield curve, plus an applicable credit-adjusted spread. These notes receivable were issued in connection with the sale of three Crest properties. Payments to us on these notes receivable are current and no allowance for doubtful accounts has been recorded for them.

The estimated fair value of our mortgages payable has been calculated by discounting the future cash flows using an interest rate based upon the current 5-year Treasury yield curve, plus an applicable credit-adjusted spread.

The estimated fair value of our notes and bonds payable is based upon indicative market prices and recent trading activity of our notes and bonds payable.

14. Supplemental Disclosures of Cash Flow Information

Interest paid in 2011 was $102.0 million, in 2010 was $82.6 million and in 2009 was $83.2 million.

Interest capitalized to properties under development in 2011 was $438,000, in 2010 was $10,000 and in 2009 was $5,000.

Income taxes paid in 2011 were $871,000, in 2010 were $907,000 and in 2009 were $1.2 million.

The following non-cash investing and financing activities are included in the accompanying consolidated financial statements:

A. Share-based compensation expense for 2011 was $7.9 million, for 2010 was $6.2 million and for 2009 was $4.7 million.

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B. See "Provisions for Impairment" in note 2 for a discussion of provisions for impairments recorded by Realty Income and Crest.

C. As part of the acquisition of four properties during 2011, we assumed $67.4 million of mortgages payable to third-party lenders and recorded $820,000 of net premiums. Additionally, we assumed an $8.8 million note receivable. See note 6 for a discussion of these transactions.

D. At December 31, 2010, we had escrow deposits of $6.4 million held for tax-deferred exchanges under Section 1031 of the Code. The $6.4 million is included in "other assets" on our consolidated balance sheet at December 31, 2010.

E. At December 31, 2009, we had escrow deposits of $4.5 million held for tax-deferred exchanges under Section 1031 of the Code. The $4.5 million is included in "other assets" on our consolidated balance sheet at December 31, 2009.

F. In 2010, we recorded a $600,000 receivable for the sale of excess land. This receivable is included in other assets on our consolidated balance sheet at December 31, 2010. We received cash for this excess land in 2011.

G. In 2010, we recorded a $799,000 receivable for the sale of an investment property as a result of an eminent domain action. This receivable is included in other assets on our consolidated balance sheet at December 31, 2011 and 2010.

H. In 2009, Realty Income and Crest amended certain prior year state tax returns and determined that it is more-likely-than-not that we will be collecting refunds in the future as a result of these amendments. As a result of this, in 2009, Realty Income recorded a tax receivable of $454,000 and Crest recorded a tax receivable of $303,000.

I. In accordance with our policy, we recorded adjustments to our estimated legal obligations related to asset retirement obligations on two land leases in the following amounts: an increase of $152,000 in 2011, an increase of $82,000 in 2010 and a reduction of $63,000 in 2009. These asset retirement obligations account for the difference between our obligations to the landlord under the two land leases and our subtenant's obligations to us under the subleases.

J. Accrued costs on properties under development resulted in an increase in buildings and improvements and accounts payable of $3.7 million at December 31, 2011, and $337,000 at December 31, 2010.

K. In 2011, we entered into loan agreements to fund development of real estate. These loans receivable are included in other assets on our consolidated balance sheet at December 31, 2011, and include accrued costs of $574,000.

15. Employee Benefit Plan

We have a 401(k) plan covering substantially all of our employees. Under our 401(k) plan, employees may elect to make contributions to the plan up to a maximum of 60% of their compensation, subject to limits under the Code. We match 50% of our employee's contributions, up to 3% of the employee's compensation. Our aggregate matching contributions each year have been immaterial to our results of operations.

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16. Common Stock Incentive Plan

In 2003, our Board of Directors adopted, and stockholders approved, the 2003 Incentive Award Plan of Realty Income Corporation, or the Stock Plan, to enable us to attract and retain the services of directors, employees and consultants, considered essential to our long-term success. The Stock Plan offers our directors, employees and consultants an opportunity to own stock in Realty Income and/or rights that will reflect our growth, development and financial success. The Stock Plan was amended and restated by our Board of Directors in February 2006 and in May 2007. Under the terms of this plan, the aggregate number of shares of our common stock subject to options, stock purchase rights, or SPR, stock appreciation rights, or SAR, and other awards will be no more than 3,428,000 shares. The maximum number of shares that may be subject to options, SPR, SAR and other awards granted under the plan to any individual in any calendar year may not exceed 1,600,000 shares. This plan has a term of 10 years from the date it was adopted by our Board of Directors, which was March 12, 2003. To date, we have not issued any SPR or SAR.

The amount of share-based compensation costs recognized in general and administrative expense on our consolidated statements of income during 2011 was $7.9 million, during 2010 was $6.2 million and during 2009 was $4.7 million.

The following table summarizes our common stock grant activity under our Stock Plan. Our common stock grants vest over periods ranging from immediately to 10 years.

	2011		2010		2009	
	Number of shares	Weighted average price(1)	Number of shares	Weighted average price(1)	Number of shares	Weighted average price(1)
Outstanding nonvested shares, beginning of year	924,294	$ 19.69	853,234	$ 19.14	994,453	$ 19.70
Shares granted	247,214	33.94	278,200	28.99	142,860	22.86
Shares vested	(245,487)	25.26	(206,153)	23.70	(214,521)	23.14
Shares forfeited	(495)	31.37	(987)	26.03	(69,558)	25.95
Outstanding nonvested shares, end of year	925,526	$ 20.21	924,294	$ 19.69	853,234	$ 19.14

(1) Grant date fair value.

During 2011, we issued 247,214 shares of common stock under our Stock Plan. These shares vest over the following service periods: 25,158 vested immediately, 5,000 vest over a service period of one year, 70,400 vest over a service period of three years and 146,656 vest over a service period of five years.

The vesting schedule for shares granted to non-employee directors is as follows:

- For directors with less than six years of service at the date of grant, shares vest in 33.33% increments on each of the first three anniversaries of the date the shares of stock are granted;
- For directors with six years of service at the date of grant, shares vest in 50% increments on each of the first two anniversaries of the date the shares of stock are granted;
- For directors with seven years of service at the date of grant, shares are 100% vested on the first anniversary of the date the shares of stock are granted; and
- For directors with eight or more years of service at the date of grant, there is immediate vesting as of the date the shares of stock are granted.

The vesting schedule for shares granted to employees is as follows:

- For employees age 55 and below at the grant date, shares vest in 20% increments on each of the first five anniversaries of the grant date;
- For employees age 56 at the grant date, shares vest in 25% increments on each of the first four anniversaries of the grant date;

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– For employees age 57 at the grant date, shares vest in 33.33% increments on each of the first three anniversaries of the grant date;
– For employees age 58 at the grant date, shares vest in 50% increments on each of the first two anniversaries of the grant date;
– For employees age 59 at the grant date, shares are 100% vested on the first anniversary of the grant date; and
– For employees age 60 and above at the grant date, shares vest immediately on the grant date.

After they have been employed for six full months, all non-executive employees receive 200 shares of nonvested stock which vests over a five year period. Additionally, depending on certain company performance metrics, non-executive employees may receive grants of nonvested stock which vests over a five year period.

As of December 31, 2011, the remaining unamortized share-based compensation expense totaled $18.7 million, which is being amortized on a straight-line basis over the service period of each applicable award. The amount of share-based compensation is based on the fair value of the stock at the grant date. We define the grant date as the date the recipient and Realty Income have a mutual understanding of the key terms and condition of the award, and the recipient of the grant begins to benefit from, or be adversely affected by, subsequent changes in the price of the shares.

Due to a historically low turnover rate, we do not estimate a forfeiture rate for our nonvested shares. Accordingly, unexpected forfeitures will lower share-based compensation expense during the applicable period. Under the terms of our Stock Plan, we pay non-refundable dividends to the holders of our nonvested shares. Applicable accounting guidance requires that the dividends paid to holders of these nonvested shares be charged as compensation expense to the extent that they relate to nonvested shares that do not or are not expected to vest. However, since we do not estimate forfeitures given our historical trends, we did not record any amount to compensation expense related to dividends paid in 2011, 2010 or 2009.

As of December 31, 2011, there were no remaining stock options outstanding. All outstanding options were fully vested as of December 31, 2006. Stock options, none of which were granted after January 1, 2002, were granted with an exercise price equal to the underlying stock's fair value at the date of grant.

The following table summarizes our stock option activity for the years:

	2011		2010		2009	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding options, beginning of year	2,454	$ 14.70	5,846	$ 14.70	21,294	$ 13.33
Options exercised	(2,454)	14.70	(3,392)	14.70	(15,448)	12.81
Outstanding and exercisable options, end of year	--	$ --	2,454	$ 14.70	5,846	$ 14.70

The intrinsic value of a stock option is the amount by which the market value of the underlying stock at December 31 of each year exceeds the exercise price of the option. The market value of our stock was $34.20 and $25.91 at December 31, 2010 and 2009, respectively. The total intrinsic value of options exercised during the years ended December 31, 2011, 2010 and 2009 was $48,000, $61,000 and $157,000, respectively. The aggregate intrinsic value of options outstanding and exercisable was $48,000 and $66,000 at December 31, 2010 and 2009, respectively.

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17. Dividend Reinvestment and Stock Purchase Plan

In March 2011, we established a Dividend Reinvestment and Stock Purchase Plan, or The Plan, to provide our common stockholders, as well as new investors, with a convenient and economical method to purchase our common stock and/or reinvest their distributions. The Plan authorizes up to 6,000,000 common shares to be issued. Through December 31, 2011, we issued 59,605 shares and received net proceeds of approximately $1.9 million under The Plan.

18. Segment Information

We evaluate performance and make resource allocation decisions on an industry by industry basis. For financial reporting purposes, we have grouped our tenants into 39 industry and activity segments (including properties owned by Crest that are grouped together as a segment). All of the properties are incorporated into one of the applicable segments. Because almost all of our leases require the tenant to pay operating expenses, revenue is the only component of segment profit and loss we measure.

The following tables set forth certain information regarding the properties owned by us, classified according to the business of the respective tenants, as of December 31, 2011 (dollars in thousands):

Assets, as of December 31:	2011	2010
Segment net real estate:		
Automotive service	$ 101,280	$ 105,393
Automotive tire services	191,577	197,997
Beverages	314,832	302,159
Child care	66,474	72,935
Convenience stores	690,246	711,667
Drug stores	154,015	143,739
Grocery stores	221,678	72,122
Health and fitness	296,188	220,856
Restaurants - casual dining	472,471	487,048
Restaurants - quick service	277,900	248,877
Theaters	383,452	281,072
Transportation services	107,632	4,961
Wholesale clubs	154,964	--
26 non-reportable segments	727,299	556,052
Total segment net real estate	4,160,008	3,404,878
Intangible assets:		
Automotive tire services	529	588
Beverages	3,571	--
Drug stores	14,422	5,939
Grocery stores	5,655	6,031
Health and fitness	1,566	1,708
Restaurants - quick service	4,037	--
Theaters	31,162	1,579
Transportation services	28,944	--
Other - non-reportable segments	63,450	10,376
Goodwill:		
Automotive service	1,338	1,338
Child care	5,353	5,353
Convenience stores	2,074	2,074

Restaurants - casual dining	2,461	2,461
Restaurants - quick service	1,318	1,318
Other - non reportable segments	4,662	4,662
Other corporate assets	88,839	87,285
Total assets	$4,419,389	$3,535,590

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	Revenue		
For the years ended December 31,	2011	2010	2009
Segment rental revenue:			
Automotive service	$15,661	$15,626	$15,285
Automotive tire services	23,335	22,303	23,128
Beverages	23,458	10,292	--
Child care	22,011	21,981	22,612
Convenience stores	77,808	58,837	55,054
Drug stores	15,809	13,962	13,727
Grocery stores	6,858	3,147	2,339
Health and fitness	26,817	23,768	18,787
Restaurants - casual dining	45,725	45,955	44,378
Restaurants - quick service	27,522	26,519	27,204
Theaters	36,812	30,634	30,078
Transportation services	7,586	750	750
Wholesale clubs	3,059	--	--
26 non-reportable segments	86,935	69,061	68,340
Total rental revenue	419,396	342,835	321,682
Other revenue	1,663	657	868
Total revenue	$421,059	$343,492	$322,550

19. Commitments and Contingencies

In the ordinary course of our business, we are party to various legal actions which we believe are routine in nature and incidental to the operation of our business. We believe that the outcome of the proceedings will not have a material adverse effect upon our consolidated financial position or results of operations.

At December 31, 2011, we have contingent payments of $621,000 for tenant improvements and leasing costs. In addition, we have committed $16.2 million under construction contracts, which is expected to be paid in the next twelve months.

We have certain properties that are subject to ground leases which are accounted for as operating leases. At December 31, 2011, minimum future rental payments for the next five years and thereafter are as follows (dollars in thousands):

	Ground Leases Paid by Realty Income (1)	Ground Leases Paid by Our Tenants (2)	Total
2012	$ 157	$ 4,083	$ 4,240
2013	158	4,016	4,174
2014	167	3,786	3,953
2015	170	3,729	3,899
2016	171	3,702	3,873
Thereafter	421	49,021	49,442
Total	$ 1,244	$ 68,337	$ 69,581

(1) Realty Income currently pays the ground lessors directly for the rent under the ground leases.
(2) Our tenants, who are generally sub-tenants under the ground leases, are responsible for paying the rent under these ground leases. In the event a tenant fails to pay the ground lease rent, we are primarily responsible.

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20. Subsequent Events

In January 2012 and February 2012, we declared the following dividends, which will be paid in February 2012 and March 2012, respectively:

- $0.1455 per share to our common stockholders;
- $0.1536459 per share to our Class D preferred stockholders; and
- $0.140625 per share to our Class E preferred stockholders.

In January 2012, Friendly Ice Cream Corporation, or Friendly's, one of our tenants, announced that it was emerging from voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code (which they had filed for in October 2011). Friendly's accepted 102 of their 121 leases with us, while they rejected 19 leases with us and received modifications to some of their other leases with us.

Additionally, in January 2012, Buffets Holding, Inc., or Buffets, another one of our tenants, filed for voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code. As of December 31, 2011, Buffets leased 86 properties from us, representing approximately 3.9% of our annualized rental revenue. Buffets rejected the leases on seven of our properties. Additionally, we have reached a preliminary agreement (subject to bankruptcy court approval) with Buffets regarding modifications to some of Buffets' other leases with us.

In February 2012, we issued 14.95 million shares of 6.625% Monthly Income Class F cumulative redeemable preferred stock, including 1.95 million shares purchased by the underwriters upon the exercise of their overallotment option. The net proceeds of approximately $361.7 million from this issuance will be used to redeem the outstanding Class D preferred stock on March 1, 2012, repay borrowings under our acquisition credit facility and for other general corporate purposes. Beginning February 15, 2017, the Class F preferred shares are redeemable at our option for $25.00 per share. The initial dividend of $0.1702257 per share will be paid on March 15, 2012, and will cover 37 days. Thereafter, dividends of $0.1380208 per share will be paid monthly.

As a result of the issuance of our Class F preferred stock in February 2012, we paid off all outstanding credit facility borrowings on February 7, 2012.

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REALTY INCOME CORPORATION AND SUBSIDIARIES
Consolidated Quarterly Financial Data
(dollars in thousands, except per share data)
(not covered by Report of Independent Registered Public Accounting Firm)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year(2)
2011(1)					
Total revenue	$97,546	$102,422	$107,084	$114,007	$421,059
Depreciation and amortization expense	26,672	28,909	31,824	34,346	121,751
Interest expense	25,122	25,647	28,550	28,983	108,301
Other expenses	9,978	9,988	9,199	10,704	39,870
Income from continuing operations	35,774	37,878	37,511	39,974	151,137
Income from discontinued operations	225	1,370	3,269	1,030	5,895
Net income	35,999	39,248	40,780	41,004	157,032
Net income available to common stockholders	29,936	33,185	34,717	34,941	132,779
Net income per common share:					
Basic and diluted	0.25	0.26	0.27	0.26	1.05
Dividends paid per common share	0.4327500	0.4336875	0.4346250	0.4355625	1.7366250
2010(1)					
Total revenue	$82,302	$82,219	$86,726	$92,245	$343,492
Depreciation and amortization expense	22,911	23,205	23,897	24,894	94,907
Interest expense	21,395	21,576	25,135	25,131	93,237
Other expenses	8,913	8,559	8,235	8,906	34,614
Income from continuing operations	29,083	28,879	29,459	33,314	120,734
Income from discontinued operations	1,122	2,169	2,195	4,563	10,050
Net income	30,205	31,048	31,654	37,877	130,784
Net income available to common stockholders	24,142	24,985	25,591	31,814	106,531
Net income per common share:					
Basic and diluted	0.23	0.24	0.25	0.28	1.01
Dividends paid per common share	0.4290000	0.4299375	0.4308750	0.4318125	1.7216250

(1) The consolidated quarterly financial data includes revenues and expenses from our continuing and discontinued operations. The results of operations related to certain properties, classified as held for sale or disposed of, have been reclassified to income from discontinued operations. Therefore, some of the information may not agree to our previously filed 10-Qs.

(2) Amounts for each period are calculated independently. The sum of the quarters may differ from the annual amount.

Item 9: Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

We have had no disagreements with our independent registered public accounting firm on accounting matters or financial disclosure, nor have we changed accountants in the two most recent fiscal years.

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Item 9A: Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of and for the year ended December 31, 2011, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective and were operating at a reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

(1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company.

Management has used the framework set forth in the report entitled "Internal Control--Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of the Company's internal control over financial reporting. Management has concluded that the Company's internal control over financial reporting was effective as of the end of the most recent fiscal year. KPMG LLP has issued an attestation report on the effectiveness of the Company's internal control over financial reporting.

Submitted on February 9, 2012 by,

Thomas A Lewis, Chief Executive Officer and Vice Chairman
Paul M. Meurer, Chief Financial Officer, Executive Vice President and Treasurer

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Changes in Internal Controls

There were no changes to our internal control over financial reporting that occurred during the quarter ended December 31, 2011 that have materially affected, or are reasonably likely to material affect, our internal control over financial reporting. As of December 31, 2011, there were no material weaknesses in our internal controls, and therefore, no corrective actions were taken.

Limitations on the Effectiveness of Controls

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Item 9B: Other Information

None.

PART III

Item 10: Directors, Executive Officers and Corporate Governance

The information required by this item is set forth under the captions “Board of Directors” and “Executive Officers of the Company” and “Section 16(a) Beneficial Ownership Reporting Compliance” in our definitive Proxy Statement for the 2012 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A, and is incorporated herein by reference. The Annual Meeting of Stockholders is presently scheduled to be held on May 8, 2012.

Item 11: Executive Compensation

The information required by this item is set forth under the caption “Executive Compensation” in our definitive Proxy Statement for the 2012 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A, and is incorporated herein by reference.

Item 12: Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is set forth under the caption “Security Ownership of Certain Beneficial Owners and Management” in our definitive Proxy Statement for the 2012 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A, and is incorporated herein by reference.

Item 13: Certain Relationships, Related Transactions and Director Independence

The information required by this item is set forth under the caption “Related Party Transactions” in our definitive Proxy Statement for the 2012 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A, and is incorporated herein by reference.

Item 14: Principal Accounting Fees and Services

The information required by this item is set forth under the caption “Independent Registered Public Accounting Firm Fees and Services” in our definitive Proxy Statement for the 2012 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A, and is incorporated herein by reference.

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PART IV

Item 15: Exhibits and Financial Statement Schedules

A. The following documents are filed as part of this report.

1. Financial Statements (see Item 8)

a. Reports of Independent Registered Public Accounting Firm

b. Consolidated Balance Sheets, December 31, 2011 and 2010

c. Consolidated Statements of Income, Years ended December 31, 2011, 2010 and 2009

d. Consolidated Statements of Stockholders' Equity, Years ended December 31, 2011, 2010 and 2009

e. Consolidated Statements of Cash Flows, Years ended December 31, 2011, 2010 and 2009

f. Notes to Consolidated Financial Statements

g. Consolidated Quarterly Financial Data, (unaudited) for 2011 and 2010

2. Financial Statement Schedule. Reference is made to page F-1 of this report for Schedule III Real Estate and Accumulated Depreciation (electronically filed with the Securities and Exchange Commission).

Schedules not Filed: All schedules, other than those indicated in the Table of Contents, have been omitted as the required information is either not material, inapplicable or the information is presented in the financial statements or related notes.

3. Exhibits

Articles of Incorporation and By-Laws

Exhibit No.	Description
3.1	Articles of Incorporation of the Company, as amended by amendment No. 1 dated May 10, 2005 and amendment No. 2 dated May 10, 2005 (filed as exhibit 3.1 to the Company's Form 10-Q for the quarter ended June 30, 2005, and incorporated herein by reference) and amendment No. 3 dated July 29, 2011 (filed as exhibit 3.1 to the Company's Form 8-K, filed on August 2, 2011 and dated August 1, 2011 and incorporated herein by reference).
3.2	Amended and Restated Bylaws of the Company dated December 12, 2007 (filed as exhibit 3.1 to the Company's Form 8-K, filed on December 13, 2007 and dated December 12, 2007 and incorporated herein by reference), as amended on May 13, 2008 (amendment filed as exhibit 3.1 to the Company's Form 8-K, filed on May 14, 2008 and dated May 13, 2008 and incorporated herein by reference).
3.3	Articles Supplementary to the Articles of Incorporation of the Company classifying and designating the 7.375% Monthly Income Class D Cumulative Redeemable Preferred Stock (filed as exhibit 3.8 to the Company's Form 8-A, filed on May 25, 2004 and incorporated herein by reference).

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3.4	Articles Supplementary to the Articles of Incorporation of the Company classifying and designating additional shares of the 7.375% Monthly Income Class D Cumulative Redeemable Preferred Stock (filed as exhibit 3.2 to the Company's Form 8-K, filed on October 19, 2004 and dated October 12, 2004 incorporated herein by reference).
3.5	Articles Supplementary to the Articles of Incorporation of the Company classifying and designating the 6.75% Class E Cumulative Redeemable Preferred Stock (filed as exhibit 3.5 to the Company's Form 8-A, filed on December 5, 2006 and incorporated herein by reference).
3.6	Articles Supplementary to the Articles of Incorporation of the Company classifying and designating the 6.625% Class F Cumulative Redeemable Preferred Stock (filed as exhibit 3.1 to the Company's Form 8-K, filed on February 3, 2012 and incorporated herein by reference).

Instruments defining the rights of security holders, including indentures

4.1	Indenture dated as of October 28, 1998 between the Company and The Bank of New York (filed as exhibit 4.1 to the Company's Form 8-K, filed on October 28, 1998 and dated October 27, 1998 and incorporated herein by reference).
4.2	Form of 5.375% Senior Notes due 2013 (filed as exhibit 4.2 to the Company's Form 8-K, filed on March 7, 2003 and dated March 5, 2003 and incorporated herein by reference).
4.3	Officer's Certificate pursuant to sections 201, 301 and 303 of the Indenture dated October 28, 1998 between the Company and The Bank of New York, as Trustee, establishing a series of securities entitled 5.375% Senior Notes due 2013 (filed as exhibit 4.3 to the Company's Form 8-K, filed on March 7, 2003 and dated March 5, 2003 and incorporated herein by reference).
4.4	Form of 5.50% Senior Notes due 2015 (filed as exhibit 4.2 to the Company's Form 8-K, filed on November 24, 2003 and dated November 19, 2003 and incorporated herein by reference).
4.5	Officer's Certificate pursuant to sections 201, 301 and 303 of the Indenture dated October 28, 1998 between the Company and The Bank of New York, as Trustee, establishing a series of securities entitled 5.50% Senior Notes due 2015 (filed as exhibit 4.3 to the Company's Form 8-K, filed on November 24, 2003 and dated November 19, 2003 and incorporated herein by reference).
4.6	Form of 5.875% Senior Notes due 2035 (filed as exhibit 4.2 to the Company's Form 8-K, filed on March 11, 2005 and dated March 8, 2005 and incorporated herein by reference).
4.7	Officer's Certificate pursuant to sections 201, 301 and 303 of the Indenture dated October 28, 1998 between the Company and The Bank of New York, as Trustee, establishing a series of securities entitled 5.875% Senior Debentures due 2035 (filed as exhibit 4.3 to the Company's Form 8-K, filed on March 11, 2005 and dated March 8, 2005 and incorporated herein by reference).
4.8	Form of 5.375% Senior Notes due 2017 (filed as exhibit 4.2 to the Company's Form 8-K, filed on September 16, 2005 and dated September 8, 2005 and incorporated herein by reference).
4.9	Officer's Certificate pursuant to sections 201, 301 and 303 of the Indenture dated October 28, 1998 between the Company and The Bank of New York, as Trustee, establishing a series of securities entitled 5.375% Senior Notes due 2017 (filed as exhibit 4.3 to the Company's Form 8-K, filed on September 16, 2005 and dated September 8, 2005 and incorporated herein by reference).

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4.10	Form of 5.95% Senior Notes due 2016 (filed as exhibit 4.2 to the Company's Form 8-K, filed on September 18, 2006 and dated September 6, 2006 and incorporated herein by reference).
4.11	Officer's Certificate pursuant to sections 201, 301 and 303 of the Indenture dated October 28, 1998 between the Company and The Bank of New York, as Trustee, establishing a series of securties entitled 5.95% Senior Notes due 2016 (filed as exhibit 4.3 to the Company's Form 8-K, filed on September 18, 2006 and dated September 6, 2006 and incorporated herein by reference).
4.12	Form of 6.75% Notes due 2019 (filed as exhibit 4.2 to Company's Form 8-K, filed on September 5, 2007 and dated August 30, 2007 and incorporated herein by reference).
4.13	Officer's Certificate pursuant to sections 201, 301 and 303 of the Indenture dated October 28, 1998 between the Company and The Bank of New York Trust Company, N.A., as Trustee, establishing a series of securities entitled 6.75% Senior Notes due 2019 (filed as exhibit 4.3 to the Company's Form 8-K, filed on September 5, 2007 and dated August 30, 2007 and incorporated herein by reference).
4.14	Form of 5.750% Notes due 2021 (filed as exhibit 4.2 to Company's Form 8-K, filed on June 29, 2010 and dated June 24, 2010 and incorporated herein by reference).
4.15	Officer's Certificate pursuant to sections 201, 301 and 303 of the Indenture dated October 28, 1998 between the Company and The Bank of New York Mellon Trust Company, N.A., as Successor Trustee, establishing a series of securities entitled 5.750% Notes due 2021 (filed as exhibit 4.3 to the Company's Form 8-K, filed on June 29, 2010 and dated June 24, 2010 and incorporated herein by reference).
4.16	Form of Common Stock Certificate (filed as exhibit 4.16 to the Company's Form 10-Q for the quarter ended September 30, 2011 and incorporated herein by reference)
4.17	Form of Preferred Stock Certificate representing the 7.375% Monthly Income Class D Cumulative Redeemable Preferred Stock (filed as exhibit 4.1 to the Company's Form 8-A, filed on May 25, 2004 and incorporated herein by reference).
4.18	Form of Preferred Stock Certificate representing the 6.75% Monthly Income Class E Cumulative Redeemable Preferred Stock (filed as exhibit 4.1 to the Company's Form 8-A, filed on December 5, 2006 and incorporated herein by reference).
4.19	Form of Preferred Stock Certificate representing the 6.625% Monthly Income Class F Cumulative Redeemable Preferred Stock (filed as exhibit 4.1 to the Company's Form 8-K, filed on February 3, 2012 and incorporated herein by reference).

Material Contracts

10.1	Form indemnification agreement between the Company and each executive officer and each director of the Board of Directors of the Company (filed as exhibit 10.1 to the Company's Form 8-K, filed on May 4, 2011 and dated May 3, 2011 and incorporated herein by reference).
10.2	1994 Stock Option and Incentive Plan (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-8 (registration number 33-95708), dated August 11, 1995 and incorporated herein by reference).

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10.3	First Amendment to the 1994 Stock Option and Incentive Plan, dated June 12, 1997 (filed as Exhibit 10.9 to the Company's Form 8-B, filed on July 29, 1997 and incorporated herein by reference).
10.4	Second Amendment to the 1994 Stock Option and Incentive Plan, dated December 16, 1997 (filed as Exhibit 10.9 to the Company's Form 10-K for the year ended December 31, 1997 and incorporated herein by reference).
10.5	Management Incentive Plan (filed as Exhibit 10.10 to the Company's Form 10-K for the year ended December 31, 1997 and incorporated herein by reference).
10.6	Form of Nonqualified Stock Option Agreement for Independent Directors (filed as Exhibit 10.11 to the Company's Form 10-K for the year ended December 31, 1997 and incorporated herein by reference).
10.7	Form of Restricted Stock Agreement between the Company and Executive Officers (filed as exhibit 10.11 to the Company's Form 8-K, filed on January 6, 2005 and dated January 1, 2005 and incorporated herein by reference).
10.8	2003 Stock Incentive Award Plan of Realty Income Corporation, as amended and restated February 21, 2006 (filed as exhibit 10.10 to the Company's Form 10-K for the year ended December 31, 2005 and incorporated herein by reference).
10.9	Amendment dated May 15, 2007 to the Amended and Restated 2003 Stock Incentive Award Plan of Realty Income Corporation (filed as exhibit 10.1 to the Company's Form 10-Q, for the quarter ended June 30, 2007 and incorporated herein by reference).
10.10	Form of Restricted Stock Agreement (filed as exhibit 10.2 to the Company's Form 10-Q, for the quarter ended June 30, 2007 and incorporated herein by reference).
10.11	Amended and Restated Form of Employment Agreement between the Company and its Executive Officers (filed as exhibit 10.1 to the Company's Form 8-K, filed on January 7, 2010 and dated January 5, 2010 and incorporated herein by reference).
10.12	Form of Restricted Stock Agreement for John P. Case (filed as exhibit 10.1 to the Company's Form 10-Q, filed on April 29, 2010 and dated March 31, 2010 and incorporated herein by reference).
10.13	Credit Agreement dated December 13, 2010 (filed as exhibit 10.1 to the Company's Form 8-K, filed on and dated December 13, 2010 and incorporated herein by reference).
10.14	Dividend Reinvestment and Stock Purchase Plan (filed as Company's Registration Statement 333-158169 on Form 424B5, filed on and dated March 23, 2011 and incorporated herein by reference).
10.15	The First Amendment to Credit Agreement among the Company, as Borrower, each of the Lenders party thereto (as defined in the original Credit Agreement, dated December 13, 2010), and Wells Fargo Bank, National Association (filed as exhibit 10.1 to the Company's Form 8-K, filed on March 29, 2011 and dated March 25, 2011 and incorporated herein by reference).

Statement of Ratios

*12.1	Statements re computation of ratios.

Subsidiaries of the Registrant

*21.1	Subsidiaries of the Company as of February 9, 2012.

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Consents of Experts and Counsel

*23.1	Consent of Independent Registered Public Accounting Firm.

Certifications

*31.1	Rule 13a-14(a) Certifications as filed by the Chief Executive Officer pursuant to SEC release No. 33-8212 and 34-47551.
*31.2	Rule 13a-14(a) Certifications as filed by the Chief Financial Officer pursuant to SEC release No. 33-8212 and 34-47551.
*32	Section 1350 Certifications as furnished by the Chief Executive Officer and the Chief Financial Officer pursuant to SEC release No. 33-8212 and 34-47551.

* Filed herewith.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

REALTY INCOME CORPORATION

By: /s/THOMAS A. LEWIS Date: February 9, 2012
Thomas A. Lewis
Vice Chairman of the Board of Directors,
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/DONALD R. CAMERON Date: February 9, 2012
Donald R. Cameron
Non-Executive Chairman of the Board of Directors

By: /s/THOMAS A. LEWIS Date: February 9, 2012
Thomas A. Lewis
Vice Chairman of the Board of Directors,
Chief Executive Officer
(Principal Executive Officer)

By: /s/KATHLEEN R. ALLEN, Ph.D. Date: February 9, 2012
Kathleen R. Allen, Ph.D.
Director

By: /s/PRIYA CHERIAN HUSKINS Date: February 9, 2012
Priya Cherian Huskins
Director

By: /s/MICHAEL D. MCKEE Date: February 9, 2012
Michael D. McKee
Director

By: /s/GREGORY T. MCLAUGHLIN Date: February 9, 2012
Gregory T. McLaughlin
Director

By: /s/RONALD L. MERRIMAN Date: February 9, 2012
Ronald L. Merriman
Director

By: /s/PAUL M. MEURER Date: February 9, 2012
Paul M. Meurer
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

By: /s/GREGORY J. FAHEY Date: February 9, 2012
Gregory J. Fahey
Vice President, Controller
(Principal Accounting Officer)

REALTY INCOME CORPORATION
AND SUBSIDIARIES
SCHEDULE III REAL ESTATE AND
ACCUMULATED DEPRECIATION

		Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7)		
Description (Note 1)		Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total
Apparel Stores								
Mesa	AZ	619,035	867,013	6,484	43,549	619,035	917,046	1,536,081
South Lake Tahoe	CA	3,110,000	3,176,091	None	None	3,110,000	3,176,091	6,286,091
Danbury	CT	1,096,861	6,217,688	70,819	56	1,096,861	6,288,563	7,385,424
Manchester	CT	771,660	3,653,539	1,661	161	771,660	3,655,361	4,427,021
Manchester	CT	1,250,464	5,917,037	3,555	None	1,250,464	5,920,592	7,171,056
Deerfield Beach	FL	3,160,000	4,832,848	None	None	3,160,000	4,832,848	7,992,848
Staten Island	NY	4,202,093	3,385,021	None	None	4,202,093	3,385,021	7,587,114
Dallas	TX	1,210,000	2,675,265	None	None	1,210,000	2,675,265	3,885,265
The Colony	TX	2,580,000	2,214,133	20,700	None	2,580,000	2,234,833	4,814,833
Automotive Collision Services								
Denver	CO	480,348	525,270	None	None	480,348	525,270	1,005,618
Highlands Ranch	CO	583,289	2,139,057	None	None	583,289	2,139,057	2,722,346
Littleton	CO	601,388	2,169,898	None	None	601,388	2,169,898	2,771,286
Parker	CO	868,768	2,101,248	None	None	868,768	2,101,248	2,970,016
Thornton	CO	693,323	1,896,616	None	128	693,323	1,896,744	2,590,067
Cumming	GA	661,624	1,822,363	None	None	661,624	1,822,363	2,483,987
Douglasville	GA	679,868	1,935,515	None	None	679,868	1,935,515	2,615,383
Morrow	GA	725,948	1,846,315	None	None	725,948	1,846,315	2,572,263
Peachtree City	GA	1,190,380	689,284	None	None	1,190,380	689,284	1,879,664
Roswell	GA	1,825,000	1,632,396	None	None	1,825,000	1,632,396	3,457,396
Warner Robbins	GA	1,250,000	798,619	None	None	1,250,000	798,619	2,048,619
Ham Lake	MN	192,610	1,930,958	None	None	192,610	1,930,958	2,123,568
Olive Branch	MS	350,000	1,965,718	None	None	350,000	1,965,718	2,315,718
Cary	NC	610,389	1,492,235	None	None	610,389	1,492,235	2,102,624

Durham	NC	680,969	1,323,140	None	24	680,969	1,323,164	2,004,133
Wilmington	NC	378,813	1,150,679	None	None	378,813	1,150,679	1,529,492
Bartlett	TN	648,526	1,960,733	None	None	648,526	1,960,733	2,609,259
Salt Lake City	UT	2,900,000	772,471	None	None	2,900,000	772,471	3,672,471
Automotive Parts								
Millbrook	AL	108,000	518,741	4,157	211	108,000	523,109	631,109
Montgomery	AL	254,465	502,350	10,819	295	254,465	513,464	767,929
Phoenix	AZ	231,000	513,057	None	None	231,000	513,057	744,057
Phoenix	AZ	222,950	495,178	None	102	222,950	495,280	718,230
Tucson	AZ	194,250	431,434	None	None	194,250	431,434	625,684
Grass Valley	CA	325,000	384,955	None	None	325,000	384,955	709,955
Sacramento	CA	210,000	466,419	None	127	210,000	466,546	676,546
Turlock	CA	222,250	493,627	None	None	222,250	493,627	715,877
Denver	CO	141,400	314,056	None	82	141,400	314,138	455,538
Denver	CO	315,000	699,623	None	211	315,000	699,834	1,014,834
Littleton	CO	252,925	561,758	None	181	252,925	561,939	814,864
Smyrna	DE	232,273	472,855	None	None	232,273	472,855	705,128
Deerfield Beach	FL	475,000	871,738	2,420	31,798	475,000	905,956	1,380,956
Merritt Island	FL	309,652	482,459	25,854	21,831	309,652	530,144	839,796
Atlanta	GA	652,551	763,360	None	45,476	652,551	808,836	1,461,387
Council Bluffs	IA	194,355	431,668	None	None	194,355	431,668	626,023
Lewiston	ID	138,950	308,612	None	None	138,950	308,612	447,562

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		Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7)			
Description (Note 1)		Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	Accum Depre (No
Moscow	ID	117,250	260,417	None	None	117,250	260,417	377,667	
Peoria	IL	193,868	387,737	19,808	85	193,868	407,630	601,498	
Brazil	IN	183,952	453,831	8,942	173	183,952	462,946	646,898	
Muncie	IN	148,901	645,660	147,678	28,327	148,901	821,665	970,566	
Plainfield	IN	453,645	908,485	42,619	47,114	453,645	998,218	1,451,863	
Princeton	IN	134,209	560,113	None	211	134,209	560,324	694,533	
Vincennes	IN	185,312	489,779	None	173	185,312	489,952	675,264	
Kansas City	KS	222,000	455,881	18,738	146	222,000	474,765	696,765	
Alma	MI	155,000	600,282	13,902	122	155,000	614,306	769,306	
Lansing	MI	265,000	574,931	100,951	209	265,000	676,091	941,091	
Sturgis	MI	109,558	550,274	10,272	None	109,558	560,546	670,104	
Batesville	MS	190,124	485,670	None	168	190,124	485,838	675,962	
Horn Lake	MS	142,702	514,779	None	211	142,702	514,990	657,692	
Richland	MS	243,565	558,645	10,302	211	243,565	569,158	812,723	
Missoula	MT	163,100	362,249	None	None	163,100	362,249	525,349	
Omaha	NE	196,000	435,321	None	None	196,000	435,321	631,321	
Omaha	NE	199,100	412,042	None	None	199,100	412,042	611,142	
Rio Rancho	NM	211,577	469,923	None	None	211,577	469,923	681,500	
Las Vegas	NV	161,000	357,585	260,000	None	161,000	617,585	778,585	
Canton	OH	396,560	597,553	None	25,682	396,560	623,235	1,019,795	
Hamilton	OH	183,000	515,727	2,941	122	183,000	518,790	701,790	
Albany	OR	152,250	338,153	None	None	152,250	338,153	490,403	
Beaverton	OR	210,000	466,419	None	None	210,000	466,419	676,419	
Portland	OR	190,750	423,664	None	None	190,750	423,664	614,414	
Portland	OR	147,000	326,493	None	None	147,000	326,493	473,493	
Salem	OR	136,500	303,170	None	None	136,500	303,170	439,670	
Butler	PA	339,929	633,078	20,558	230	339,929	653,866	993,795	
Dover	PA	265,112	593,341	None	None	265,112	593,341	858,453	
Enola	PA	220,228	546,026	11,416	172	220,228	557,614	777,842	
Hanover	PA	132,500	719,511	None	232	132,500	719,743	852,243	
Harrisburg	PA	283,417	352,473	None	172	283,417	352,645	636,062	
Harrisburg	PA	327,781	608,291	7,138	172	327,781	615,601	943,382	
Lancaster	PA	199,899	774,838	24,235	None	199,899	799,073	998,972	
New Castle	PA	180,009	525,774	91,802	230	180,009	617,806	797,815	
Reading	PA	378,961	658,879	9,928	202	378,961	669,009	1,047,970	
Columbia	TN	273,120	431,716	None	211	273,120	431,927	705,047	
Bellevue	WA	185,500	411,997	None	107	185,500	412,104	597,604	
Bellingham	WA	168,000	373,133	None	107	168,000	373,240	541,240	

Hazel Dell	WA	168,000	373,135	None	None	168,000	373,135	541,135
Kenmore	WA	199,500	443,098	None	107	199,500	443,205	642,705
Kent	WA	199,500	443,091	None	107	199,500	443,198	642,698
Lakewood	WA	191,800	425,996	None	107	191,800	426,103	617,903
Moses Lake	WA	138,600	307,831	None	107	138,600	307,938	446,538
Renton	WA	185,500	412,003	None	107	185,500	412,110	597,610
Seattle	WA	162,400	360,697	None	107	162,400	360,804	523,204
Silverdale	WA	183,808	419,777	None	107	183,808	419,884	603,692
Tacoma	WA	196,000	435,324	None	107	196,000	435,431	631,431
Vancouver	WA	180,250	400,343	None	None	180,250	400,343	580,593
Wenatchee	WA	148,400	329,602	None	107	148,400	329,709	478,109

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Description (Note 1)		Initial Cost to Company: Land	Initial Cost to Company: Buildings, Improvements and Acquisition Fees	Cost Capitalized Subsequent to Acquisition: Improvements	Cost Capitalized Subsequent to Acquisition: Carrying Costs	Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7): Land	Gross Amount: Buildings, Improvements and Acquisition Fees	Gross Amount: Total	Accu Depre (No
Automotive Service									
Flagstaff	AZ	144,821	417,485	None	None	144,821	417,485	562,306	
Mesa	AZ	210,620	475,072	None	None	210,620	475,072	685,692	
Phoenix	AZ	384,608	279,824	None	None	384,608	279,824	664,432	
Phoenix	AZ	189,341	546,984	None	110	189,341	547,094	736,435	
Sierra Vista	AZ	175,114	345,508	None	None	175,114	345,508	520,622	
Tucson	AZ	226,596	437,972	None	None	226,596	437,972	664,568	
Tucson	AZ	287,369	533,684	None	None	287,369	533,684	821,053	
Bakersfield	CA	65,165	206,927	None	None	65,165	206,927	272,092	
Chula Vista	CA	313,293	409,654	None	None	313,293	409,654	722,947	
Dublin	CA	415,620	1,153,928	None	None	415,620	1,153,928	1,569,548	
Folsom	CA	471,813	325,610	None	None	471,813	325,610	797,423	
Indio	CA	264,956	265,509	None	None	264,956	265,509	530,465	
Los Angeles	CA	580,446	158,876	None	None	580,446	158,876	739,322	
Oxnard	CA	186,980	198,236	None	None	186,980	198,236	385,216	
Simi Valley	CA	213,920	161,012	None	None	213,920	161,012	374,932	
Vacaville	CA	358,067	284,931	None	None	358,067	284,931	642,998	
Aurora	CO	231,314	430,495	None	115	231,314	430,610	661,924	
Broomfield	CO	154,930	503,626	None	135	154,930	503,761	658,691	
Denver	CO	239,024	444,785	None	115	239,024	444,900	683,924	
Denver	CO	79,717	369,587	None	128	79,717	369,715	449,432	
Lakewood	CO	70,422	132,296	None	None	70,422	132,296	202,718	
Longmont	CO	87,385	163,169	None	115	87,385	163,284	250,669	
Thornton	CO	276,084	415,464	None	115	276,084	415,579	691,663	
Hartford	CT	248,540	482,460	2,114	31	248,540	484,605	733,145	
Southington	CT	225,882	672,910	None	172	225,882	673,082	898,964	
Vernon	CT	81,529	300,518	None	None	81,529	300,518	382,047	
Jacksonville	FL	76,585	355,066	6,980	420	76,585	362,466	439,051	
Lauderdale Lakes	FL	65,987	305,931	None	79	65,987	306,010	371,997	
Miami Gardens	FL	163,239	262,726	None	None	163,239	262,726	425,965	
Orange City	FL	99,613	139,008	None	None	99,613	139,008	238,621	
Seminole	FL	68,000	315,266	None	None	68,000	315,266	383,266	
Sunrise	FL	80,253	372,070	None	None	80,253	372,070	452,323	
Tampa	FL	70,000	324,538	None	None	70,000	324,538	394,538	
Tampa	FL	67,000	310,629	None	None	67,000	310,629	377,629	
Tampa	FL	86,502	401,041	None	79	86,502	401,120	487,622	

Atlanta	GA	309,474	574,737	None	None	309,474	574,737	884,211
Bogart	GA	66,807	309,733	None	None	66,807	309,733	376,540
Douglasville	GA	214,771	129,519	None	None	214,771	129,519	344,290
Duluth	GA	290,842	110,056	None	None	290,842	110,056	400,898
Duluth	GA	222,275	316,925	None	84	222,275	317,009	539,284
Gainesville	GA	53,589	248,452	None	None	53,589	248,452	302,041
Kennesaw	GA	266,865	139,425	None	None	266,865	139,425	406,290
Marietta	GA	69,561	346,024	None	281	69,561	346,305	415,866
Marietta	GA	60,900	293,461	67,871	499	60,900	361,831	422,731
Norcross	GA	244,124	151,831	None	None	244,124	151,831	395,955
Norcross	GA	503,773	937,121	39,032	21,600	503,773	997,753	1,501,526
Riverdale	GA	58,444	270,961	None	None	58,444	270,961	329,405
Rome	GA	56,454	261,733	None	None	56,454	261,733	318,187
Snellville	GA	253,316	132,124	None	None	253,316	132,124	385,440

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Description (Note 1)		Initial Cost to Company: Land	Initial Cost to Company: Buildings, Improvements and Acquisition Fees	Cost Capitalized Subsequent to Acquisition: Improvements	Cost Capitalized Subsequent to Acquisition: Carrying Costs	Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7): Land	Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7): Buildings, Improvements and Acquisition Fees	Total	Ac De (
Tucker	GA	78,646	364,625	None	9,589	78,646	374,214	452,860	
Arlington Hts	IL	441,437	215,983	None	None	441,437	215,983	657,420	
Chicago	IL	329,076	255,294	None	None	329,076	255,294	584,370	
Round Lake Beach	IL	472,132	236,585	None	None	472,132	236,585	708,717	
Westchester	IL	421,239	184,812	None	None	421,239	184,812	606,051	
Anderson	IN	232,170	385,661	None	85	232,170	385,746	617,916	
Indianapolis	IN	231,384	428,307	None	130	231,384	428,437	659,821	
Michigan City	IN	392,638	297,650	(3,065)	None	389,573	297,650	687,223	
Warsaw	IN	140,893	228,116	None	None	140,893	228,116	369,009	
Olathe	KS	217,995	367,055	None	21	217,995	367,076	585,071	
Topeka	KS	32,022	60,368	None	None	32,022	60,368	92,390	
Louisville	KY	56,054	259,881	None	None	56,054	259,881	315,935	
Newport	KY	323,511	289,017	None	85	323,511	289,102	612,613	
Billerica	MA	399,043	462,240	None	172	399,043	462,412	861,455	
East Falmouth	MA	191,302	340,539	None	None	191,302	340,539	531,841	
East Wareham	MA	149,680	278,669	None	None	149,680	278,669	428,349	
Fairhaven	MA	138,957	289,294	None	None	138,957	289,294	428,251	
Gardner	MA	138,990	289,361	None	None	138,990	289,361	428,351	
Hyannis	MA	180,653	458,522	None	None	180,653	458,522	639,175	
Lenox	MA	287,769	535,273	None	232	287,769	535,505	823,274	
Newburyport	MA	274,698	466,449	None	None	274,698	466,449	741,147	
North Reading	MA	180,546	351,161	None	None	180,546	351,161	531,707	
Orleans	MA	138,212	394,065	None	None	138,212	394,065	532,277	
Aberdeen	MD	223,617	225,605	None	None	223,617	225,605	449,222	
Bethesda	MD	282,717	525,928	None	None	282,717	525,928	808,645	
Capital Heights	MD	547,173	219,979	(12,319)	None	534,854	219,979	754,833	
Clinton	MD	70,880	328,620	11,440	None	70,880	340,060	410,940	
Lexington Park	MD	111,396	335,288	(7,600)	None	103,796	335,288	439,084	
Kalamazoo	MI	391,745	296,975	(2,196)	None	389,549	296,975	686,524	
Portage	MI	402,409	286,441	(2,112)	None	400,297	286,441	686,738	
Southfield	MI	275,952	350,765	None	None	275,952	350,765	626,717	
Troy	MI	214,893	199,299	None	None	214,893	199,299	414,192	

St. Cloud	MN	203,338	258,626	None	None	203,338	258,626	461,964
Independence	MO	297,641	233,152	None	None	297,641	233,152	530,793
Asheville	NC	441,746	242,565	None	None	441,746	242,565	684,311
Concord	NC	237,688	357,976	None	None	237,688	357,976	595,664
Durham	NC	354,676	361,203	3,400	168	354,676	364,771	719,447
Durham	NC	55,074	255,336	None	1,490	55,074	256,826	311,900
Fayetteville	NC	224,326	257,733	None	205	224,326	257,938	482,264
Greensboro	NC	286,068	244,606	None	None	286,068	244,606	530,674
Matthews	NC	295,580	338,472	10,000	13,703	295,580	362,175	657,755
Pineville	NC	254,460	355,630	None	358	254,460	355,988	610,448
Raleigh	NC	89,145	413,301	None	None	89,145	413,301	502,446
Raleigh	NC	398,694	263,621	None	None	398,694	263,621	662,315
Salisbury	NC	235,614	150,592	None	None	235,614	150,592	386,206
Fargo	ND	53,973	100,262	None	None	53,973	100,262	154,235
Lincoln	NE	337,138	316,958	None	None	337,138	316,958	654,096
Scotts Bluff	NE	33,307	63,355	None	None	33,307	63,355	96,662
Cherry Hill	NJ	463,808	862,240	None	None	463,808	862,240	1,326,048
Edison	NJ	448,936	238,773	None	None	448,936	238,773	687,709

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		Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7)			
Description (Note 1)		Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	Acc Dep (
Glassboro	NJ	182,013	312,480	None	None	182,013	312,480	494,493	
Hamilton Square	NJ	422,477	291,555	None	None	422,477	291,555	714,032	
Hamilton Township	NJ	265,238	298,167	None	None	265,238	298,167	563,405	
Pleasantville	NJ	77,105	144,693	None	None	77,105	144,693	221,798	
Randolph	NJ	452,629	390,163	None	None	452,629	390,163	842,792	
Westfield	NJ	705,337	288,720	None	None	705,337	288,720	994,057	
Woodbury	NJ	212,788	320,283	None	None	212,788	320,283	533,071	
Albuquerque	NM	231,553	430,026	None	None	231,553	430,026	661,579	
Las Vegas	NV	326,879	359,101	None	None	326,879	359,101	685,980	
Las Vegas	NV	316,441	369,768	None	None	316,441	369,768	686,209	
Las Vegas	NV	252,169	562,715	None	None	252,169	562,715	814,884	
Sparks	NV	326,813	306,311	None	None	326,813	306,311	633,124	
Albion	NY	170,589	317,424	None	None	170,589	317,424	488,013	
Bethpage	NY	334,120	621,391	None	None	334,120	621,391	955,511	
Commack	NY	400,427	744,533	None	None	400,427	744,533	1,144,960	
Dansville	NY	181,664	337,991	None	None	181,664	337,991	519,655	
East Amherst	NY	260,708	484,788	None	156	260,708	484,944	745,652	
East Syracuse	NY	250,609	466,264	None	156	250,609	466,420	717,029	
Freeport	NY	134,828	251,894	None	None	134,828	251,894	386,722	
Johnson City	NY	242,863	451,877	None	156	242,863	452,033	694,896	
Queens Village	NY	242,775	451,749	None	None	242,775	451,749	694,524	
Riverhead	NY	143,929	268,795	None	None	143,929	268,795	412,724	
Wellsville	NY	161,331	300,231	None	None	161,331	300,231	461,562	
West Amherst	NY	268,692	499,619	None	156	268,692	499,775	768,467	
Akron	OH	139,126	460,334	None	114	139,126	460,448	599,574	
Beaver Creek	OH	349,091	251,127	None	None	349,091	251,127	600,218	
Beavercreek	OH	205,000	492,538	None	None	205,000	492,538	697,538	
Canal Winchester	OH	443,751	825,491	None	None	443,751	825,491	1,269,242	
Centerville	OH	305,000	420,448	None	None	305,000	420,448	725,448	
Cincinnati	OH	211,185	392,210	None	None	211,185	392,210	603,395	
Cincinnati	OH	305,556	244,662	None	None	305,556	244,662	550,218	

Cincinnati	OH	589,286	160,932	None	None	589,286	160,932	750,218
Cincinnati	OH	159,375	265,842	None	None	159,375	265,842	425,217
Cincinnati	OH	350,000	300,217	None	None	350,000	300,217	650,217
Cincinnati	OH	293,005	0	None	85	293,005	85	293,090
Cleveland	OH	215,111	216,517	None	None	215,111	216,517	431,628
Columbus	OH	71,098	329,627	None	None	71,098	329,627	400,725
Columbus	OH	75,761	351,247	None	None	75,761	351,247	427,008
Columbus	OH	432,110	386,553	None	None	432,110	386,553	818,663
Columbus	OH	466,696	548,133	None	None	466,696	548,133	1,014,829
Columbus	OH	337,679	272,484	None	None	337,679	272,484	610,163
Columbus	OH	190,000	260,162	None	None	190,000	260,162	450,162
Columbus	OH	371,429	278,734	None	None	371,429	278,734	650,163
Columbus	OH	214,737	85,425	24,485	118	214,737	110,028	324,765
Cuyahoga Falls	OH	253,750	271,400	None	None	253,750	271,400	525,150
Dayton	OH	70,000	324,538	None	122	70,000	324,660	394,660
Dublin	OH	437,887	428,046	None	None	437,887	428,046	865,933
Eastlake	OH	321,347	459,774	None	209	321,347	459,983	781,330
Fairfield	OH	323,408	235,024	None	85	323,408	235,109	558,517
Fairlawn	OH	280,000	270,150	None	None	280,000	270,150	550,150

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		Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7)			
Description (Note 1)		Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	Acc Dep (
Findlay	OH	283,515	397,004	None	114	283,515	397,118	680,633	
Hamilton	OH	252,608	413,279	None	None	252,608	413,279	665,887	
Huber Heights	OH	282,000	449,381	None	None	282,000	449,381	731,381	
Lima	OH	241,132	114,085	None	None	241,132	114,085	355,217	
Marion	OH	100,000	275,162	None	None	100,000	275,162	375,162	
Mason	OH	310,990	405,373	None	None	310,990	405,373	716,363	
Middleburg Hghts	OH	317,308	307,842	None	None	317,308	307,842	625,150	
Milford	OH	353,324	269,997	(36,723)	85	314,484	272,199	586,683	
Mt. Vernon	OH	216,115	375,357	None	114	216,115	375,471	591,586	
Norwalk	OH	200,205	366,000	None	114	200,205	366,114	566,319	
Parma	OH	268,966	381,184	None	None	268,966	381,184	650,150	
Reynoldsburg	OH	267,750	497,371	None	None	267,750	497,371	765,121	
Reynoldsburg	OH	374,000	176,162	None	None	374,000	176,162	550,162	
S. Euclid	OH	337,593	451,944	None	None	337,593	451,944	789,537	
Sandusky	OH	264,708	404,011	None	343	264,708	404,354	669,062	
Solon	OH	794,305	222,797	None	None	794,305	222,797	1,017,102	
Springboro	OH	191,911	522,902	None	None	191,911	522,902	714,813	
Springfield	OH	320,000	280,217	None	None	320,000	280,217	600,217	
Springfield	OH	189,091	136,127	None	None	189,091	136,127	325,218	
Stow	OH	310,000	415,150	None	None	310,000	415,150	725,150	
Toledo	OH	120,000	230,217	None	None	120,000	230,217	350,217	
Toledo	OH	320,000	280,217	None	None	320,000	280,217	600,217	
Toledo	OH	250,000	530,217	None	None	250,000	530,217	780,217	
Toledo	OH	250,000	175,217	None	25	250,000	175,242	425,242	
West Chester	OH	446,449	768,644	None	None	446,449	768,644	1,215,093	
Zanesville	OH	125,000	300,162	None	None	125,000	300,162	425,162	
Midwest City	OK	106,312	333,551	None	None	106,312	333,551	439,863	
Oklahoma City	OK	143,655	295,422	None	None	143,655	295,422	439,077	
Tulsa	OK	133,648	249,702	None	None	133,648	249,702	383,350	
Portland	OR	251,499	345,952	None	None	251,499	345,952	597,451	
Salem	OR	337,711	253,855	None	None	337,711	253,855	591,566	
Bethel Park	PA	299,595	331,264	None	114	299,595	331,378	630,973	
Bethlehem	PA	229,162	310,526	None	172	229,162	310,698	539,860	
Bethlehem	PA	275,328	389,067	None	629	275,328	389,696	665,024	
Bridgeville	PA	275,000	375,150	None	None	275,000	375,150	650,150	
Coraopolis	PA	225,000	375,150	None	None	225,000	375,150	600,150	

Harrisburg	PA	131,529	220,317	(2,515)	None	129,014	220,317	349,331
Monroeville	PA	275,000	250,150	None	None	275,000	250,150	525,150
Philadelphia	PA	858,500	877,744	2,319	1,701	858,500	881,764	1,740,264
Pittsburgh	PA	378,715	685,374	None	None	378,715	685,374	1,064,089
Pittsburgh	PA	219,938	408,466	None	None	219,938	408,466	628,404
Pittsburgh	PA	175,000	300,150	None	None	175,000	300,150	475,150
Pittsburgh	PA	243,750	406,400	None	None	243,750	406,400	650,150
Pittsburgh	PA	208,333	416,817	None	None	208,333	416,817	625,150
Pittsburgh	PA	121,429	303,721	None	None	121,429	303,721	425,150
Warminster	PA	323,847	216,999	(3,929)	None	319,918	216,999	536,917
Wexford	PA	284,375	240,775	None	None	284,375	240,775	525,150
York	PA	249,436	347,424	None	404	249,436	347,828	597,264
Charleston	SC	217,250	294,079	None	159	217,250	294,238	511,488
Columbia	SC	267,622	298,594	None	428	267,622	299,022	566,644

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Description (Note 1)		Initial Cost to Company: Land	Initial Cost to Company: Buildings, Improvements and Acquisition Fees	Cost Capitalized Subsequent to Acquisition: Improvements	Cost Capitalized Subsequent to Acquisition: Carrying Costs	Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7): Land	Gross Amount at Which Carried at Close of Period: Buildings, Improvements and Acquisition Fees	Gross Amount at Which Carried at Close of Period: Total	Ac De
Greenville	SC	221,946	315,163	None	168	221,946	315,331	537,277	
Lexington	SC	241,534	342,182	None	302	241,534	342,484	584,018	
North Charleston	SC	174,980	341,466	5,875	5,413	174,980	352,754	527,734	
Sioux Falls	SD	48,833	91,572	None	None	48,833	91,572	140,405	
Brentwood	TN	305,546	505,728	None	None	305,546	505,728	811,274	
Hendersonville	TN	175,764	327,096	None	None	175,764	327,096	502,860	
Hermitage	TN	204,296	172,695	None	None	204,296	172,695	376,991	
Madison	TN	175,769	327,068	None	None	175,769	327,068	502,837	
Memphis	TN	108,094	217,079	None	None	108,094	217,079	325,173	
Memphis	TN	214,110	193,591	None	None	214,110	193,591	407,701	
Memphis	TN	215,017	216,794	None	None	215,017	216,794	431,811	
Murfreesboro	TN	150,411	215,528	None	None	150,411	215,528	365,939	
Nashville	TN	342,960	227,440	None	None	342,960	227,440	570,400	
Carrollton	TX	174,284	98,623	None	None	174,284	98,623	272,907	
Carrolton	TX	177,041	199,088	None	None	177,041	199,088	376,129	
Dallas	TX	234,604	325,951	12,719	15,373	234,604	354,043	588,647	
Fort Worth	TX	83,530	111,960	None	None	83,530	111,960	195,490	
Houston	TX	285,000	369,697	None	128	285,000	369,825	654,825	
Humble	TX	257,169	325,652	None	None	257,169	325,652	582,821	
Hurst	TX	373,084	871,163	23,096	None	373,084	894,259	1,267,343	
Lake Jackson	TX	197,170	256,376	None	None	197,170	256,376	453,546	
Lewisville	TX	130,238	207,683	None	None	130,238	207,683	337,921	
Lewisville	TX	199,942	324,736	None	149	199,942	324,885	524,827	
Mansfield	TX	420,000	780,000	None	None	420,000	780,000	1,200,000	
Waco	TX	232,105	431,053	None	None	232,105	431,053	663,158	
Wylie	TX	252,000	468,000	None	None	252,000	468,000	720,000	
Richmond	VA	403,549	876,981	None	None	403,549	876,981	1,280,530	
Roanoke	VA	349,628	322,545	None	153	349,628	322,698	672,326	
Warrenton	VA	186,723	241,173	None	None	186,723	241,173	427,896	
Bremerton	WA	261,172	373,080	None	2,621	261,172	375,701	636,873	
Tacoma	WA	109,127	202,691	None	None	109,127	202,691	311,818	
Milwaukee	WI	173,005	499,244	None	None	173,005	499,244	672,249	
Milwaukee	WI	152,509	475,480	None	197	152,509	475,677	628,186	
New Berlin	WI	188,491	466,268	None	375	188,491	466,643	655,134	
Racine	WI	184,002	114,167	None	None	184,002	114,167	298,169	
Automotive Tire Services									

Athens	AL	760,031	1,413,494	None	None	760,031	1,413,494	2,173,525
Auburn	AL	660,210	1,228,112	None	500	660,210	1,228,612	1,888,822
Birmingham	AL	635,111	1,180,909	None	500	635,111	1,181,409	1,816,520
Daphne	AL	876,139	1,629,123	None	500	876,139	1,629,623	2,505,762
Decatur	AL	635,111	1,181,499	None	500	635,111	1,181,999	1,817,110
Dothan	AL	455,651	565,343	None	None	455,651	565,343	1,020,994
Foley	AL	870,031	1,617,357	None	500	870,031	1,617,857	2,487,888
Gardendale	AL	610,055	1,134,554	None	500	610,055	1,135,054	1,745,109
Hoover	AL	504,396	938,299	None	None	504,396	938,299	1,442,695
Hoover	AL	620,270	1,153,493	None	None	620,270	1,153,493	1,773,763
Huntsville	AL	635,111	1,181,499	None	None	635,111	1,181,499	1,816,610
Huntsville	AL	499,843	929,863	None	500	499,843	930,363	1,430,206
Madison	AL	635,111	1,181,532	None	None	635,111	1,181,532	1,816,643

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		Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7)		
Description (Note 1)		Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total
Mobile	AL	635,111	1,181,499	None	None	635,111	1,181,499	1,816,610
Mobile	AL	525,750	977,810	None	None	525,750	977,810	1,503,560
Montgomery	AL	544,181	654,046	None	500	544,181	654,546	1,198,727
Orange Beach	AL	630,244	1,172,036	None	500	630,244	1,172,536	1,802,780
Pelham	AL	635,111	1,180,909	None	None	635,111	1,180,909	1,816,020
Phenix City	AL	630,244	1,172,024	None	500	630,244	1,172,524	1,802,768
Tucson	AZ	178,297	396,004	None	None	178,297	396,004	574,301
Arvada	CO	301,489	931,092	None	None	301,489	931,092	1,232,581
Aurora	CO	221,691	492,382	None	None	221,691	492,382	714,073
Aurora	CO	353,283	1,135,051	None	None	353,283	1,135,051	1,488,334
Colorado Springs	CO	280,193	622,317	None	None	280,193	622,317	902,510
Colorado Springs	CO	192,988	433,542	None	None	192,988	433,542	626,530
Denver	CO	688,292	1,331,224	None	None	688,292	1,331,224	2,019,516
Westminster	CO	526,620	1,099,523	None	None	526,620	1,099,523	1,626,143
Destin	FL	1,034,411	1,922,591	None	None	1,034,411	1,922,591	2,957,002
Ft. Walton Bch	FL	635,111	1,181,032	None	500	635,111	1,181,532	1,816,643
Ft. Walton Bch	FL	635,111	1,181,032	None	500	635,111	1,181,532	1,816,643
Lakeland	FL	500,000	645,402	None	None	500,000	645,402	1,145,402
Milton	FL	635,111	1,181,145	None	None	635,111	1,181,145	1,816,256
Niceville	FL	920,803	1,711,621	None	None	920,803	1,711,621	2,632,424
Orlando	FL	630,244	1,172,023	None	None	630,244	1,172,023	1,802,267
Orlando	FL	635,111	1,181,076	None	500	635,111	1,181,576	1,816,687
Oviedo	FL	971,996	1,806,780	None	None	971,996	1,806,780	2,778,776
Pace	FL	630,244	1,171,993	None	500	630,244	1,172,493	1,802,737
Panama City	FL	635,111	1,181,076	None	500	635,111	1,181,576	1,816,687
Pensacola	FL	635,111	1,181,063	None	None	635,111	1,181,063	1,816,174
Pensacola	FL	588,305	1,094,130	None	None	588,305	1,094,130	1,682,435
Pensacola	FL	308,067	573,708	23,430	143	308,067	597,281	905,348
Sanford	FL	630,244	1,172,023	None	None	630,244	1,172,023	1,802,267
St. Cloud	FL	525,207	976,968	None	None	525,207	976,968	1,502,175
Tallahassee	FL	419,902	781,405	None	None	419,902	781,405	1,201,307
Tallahassee	FL	611,916	1,137,986	None	500	611,916	1,138,486	1,750,402
Tampa	FL	427,395	472,030	None	None	427,395	472,030	899,425
Union Park	FL	1,004,103	1,866,287	None	None	1,004,103	1,866,287	2,870,390
Alpharetta	GA	630,244	1,171,870	None	500	630,244	1,172,370	1,802,614
Atlanta	GA	55,840	258,889	1,750	7,080	55,840	267,719	323,559

Columbus	GA	630,244	1,171,988	None	None	630,244	1,171,988	1,802,232
Conyers	GA	531,935	1,180,296	None	None	531,935	1,180,296	1,712,231
Conyers	GA	635,111	1,181,027	None	None	635,111	1,181,027	1,816,138
Duluth	GA	638,509	1,186,594	None	None	638,509	1,186,594	1,825,103
Hiram	GA	635,111	1,181,017	None	None	635,111	1,181,017	1,816,128
Kennesaw	GA	519,903	967,180	None	None	519,903	967,180	1,487,083
Lawrenceville	GA	635,111	1,181,137	None	500	635,111	1,181,637	1,816,748
Marietta	GA	500,293	930,657	None	None	500,293	930,657	1,430,950
McDonough	GA	635,111	1,181,032	None	500	635,111	1,181,532	1,816,643
Peachtree City	GA	625,316	1,162,827	None	None	625,316	1,162,827	1,788,143
Roswell	GA	515,617	959,138	None	None	515,617	959,138	1,474,755
Sandy Springs	GA	586,211	1,090,241	None	None	586,211	1,090,241	1,676,452
Stockbridge	GA	632,128	1,175,478	None	500	632,128	1,175,978	1,808,106
Aurora	IL	513,204	953,885	None	None	513,204	953,885	1,467,089

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Description (Note 1)		Initial Cost to Company: Land	Initial Cost to Company: Buildings, Improvements and Acquisition Fees	Cost Capitalized Subsequent to Acquisition: Improvements	Cost Capitalized Subsequent to Acquisition: Carrying Costs	Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7): Land	Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7): Buildings, Improvements and Acquisition Fees	Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7): Total
Joliet	IL	452,267	840,716	None	None	452,267	840,716	1,292,983
Lombard	IL	428,170	795,965	None	2,000	428,170	797,965	1,226,135
Niles	IL	366,969	682,306	None	None	366,969	682,306	1,049,275
Orland Park	IL	663,087	1,232,240	None	None	663,087	1,232,240	1,895,327
Vernon Hills	IL	524,948	975,668	None	None	524,948	975,668	1,500,616
West Dundee	IL	530,835	986,628	None	None	530,835	986,628	1,517,463
Overland Park	KS	1,101,841	2,047,067	None	None	1,101,841	2,047,067	3,148,908
Winchester	KY	355,474	929,177	20,045	22,651	355,474	971,873	1,327,347
Allston	MA	576,505	1,071,520	None	None	576,505	1,071,520	1,648,025
Shrewsbury	MA	721,065	1,339,913	None	None	721,065	1,339,913	2,060,978
Waltham	MA	338,955	630,279	None	None	338,955	630,279	969,234
Weymouth	MA	752,234	1,397,799	None	None	752,234	1,397,799	2,150,033
Woburn	MA	676,968	1,258,018	None	None	676,968	1,258,018	1,934,986
Annapolis	MD	780,806	1,450,860	None	None	780,806	1,450,860	2,231,666
Bowie	MD	734,558	1,364,970	None	None	734,558	1,364,970	2,099,528
Capital Heights	MD	701,705	1,303,958	None	None	701,705	1,303,958	2,005,663
Germantown	MD	808,296	1,501,913	None	None	808,296	1,501,913	2,310,209
Waldorf	MD	427,033	793,854	None	None	427,033	793,854	1,220,887
Eagan	MN	902,443	845,536	None	None	902,443	845,536	1,747,979
Ferguson	MO	386,112	717,856	None	None	386,112	717,856	1,103,968
Grandview	MO	347,150	711,024	None	None	347,150	711,024	1,058,174
Independence	MO	721,020	1,339,829	None	None	721,020	1,339,829	2,060,849
Charlotte	NC	508,100	457,295	None	None	508,100	457,295	965,395
Charlotte	NC	181,662	338,164	None	None	181,662	338,164	519,826
Clemmons	NC	630,000	1,100,160	None	None	630,000	1,100,160	1,730,160
Jamestown	NC	650,000	857,823	None	None	650,000	857,823	1,507,823
Matthews	NC	489,063	909,052	None	None	489,063	909,052	1,398,115
Omaha	NE	253,128	810,922	None	None	253,128	810,922	1,064,050
Manchester	NH	722,532	1,342,636	None	None	722,532	1,342,636	2,065,168
Newington	NH	690,753	1,283,624	None	None	690,753	1,283,624	1,974,377
Salem	NH	597,833	1,111,059	None	None	597,833	1,111,059	1,708,892
Deptford	NJ	619,376	1,151,062	None	None	619,376	1,151,062	1,770,438
Maple Shade	NJ	508,285	944,750	None	None	508,285	944,750	1,453,035
Akron	OH	242,133	450,467	None	None	242,133	450,467	692,600
Cambridge	OH	103,368	192,760	None	None	103,368	192,760	296,128
Canton	OH	337,161	626,948	None	None	337,161	626,948	964,109
Cleveland	OH	582,107	1,081,848	None	None	582,107	1,081,848	1,663,955
Columbus	OH	385,878	717,422	None	None	385,878	717,422	1,103,300
Oklahoma City	OK	509,370	752,691	None	None	509,370	752,691	1,262,061
Oklahoma City	OK	404,815	771,625	None	None	404,815	771,625	1,176,440

Greensburg	PA	594,891	1,105,589	None	None	594,891	1,105,589	1,700,480
Lancaster	PA	431,050	801,313	None	None	431,050	801,313	1,232,363
Mechanicsburg	PA	455,854	847,377	None	None	455,854	847,377	1,303,231
Monroeville	PA	723,660	1,344,733	None	None	723,660	1,344,733	2,068,393
Philadelphia	PA	334,939	622,821	None	None	334,939	622,821	957,760
Pittsburgh	PA	384,756	715,339	None	None	384,756	715,339	1,100,095
York	PA	389,291	723,760	None	None	389,291	723,760	1,113,051
Columbia	SC	343,785	295,001	183,130	None	343,785	478,131	821,916
Sioux Falls	SD	332,979	498,108	None	None	332,979	498,108	831,087
Goodlettsville	TN	601,306	1,117,504	None	None	601,306	1,117,504	1,718,810

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Description (Note 1)		Initial Cost to Company: Land	Initial Cost to Company: Buildings, Improvements and Acquisition Fees	Cost Capitalized Subsequent to Acquisition: Improvements	Cost Capitalized Subsequent to Acquisition: Carrying Costs	Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7): Land	Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7): Buildings, Improvements and Acquisition Fees	Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7): Total
Hermitage	TN	560,443	1,011,799	None	None	560,443	1,011,799	1,572,242
Arlington	TX	599,558	1,114,256	None	None	599,558	1,114,256	1,713,814
Austin	TX	185,454	411,899	None	None	185,454	411,899	597,353
Austin	TX	710,485	1,320,293	None	None	710,485	1,320,293	2,030,778
Austin	TX	590,828	1,098,073	None	None	590,828	1,098,073	1,688,901
Austin	TX	569,909	1,059,195	None	None	569,909	1,059,195	1,629,104
Austin	TX	532,497	989,715	None	None	532,497	989,715	1,522,212
Carrollton	TX	568,401	1,056,394	None	None	568,401	1,056,394	1,624,795
Conroe	TX	396,068	736,346	None	None	396,068	736,346	1,132,414
Dallas	TX	191,267	424,811	None	73	191,267	424,884	616,151
Fort Worth	TX	543,950	1,010,984	None	None	543,950	1,010,984	1,554,934
Garland	TX	242,887	539,461	None	None	242,887	539,461	782,348
Harlingen	TX	134,599	298,948	None	None	134,599	298,948	433,547
Houston	TX	151,018	335,417	None	None	151,018	335,417	486,435
Houston	TX	392,113	729,002	None	None	392,113	729,002	1,121,115
Houston	TX	1,030,379	1,914,353	None	None	1,030,379	1,914,353	2,944,732
Houston	TX	619,101	1,150,551	None	None	619,101	1,150,551	1,769,652
Houston	TX	642,495	1,193,997	None	None	642,495	1,193,997	1,836,492
Houston	TX	872,866	1,621,829	None	None	872,866	1,621,829	2,494,695
Humble	TX	612,414	1,138,132	None	None	612,414	1,138,132	1,750,546
Leon Valley	TX	178,221	395,834	None	None	178,221	395,834	574,055
Leon Valley	TX	529,967	985,046	None	None	529,967	985,046	1,515,013
Mesquite	TX	591,538	1,099,363	None	None	591,538	1,099,363	1,690,901
N. Richland Hills	TX	509,861	947,707	(189,562)	95	320,299	947,802	1,268,101
Pasadena	TX	107,391	238,519	None	None	107,391	238,519	345,910
Plano	TX	494,407	918,976	None	None	494,407	918,976	1,413,383
Plano	TX	187,564	417,157	700	None	187,564	417,857	605,421
Richardson	TX	555,188	1,031,855	None	None	555,188	1,031,855	1,587,043
San Antonio	TX	245,164	544,518	None	None	245,164	544,518	789,682
San Antonio	TX	688,249	1,278,967	None	None	688,249	1,278,967	1,967,216
Stafford	TX	706,786	1,313,395	None	None	706,786	1,313,395	2,020,181
Waco	TX	401,999	747,362	None	None	401,999	747,362	1,149,361
Webster	TX	600,261	1,115,563	None	None	600,261	1,115,563	1,715,824
Bountiful	UT	183,750	408,115	None	111	183,750	408,226	591,976
Alexandria	VA	542,791	1,008,832	None	None	542,791	1,008,832	1,551,623
Alexandria	VA	592,698	1,101,517	None	None	592,698	1,101,517	1,694,215
Chesapeake	VA	770,000	1,112,334	None	None	770,000	1,112,334	1,882,334
Lynchburg	VA	342,751	637,329	None	None	342,751	637,329	980,080
	VA	780,000	1,026,384	None	None	780,000	1,026,384	1,806,384

Virginia Beach								
Woodbridge	VA	774,854	1,439,806	None	None	774,854	1,439,806	2,214,660
Tacoma	WA	187,111	415,579	None	None	187,111	415,579	602,690
Brown Deer	WI	257,408	802,141	None	None	257,408	802,141	1,059,549
Delafield	WI	324,574	772,702	None	None	324,574	772,702	1,097,276
Madison	WI	452,630	811,977	None	None	452,630	811,977	1,264,607
Oak Creek	WI	420,465	852,408	None	None	420,465	852,408	1,272,873
Aviation								
Dallas Fort Worth Airport	TX	0	37,503,886	None	None	0	37,503,886	37,503,886

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Description (Note 1)		Initial Cost to Company: Land	Initial Cost to Company: Buildings, Improvements and Acquisition Fees	Cost Capitalized Subsequent to Acquisition: Improvements	Cost Capitalized Subsequent to Acquisition: Carrying Costs	Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7): Land	Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7): Buildings, Improvements and Acquisition Fees	Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7): Total
Beverages								
Calistoga	CA	12,677,285	2,750,715	None	None	12,677,285	2,750,715	15,428,000
Calistoga	CA	5,445,030	21,154,970	None	None	5,445,030	21,154,970	26,600,000
Calistoga	CA	6,039,131	1,576,869	None	None	6,039,131	1,576,869	7,616,000
Calistoga	CA	4,988,527	1,999,473	None	None	4,988,527	1,999,473	6,988,000
Calistoga	CA	8,146,907	2,067,093	None	None	8,146,907	2,067,093	10,214,000
Calistoga	CA	12,675,172	4,907,828	None	None	12,675,172	4,907,828	17,583,000
Calistoga	CA	45,184,528	10,437,472	None	None	45,184,528	10,437,472	55,622,000
Calistoga	CA	10,630,191	5,580,929	None	None	10,630,191	5,580,929	16,211,120
Napa	CA	6,000,000	25,000,000	None	None	6,000,000	25,000,000	31,000,000
Napa	CA	11,253,989	2,846,011	None	None	11,253,989	2,846,011	14,100,000
Napa	CA	17,590,091	5,898,149	None	None	17,590,091	5,898,149	23,488,240
Napa	CA	10,777,485	390,515	None	None	10,777,485	390,515	11,168,000
Napa	CA	4,675,262	298,928	None	None	4,675,262	298,928	4,974,190
Napa	CA	6,860,862	524,117	None	None	6,860,862	524,117	7,384,979
Paicines	CA	12,058,127	1,607,783	None	None	12,058,127	1,607,783	13,665,910
St. Helena	CA	15,254,700	4,150,300	None	None	15,254,700	4,150,300	19,405,000
St. Helena	CA	23,471,336	6,589,664	None	None	23,471,336	6,589,664	30,061,000
Shreveport	LA	1,320,003	8,130,438	None	147	1,320,003	8,130,585	9,450,588
Book Stores								
Tampa	FL	998,250	3,696,707	None	79	998,250	3,696,786	4,695,036
Business Services								
Midland	TX	45,500	101,058	None	295	45,500	101,353	146,853
Child Care								
Birmingham	AL	63,800	295,791	None	84	63,800	295,875	359,675
Avondale	AZ	242,723	1,129,139	None	None	242,723	1,129,139	1,371,862
Chandler	AZ	271,695	603,446	9,758	39	271,695	613,243	884,938
Chandler	AZ	291,720	647,923	None	171	291,720	648,094	939,814
Mesa	AZ	308,951	1,025,612	None	None	308,951	1,025,612	1,334,563
Phoenix	AZ	318,500	707,397	32,420	None	318,500	739,817	1,058,317
Phoenix	AZ	115,000	285,172	39,971	22,279	115,000	347,422	462,422
Phoenix	AZ	260,719	516,181	None	32,234	260,719	548,415	809,134
Scottsdale	AZ	291,993	648,529	None	171	291,993	648,700	940,693
Scottsdale	AZ	264,504	587,471	None	27,466	264,504	614,937	879,441
Tempe	AZ	292,200	648,989	None	16,613	292,200	665,602	957,802
Tucson	AZ	304,500	676,303	None	61	304,500	676,364	980,864

Tucson	AZ	283,500	546,878	None	254	283,500	547,132	830,632
Calabasas	CA	156,430	725,248	100,838	58,741	156,430	884,827	1,041,257
Carmichael	CA	131,035	607,507	43,568	None	131,035	651,075	782,110
Chino	CA	155,000	634,071	None	22	155,000	634,093	789,093
Chula Vista	CA	350,563	778,614	None	43,353	350,563	821,967	1,172,530
El Cajon	CA	157,804	731,621	2,540	44,802	157,804	778,963	936,767
Escondido	CA	276,286	613,638	5,000	44,389	276,286	663,027	939,313
Folsom	CA	281,563	625,363	None	46	281,563	625,409	906,972
Mission Viejo	CA	353,891	744,367	12,500	None	353,891	756,867	1,110,758
Oceanside	CA	145,568	674,889	17,000	None	145,568	691,889	837,457

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		Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7)			
Description (Note 1)		Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	Acc Dep (
Palmdale	CA	249,490	554,125	9,864	None	249,490	563,989	813,479	
Rancho Cordova	CA	276,328	613,733	24,967	None	276,328	638,700	915,028	
Rancho Cucamonga	CA	471,733	1,047,739	49,000	80	471,733	1,096,819	1,568,552	
Roseville	CA	297,343	660,411	27,496	None	297,343	687,907	985,250	
Sacramento	CA	290,734	645,732	None	127	290,734	645,859	936,593	
Santee	CA	248,418	551,748	None	None	248,418	551,748	800,166	
Simi Valley	CA	208,585	967,055	22,800	31	208,585	989,886	1,198,471	
Valencia	CA	301,295	669,185	67,995	46	301,295	737,226	1,038,521	
Walnut	CA	217,365	1,007,753	1,200	51,164	217,365	1,060,117	1,277,482	
Aurora	CO	287,000	637,440	None	278	287,000	637,718	924,718	
Broomfield	CO	155,306	344,941	25,000	211	155,306	370,152	525,458	
Colorado Springs	CO	115,542	535,700	None	None	115,542	535,700	651,242	
Colorado Springs	CO	58,400	271,217	25,000	211	58,400	296,428	354,828	
Fort Collins	CO	55,200	256,356	None	None	55,200	256,356	311,556	
Fort Collins	CO	137,734	638,593	41,477	22,120	137,734	702,190	839,924	
Greeley	CO	58,400	270,755	25,000	278	58,400	296,033	354,433	
Greenwood Village	CO	131,216	608,372	6,862	21,189	131,216	636,423	767,639	
Littleton	CO	161,617	358,956	None	82	161,617	359,038	520,655	
Longmont	CO	115,592	535,931	None	71	115,592	536,002	651,594	
Louisville	CO	58,089	269,313	None	211	58,089	269,524	327,613	
Parker	CO	153,551	341,042	None	211	153,551	341,253	494,804	
Westminster	CO	306,387	695,737	None	504	306,387	696,241	1,002,628	
Bradenton	FL	160,060	355,501	25,000	79	160,060	380,580	540,640	
Clearwater	FL	42,223	269,380	None	79	42,223	269,459	311,682	
Jacksonville	FL	184,800	410,447	22,872	189	184,800	433,508	618,308	
Jacksonville	FL	48,000	243,060	None	420	48,000	243,480	291,480	
Margate	FL	66,686	309,183	None	240	66,686	309,423	376,109	
Melbourne	FL	256,439	549,345	None	79	256,439	549,424	805,863	
Niceville	FL	73,696	341,688	None	420	73,696	342,108	415,804	
Orlando	FL	159,177	353,538	None	154	159,177	353,692	512,869	
Orlando	FL	68,001	313,922	None	189	68,001	314,111	382,112	
Orlando	FL	190,050	422,107	5,707	342	190,050	428,156	618,206	
Oviedo	FL	166,409	369,598	None	154	166,409	369,752	536,161	
Panama City	FL	69,500	244,314	78,565	4,560	69,500	327,439	396,939	

Pensacola	FL	147,000	326,492	20,000	240	147,000	346,732	493,732
Royal Palm Beach	FL	194,193	431,309	25,000	None	194,193	456,309	650,502
St. Augustine	FL	44,800	213,040	23,090	189	44,800	236,319	281,119
Sunrise	FL	245,000	533,280	92,266	28,616	245,000	654,162	899,162
Tampa	FL	53,385	199,846	None	154	53,385	200,000	253,385
Duluth	GA	310,000	1,040,008	None	None	310,000	1,040,008	1,350,008
Ellenwood	GA	119,678	275,414	58,545	479	119,678	334,438	454,116
Lawrenceville	GA	141,449	314,161	110,068	7,446	141,449	431,675	573,124
Lithia Springs	GA	187,444	363,358	None	84	187,444	363,442	550,886
Lithonia	GA	239,715	524,459	24,410	25,836	239,715	574,705	814,420
Marietta	GA	292,250	649,095	None	None	292,250	649,095	941,345
Marietta	GA	148,620	330,090	25,000	205	148,620	355,295	503,915
Marietta	GA	301,000	668,529	36,480	9,981	301,000	714,990	1,015,990
Marietta	GA	295,750	596,299	None	17,678	295,750	613,977	909,727
Smyrna	GA	274,750	610,229	None	415	274,750	610,644	885,394

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		Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7)			
Description (Note 1)		Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	Ac De (
Stockbridge	GA	168,700	374,688	24,894	499	168,700	400,081	568,781	
Stone Mountain	GA	65,000	0	None	84	65,000	84	65,084	
Cedar Rapids	IA	194,950	427,085	None	None	194,950	427,085	622,035	
Iowa City	IA	186,900	408,910	None	None	186,900	408,910	595,810	
Addison	IL	125,780	583,146	None	134	125,780	583,280	709,060	
Algonquin	IL	241,500	509,629	28,260	134	241,500	538,023	779,523	
Aurora	IL	468,000	1,259,926	None	None	468,000	1,259,926	1,727,926	
Aurora	IL	165,679	398,738	27,450	21,087	165,679	447,275	612,954	
Bartlett	IL	120,824	560,166	None	None	120,824	560,166	680,990	
Carol Stream	IL	122,831	586,416	None	134	122,831	586,550	709,381	
Crystal Lake	IL	400,000	1,259,424	None	None	400,000	1,259,424	1,659,424	
Elk Grove Village	IL	126,860	588,175	2,394	None	126,860	590,569	717,429	
Glendale Heights	IL	318,500	707,399	None	172	318,500	707,571	1,026,071	
Hoffman Estates	IL	318,500	707,399	None	257	318,500	707,656	1,026,156	
Lake in the Hills	IL	375,000	1,127,678	None	None	375,000	1,127,678	1,502,678	
Lockport	IL	189,477	442,018	None	85	189,477	442,103	631,580	
Naperville	IL	425,000	1,230,654	None	None	425,000	1,230,654	1,655,654	
O'Fallon	IL	141,250	313,722	None	232	141,250	313,954	455,204	
Oswego	IL	380,000	1,165,818	None	None	380,000	1,165,818	1,545,818	
Palatine	IL	121,911	565,232	None	134	121,911	565,366	687,277	
Roselle	IL	297,541	561,037	None	172	297,541	561,209	858,750	
Schaumburg	IL	218,798	485,955	20,461	None	218,798	506,416	725,214	
Vernon Hills	IL	132,523	614,430	None	134	132,523	614,564	747,087	
Westmont	IL	124,742	578,330	None	172	124,742	578,502	703,244	
Fishers	IN	60,000	278,175	2,500	85	60,000	280,760	340,760	
Fishers	IN	212,118	419,958	None	278	212,118	420,236	632,354	
Highland	IN	220,460	436,476	None	314	220,460	436,790	657,250	
Indianapolis	IN	245,000	544,153	None	211	245,000	544,364	789,364	
Lenexa	KS	318,500	707,399	14,200	None	318,500	721,599	1,040,099	
Olathe	KS	304,500	676,308	66,918	186	304,500	743,412	1,047,912	
Overland Park	KS	357,500	1,115,171	None	None	357,500	1,115,171	1,472,671	
Shawnee	KS	288,246	935,875	None	None	288,246	935,875	1,224,121	
Shawnee	KS	315,000	699,629	None	302	315,000	699,931	1,014,931	

Wichita	KS	108,569	352,287	8,286	100	108,569	360,673	469,242
Wichita	KS	209,890	415,549	26,399	16,270	209,890	458,218	668,108
Lexington	KY	210,427	420,883	None	187	210,427	421,070	631,497
Acton	MA	315,533	700,813	None	278	315,533	701,091	1,016,624
Marlborough	MA	352,765	776,488	None	232	352,765	776,720	1,129,485
Westborough	MA	359,412	773,877	42,842	12,173	359,412	828,892	1,188,304
Ellicott City	MD	219,368	630,839	26,550	None	219,368	657,389	876,757
Frederick	MD	203,352	1,017,109	None	None	203,352	1,017,109	1,220,461
Olney	MD	342,500	760,701	4,400	41,605	342,500	806,706	1,149,206
Waldorf	MD	237,207	526,844	None	172	237,207	527,016	764,223
Waldorf	MD	130,430	604,702	None	278	130,430	604,980	735,410
Canton	MI	55,000	378,848	2,913	10,977	55,000	392,738	447,738
Apple Valley	MN	113,523	526,319	None	197	113,523	526,516	640,039
Brooklyn Park	MN	118,111	547,587	None	197	118,111	547,784	665,895
Eden Prairie	MN	124,286	576,243	None	197	124,286	576,440	700,726
Maple Grove	MN	313,250	660,149	None	278	313,250	660,427	973,677
Plymouth	MN	134,221	622,350	None	197	134,221	622,547	756,768

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Description (Note 1)		Initial Cost to Company: Land	Initial Cost to Company: Buildings, Improvements and Acquisition Fees	Cost Capitalized Subsequent to Acquisition: Improvements	Cost Capitalized Subsequent to Acquisition: Carrying Costs	Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7): Land	Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7): Buildings, Improvements and Acquisition Fees	Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7): Total	Accu Dep (N
White Bear Lake	MN	242,165	537,856	None	278	242,165	538,134	780,299	
Florissant	MO	318,500	707,399	78,556	10,975	318,500	796,930	1,115,430	
Florissant	MO	181,300	402,672	34,635	12,499	181,300	449,806	631,106	
Gladstone	MO	294,000	652,987	None	9,295	294,000	662,282	956,282	
Lee's Summit	MO	330,000	993,787	None	None	330,000	993,787	1,323,787	
Lee's Summit	MO	313,740	939,367	None	None	313,740	939,367	1,253,107	
Lee's Summit	MO	239,627	532,220	None	179	239,627	532,399	772,026	
Liberty	MO	65,400	303,211	25,000	123	65,400	328,334	393,734	
North Kansas City	MO	307,784	910,401	None	None	307,784	910,401	1,218,185	
Jackson	MS	248,483	572,522	17,627	17,780	248,483	607,929	856,412	
Pearl	MS	121,801	270,524	18,837	4,207	121,801	293,568	415,369	
Tupelo	MS	121,697	637,691	26,216	9,587	121,697	673,494	795,191	
Cary	NC	75,200	262,973	15,000	187	75,200	278,160	353,360	
Charlotte	NC	134,582	268,222	24,478	139	134,582	292,839	427,421	
Concord	NC	32,441	190,859	None	326	32,441	191,185	223,626	
Durham	NC	175,700	390,234	26,312	187	175,700	416,733	592,433	
Durham	NC	220,728	429,380	None	321	220,728	429,701	650,429	
Kernersville	NC	162,216	316,300	None	223	162,216	316,523	478,739	
Bellevue	NE	60,568	280,819	None	179	60,568	280,998	341,566	
Omaha	NE	142,867	317,315	None	146	142,867	317,461	460,328	
Omaha	NE	60,500	280,491	None	179	60,500	280,670	341,170	
Omaha	NE	53,000	245,720	22,027	179	53,000	267,926	320,926	
Londonderry	NH	335,467	745,082	None	278	335,467	745,360	1,080,827	
Clementon	NJ	279,851	554,060	18,899	None	279,851	572,959	852,810	
Las Vegas	NV	201,250	446,983	None	126	201,250	447,109	648,359	
Beavercreek	OH	179,552	398,786	None	122	179,552	398,908	578,460	
Centerville	OH	174,519	387,613	None	237	174,519	387,850	562,369	
Dublin	OH	84,000	389,446	None	230	84,000	389,676	473,676	
Englewood	OH	74,000	343,083	None	258	74,000	343,341	417,341	
Forest Park	OH	170,778	379,305	None	85	170,778	379,390	550,168	
Huber Heights	OH	245,000	544,153	None	122	245,000	544,275	789,275	
Pickerington	OH	87,580	406,055	None	116	87,580	406,171	493,751	
Westerville	OH	82,000	380,173	None	122	82,000	380,295	462,295	

Westerville	OH	294,350	646,557	None	122	294,350	646,679	941,029
Broken Arrow	OK	78,705	220,434	None	None	78,705	220,434	299,139
Midwest City	OK	67,800	314,338	None	None	67,800	314,338	382,138
Oklahoma City	OK	50,800	214,474	None	173	50,800	214,647	265,447
Oklahoma City	OK	79,000	366,261	17,659	173	79,000	384,093	463,093
Yukon	OK	61,000	282,812	27,000	173	61,000	309,985	370,985
Charleston	SC	140,700	312,498	25,000	376	140,700	337,874	478,574
Charleston	SC	125,593	278,947	None	514	125,593	279,461	405,054
Columbia	SC	58,160	269,643	None	139	58,160	269,782	327,942
Columbia	SC	160,831	313,600	None	223	160,831	313,823	474,654
Goose Creek	SC	61,635	192,905	None	376	61,635	193,281	254,916
Summerville	SC	44,400	174,500	None	321	44,400	174,821	219,221
Sumter	SC	56,010	268,903	None	344	56,010	269,247	325,257
Memphis	TN	238,263	504,897	None	None	238,263	504,897	743,160
Memphis	TN	238,000	528,608	2,734	111	238,000	531,453	769,453
Arlington	TX	241,500	550,559	33,725	54	241,500	584,338	825,838
Arlington	TX	82,109	380,677	12,321	95	82,109	393,093	475,202

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		Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7)			
Description (Note 1)		Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	Accum Depre (No
Arlington	TX	238,000	528,604	(24,713)	605	238,000	504,496	742,496	
Austin	TX	217,878	483,913	29,469	None	217,878	513,382	731,260	
Austin	TX	103,600	230,532	8,750	142	103,600	239,424	343,024	
Austin	TX	236,733	640,023	36,746	254	236,733	677,023	913,756	
Austin	TX	191,636	425,629	15,530	294	191,636	441,453	633,089	
Austin	TX	134,383	623,103	2,379	7,064	134,383	632,546	766,929	
Austin	TX	88,872	222,684	48,416	15,026	88,872	286,126	374,998	
Bedford	TX	241,500	550,559	34,949	73	241,500	585,581	827,081	
Carrollton	TX	277,850	617,113	12,086	18,443	277,850	647,642	925,492	
Cedar Park	TX	168,857	375,036	5,200	282	168,857	380,518	549,375	
Colleyville	TX	250,000	1,070,360	None	None	250,000	1,070,360	1,320,360	
Converse	TX	217,000	481,963	None	294	217,000	482,257	699,257	
Corinth	TX	285,000	1,041,626	None	None	285,000	1,041,626	1,326,626	
Euless	TX	234,111	519,962	None	217	234,111	520,179	754,290	
Flower Mound	TX	281,735	1,099,726	None	None	281,735	1,099,726	1,381,461	
Flower Mound	TX	202,773	442,845	32,069	16,315	202,773	491,229	694,002	
Fort Worth	TX	216,160	427,962	None	149	216,160	428,111	644,271	
Fort Worth	TX	238,000	528,608	None	2,095	238,000	530,703	768,703	
Fort Worth	TX	85,518	396,495	33,279	6,266	85,518	436,040	521,558	
Garland	TX	211,050	468,749	19,199	17,532	211,050	505,480	716,530	
Grand Prairie	TX	167,164	371,276	58,206	16,412	167,164	445,894	613,058	
Houston	TX	294,582	919,276	None	None	294,582	919,276	1,213,858	
Houston	TX	149,109	323,314	5,000	87	149,109	328,401	477,510	
Houston	TX	139,125	308,997	19,128	128	139,125	328,253	467,378	
Houston	TX	219,100	486,631	None	261	219,100	486,892	705,992	
Houston	TX	60,000	278,175	22,168	597	60,000	300,940	360,940	
Houston	TX	141,296	313,824	12,442	2,308	141,296	328,574	469,870	
Humble	TX	278,915	1,034,868	None	None	278,915	1,034,868	1,313,783	
Katy	TX	309,898	983,041	None	None	309,898	983,041	1,292,939	
Lewisville	TX	192,777	428,121	None	95	192,777	428,216	620,993	
Mansfield	TX	181,375	402,839	46,878	17,274	181,375	466,991	648,366	
Mesquite	TX	85,000	394,079	9,855	12,885	85,000	416,819	501,819	
Mesquite	TX	139,466	326,525	39,638	13,047	139,466	379,210	518,676	
Pasadena	TX	60,000	278,173	21,315	14,967	60,000	314,455	374,455	
Plano	TX	250,514	556,399	19,869	10,306	250,514	586,574	837,088	
Plano	TX	261,912	581,658	30,831	18,268	261,912	630,757	892,669	

Round Rock	TX	186,380	413,957	30,800	272	186,380	445,029	631,409
Round Rock	TX	80,525	373,347	None	19,117	80,525	392,464	472,989
San Antonio	TX	182,868	406,155	18,940	None	182,868	425,095	607,963
San Antonio	TX	220,500	447,108	None	115	220,500	447,223	667,723
San Antonio	TX	217,000	481,967	32,529	115	217,000	514,611	731,611
San Antonio	TX	130,833	606,596	None	254	130,833	606,850	737,683
San Antonio	TX	81,530	378,007	None	266	81,530	378,273	459,803
San Antonio	TX	234,500	520,831	None	282	234,500	521,113	755,613
San Antonio	TX	102,512	475,288	None	294	102,512	475,582	578,094
San Antonio	TX	181,412	402,923	None	396	181,412	403,319	584,731
San Antonio	TX	139,125	308,997	30,885	13,386	139,125	353,268	492,393
Sugar Land	TX	339,310	1,000,876	None	None	339,310	1,000,876	1,340,186
Layton	UT	136,574	269,008	None	314	136,574	269,322	405,896
Sandy	UT	168,089	373,330	None	314	168,089	373,644	541,733

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Description (Note 1)		Initial Cost to Company: Land	Initial Cost to Company: Buildings, Improvements and Acquisition Fees	Cost Capitalized Subsequent to Acquisition: Improvements	Cost Capitalized Subsequent to Acquisition: Carrying Costs	Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7): Land	Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7): Buildings, Improvements and Acquisition Fees	Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7): Total
Centreville	VA	371,000	824,003	None	290	371,000	824,293	1,195,293
Chesapeake	VA	190,050	422,107	24,568	None	190,050	446,675	636,725
Glen Allen	VA	74,643	346,060	None	283	74,643	346,343	420,986
Portsmouth	VA	171,575	381,073	24,932	None	171,575	406,005	577,580
Richmond	VA	269,500	598,567	2,740	199	269,500	601,506	871,006
Virginia Beach	VA	69,080	320,270	29,024	13,825	69,080	363,119	432,199
Federal Way	WA	150,785	699,101	None	107	150,785	699,208	849,993
Federal Way	WA	261,943	581,782	27,500	107	261,943	609,389	871,332
Kent	WA	128,300	539,141	None	None	128,300	539,141	667,441
Kent	WA	140,763	678,809	36,500	None	140,763	715,309	856,072
Kirkland	WA	301,000	668,534	None	107	301,000	668,641	969,641
Puyallup	WA	195,552	434,327	27,000	107	195,552	461,434	656,986
Redmond	WA	279,830	621,513	None	107	279,830	621,620	901,450
Renton	WA	111,183	515,490	None	None	111,183	515,490	626,673
Appleton	WI	196,000	424,038	None	370	196,000	424,408	620,408
Waukesha	WI	233,100	461,500	None	370	233,100	461,870	694,970
Waukesha	WI	215,950	427,546	None	370	215,950	427,916	643,866
Consumer Electronics								
Mary Esther	FL	149,696	363,263	60,014	57	149,696	423,334	573,030
Melbourne	FL	269,697	522,414	None	716	269,697	523,130	792,827
Tampa	FL	401,874	933,768	103,336	31,913	401,874	1,069,017	1,470,891
Smyrna	GA	1,094,058	3,090,236	None	None	1,094,058	3,090,236	4,184,294
Richmond	IN	93,999	193,753	2,822	85	93,999	196,660	290,659
Jackson	MI	550,162	571,590	None	None	550,162	571,590	1,121,752
Pineville	NC	567,864	840,284	37,249	39,217	567,864	916,750	1,484,614
Westbury	NY	6,333,590	3,952,773	20,493	None	6,333,590	3,973,266	10,306,856
Bartlett	TN	420,000	674,437	38,966	6,323	420,000	719,726	1,139,726
Convenience Stores								
Daphne	AL	140,000	391,637	None	None	140,000	391,637	531,637
Mobile	AL	190,000	301,637	None	None	190,000	301,637	491,637
Mobile	AL	180,000	421,637	None	None	180,000	421,637	601,637
Florence	AZ	150,000	371,637	None	None	150,000	371,637	521,637
Gilbert	AZ	680,000	1,111,637	None	None	680,000	1,111,637	1,791,637
Litchfield Park	AZ	610,000	531,637	None	None	610,000	531,637	1,141,637

Marana	AZ	180,000	331,637	None	None	180,000	331,637	511,637
Marana	AZ	330,000	911,637	None	None	330,000	911,637	1,241,637
Maricopa	AZ	170,000	361,637	None	None	170,000	361,637	531,637
Mesa	AZ	560,000	821,637	None	None	560,000	821,637	1,381,637
Mesa	AZ	750,000	1,071,637	None	None	750,000	1,071,637	1,821,637
Mesa	AZ	810,000	1,061,637	None	None	810,000	1,061,637	1,871,637
Mesa	AZ	890,000	1,081,637	None	None	890,000	1,081,637	1,971,637
Mesa	AZ	780,000	1,071,637	None	None	780,000	1,071,637	1,851,637
Mesa	AZ	900,000	1,191,637	None	None	900,000	1,191,637	2,091,637
Payson	AZ	210,000	351,637	None	None	210,000	351,637	561,637
Payson	AZ	260,000	311,637	None	None	260,000	311,637	571,637
Peoria	AZ	520,000	751,637	None	None	520,000	751,637	1,271,637
Phoenix	AZ	440,000	511,637	None	None	440,000	511,637	951,637

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Description (Note 1)		Initial Cost to Company: Land	Initial Cost to Company: Buildings, Improvements and Acquisition Fees	Cost Capitalized Subsequent to Acquisition: Improvements	Cost Capitalized Subsequent to Acquisition: Carrying Costs	Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7): Land	Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7): Buildings, Improvements and Acquisition Fees	Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7): Total	Accumulated Depreciation (Note 4)
Phoenix	AZ	360,000	421,637	None	None	360,000	421,637	781,637	131,
Phoenix	AZ	710,000	591,637	None	None	710,000	591,637	1,301,637	184,
Phoenix	AZ	320,000	661,637	None	None	320,000	661,637	981,637	206,
Phoenix	AZ	450,000	651,637	None	None	450,000	651,637	1,101,637	203,
Phoenix	AZ	430,000	711,637	None	None	430,000	711,637	1,141,637	221,
Phoenix	AZ	730,000	931,637	None	None	730,000	931,637	1,661,637	290,
Phoenix	AZ	400,000	931,637	None	None	400,000	931,637	1,331,637	290,
Phoenix	AZ	790,000	1,051,637	None	None	790,000	1,051,637	1,841,637	327,
Pinetop	AZ	170,000	311,637	None	None	170,000	311,637	481,637	97,
Queen Creek	AZ	520,000	891,637	None	None	520,000	891,637	1,411,637	277,
Scottsdale	AZ	210,000	201,637	None	None	210,000	201,637	411,637	62,
Scottsdale	AZ	660,000	1,031,637	None	None	660,000	1,031,637	1,691,637	321,
Sierra Vista	AZ	110,000	301,637	None	None	110,000	301,637	411,637	94,
Tempe	AZ	620,000	1,071,637	None	None	620,000	1,071,637	1,691,637	333,
Tempe	AZ	270,000	461,637	None	None	270,000	461,637	731,637	143,
Tolleson	AZ	460,000	1,231,637	None	None	460,000	1,231,637	1,691,637	383,
Tombstone	AZ	110,000	381,637	None	None	110,000	381,637	491,637	118,
Tucson	AZ	220,000	311,637	None	None	220,000	311,637	531,637	97,
Tucson	AZ	240,000	341,637	None	None	240,000	341,637	581,637	106,
Tucson	AZ	550,000	511,637	None	None	550,000	511,637	1,061,637	159,
Tucson	AZ	126,000	234,565	None	None	126,000	234,565	360,565	72,
Wellton	AZ	120,000	291,637	None	None	120,000	291,637	411,637	90,
Wickenburg	AZ	150,000	291,637	None	None	150,000	291,637	441,637	90,
Manchester	CT	118,262	305,510	None	None	118,262	305,510	423,772	205,
Vernon	CT	179,646	319,372	None	None	179,646	319,372	499,018	214,
Westbrook	CT	98,247	373,340	None	None	98,247	373,340	471,587	250,
Camden	DE	113,811	174,435	None	None	113,811	174,435	288,246	61,
Camden	DE	250,528	379,165	None	None	250,528	379,165	629,693	133,
Dewey	DE	147,465	224,665	None	None	147,465	224,665	372,130	79,
Dover	DE	278,804	421,707	None	None	278,804	421,707	700,511	148,
Dover	DE	367,137	554,207	None	None	367,137	554,207	921,344	194,
Dover	DE	367,425	554,884	None	None	367,425	554,884	922,309	195,
Felton	DE	307,260	464,391	None	None	307,260	464,391	771,651	163,
Greenwood	DE	632,303	1,176,711	None	None	632,303	1,176,711	1,809,014	194,
Harrington	DE	563,812	849,220	None	None	563,812	849,220	1,413,032	298,
Milford	DE	310,049	468,575	None	None	310,049	468,575	778,624	164,
Newcastle	DE	589,325	887,488	None	None	589,325	887,488	1,476,813	312,
Smyrna	DE	121,774	186,436	None	None	121,774	186,436	308,210	65,

Smyrna	DE	401,135	605,332	None	None	401,135	605,332	1,006,467	212,
Townsend	DE	241,416	365,749	None	None	241,416	365,749	607,165	128,
Wilmington	DE	280,682	424,525	None	None	280,682	424,525	705,207	149,
Archer	FL	296,238	578,145	None	None	296,238	578,145	874,383	291,
Bushnell	FL	130,000	291,637	None	None	130,000	291,637	421,637	90,
Clearwater	FL	359,792	311,845	None	None	359,792	311,845	671,637	97,
Cocoa	FL	323,827	287,810	None	None	323,827	287,810	611,637	89,
Deltona	FL	140,000	321,637	None	None	140,000	321,637	461,637	100,
Ellenton	FL	250,000	261,637	None	None	250,000	261,637	511,637	81,
Englewood	FL	270,000	331,637	None	None	270,000	331,637	601,637	103,
Gainesville	FL	515,834	873,187	None	None	515,834	873,187	1,389,021	440,
Gainesville	FL	480,318	600,633	None	None	480,318	600,633	1,080,951	303,

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Description (Note 1)		Initial Cost to Company: Land	Initial Cost to Company: Buildings, Improvements and Acquisition Fees	Cost Capitalized Subsequent to Acquisition: Improvements	Cost Capitalized Subsequent to Acquisition: Carrying Costs	Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7): Land	Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7): Buildings, Improvements and Acquisition Fees	Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7): Total	Accumulated Depreciation (Note 4)
Gainesville	FL	347,310	694,859	None	None	347,310	694,859	1,042,169	350,9
Gainesville	FL	339,263	658,807	None	None	339,263	658,807	998,070	332,6
Gainesville	FL	351,921	552,557	None	None	351,921	552,557	904,478	279,0
Gainesville	FL	500,032	850,291	None	None	500,032	850,291	1,350,323	429,3
Homosassa Springs	FL	740,000	621,637	None	None	740,000	621,637	1,361,637	193,7
Hudson	FL	300,000	351,637	None	None	300,000	351,637	651,637	109,5
Intercession City	FL	161,776	319,861	None	None	161,776	319,861	481,637	99,6
Jacksonville	FL	522,188	371,885	None	None	522,188	371,885	894,073	187,8
Jacksonville	FL	266,111	494,206	None	None	266,111	494,206	760,317	152,3
Key West	FL	873,700	627,937	None	None	873,700	627,937	1,501,637	195,7
Key West	FL	492,785	208,852	None	None	492,785	208,852	701,637	65,0
Lakeland	FL	527,076	464,561	None	None	527,076	464,561	991,637	144,7
Lakeland	FL	300,000	321,637	None	None	300,000	321,637	621,637	100,2
Lakeport	FL	180,342	331,295	None	None	180,342	331,295	511,637	103,2
Land O' Lakes	FL	120,000	361,637	None	None	120,000	361,637	481,637	112,7
Lutz	FL	480,000	421,637	None	None	480,000	421,637	901,637	131,4
Naples	FL	150,000	301,637	None	None	150,000	301,637	451,637	94,0
Naples	FL	620,000	381,637	None	None	620,000	381,637	1,001,637	118,9
New Port Richey	FL	190,000	601,637	None	None	190,000	601,637	791,637	187,5
North Fort Meyers	FL	140,000	281,637	None	None	140,000	281,637	421,637	87,7
Okeechobee	FL	195,075	346,562	None	None	195,075	346,562	541,637	108,0
Orlando	FL	240,000	301,637	None	None	240,000	301,637	541,637	94,0
Palm Bay	FL	230,880	300,757	None	None	230,880	300,757	531,637	93,7
Palm Harbor	FL	510,000	381,637	None	None	510,000	381,637	891,637	118,9
Panama City	FL	210,000	431,637	None	None	210,000	431,637	641,637	134,5
Pensacola	FL	168,000	312,727	None	None	168,000	312,727	480,727	96,4
Port Charlotte	FL	170,000	311,637	None	None	170,000	311,637	481,637	97,1
Port Charlotte	FL	200,000	356,637	None	None	200,000	356,637	556,637	111,1
Port Orange	FL	609,438	512,199	None	None	609,438	512,199	1,121,637	159,6
Punta Gorda	FL								