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, 2013

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 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

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, 2013, the aggregate market value of the Registrant s shares of common stock, $0.01 par value, held by non-affiliates of the Registrant was $8.2 billion based upon the last reported sale price of $41.92 per share on the New York Stock Exchange on June 28, 2013, the last business day of the Registrant s most recently completed second fiscal quarter.

At January 29, 2014, the number of shares of common stock outstanding was 207,593,695, the number of shares of Class E preferred stock outstanding was 8,800,000 and the number of shares of Class F preferred stock outstanding was 16,350,000.

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 6, 2014, 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.

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REALTY INCOME CORPORATION

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PART I

Item 1: Business

THE COMPANY

Realty Income Corporation, The Monthly Dividend Company®, or Realty Income, is a publicly traded real estate company with the primary business objective of generating dependable monthly cash dividends from a consistent and predictable level of cash flow from operations. Our monthly dividends are supported by the cash flow from our portfolio of properties leased to commercial tenants. We have in-house acquisition, leasing, legal, credit research, real estate research, portfolio management (including property and asset management), and capital markets expertise. Over the past 45 years, Realty Income and its predecessors have been acquiring and owning freestanding commercial properties that generate rental revenue under long-term lease agreements.

Realty Income was founded in 1969, and in 1994 was listed on the New York Stock Exchange, or NYSE. We elected to be taxed as a real estate investment trust, or REIT, requiring us to distribute dividends to our stockholders aggregating at least 90% of our taxable income (excluding net capital gains).

We seek to increase distributions to stockholders and funds from operations, or 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.

At December 31, 2013, we owned a diversified portfolio:

- Of 3,896 properties;
- With an occupancy rate of 98.2%, or 3,826 properties leased and 70 properties available for lease;

- Leased to 205 different commercial tenants doing business in 47 separate industries;
- Located in 49 states and Puerto Rico;
- With over 62.6 million square feet of leasable space; and
- With an average leasable space per property of approximately 16,100 square feet, including approximately 10,600 square feet per retail property.

Of the 3,896 properties in the portfolio, 3,876, or 99.5%, are single-tenant properties, and the remaining twenty are multi-tenant properties. At December 31, 2013, of the 3,876 single-tenant properties, 3,807 were leased with a weighted average remaining lease term (excluding rights to extend a lease at the option of the tenant) of approximately 10.8 years.

In acquiring additional properties, our strategy is primarily to acquire freestanding, single-tenant locations under long-term, net lease agreements. 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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Our nine senior officers owned 0.4% of our outstanding common stock with a market value of $33.3 million at January 29, 2014. Our directors and nine senior officers, as a group, owned 0.6% of our outstanding common stock with a market value of $51.7 million at January 29, 2014.

Our common stock is listed on the NYSE under the ticker symbol O with a cusip number of 756109-104. Our central index key number is 726728.

Our 6.75% Monthly Income Class E Cumulative Redeemable Preferred Stock is listed on the NYSE under the ticker symbol OprE with a cusip number of 756109-708.

Our 6.625% Monthly Income Class F Cumulative Redeemable Preferred Stock is listed on the NYSE under the ticker symbol OprF with a cusip number of 756109-807.

In January 2014, we had 116 employees as compared to 97 employees in January 2013.

We maintain a corporate 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 Dividends to Common Stockholders

We have continued our 45-year policy of paying monthly dividends. In addition, we increased the dividend five times during 2013.

2013 Dividend increases	Month Paid	Dividend per share	Increase per share
1st increase	Jan 2013	$ 0.1517500	$ 0.0003125
2nd increase	Feb 2013	0.1809167	0.0291667
3rd increase	Apr 2013	0.1812292	0.0003125
4th increase	Jul 2013	0.1815417	0.0003125
5th increase	Oct 2013	0.1818542	0.0003125

The dividends paid per share during 2013 as compared to 2012 increased 21.2%, which is the largest annual increase in the company s history. The 2013 dividends paid per share totaled $2.1474587 as compared to $1.7716250 in 2012, an increase of $0.3758337.

In December 2013, we declared an increased dividend of $0.1821667 per share, which was paid in January 2014. The increase in January 2014 was our 65th consecutive quarterly increase and the 74th increase in the amount of the dividend since our listing on the NYSE in 1994. In January 2014 and February 2014, we declared dividends of $0.1821667 per share, which will be paid in February 2014 and March 2014, respectively.

The monthly dividend of $0.1821667 per share represents a current annualized dividend of $2.186 per share, and an annualized dividend yield of approximately 5.9% based on the last reported sale price of our common stock on the NYSE of $37.33 on December 31, 2013. Although we expect to continue our policy of paying monthly dividends, we cannot guarantee that we will maintain our current level of dividends, that we will continue our pattern of increasing dividends per share, or what our actual dividend yield will be in any future period.

Acquisitions During 2013

During 2013, we invested $1.51 billion in 459 new properties and properties under development or expansion, with an initial weighted average contractual lease rate of 7.1%. The 459 new properties and properties under development or expansion are located in 40 states, will contain approximately 9.0 million leasable square feet, and are 100% leased with a weighted average lease term of 14.0 years. The tenants occupying the new properties operate in 23 industries and the property types consist of 83.8% retail, 9.2% office, 4.9% industrial and distribution, and 2.1% manufacturing, based on rental revenue. These investments are in addition to the $3.2 billion acquisition of 515 properties of American Realty Capital Trust, Inc., or ARCT, which were added to our real estate portfolio during the first quarter of 2013. Our combined total investment in real estate assets during 2013 was $4.67 billion in 974 new properties and properties under development or expansion. During 2013, none of our real estate investments caused any one tenant to be 10% or more of our total assets at December 31, 2013.

In conjunction with our acquisition of ARCT, each outstanding share of ARCT common stock was converted into the right to receive a combination of: (i) $0.35 in cash and (ii) 0.2874 shares of our common stock, resulting in the issuance of a total of approximately 45.6 million shares of our common stock to ARCT shareholders, valued at a per share amount of $44.04, which was the closing sale price of our common stock on January 22, 2013. In connection with the closing of this acquisition, we terminated and repaid the amounts then outstanding of approximately $552.9 million under ARCT s revolving credit facility and term loan. In connection with our acquisition of ARCT, we assumed approximately $516.3 million of mortgages payable. We incurred merger costs of $13.0 million and $7.9 million, respectively, in 2013 and 2012. The total merger costs were approximately $21 million.

Our acquisition of ARCT provided benefits to Realty Income, including accretion to net earnings, growth in the size of our real estate portfolio, diversification of industries and property type, and increase in the percentage of investment grade tenants.

The 515 properties added to our real estate portfolio as a result of the ARCT acquisition, are located in 44 states and Puerto Rico, contain over 16.0 million leasable square feet and are 100% leased with a weighted average lease term of 12.2 years. The 69 tenants, occupying the 515 properties acquired, operate in 28 industries and the property types consist of 54.0% retail, 32.6% industrial and distribution, and 13.4% office, based on rental revenue.

The estimated initial weighted average contractual lease rate for a property is generally computed as estimated contractual net operating income, which, in the case of a net leased property, is equal to the aggregate base rent under the lease for the first full year of each lease, divided by the total cost of the property. 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.

In the case of a property under development or expansion, the estimated initial weighted average contractual lease rate is computed as follows: estimated net operating income (which is calculated by multiplying the capitalization rate determined by the lease by our projected total investment in the property, including land, construction and capitalized interest costs) for the first full year of each lease, divided by such projected total investment in the property. Of the $4.67 billion we invested during 2013, $39.6 million was invested in 21 properties under development or expansion, with an estimated initial weighted average contractual lease rate of 8.5%. We may continue to pursue development or expansion opportunities under similar arrangements in the future.

John P. Case Appointed Chief Executive Officer (CEO)

In September 2013, we announced that our Board of Directors appointed John P. Case as CEO of the company. Mr. Case, who had previously served as President and Chief Investment Officer, succeeded Tom A. Lewis, who retired as our CEO. Mr. Lewis had been our CEO since 1997. Mr. Case is only the third CEO in Realty Income s 45-year history.

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Portfolio Discussion

Leasing Results

At December 31, 2013, we had 70 properties available for lease out of 3,896 properties in our portfolio, which represents a 98.2% occupancy rate. Since December 31, 2012, when we reported 84 properties available for lease and a 97.2% occupancy rate, we:

- Leased 27 properties;
- Sold 19 properties available for lease; and
- Have 32 new properties available for lease.

During 2013, 136 properties with expiring leases were leased to either existing or new tenants. The annual rent on these leases was $16.1 million, as compared to the previous rent on these same properties of $16.0 million. At December 31, 2013, our average annualized rental revenue was approximately $13.21 per square foot on the 3,807 leased properties in our portfolio. At December 31, 2013, we classified 12 properties with a carrying amount of $12.0 million as held for sale on our balance sheet.

Investments in Existing Properties

In 2013, we capitalized costs of $8.5 million on existing properties in our portfolio, consisting of $1.3 million for re-leasing costs and $7.2 million for building and tenant improvements. In 2012, we capitalized costs of $6.6 million on existing properties in our portfolio, consisting of $1.62 million for re-leasing costs and $4.93 million for building and tenant 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, tenant credit worthiness, and the willingness of tenants to pay higher rents over the terms of the leases.

Amendment to Credit Facility

In October 2013, we amended our credit facility by increasing the borrowing capacity by $500 million to $1.5 billion. All other material business terms of the credit facility remain unchanged.

Note Issuance

In July 2013, we issued $750 million of 4.65% senior unsecured notes due August 2023, or the 2023 Notes. The price to the investors for the 2023 Notes was 99.775% of the principal amount for an effective yield of 4.678% per annum. The total net proceeds of approximately $741.4 million from this offering were used to repay all outstanding borrowings under our acquisition credit facility, and the remaining proceeds were used for general corporate purposes, including additional property acquisitions. Interest is paid semiannually on the 2023 Notes.

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Accelerated Stock Vesting

The Compensation Committee of our Board of Directors approved, effective July 1, 2013, the accelerated vesting of each restricted stock award that had originally been granted with ten-year vesting to five years. On July 1, 2013, 212,827 restricted shares vested as a result of this acceleration, resulting in additional compensation expense of $3.7 million during 2013.

Issuance of Common Stock

In October 2013, we issued 9,775,000 shares of common stock at a price of $40.63 per share, including 1,275,000 shares purchased by the underwriters upon the exercise of their option to purchase additional shares. After underwriting discounts and other estimated offering costs of $18.7 million, the net proceeds of approximately $378.5 million were used to repay a portion of the borrowings under our acquisition credit facility, which were used to fund property acquisitions.

In March 2013, we issued 17,250,000 shares of common stock at a price of $45.90 per share. After underwriting discounts and other offering costs of $36.7 million, the net proceeds of $755.1 million were used to redeem our 5.375% notes in March 2013 and repay borrowings under our acquisition credit facility, which were used to fund property acquisitions, including our acquisition of ARCT.

In connection with our January 2013 acquisition of ARCT, we issued a total of 45,573,144 shares of our common stock to ARCT shareholders and redeemed 208,709 shares of our common stock that were previously held by ARCT.

Dividend Reinvestment and Stock Purchase Plan

In March 2011, we established a Dividend Reinvestment and Stock Purchase Plan, or the DRSPP, to provide our common stockholders, as well as new investors, with a convenient and economical method of purchasing our common stock and reinvesting their distributions. The DRSPP also allows our current stockholders to buy additional shares of common stock by reinvesting all or a portion of their distributions. The DRSPP authorizes up to 6,000,000 common shares to be issued. During 2013, we issued 1,449,139 shares and raised approximately $55.6 million under the DRSPP.

Note Repayment

In March 2013, we repaid the $100 million of outstanding 5.375% notes, plus accrued and unpaid interest, using proceeds from our March 2013 common stock offering and our credit facility.

Term Loan

In January 2013, in conjunction with our acquisition of ARCT, we entered into a $70 million senior unsecured term loan maturing January 21, 2018, to partially repay the then outstanding ARCT term loan. Borrowing under the term loan bears interest at LIBOR, plus 1.20%. In conjunction with this term loan, we also acquired an interest rate swap which essentially fixes our per annum interest rate on the term loan at 2.15%.

Noncontrolling Interests

As consideration for two separate acquisitions during 2013, partnership units of Tau Operating Partnership, L.P. and Realty Income, L.P. were issued to third parties. These units (discussed in the following paragraphs below) do not have voting rights, are entitled to monthly distributions equal to the amount paid to our common stockholders, and are redeemable in cash or our common stock, at our option and at a conversion ratio of one to one, subject to certain exceptions. As the general partner for each of these partnerships, we have operating and financial control over these entities, consolidate them in our financial statements, and record the partnership units held by third parties as noncontrolling interests.

Issuance of Common and Preferred Partnership Units

In connection with our acquisition of ARCT in January 2013, we issued 317,022 common partnership units and 6,750 preferred partnership units. These common units are entitled to monthly distributions equivalent to the per common share amounts paid to the common stockholders of Realty Income. The preferred units have a par value of $1,000, and are entitled to monthly payments at a rate of 2% per annum, or $135,000 per year.

In June 2013, we issued 534,546 common partnership units of Realty Income, L.P. These common units are entitled to monthly distributions equivalent to the per common share amount paid to the common stockholders of Realty Income.

Universal Shelf Registration

In February 2013, we filed a shelf registration statement with the SEC, which is effective for a term of three years and will expire in February 2016. This replaces our prior shelf registration statement. In accordance with 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 (1) common stock, (2) preferred stock, (3) debt securities, (4) depositary shares representing fractional interests in shares of preferred stock, (5) warrants to purchase debt securities, common stock, preferred stock or depositary shares, and (6) 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.

Net Income Available to Common Stockholders

Net income available to common stockholders was $203.6 million in 2013, compared to $114.5 million in 2012, an increase of $89.1 million. On a diluted per common share basis, net income was $1.06 in 2013, as compared to $0.86 in 2012, an increase of $0.20, or 23.3%. Net income available to common stockholders for 2013 includes $13.0 million of merger-related costs for the acquisition of ARCT, which represents $0.07 on a diluted per common share basis, and $3.7 million for accelerated vesting of restricted shares that occurred in July 2013 from ten-year vesting to five years, which represents $0.02 on a diluted per common share basis. Net income available to common stockholders for 2012 includes $7.9 million of merger-related costs for the acquisition of ARCT, which represents $0.06 on a diluted per common share basis, and a $3.7 million charge for the excess of redemption value over carrying value of the shares of our 7.375% Monthly Income Class D Cumulative Redeemable Preferred Stock, or Class D preferred stock, which represents $0.03 on a diluted per common share basis.

The calculation to determine net income available to common stockholders includes gains from the sale of properties. 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.

Gains from the sale of properties during 2013 were $64.7 million, as compared to gains from the sale of properties of $9.9 million during 2012.

Funds from Operations Available to Common Stockholders (FFO) and Normalized Funds from Operations Available to Common Stockholders (Normalized FFO)

In 2013, our FFO increased by $188.1 million, or 72.1%, to $449.0 million versus $260.9 million in 2012. On a diluted per common share basis, FFO was $2.34 in 2013, compared to $1.96 in 2012, an increase of $0.38, or 19.4%. FFO in 2013 includes $13.0 million of merger-related costs, which represents $0.07 on a diluted per common share basis, and $3.7 million for accelerated vesting of restricted shares that occurred in July 2013 from ten-year vesting to five years, which represents $0.02 on a diluted per common share basis. FFO for 2012 includes $7.9 million of merger-related costs, which represents $0.06 on a diluted per common share basis, and includes a $3.7 million charge for the excess of redemption value over carrying value of the shares of our Class D preferred stock, which represents $0.03 on a diluted per common share basis.

We define normalized FFO as FFO excluding the merger-related costs for our acquisition of ARCT. In 2013, our normalized FFO increased by $193.2 million, or 71.9%, to $462.0 million, versus $268.8 million in 2012. On a diluted common share basis, normalized FFO was $2.41 in 2013, compared to $2.02 in 2012, an increase of $0.39, or 19.3%.

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

Adjusted Funds from Operations Available to Common Stockholders (AFFO)

In 2013, our AFFO increased by $188.9 million, or 68.9%, to $463.1 million versus $274.2 million in 2012. On a diluted per common share basis, AFFO was $2.41 in 2013, compared to $2.06 in 2012, an increase of $0.35, or 17.0%.

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

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DIVIDEND POLICY

Distributions are paid monthly to holders of shares of our common stock, 6.75% Monthly Income Class E Cumulative Redeemable Preferred Stock, or Class E preferred stock, and 6.625% Monthly Income Class F Cumulative Redeemable Preferred Stock, or Class F preferred stock, if, and when, declared by our Board of Directors.

Distributions are paid monthly to the limited partners holding common units of Tau Operating Partnership, L.P. and Realty Income, L.P., each on a per unit basis that is generally equal to the amount paid per share to our common stockholders.

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 2013, our cash distributions to preferred and common stockholders totaled $451.2 million, or approximately 161.4% of our estimated taxable income of $279.6 million. Our estimated taxable income reflects non-cash deductions for depreciation and amortization. Our estimated taxable income is presented to show our compliance with REIT dividend requirements and is not a measure of our liquidity or operating performance. We intend to continue to make distributions to our stockholders that are sufficient to meet this dividend 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 2013 cash distributions to common stockholders totaled $409.2 million, representing 88.4% of our adjusted funds from operations available to common stockholders of $463.1 million.

The Class E preferred stockholders receive cumulative distributions at a rate of 6.75% per annum on the $25.00 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 $25.00 per share liquidation preference (equivalent to $1.65625 per annum per share). Dividends on our Class E and Class F 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, normalized FFO, AFFO, cash flow from operations, financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code of 1986, as amended, or the Code, our debt service requirements and any other factors our Board of Directors may deem relevant. In addition, our credit facility contains financial covenants that could limit the amount of distributions paid 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   is generally 20%. 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 certain taxable corporations (such as our taxable REIT subsidiaries) 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, but not below zero. Distributions in excess of that basis generally will be taxable as a capital gain to stockholders who hold their shares as a capital asset. Approximately 38.7% of the distributions to our common stockholders, made or deemed to have been made in 2013, were classified as a return of capital for federal income tax purposes. We estimate that in 2014, between 15% and 30% of the distributions may be classified as a return of capital.

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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. 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 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 $1.5 billion 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, 2013, our total outstanding borrowings of senior unsecured notes, term loan, mortgages payable and credit facility borrowings were $4.18 billion, or approximately 33.2% of our total market capitalization of $12.59 billion.

We define our total market capitalization at December 31, 2013 as the sum of:

- Shares of our common stock outstanding of 207,485,073, plus total common units of 851,568, multiplied by the last reported sales price of our common stock on the NYSE of $37.33 per share on December 31, 2013, or $7.78 billion;
- Aggregate liquidation value (par value of $25.00 per share) of the Class E preferred stock of $220.0 million;
- Aggregate liquidation value (par value of $25.00 per share) of the Class F preferred stock of $408.8 million;
- Outstanding borrowings of $128.0 million on our credit facility;
- Outstanding mortgages payable of $783.4 million, which includes net mortgage premiums of $28.9 million;
- Outstanding borrowings of $70.0 million on our term loan; and

• Outstanding senior unsecured notes and bonds of $3.2 billion, which excludes unamortized original issuance discounts of $14.5 million.

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 of our properties typically pay rent increases based on: 1) increases in the consumer price index (typically subject to ceilings), 2) additional rent calculated as a percentage of the tenants gross sales above a specified level, or 3) fixed increases. We believe that a portfolio of properties owned under long-term net leases 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, we generally focus on providing capital to owners and operators of commercial tenants by acquiring the real estate they consider important to the successful operation of their business.

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We primarily focus on acquiring properties with many of the following attributes:

- Tenants with reliable and sustainable cash flow;
- Tenants with revenue and cash flow from multiple sources;
- Tenants that are willing to sign a long-term lease (10 or more years);
- Tenants that are 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 with property valuations at or below replacement cost;
- Properties with rental or lease payments that are at or below market rents; and
- Property transactions where we can achieve an attractive spread over our cost of capital.

From a retail perspective, our investment focus has primarily been on businesses 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, 2013, approximately 59.1% 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.

Diversification is also a key objective of our investment strategy. We believe that diversification of the portfolio by tenant, industry, property type, and geographic location leads to more predictable investment results for our shareholders by reducing vulnerability that can come with any single concentration. Our investment efforts have led to a diversified property portfolio that, as of December 31, 2013, consisted of 3,896 properties located in 49 states and Puerto Rico, leased to 205 different commercial tenants doing business in 47 industry segments. Each of the 47 industry segments, represented in our property portfolio, individually accounted for no more than 10.6% of our rental revenue for the quarter ended December 31, 2013.

Credit Strategy

We typically acquire and lease properties to tenants in transactions where we can achieve an attractive risk-adjusted return. Since 1970, our occupancy rate at the end of each year has never been below 96%.

We believe the principal financial obligations for most of our tenants 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 or which are critical to the tenant s ability to generate revenue, 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 and critical locations in order to survive; in the event of reorganization they are less likely to reject a lease for a profitable or critical 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 real estate leases can be further mitigated by monitoring the performance of the tenants individual 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 four-part analysis that examines each potential investment based on:

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

Prior to entering into any transaction, our investment professionals, assisted by our research department, conduct a review of a tenant s credit quality. The information reviewed may include reports and filings, including any public credit ratings, financial statements, debt and equity analyst reports, and reviews of corporate credit spreads, stock prices, market capitalization and other financial metrics. We conduct additional due diligence, including additional financial reviews of the tenant and a more comprehensive review of the business segment and industry in which the tenant operates. We continue to monitor our tenants credit quality on an ongoing basis by reviewing the available information previously discussed, and providing summaries of these findings to management.

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Acquisition Strategy

We seek to invest in industries in which several, well-organized, regional and national commercial tenants are capturing market share through service, quality control, economies of scale, strong consumer brands, advertising, and the selection of prime locations. Our acquisition strategy is to act as a source of capital to regional and national commercial tenants by acquiring and leasing back their real estate locations. In addition, we frequently acquire large portfolios of properties net leased to multiple tenants in a variety of industries. We have an internal team dedicated to sourcing such opportunities, often using our proprietary relationships with various tenants, owners/developers, and advisors to uncover and secure transactions. We also undertake thorough research and analysis to identify what we consider to be appropriate industries, tenants and property locations for investment. This 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 tenants;
- 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.

Portfolio Management Strategy

The active management of the property portfolio is also 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.

We 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, 2013, we classified real estate with a carrying amount of $12.0 million as held for sale on our balance sheet. In 2014, we intend to continue our active disposition efforts to further enhance our real estate portfolio and anticipate approximately $50 million in property sales for all of 2014. 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 at our estimated values or be able to invest the property sale proceeds in new properties.

Impact of Real Estate and Credit Markets

In the commercial real estate market, property prices generally continue to fluctuate. Likewise, during certain periods, 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 continually monitor the commercial real estate and U.S. credit markets carefully and, if required, will make decisions to adjust our business strategy accordingly.

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Universal Shelf Registration

In February 2013, we filed a shelf registration statement with the SEC, which is effective for a term of three years and will expire in February 2016. This replaces our prior shelf registration statement. In accordance with 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 (1) common stock, (2) preferred stock, (3) debt securities, (4) depositary shares representing fractional interests in shares of preferred stock, (5) warrants to purchase debt securities, common stock, preferred stock or depositary shares, and (6) 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.

$1.5 Billion Acquisition Credit Facility

In October 2013, we increased our unsecured acquisition credit facility from $1.0 billion to $1.5 billion. The initial term of the credit facility expires in May 2016 and includes, at our election, a one-year extension option. Under this credit facility, our current investment grade credit ratings provide for financing at the London Interbank Offered Rate, commonly referred to as LIBOR, plus 1.075% with a facility commitment fee of 0.175%, for all-in drawn pricing of 1.25% 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 this credit facility. Our credit facility is unsecured and, accordingly, we have not pledged any assets as collateral for this obligation.

At December 31, 2013, we had a borrowing capacity of $1.372 billion available on our credit facility (subject to customary conditions to borrowing) and an outstanding balance of $128.0 million. The interest rate on borrowings outstanding under our credit facility, at December 31, 2013, was 1.2% per annum. We must comply with various financial and other covenants in our credit facility. At December 31, 2013, 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 regularly review our credit facility and may seek to extend or replace our credit facility, to the extent we deem appropriate.

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 the refinancing will enable us to issue equity or debt securities upon acceptable terms.

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, 2013, we had cash and cash equivalents totaling $10.3 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 next twelve months. We intend, however, to use permanent or long-term capital to fund property acquisitions and to repay future borrowings under our credit facility.

Credit Agency Ratings

The borrowing interest rates under our credit facility are based upon our ratings assigned by credit rating agencies. 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+ with a stable outlook, Moody s Investors Service has assigned a rating of Baa1 with a stable outlook, and Standard & Poor s Ratings Group has assigned a rating of BBB+ with a stable outlook.

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Based on our current ratings, the credit facility interest rate is LIBOR plus 1.075% with a facility commitment fee of 0.175%, for all-in drawn pricing of 1.25% basis points over LIBOR. The credit facility provides that the interest rate can range between: (i) LIBOR plus 1.85% if our credit facility is lower than BBB-/Baa3 and (ii) LIBOR plus 1.00% 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 range from: (i) 0.45% for a rating lower than BBB-/Baa3, and (ii) 0.15% for a credit rating of A-/A3 or higher.

We also issue senior debt securities 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.

Notes Outstanding

As of December 31, 2013, we had $3.2 billion of senior unsecured note and bond obligations, excluding unamortized original issuance discounts of $14.5 million. All of our outstanding notes and bonds have fixed interest rates. Interest on all of our senior note and bond obligations is paid semiannually.

Mortgage Debt

As of December 31, 2013, we had $754.5 million of mortgages payable, all of which were assumed in connection with our property acquisitions. Included in this amount is $514.4 million of mortgages payable assumed in connection with the ARCT acquisition. Additionally, at December 31, 2013, we had net premiums totaling $28.9 million on these mortgages, of which $16.2 million is in connection with the ARCT acquisition.

Term Loan

In January 2013, in conjunction with our acquisition of ARCT, we entered into a $70 million senior unsecured term loan maturing in January 2018. Borrowing under the term loan bears interest at LIBOR, plus 1.20%. In conjunction with this term loan, we also acquired an interest rate swap which essentially fixes our per annum interest rate on the term loan at 2.15%.

No Unconsolidated Investments

We have no unconsolidated investments, nor do we engage in trading activities involving energy or commodity contracts.

Corporate Responsibility

Realty Income is committed to providing an enjoyable, diverse and safe working atmosphere for our employees, to upholding our responsibilities as a public company operating for the benefit of our shareholders and to being mindful of the environment. As The Monthly Dividend Company®, we believe our primary responsibility is to provide a dividend return to our shareholders. How we manage and use the physical, human and financial resources that enable us to acquire and own the real estate, which provides us with the lease revenue to pay monthly dividends, demonstrates our commitment to corporate responsibility.

Social Responsibility and Ethics. We are committed to being socially responsible and conducting our business according to the highest ethical standards. Our employees enjoy compensation that is in line with those of our peers and competitors, including generous healthcare benefits for employees and their families; participation in a 401K plan with a matching contribution by Realty Income; competitive vacation and time-off benefits; paid maternity leave and an infant-at-work program for new parents. Our employees also have access to members of our Board of Directors to report anonymously, if desired, any suspicion of misconduct, by any member of our senior management or executive team. We also have a long-standing commitment to equal employment opportunity and adhere to all Equal Employer Opportunity Policy guidelines.

We apply the principles of full and fair disclosure in all of our business dealings, as outlined in our Corporate Code of Business Ethics. We are also committed to dealing fairly with all of our customers, suppliers and competitors.

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Corporate Governance. We believe that nothing is more important than a company s reputation for integrity and serving as a responsible fiduciary for its shareholders. We are committed to managing the company for the benefit of our shareholders and are focused on maintaining good corporate governance. Practices that illustrate this commitment include:

- Our Board of Directors is comprised of eight directors, six of which are independent, non-employee directors
- Our Board of Directors is elected on an annual basis
- We employ a majority vote standard for elections
- Our Compensation Committee of the Board of Directors works with independent consultants, in conducting annual compensation reviews for our key executives, and compensates each individual based on reaching certain performance metrics that determine the success of our company
- We adhere to all other corporate governance principles outlined in our Corporate Governance Guidelines document.

Environmental Practices. Our focus on energy related matters is demonstrated by how we manage our day-to-day activities in our corporate headquarters building. In our headquarters building we promote energy conservation and encourage the following practices:

- Powering down office equipment at the end of the day
- Setting fax and copier machines to energy saver mode
- Encouraging employees to reduce paper usage whenever possible, by storing documents electronically and using duplex copy mode;
- Employing an automated lights out system that is activated 24/7; and
- Programming HVAC to only operate during normal business operating hours

In addition, our headquarters building was constructed according to the State of California energy standards and we have installed solar panels on our roof to fulfill our energy requirements. All of the windows on our building are dual-paned to increase energy efficiency and reduce our carbon footprint.

With respect to recycling and reuse practices, we encourage the use of recycled products and the recycling of materials during our operations. Recycling bins are placed in all areas where materials are regularly disposed of and at the individual desks of our employees. Cell phones, wireless devices and office equipment is recycled or donated whenever possible. We also continue to pursue a paperless environment since this reduces costs and saves trees. As a result, we encourage file-sharing networks and environments to produce and edit documents in order to reduce the dissemination of hard copy documents, and have implemented an electronic invoice approval system.

With respect to the properties that we own, these properties are net-leased to our tenants who are responsible for maintaining the buildings and are in control of their energy usage and environmental sustainability practices.

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PROPERTY PORTFOLIO INFORMATION

At December 31, 2013, we owned a diversified portfolio:

- Of 3,896 properties;
- With an occupancy rate of 98.2%, or 3,826 properties leased and 70 properties available for lease;
- Leased to 205 different commercial tenants doing business in 47 separate industries;
- Located in 49 states and Puerto Rico;
- With over 62.6 million square feet of leasable space; and
- With an average leasable space per property of approximately 16,100 square feet, including approximately 10,600 square feet per retail property.

At December 31, 2013, of our 3,896 properties, 3,807 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.

As a result of our 2013 acquisitions, the following industry table has been modified from similar tables we have prepared in the past to reflect the changes below:

- Five new industries were added: (1) government services, (2) health care, (3) jewelry, (4) other manufacturing, and (5) electrical utilities ; and
- Some properties previously included in the other industry were reclassified to both the health care and government services industries to better reflect the industry in which the tenant operates.

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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	For the Years Ended					
	December 31, 2013	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
Retail industries							
Apparel stores	1.7%	1.9%	1.7%	1.4%	1.2%	1.1%	1.1%
Automotive collision services	0.8	0.8	1.1	0.9	1.0	1.1	1.0
Automotive parts	1.4	1.2	1.0	1.2	1.4	1.5	1.6
Automotive service	1.9	2.1	3.1	3.7	4.7	4.8	4.8
Automotive tire services	3.3	3.6	4.7	5.6	6.4	6.9	6.7
Book stores	*	*	0.1	0.1	0.1	0.2	0.2
Child care	2.5	2.8	4.5	5.2	6.5	7.3	7.6
Consumer electronics	0.3	0.3	0.5	0.5	0.6	0.7	0.8
Convenience stores	10.6	11.2	16.3	18.5	17.1	16.9	15.8
Crafts and novelties	0.5	0.5	0.3	0.2	0.3	0.3	0.3
Dollar stores	7.1	6.2	2.2	-	-	-	-
Drug stores	9.7	8.1	3.5	3.8	4.1	4.3	4.1
Education	0.4	0.4	0.7	0.7	0.8	0.9	0.8
Entertainment	0.6	0.6	0.9	1.0	1.2	1.3	1.2
Equipment services	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Financial services	1.4	1.5	0.2	0.2	0.2	0.2	0.2
General merchandise	1.2	1.1	0.6	0.6	0.8	0.8	0.8
Grocery stores	2.8	2.9	3.7	1.6	0.9	0.7	0.7
Health and fitness	6.8	6.3	6.8	6.4	6.9	5.9	5.6
Health care	1.0	1.1	-	-	-	-	-
Home furnishings	0.8	0.9	1.0	1.1	1.3	1.3	2.4
Home improvement	1.5	1.6	1.5	1.7	2.0	2.2	2.1
Jewelry	0.1	0.1	-	-	-	-	-
Motor vehicle dealerships	1.6	1.6	2.1	2.2	2.6	2.7	3.2
Office supplies	0.4	0.5	0.8	0.9	0.9	1.0	1.0
Pet supplies and services	0.8	0.8	0.6	0.7	0.9	0.9	0.8
Restaurants - casual dining	4.7	5.1	7.3	10.9	13.4	13.7	14.3
Restaurants - quick service	4.3	4.4	5.9	6.6	7.7	8.3	8.2
Shoe stores	0.1	0.1	0.1	0.2	0.1	-	-
Sporting goods	1.6	1.7	2.5	2.7	2.7	2.6	2.3
Theaters	5.6	6.2	9.4	8.8	8.9	9.2	9.0
Transportation services	0.1	0.1	0.2	0.2	0.2	0.2	0.2
Wholesale clubs	4.3	3.9	3.2	0.7	-	-	-
Other	*	0.1	0.1	0.1	0.3	1.1	1.2
Retail industries	80.0%	79.8%	86.7%	88.6%	95.4%	98.3%	98.2%

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Industry Diversification (continued)

	Percentage of Rental Revenue(1)						
	For the Quarter Ended	For the Years Ended					
	December 31, 2013	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
Non-retail industries							
Aerospace	1.3	1.2	0.9	0.5	-	-	-
Beverages	3.0	3.3	5.1	5.6	3.0	-	-
Consumer appliances	0.6	0.6	0.1	-	-	-	-
Consumer goods	1.0	1.0	0.1	-	-	-	-
Crafts and novelties	0.1	0.1	-	-	-	-	-
Diversified industrial	0.2	0.2	0.1	-	-	-	-
Electric Utilities	0.1	*	-	-	-	-	-
Equipment services	0.5	0.4	0.3	0.2	-	-	-
Financial services	0.5	0.5	0.4	0.3	-	-	-
Food processing	1.4	1.5	1.3	0.7	-	-	-
Government services	1.3	1.4	0.1	0.1	0.1	0.1	-
Health care	0.8	0.8	*	*	-	-	-
Home furnishings	0.2	0.2	-	-	-	-	-
Insurance	0.1	0.1	*	-	-	-	-
Machinery	0.2	0.2	0.1	-	-	-	-
Other manufacturing	0.6	0.6	-	-	-	-	-
Packaging	0.9	0.9	0.7	0.4	-	-	-
Paper	0.1	0.2	0.1	0.1	-	-	-
Shoe stores	0.8	0.9	-	-	-	-	-
Telecommunications	0.6	0.7	0.8	0.7	-	-	-
Transportation services	5.3	5.3	2.2	1.6	-	-	-
Other	0.4	0.1	1.0	1.2	1.5	1.6	1.8
Non-retail industries	20.0%	20.2%	13.3%	11.4%	4.6%	1.7%	1.8%
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 Net Lease, Inc., or 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, 2013 (dollars in thousands):

Property Type	Number of Properties	Approximate Leasable Square Feet		Rental Revenue for the Quarter Ended December 31, 2013(1)	Percentage of Rental Revenue
Retail	3,747	39,979,700	$	158,804	77.4%
Industrial and distribution	79	15,661,100		22,374	10.9
Office	42	3,104,400		13,450	6.6
Manufacturing	13	3,715,200		5,254	2.6
Agriculture	15	184,500		5,202	2.5
Totals	3,896	62,644,900	$	205,084	100.0%

(1) Includes rental revenue for all properties owned by Realty Income at December 31, 2013, including revenue from properties reclassified as discontinued operations of $279. 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, 2013 include the following:

FedEx	5.2%	Dollar General	2.4%
Walgreens	5.0%	Rite Aid	2.2%
Family Dollar	4.8%	Regal Cinemas	2.1%
LA Fitness	4.3%	CVS Pharmacy	2.1%
AMC Theatres	3.1%	The Pantry	1.8%
Diageo	2.9%	Circle K	1.7%
BJ s Wholesale Clubs	2.9%	Walmart/Sam s Club	1.6%
Northern Tier Energy/Super America	2.5%		

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Service Category Diversification for our Retail Properties

The following table sets forth certain information regarding the 3,747 retail properties, included in the 3,896 total properties, owned by Realty Income at December 31, 2013, classified according to the business types and the level of services they provide at the property level (dollars in thousands):

	Number of Retail Properties		Retail Rental Revenue for the Quarter Ended December 31, 2013(1)	Percentage of Retail Rental Revenue
Tenants Providing Services				
Automotive collision services	29	$	1,663	1.0%
Automotive service	226		3,971	2.5
Child care	220		5,136	3.2
Education	14		790	0.5
Entertainment	9		1,199	0.8
Equipment services	2		150	0.1
Financial services	106		2,814	1.8
Health and fitness	71		13,974	8.8
Health care	26		955	0.6
Theaters	44		11,539	7.3
Transportation services	1		206	0.1
Other	10		143	0.1
	758		42,540	26.8
Tenants Selling Goods and Services				
Automotive parts (with installation)	46		1,049	0.7
Automotive tire services	183		6,775	4.3
Convenience stores	775		21,704	13.7
Motor vehicle dealerships	18		3,196	2.0
Pet supplies and services	13		671	0.4
Restaurants - casual dining	316		9,090	5.7
Restaurants - quick service	389		8,789	5.5
	1,740		51,274	32.3
Tenants Selling Goods				
Apparel stores	22		3,491	2.2
Automotive parts	68		1,743	1.1
Book stores	1		104	0.1
Consumer electronics	7		594	0.4
Crafts and novelties	10		1,002	0.6
Dollar stores	662		14,524	9.1
Drug stores	203		18,377	11.6
General merchandise	52		2,475	1.6
Grocery stores	63		5,751	3.6
Home furnishings	60		1,631	1.0
Home improvement	29		2,078	1.3
Jewelry	4		142	0.1
Office supplies	11		865	0.5
Shoe stores	1		168	0.1
Sporting goods	25		3,293	2.1
Wholesale clubs	31		8,752	5.5
	1,249		64,990	40.9
Total Retail Properties	3,747	$	158,804	100.0%

(1) Includes rental revenue for all retail properties owned by Realty Income at December 31, 2013, including revenue from properties reclassified as discontinued operations of $279. Excludes revenue of $46,280 from non-retail properties and $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 3,807 net leased, single-tenant properties as of December 31, 2013 (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, 2013(2)	% of Total Rental Revenue	Number of Leases Expiring	Rental Revenue for the Quarter Ended Dec 31, 2013	% of Total Rental Revenue	Number of Leases Expiring	Rental Revenue for the Quarter Ended Dec 31, 2013	% of Total Rental Revenue
2014	157	1,116,500	$ 4,005	2.0%	56	$ 1,960	1.0%	101	$ 2,045	1.0%
2015	174	961,500	4,111	2.0	67	1,808	0.9	107	2,303	1.1
2016	200	1,214,900	4,618	2.3	121	2,807	1.4	79	1,811	0.9
2017	177	2,038,400	6,058	3.0	46	3,052	1.5	131	3,006	1.5
2018	278	3,621,900	11,276	5.6	162	7,920	3.9	116	3,356	1.7
2019	193	3,017,500	10,496	5.1	161	9,599	4.7	32	897	0.4
2020	110	3,404,600	8,844	4.4	99	8,468	4.2	11	376	0.2
2021	189	5,314,200	13,616	6.7	181	13,105	6.4	8	511	0.3
2022	224	7,270,400	14,508	7.2	216	14,273	7.1	8	235	0.1
2023	355	6,133,200	19,731	9.7	342	19,076	9.4	13	655	0.3
2024	140	2,105,200	7,016	3.5	140	7,016	3.5	-	-	-
2025	288	3,734,800	16,633	8.3	283	16,510	8.2	5	123	0.1
2026	231	3,396,200	12,133	6.0	228	12,049	6.0	3	84	*
2027	443	4,177,700	14,591	7.2	441	14,551	7.2	2	40	*
2028	283	5,758,000	15,911	7.8	281	15,858	7.8	2	53	*
2029 - 2043	365	7,951,300	38,832	19.2	358	38,652	19.1	7	180	0.1
Totals	3,807	61,216,300	$ 202,379	100.0%	3,182	$ 186,704	92.3%	625	$ 15,675	7.7%

* Less than 0.1%

(1) Excludes 19 multi-tenant properties and 70 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 $279 from properties reclassified as discontinued operations and excludes revenue of $2,705 from 19 multi-tenant properties and from 70 vacant and unleased properties at December 31, 2013. Excludes revenue of $23 from 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, 2013 (dollars in thousands):

State	Number of Properties	Percent Leased	Approximate Leasable Square Feet	Rental Revenue for the Quarter Ended December 31, 2013(1)	Percentage of Rental Revenue
Alabama	104	97%	791,800	$ 2,846	1.4%
Alaska	2	100	128,500	307	0.1
Arizona	110	96	1,187,400	5,510	2.7
Arkansas	36	94	619,200	1,180	0.6
California	161	99	4,705,200	22,672	11.1
Colorado	69	99	792,100	2,969	1.4
Connecticut	22	95	462,100	2,071	1.0
Delaware	16	100	29,500	418	0.2
Florida	279	99	2,951,000	12,029	5.9
Georgia	209	97	2,689,400	8,368	4.1
Hawaii	--	--	--	--	--
Idaho	13	100	91,800	456	0.2
Illinois	155	100	4,215,700	12,244	6.0
Indiana	100	98	1,055,400	4,954	2.4
Iowa	35	97	2,751,700	3,301	1.6
Kansas	76	99	1,583,300	3,370	1.6
Kentucky	45	98	808,700	2,920	1.4
Louisiana	75	97	836,700	2,456	1.2
Maine	9	100	126,400	837	0.4
Maryland	32	100	654,100	3,711	1.8
Massachusetts	82	96	728,200	3,205	1.6
Michigan	103	98	938,600	3,229	1.6
Minnesota	155	100	1,153,300	7,416	3.6
Mississippi	96	97	1,307,200	3,177	1.5
Missouri	122	98	2,307,000	7,343	3.6
Montana	2	50	30,000	13	*
Nebraska	30	100	660,200	1,296	0.6
Nevada	22	100	413,000	1,279	0.6
New Hampshire	18	100	290,900	1,224	0.6
New Jersey	62	98	452,700	2,608	1.3
New Mexico	24	100	184,600	589	0.3
New York	81	95	2,007,900	10,153	5.0
North Carolina	129	99	1,259,300	4,795	2.3
North Dakota	7	100	66,000	138	0.1
Ohio	200	98	4,795,700	11,294	5.5
Oklahoma	112	100	1,467,200	3,601	1.8
Oregon	24	100	455,200	1,620	0.8
Pennsylvania	147	99	1,745,400	6,957	3.4
Rhode Island	3	100	21,300	107	*
South Carolina	127	98	897,500	4,140	2.0
South Dakota	11	100	133,500	244	0.1
Tennessee	156	97	2,653,200	5,145	2.5
Texas	393	98	6,760,200	19,493	9.5
Utah	13	100	749,000	1,326	0.6
Vermont	6	100	100,700	522	0.3
Virginia	127	97	2,531,900	6,465	3.2
Washington	38	100	415,300	1,609	0.8
West Virginia	12	100	261,200	883	0.4
Wisconsin	39	95	1,329,300	2,382	1.2
Wyoming	3	100	21,100	63	*
Puerto Rico	4	100	28,300	149	0.1

Totals\Average	3,896	98%	62,644,900	$	205,084	100.0%

* Less than 0.1%

(1) Includes rental revenue for all properties owned by Realty Income at December 31, 2013, including revenue from properties reclassified as discontinued operations of $279. 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 the 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 stockholders and service indebtedness. A significant portion of the costs of owning property, such as real estate taxes, insurance and maintenance, are not necessarily reduced when circumstances cause a decrease in rental revenue from the properties. In a weakened financial condition, tenants may not be able to pay these costs of ownership and we may be unable to recover these operating expenses from them.

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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Seventy of our properties were available for lease or sale at December 31, 2013, all but one of which were single-tenant properties. At December 31, 2013, twenty-nine 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 2013, each of our tenants accounted for less than 10% of our rental revenue.

For the fourth quarter of 2013, our tenants in the convenience stores industry accounted for approximately 10.6% 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 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 stock and preferred stock.

Individually, each of the other industries in our property portfolio accounted for less than 10% of our rental revenue for 2013. 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 store 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 commercial tenants that generally have more limited financial and other resources than certain upper-market commercial tenants, 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 acquisition of ARCT included tenants in the aerospace, freight, governmental services, healthcare, home maintenance, manufacturing, pharmacy, retail banking, technology and telecommunications businesses, some of which are non-retail businesses and none of which was in an industry segment that was within our property portfolio prior to our acquisition of ARCT. 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.

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 we may acquire other buildings with asbestos 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 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 July 2012, we entered into a ten-year environmental insurance policy that expires in July 2022 and replaced our previous seven-year environmental insurance policy. The limits on our current policy are $10 million per occurrence and $60 million in the aggregate. The limits on the excess policy are $5 million per occurrence and $10 million in the aggregate. Therefore, the primary and excess ten-year policies together provide a total limit of $15 million per occurrence and $70 million in the aggregate.

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.

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.

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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 taxable income (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 for amounts distributed to our stockholders in computing our taxable income;
- 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. In addition, our taxable REIT subsidiaries, including Crest, are subject to federal and state taxes at the applicable tax rates on their income and property.

Distribution requirements imposed by law limit our flexibility.

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

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

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

Future 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 our Board of Directors). Accordingly, our 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.

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We may acquire properties or portfolios of properties through tax deferred contribution transactions, which could result in stockholder dilution and limit our ability to sell or refinance such assets.

We have in the past and may in the future acquire properties or portfolios of properties through tax deferred contribution transactions in exchange for partnership units in an operating partnership, which could result in stockholder dilution through the issuance of operating partnership units that, under certain circumstances, may be exchanged for shares of our common stock. This acquisition structure may have the effect of, among other things, reducing the amount of tax depreciation we could deduct over the tax life of the acquired properties, and may require that we agree to restrictions on our ability to dispose of, or refinance the debt on, the acquired properties in order to protect the contributors ability to defer recognition of taxable gain. Similarly, we may be required to incur or maintain debt we would otherwise not incur so we can allocate the debt to the contributors to maintain their tax bases. These restrictions could limit our ability to sell or refinance an asset at a time, or on terms, that would be favorable absent such restrictions.

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 $1.5 billion acquisition credit facility. At December 31, 2013, we had $128 million of outstanding borrowings under our acquisition credit facility, a total of $3.2 billion of outstanding unsecured senior debt securities (excluding unamortized original issuance discounts of $14.5 million), $70 million of borrowings outstanding under a senior unsecured term loan and approximately $754.5 million of outstanding mortgage debt (excluding net premiums totaling $28.9 million on these mortgages). 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 rates on our acquisition credit facility, our term loan and some of our mortgage debt are 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 global financial crisis, 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, term loan facility and mortgage loan documents contain provisions that could limit or, in certain cases, prohibit the payment of dividends and other 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 dividends or other 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 by the credit facility agreement) 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 have guaranteed amounts payable under the credit facility or that meet a significance test set forth in the credit facility, we and our subsidiaries may not pay any dividends or other 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 dividends or other distributions payable on our common stock and preferred stock or prevent us from paying those dividends or other distributions altogether, and may adversely affect our ability to qualify, or prevent us from qualifying, as a REIT. Likewise, one of our subsidiaries is the borrower under our $70 million term loan facility and that facility requires that this subsidiary maintain its consolidated tangible net worth (as defined in the

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term loan facility) above a certain minimum dollar amount and comply with certain other financial covenants. This minimum consolidated tangible net worth covenant may limit the ability of this subsidiary, as well as other subsidiaries that are owned by this subsidiary, to provide funds to us in order to pay dividend and other distributions on our common stock, including the shares of common stock offered hereby, and preferred stock and amounts due on our indebtedness. Any failure by this subsidiary to comply with these financial covenants will, and any failure by this subsidiary to comply with other covenants in the term loan facility may, result in an event of default under that facility, which could have adverse consequences similar to those that may result from an event of default under our acquisition credit facility as described above.

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

- Increasing our vulnerability to general adverse economic and industry conditions;
- Limiting our ability to obtain additional financing to fund future working capital, acquisitions, 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 loan agreement or other debt instrument, the lenders will generally have the right to demand immediate repayment of the principal of and interest on all of their loans and, in the case of secured indebtedness, to exercise their rights to seize and sell the collateral. Moreover, a default under a single loan or debt instrument may trigger cross-default or cross acceleration provisions in other indebtedness and debt instruments, giving the holders of such other indebtedness and debt instruments similar rights to demand immediate repayment and seize and sell any collateral.

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 and debt securities in the U.S. trading markets have been experiencing extreme price fluctuations, and the market values of our common stock and debt securities have 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.

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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;
- 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. 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.

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 global financial crisis (which includes 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

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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 that are currently difficult to assess, as well as estimates of future performance or receivables collectability that can also be difficult to accurately predict. Although management believes it has been prudent and used reasonable judgment in making these estimates, it is possible that actual results may differ from these estimates.

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. 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.

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.

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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.

A discussion of certain legal proceedings related to our acquisition of ARCT can be found under Part I, Item 3 Legal Proceedings in our Annual Report on Form 10-K for the year ended December 31, 2012. In connection with our acquisition of ARCT, one action remains pending in the Supreme Court of the State of New York for New York, New York under the consolidated caption *In re American Realty Capital Trust Shareholders Litigation*, No. 65330-2012 (the New York Action). On November 9, 2012, the Court granted defendants motion to stay the New York Action, which currently remains stayed.

Item 4: **Mine Safety Disclosures**

None.

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 High	Price Per Share of Common Stock Low	Distributions Declared (1)
2013			
First Quarter	$ 46.63	$ 40.51	$ 0.5430626
Second Quarter	55.48	39.84	0.5440001
Third Quarter	46.01	38.41	0.5449376
Fourth Quarter	43.20	36.58	0.5458751
Total			$ 2.1778754

2012						
First Quarter	$	39.03	$	34.31	$	0.4368125
Second Quarter		41.89		36.88		0.4377500
Third Quarter		44.17		40.35		0.4486875
Fourth Quarter		41.70		37.35		0.4546250
Total					$	1.7778750

(1) Common stock cash distributions are declared monthly by us based on financial results for the prior months. At December 31, 2013, a distribution of $0.1821667 per common share had been declared and was paid in January 2014.

B. There were 9,741 registered holders of record of our common stock as of December 31, 2013. We estimate that our total number of shareholders is over 165,000 when we include both registered and beneficial holders of our common stock.

C. During the fourth quarter of 2013, 16,780 shares of stock, at a price of $39.76, and 48,494 shares of stock, at a price of $37.33, were withheld for state and federal payroll taxes on the vesting of employee stock awards, as permitted under the 2012 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,	**2013**	**2012**	**2011**	**2010**	**2009**
Total assets (book value)	$ 9,924,441	$ 5,429,348	$ 4,404,492	$ 3,531,269	$ 2,911,562
Cash and cash equivalents	10,257	5,248	4,165	17,607	10,026
Total debt	4,166,840	2,869,853	2,040,284	1,595,679	1,351,375
Total liabilities	4,503,083	3,016,554	2,149,638	1,684,304	1,423,553
Total equity	5,421,358	2,412,794	2,254,854	1,846,965	1,488,009
Net cash provided by operating activities	518,906	326,469	298,952	243,368	226,707
Net change in cash and cash equivalents	5,009	1,083	(13,442)	7,581	(36,789)
Total revenue	778,375	482,847	412,360	333,386	311,194
Income from continuing operations	179,180	140,719	139,622	111,422	107,736
Income from discontinued operations	67,103	18,433	17,410	19,362	23,391
Net income	246,283	159,152	157,032	130,784	131,127
Preferred stock dividends	(41,930)	(40,918)	(24,253)	(24,253)	(24,253)
Excess of redemption value over carrying value of preferred shares redeemed	-	(3,696)	-	-	-
Net income available to common stockholders	203,634	114,538	132,779	106,531	106,874
Cash distributions paid to common stockholders	409,222	236,348	219,297	182,500	178,008
Basic and diluted net income per common share	1.06	0.86	1.05	1.01	1.03
Cash distributions paid per common share	2.147459	1.771625	1.736625	1.721625	1.706625
Cash distributions declared per common share	2.177875	1.777875	1.737875	1.722875	1.707875
Basic weighted average number of common shares outstanding	191,754,857	132,817,472	126,142,696	105,869,637	103,577,507
Diluted weighted average number of common shares outstanding	191,781,622	132,884,933	126,189,399	105,942,721	103,581,053

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

GENERAL

Realty Income, The Monthly Dividend Company®, is a publicly traded real estate company with the primary business objective of generating dependable monthly cash dividends from a consistent and predictable level of cash flow from operations. Our monthly dividends are supported by the cash flow from our portfolio of properties leased to commercial tenants. We have in-house acquisition, leasing, legal, credit research, real estate research, portfolio management and capital markets expertise. Over the past 45 years, Realty Income and its predecessors have been acquiring and owning freestanding commercial properties that generate rental revenue under long-term lease agreements.

Realty Income was founded in 1969, and in 1994 was listed upon the NYSE. We elected to be taxed as a real estate investment trust, or REIT, requiring us to distribute dividends to our stockholders aggregating at least 90% of our taxable income (excluding net capital gains).

We seek to increase distributions to stockholders and funds from operations, or FFO, per share through both active portfolio management and the acquisition of additional properties.

At December 31, 2013, we owned a diversified portfolio:

- Of 3,896 properties;
- With an occupancy rate of 98.2%, or 3,826 properties leased and 70 properties available for lease;
- Leased to 205 different commercial tenants doing business in 47 separate industries;
- Located in 49 states and Puerto Rico;
- With over 62.6 million square feet of leasable space; and
- With an average leasable space per property of approximately 16,100 square feet, including approximately 10,600 square feet per retail property.

Of the 3,896 properties in the portfolio, 3,876, or 99.5%, are single-tenant properties, and the remaining are multi-tenant properties. At December 31, 2013, of the 3,876 single-tenant properties, 3,807 were leased with a weighted average remaining lease term (excluding rights to extend a lease at the option of the tenant) of approximately 10.8 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. 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 $1.5 billion credit facility and periodically 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, 2013, our total outstanding borrowings of senior unsecured notes and bonds, term loan, mortgages payable and credit facility borrowings were $4.18 billion, or approximately 33.2% of our total market capitalization of $12.59 billion.

We define our total market capitalization at December 31, 2013 as the sum of:

- Shares of our common stock outstanding of 207,485,073, plus total common units of 851,568, multiplied by the closing sales price of our common stock on the NYSE of $37.33 per share on December 31, 2013, or $7.78 billion;
- Aggregate liquidation value (par value of $25.00 per share) of the Class E preferred stock of $220.0 million;
- Aggregate liquidation value (par value of $25.00 per share) of the Class F preferred stock of $408.8 million;
- Outstanding borrowings of $128.0 million on our credit facility;
- Outstanding mortgages payable of $783.4 million, which includes net mortgage premiums of $28.9 million;
- Outstanding borrowings of $70.0 million on our term loan; and
- Outstanding senior unsecured notes and bonds of $3.2 billion, excluding unamortized original issuance discounts of $14.5 million.

Mortgage Debt

As of December 31, 2013, we had $754.5 million of mortgages payable, all of which were assumed in connection with our property acquisitions. Included in this amount is $514.4 million of mortgages payable assumed in connection with the ARCT acquisition. Additionally, at December 31, 2013, we had net premiums totaling $28.9 million on these mortgages, of which $16.2 million is in connection with the ARCT acquisition.

We expect to pay off the mortgages payable as soon as prepayment penalties have declined to a level that will make it economically feasible to do so. We intend to continue to primarily identify property acquisitions that are free from mortgage indebtedness. During 2013, we made $41.4 million of principal payments, which includes $11.7 million to pay off one mortgage in August 2013 and $23.1 million to pay off three mortgages in December 2013.

Term Loan

In January 2013, in conjunction with our acquisition of ARCT, we entered into a $70 million senior unsecured term loan maturing in January 2018. Borrowing under the term loan bears interest at LIBOR, plus 1.20%. In conjunction with this term loan, we also acquired an interest rate swap which essentially fixes our per annum interest rate on the term loan at 2.15%.

$1.5 Billion Acquisition Credit Facility

In October 2013, we increased our unsecured acquisition credit facility from $1.0 billion to $1.5 billion. The initial term of the credit facility expires in May 2016 and includes, at our election, a one-year extension option. Under this credit facility, our current investment grade credit ratings provide for financing at the London Interbank Offered Rate, commonly referred to as LIBOR, plus 1.075% with a facility commitment fee of 0.175%, for all-in drawn pricing of 1.25% 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 this credit facility. Our credit facility is unsecured and, accordingly, we have not pledged any assets as collateral for this obligation.

At December 31, 2013, we had a borrowing capacity of $1.372 billion available on our credit facility (subject to customary conditions to borrowing) and an outstanding balance of $128.0 million. The interest rate on borrowings outstanding under our credit facility, at December 31, 2013, was 1.2% per annum. We must comply with various financial and other covenants in our credit facility. At December 31, 2013, 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 regularly review our credit facility and may seek to extend or replace our credit facility, to the extent we deem appropriate.

On February 12, 2014, we had an outstanding balance on our credit facility of $583.0 million.

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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 the refinancing will enable us to issue equity or debt securities upon acceptable terms.

Notes Outstanding

As of December 31, 2013, we had $3.2 billion of senior unsecured note and bond obligations, excluding unamortized original issuance discounts of $14.5 million. All of our outstanding notes and bonds have fixed interest rates. Interest on all of our senior note and bond obligations is paid semiannually.

In July 2013, we issued $750 million of 4.65% senior unsecured notes due August 2023, or the 2023 Notes. The price to the investors for the 2023 Notes was 99.775% of the principal amount for an effective yield of 4.678% per annum. The total net proceeds of approximately $741.4 million from this offering was used to repay all outstanding borrowings under our acquisition credit facility, and the remaining proceeds were used for other general corporate purposes and working capital, including additional property acquisitions.

In March 2013, we repaid the $100 million of outstanding 5.375% notes, plus accrued and unpaid interest, using proceeds from our March 2013 common stock offering and 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, 2013, we had cash and cash equivalents totaling $10.3 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 next twelve months. We intend, however, to use permanent or long-term capital to fund property acquisitions and to repay future borrowings under our credit facility.

Acquisitions During 2013

During 2013, Realty Income invested $1.51 billion in 459 new properties and properties under development or expansion (in addition to our acquisition of ARCT, which is discussed in more detail below), with an initial weighted average contractual lease rate of 7.1%. The 459 new properties and properties under development or expansion, are located in 40 states, will contain approximately 9.0 million leasable square feet, and are 100% leased with a weighted average lease term of 14.0 years. The tenants occupying the new properties operate in 23 industries and the property types consist of 83.8% retail, 9.2% office, 4.9% industrial and distribution, and 2.1% manufacturing, based on rental revenue. These investments are in addition to the $3.2 billion acquisition of 515 properties of American Realty Capital Trust, Inc., or ARCT, which were added to our real estate portfolio during the first quarter of 2013. Our combined total investment in real estate assets during 2013 was $4.67 billion in 974 new properties and properties under development or expansion. During 2013, none of our real estate investments caused any one tenant to be 10% or more of our total assets at December 31, 2013.

Additionally, in September 2013, we purchased a property for $45.4 million in San Diego, California, which will serve as our new corporate headquarters. We plan on relocating to this facility during the second half of 2014.

In conjunction with our acquisition of ARCT, each outstanding share of ARCT common stock was converted into the right to receive a combination of: (i) $0.35 in cash and (ii) 0.2874 shares of our common stock, resulting in the issuance of a total of approximately 45.6 million shares of our common stock to ARCT shareholders, valued at a per share amount of $44.04, which was the closing sale price of our common stock on January 22, 2013. In connection with the closing of this acquisition, we terminated and repaid the amounts then outstanding of approximately $552.9 million under ARCT s revolving credit facility and term loan. In connection with our acquisition of ARCT, we assumed approximately $516.3 million of mortgages payable. We incurred merger costs of $13.0 million and $7.9 million, respectively, in 2013 and 2012. The total merger costs were approximately $21 million.

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The acquisition of ARCT provided benefits to Realty Income, including accretion to net earnings, growth in the size of our real estate portfolio, diversification of industries and property type, and increase in the percentage of investment grade tenants.

The 515 properties added to our real estate portfolio as a result of the ARCT acquisition, are located in 44 states and Puerto Rico, contain over 16.0 million leasable square feet and are 100% leased with a weighted average lease term of 12.2 years. The 69 tenants, occupying the 515 properties acquired, operate in 28 industries and the property types consist of 54.0% retail, 32.6% industrial and distribution, and 13.4% office, based on rental revenue.

The estimated initial weighted average contractual lease rate for a property is generally computed as estimated contractual net operating income, which, in the case of a net leased property, is equal to the aggregate base rent under the lease for the first full year of each lease, divided by the total cost of the property. 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.

In the case of a property under development or expansion, the estimated initial weighted average contractual lease rate is computed as follows: estimated net operating income (which is calculated by multiplying the capitalization rate determined by the lease by our projected total investment in the property, including land, construction and capitalized interest costs) for the first full year of each lease, divided by such projected total investment in the property. Of the $4.67 billion we invested during 2013, excluding the new corporate headquarters, $39.6 million was invested in 21 properties under development or expansion, with an estimated initial weighted average contractual lease rate of 8.5%. We may continue to pursue development or expansion opportunities under similar arrangements in the future.

John P. Case Appointed Chief Executive Officer (CEO)

In September 2013, we announced that our Board of Directors appointed John P. Case as CEO of the company. Mr. Case, who had previously served as President and Chief Investment Officer, succeeded Tom A. Lewis, who retired as our CEO. Mr. Lewis had been our CEO since 1997. Mr. Case is only the third CEO in Realty Income s 45-year history.

Portfolio Discussion

Leasing Results

At December 31, 2013, we had 70 properties available for lease out of 3,896 properties in our portfolio, which represents a 98.2% occupancy rate. Since December 31, 2012, when we reported 84 properties available for lease and a 97.2% occupancy rate, we:

- Leased 27 properties;
- Sold 19 properties available for lease; and

- Have 32 new properties available for lease.

During 2013, 136 properties with expiring leases were leased to either existing or new tenants. The annual rent on these leases was $16.1 million, as compared to the previous rent on these same properties of $16.0 million. At December 31, 2013, our average annualized rental revenue per square foot was approximately $13.21 per square foot on the 3,807 leased properties in our portfolio. At December 31, 2013, we classified 12 properties with a carrying amount of $12.0 million as held for sale on our balance sheet.

Investments in Existing Properties

In 2013, we capitalized costs of $8.5 million on existing properties in our portfolio, consisting of $1.3 million for re-leasing costs and $7.2 million for building and tenant improvements. In 2012, we capitalized costs of $6.6 million on existing properties in our portfolio, consisting of $1.62 million for re-leasing costs and $4.93 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, during certain periods, 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 continually monitor the commercial real estate and U.S. credit markets carefully and, if required, make decisions to adjust our business strategy accordingly. See our discussion of Risk Factors in this annual report.

Increases in Monthly Dividends to Common Stockholders

We have continued our 45-year policy of paying monthly dividends. In addition, we increased the dividend five times during 2013.

2013 Dividend increases	**Month Paid**	**Dividend per share**	**Increase per share**
1st increase	Jan 2013	$ 0.1517500	$ 0.0003125
2nd increase	Feb 2013	0.1809167	0.0291667
3rd increase	Apr 2013	0.1812292	0.0003125
4th increase	Jul 2013	0.1815417	0.0003125
5th increase	Oct 2013	0.1818542	0.0003125

The dividends paid per share during 2013 as compared to 2012 increased 21.2%, which is the largest annual increase in the company s history. The 2013 dividends paid per share totaled $2.1474587 as compared to $1.7716250 in 2012, an increase of $0.3758337.

In December 2013, we declared an increased dividend of $0.1821667 per share, which was paid in January 2014. The increase in January 2014 was our 65th consecutive quarterly increase and the 74th increase in the amount of the dividend since our listing on the NYSE in 1994. In January 2014 and February 2014, we declared dividends of $0.1821667 per share, which will be paid in February 2014 and March 2014, respectively.

The monthly dividend of $0.1821667 per share represents a current annualized dividend of $2.186 per share, and an annualized dividend yield of approximately 5.9% based on the last reported sale price of our common stock on the NYSE of $37.33 on December 31, 2013. Although we expect to continue our policy of paying monthly dividends, we cannot guarantee that we will maintain our current level of dividends, that we will continue our pattern of increasing dividends per share, or what our actual dividend yield will be in any future period.

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Universal Shelf Registration

In February 2013, we filed a shelf registration statement with the SEC, which is effective for a term of three years and will expire in February 2016. This replaces our prior shelf registration statement. In accordance with 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 (1) common stock, (2) preferred stock, (3) debt securities, (4) depositary shares representing fractional interests in shares of preferred stock, (5) warrants to purchase debt securities, common stock, preferred stock or depositary shares, and (6) 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.

Accelerated Stock Vesting

The Compensation Committee of our Board of Directors approved, effective July 1, 2013, the accelerated vesting of each restricted stock award that had originally been granted with ten-year vesting to five years. On July 1, 2013, 212,827 restricted shares vested as a result of this acceleration, resulting in additional compensation expense of $3.7 million during 2013.

Issuance of Common Stock

In October 2013, we issued 9,775,000 shares of common stock at a price of $40.63 per share, including 1,275,000 shares purchased by the underwriters upon the exercise of their option to purchase additional shares. After underwriting discounts and other estimated offering costs of $18.7 million, the net proceeds of approximately $378.5 million were used to repay a portion of the borrowings under our acquisition credit facility, which were used to fund property acquisitions.

In March 2013, we issued 17,250,000 shares of common stock at a price of $45.90 per share. After underwriting discounts and other offering costs of $36.7 million, the net proceeds of $755.1 million were used to redeem our 5.375% notes in March 2013 and repay borrowings under our acquisition credit facility, which were used to fund property acquisitions, including our acquisition of ARCT.

In connection with our January 2013 acquisition of ARCT, we issued a total of 45,573,144 shares of our common stock to ARCT shareholders and redeemed 208,709 shares of our common stock that were previously held by ARCT.

Dividend Reinvestment and Stock Purchase Plan

In March 2011, we established a Dividend Reinvestment and Stock Purchase Plan, or the DRSPP, to provide our common stockholders, as well as new investors, with a convenient and economical method of purchasing our common stock and reinvesting their distributions. The DRSPP also allows our current stockholders to buy additional shares of common stock by reinvesting all or a portion of their distributions. The DRSPP authorizes up to 6,000,000 common shares to be issued. During 2013, we issued 1,449,139 shares and raised approximately $55.6 million under the DRSPP.

Noncontrolling Interests

As consideration for two separate acquisitions during 2013, partnership units of Tau Operating Partnership, L.P. and Realty Income, L.P. were issued to third parties. These units (discussed in the following paragraphs below) do not have voting rights, are entitled to monthly distributions equal to the amount paid to our common stockholders, and are redeemable in cash or our common stock, at our option and at a conversion ratio of one to one, subject to certain exceptions. As the general partner for each of these partnerships, we have operating and financial control over these entities, consolidate them in our financial statements, and record the partnership units held by third parties as noncontrolling interests.

Issuance of Common and Preferred Partnership Units

In connection with our acquisition of ARCT in January 2013, we issued 317,022 common partnership units and 6,750 preferred partnership units. These common units are entitled to monthly distributions equivalent to the per common share amounts paid to the common stockholders of Realty Income. The preferred units have a par value of $1,000, and are entitled to monthly payments at a rate of 2% per annum, or $135,000 per year.

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In June 2013, we issued 534,546 common partnership units of Realty Income, L.P. These common units are entitled to monthly distributions equivalent to the per common share amount paid to the common stockholders of Realty Income.

Credit Agency Ratings

The borrowing interest rates under our credit facility are based upon our ratings assigned by credit rating agencies. 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+ with a stable outlook, Moody s Investors Service has assigned a rating of Baa1 with a stable outlook, and Standard & Poor s Ratings Group has assigned a rating of BBB+ with a stable outlook.

Based on our current ratings, the credit facility interest rate is LIBOR plus 1.075% with a facility commitment fee of 0.175%, for all-in drawn pricing of 1.25% over LIBOR. The credit facility provides that the interest rate can range between: (i) LIBOR plus 1.85% if our credit facility is lower than BBB-/Baa3 and (ii) LIBOR plus 1.00% 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 range from: (i) 0.45% for a rating lower than BBB-/Baa3, and (ii) 0.15% for a credit rating of A-/A3 or higher.

We also issue senior debt securities and our credit ratings can impact the interest rates charged in those transactions. In addition, 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.

Notes Outstanding

Our senior unsecured note and bond obligations consist of the following as of December 31, 2013, sorted by maturity date (dollars in millions):

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
2.0% notes, issued in October 2012 and due in January 2018		350
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
3.25% notes, issued in October 2012 and due in October 2022		450
4.65% notes, issued in July 2013 and due in August 2023		750
5.875% bonds, $100 issued in March 2005 and $150 issued in June 2011, both due in March 2035		250
Total principal amount		3,200
Unamortized original issuance discounts		(15)
	$	3,185

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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. At December 31, 2013, 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, 2013 are:

Note Covenants	**Required**	**Actual**
Limitation on incurrence of total debt	≤ 60% of adjusted assets	41.5%
Limitation on incurrence of secured debt	≤ 40% of adjusted assets	7.8%
Debt service coverage (trailing 12 months)(1)	≥ 1.5 x	3.6 x
Maintenance of total unencumbered assets	≥ 150% of unsecured debt	251.9%

(1) This covenant is calculated on a pro forma basis for the preceding four-quarter period on the assumption that: (i) the incurrence of any Debt (as defined in the covenants) incurred by us since the first day of such four-quarter period and the application of the proceeds therefrom (including to refinance other Debt since the first day of such four-quarter period), (ii) the repayment or retirement of any of our Debt since the first day of such four-quarter period, and (iii) any acquisition or disposition by us of any asset or group since the first day of such four-quarters had in each case occurred on January 1, 2013, and subject to certain additional adjustments. Such pro forma ratio has been prepared on the basis required by that debt service covenant, reflects various estimates and assumptions and is subject to other uncertainties, and therefore does not purport to reflect what our actual debt service coverage ratio would have been had transactions referred to in clauses (i), (ii) and (iii) of the preceding sentence occurred as of January 1, 2013, nor does it purport to reflect our debt service coverage ratio for any future period. The following is our calculation of debt service coverage at December 31, 2013 (in thousands, for trailing twelve months):

Net income attributable to the Company	$	245,564
Plus: interest expense		174,007
Plus: provision for taxes		1,808
Plus: depreciation and amortization		308,394
Plus: provisions for impairment		3,028
Plus: pro forma adjustments		59,625
Less: gain on sales of investment properties		(64,743)
Income available for debt service, as defined	$	727,683
Total pro forma debt service charge	$	201,848
Debt service coverage ratio		3.6

Fixed Charge Coverage Ratio

Fixed charge coverage ratio is calculated in exactly the same manner as the debt service coverage ratio, except that preferred stock dividends are also added to the denominator. Similar to debt service coverage ratio, 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 calculations of both debt service and fixed charge coverage ratios may be different from the calculations used by other companies and, therefore, comparability may be limited. The presentation of debt service and fixed charge coverage ratios should not be considered as alternatives to any U.S. generally accepted accounting principles, or GAAP, operating performance measures. Below is our calculation of fixed charges at December 31, 2013 (in thousands, for trailing twelve months):

Income available for debt service, as defined	$	727,683
Pro forma debt service charge plus preferred stock dividends	$	243,778
Fixed charge coverage ratio		3.0

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Table of Obligations

The following table summarizes the maturity of each of our obligations as of December 31, 2013 (dollars in millions):

Year of Maturity	Credit Facility(1)	Notes and Bonds(2)	Term Loan	Mortgages Payable(3)	Interest(4)	Ground Leases Paid by Realty Income(5)	Ground Leases Paid by Our Tenants(6)	Other(7)	Totals
2014	$ -	$ -	$ -	$ 49.9	$ 199.5	$ 1.0	$ 12.6	$ 25.4	$ 288.4
2015	-	150.0	-	125.5	193.6	1.0	12.7	-	482.8
2016	128.0	275.0	-	248.5	167.9	1.0	12.7	-	833.1
2017	-	175.0	-	133.0	145.2	1.0	12.8	-	467.0
2018	-	350.0	70.0	15.0	127.0	1.0	12.8	-	575.8
Thereafter	-	2,250.0	-	182.6	539.2	9.4	144.5	-	3,125.7
Totals	$ 128.0	$ 3,200.0	$ 70.0	$ 754.5	$ 1,372.4	$ 14.4	$ 208.1	$ 25.4	$ 5,772.8

(1) The initial term of the credit facility expires in May 2016 and includes, at our option, a one-year extension.

(2) Excludes non-cash original issuance discounts recorded on the notes payable. The unamortized balance of the original issuance discounts at December 31, 2013, is $14.5 million.

(3) Excludes non-cash net premiums recorded on the mortgages payable. The unamortized balance of these net premiums at December 31, 2013, is $28.9 million.

(4) Interest on the term loan, notes, bonds, mortgages payable, and credit facility has been calculated based on outstanding balances as of December 31, 2013 through their respective maturity dates.

(5) Realty Income currently pays the ground lessors directly for the rent under the ground leases.

(6) 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.

(7) Other consists of $23.7 million of commitments under construction contracts and $1.7 million 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.

Preferred Stock and Preferred Units Outstanding

In 2006, we issued 8.8 million shares of Class E preferred stock. Beginning December 7, 2011, shares of Class E preferred stock were redeemable at our option for $25.00 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 our Class F preferred stock at $25.00 per share. In April 2012, we issued an additional 1.4 million shares of Class F preferred stock at $25.2863 per share. Beginning February 15, 2017, shares of our Class F preferred stock are redeemable at our option for $25.00 per share, plus any accrued and unpaid dividends. Dividends on the shares of our Class F preferred stock are paid monthly in arrears.

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

As part of our acquisition of ARCT in January 2013, we issued 6,750 partnership units. Payments on these preferred units are made monthly in arrears at rate of 2% per annum, or $135,000 per year, and are included in interest expense.

No Unconsolidated Investments

We have no unconsolidated investments, nor do we engage in trading activities involving energy or commodity contracts.

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RESULTS OF OPERATIONS

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with U.S. 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 to 35 years for buildings and 4 to 15 years for improvements. 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 to 35 years is an appropriate estimate of useful life.

Management must make significant assumptions in determining the fair value of assets acquired and liabilities assumed. When acquiring a property for investment purposes, we typically 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 or below-market lease value of in-place leases, the value of in-place leases, and tenant relationships, as applicable. In an acquisition of multiple properties, we must also allocate the purchase price among the properties. The allocation of the purchase price is based on our assessment of estimated fair value and is often based upon the expected future cash flows of the property and various characteristics of the markets where the property is located. In addition, any assumed mortgages receivable or payable and any assumed or issued noncontrolling interests are recorded at their estimated fair values. The estimated fair values of our mortgages payable have been calculated by discounting the future cash flows using applicable interest rates that have been adjusted for factors, such as industry type, tenant investment grade, maturity date, and comparable borrowings for similar assets. The initial allocation of the purchase price is based on management s preliminary assessment, which may differ when final information becomes available. Subsequent adjustments made to the initial purchase price allocation are made within the allocation period, which typically does not exceed one year. The use of different assumptions in the allocation of the purchase price of the acquired properties and liabilities assumed could affect the timing of recognition of the related revenue and expenses.

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, they could have a material impact on our results of operations.

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The following is a comparison of our results of operations for the years ended December 31, 2013, 2012 and 2011.

Rental Revenue

Rental revenue was $747.6 million for 2013 versus $466.5 million for 2012, an increase of $281.1 million, or 60.3%. Rental revenue was $401.0 million in 2011. The increase in rental revenue in 2013 compared to 2012 is primarily attributable to:

- The 958 properties (25.0 million square feet) acquired by Realty Income in 2013, which generated $213.1 million of rent in 2013;
- The 423 properties (10.5 million square feet) acquired by Realty Income in 2012, which generated $81.1 million of rent in 2013 compared to $22.7 million in 2012, an increase of $58.4 million;
- Same store rents generated on 2,338 properties (25.3 million square feet) during the entire years of 2013 and 2012, increased by $6.2 million, or 1.4%, to $435.2 million from $429.0 million;
- A net increase of $1.8 million relating to the aggregate of (i) rental revenue from properties (132 properties comprising 1.1 million square feet) that were available for lease during part of 2013 or 2012, (ii) rental revenue for six properties under development, (iii) rental revenue for 29 properties re-leased primarily with rent-free periods, and (iv) lease termination settlements which, in aggregate, totaled $12.56 million in 2013 compared to $10.74 million in 2012; and
- A net increase in straight-line rent and other non-cash adjustments to rent of $1.7 million in 2013 as compared to 2012.

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 in, (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 3,896 properties in the portfolio at December 31, 2013, 3,876, or 99.5%, are single-tenant properties and the remaining twenty are multi-tenant properties. Of the 3,876 single-tenant properties, 3,807, or 98.2%, were net leased with a weighted average remaining lease term (excluding rights to extend a lease at the option of the tenant) of approximately 10.8 years at December 31, 2013. Of our 3,807 leased single-tenant properties, 3,419 or 89.8% 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.

Percentage rent, which is included in rental revenue, was $2.8 million in 2013, $1.9 million in 2012 and $1.3 million in 2011 (excluding percentage rent reclassified to discontinued operations of $115,000 in 2013, $163,000 in 2012 and $70,000 in 2011). Percentage rent in 2013 was less than 1% of rental revenue and we anticipate percentage rent to be less than 1% of rental revenue in 2014.

Our portfolio of real estate, leased primarily to regional and national commercial tenants under net leases, continues to perform well and provides dependable lease revenue supporting the payment of monthly dividends to our stockholders. At December 31, 2013, our portfolio of 3,896 properties was 98.2% leased with 70 properties available for lease as compared to 97.2% portfolio occupancy, or 84 properties available for lease at December 31, 2012. 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.

Tenant Reimbursements

Contractually obligated reimbursements from tenants for recoverable real estate taxes and operating expenses were $24.9 million in 2013, compared to $14.6 million in 2012 and $9.8 million in 2011. The increase in tenant reimbursements from 2012 to 2013 is primarily due to our 2012 and 2013 acquisitions, including our acquisition of ARCT. Our tenant reimbursements match our reimbursable property expenses for any given period.

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Other Revenue

Other revenue, which comprises property-related revenue not included in rental revenue or tenant reimbursements, was $5.9 million in 2013, compared to $1.7 million in 2012 and $1.6 million in 2011.

Depreciation and Amortization

Depreciation and amortization was $306.6 million in 2013, compared to $147.3 million in 2012 and $116.5 million in 2011. The increases in depreciation and amortization in 2013 and 2012 were primarily due to the acquisition of properties in 2013 and 2012, including the 515 properties acquired as part of our acquisition of ARCT, which was partially offset by property sales in those same years. As discussed in the sections entitled Funds from Operations Available to Common Stockholders (FFO) and Normalized Funds from Operations Available to Common Stockholders (Normalized FFO) and Adjusted Funds from Operations Available to Common Stockholders (AFFO), depreciation and amortization is a non-cash item that is added back to net income available to common stockholders for our calculation of FFO, normalized FFO and AFFO.

Interest Expense

Interest expense was $180.9 million in 2013, compared to $122.5 million in 2012 and $108.3 million in 2011. The increase in interest expense from 2012 to 2013 was primarily due to an increase in borrowings attributable to the issuance in October 2012 of our 2.00% senior unsecured notes due January 2018, the issuance in October 2012 of our 3.25% senior unsecured notes due October 2022, the January 2013 issuance of our $70 million senior unsecured term loan, the July 2013 issuance of our 4.65% senior unsecured notes due August 2023, and an increase in mortgages payable and higher credit facility borrowings, which were partially offset by lower average interest rates and the repayment of our 5.375% senior unsecured notes in March 2013.

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

		2013		2012		2011
Interest on our credit facility, term loan, notes and mortgages	$	182,974	$	117,401	$	104,452
Interest included in discontinued operations		(526)		(601)		(785)
Credit facility commitment fees		1,930		1,684		1,508
Amortization of credit facility origination costs and deferred financing costs		7,434		5,165		3,757
(Gain) loss on interest rate swap		(878)		56		(4)
Amortization of net mortgage premiums		(9,481)		(665)		(189)
Interest capitalized		(537)		(498)		(438)
Interest expense	$	180,916	$	122,542	$	108,301

Credit facility, term loan, mortgages and notes		**2013**		**2012**		**2011**
Average outstanding balances (dollars in thousands)	$	3,892,089	$	2,144,690	$	1,754,935
Average interest rates		4.67%		5.47%		5.95%

At December 31, 2013, the weighted average interest rate on our:

- Notes and bonds payable of $3.2 billion (excluding unamortized original issuance discounts of $14.5 million) was 4.9%;

- Mortgages payable of $754.5 million (excluding net premiums totaling $28.9 million on these mortgages) was 5.4%;
- Credit facility outstanding borrowings of $128.0 million was 1.2%;
- Term loan outstanding borrowings of $70.0 million was 1.4%; and
- Combined outstanding notes, bonds, mortgages and credit facility borrowings of $4.2 billion was 4.5%.

General and Administrative Expenses

General and administrative expenses increased by $18.8 million to $56.8 million in 2013, as compared to $38.0 million in 2012. General and administrative expenses were $31.0 million in 2011. Included in general and administrative expenses are acquisition transaction costs (excluding ARCT merger-related costs) of $2.1 million for 2013, $2.4 million for 2012 and $1.5 million for 2011. Even though general and administrative expenses increased during 2013, general and administrative expenses as a percentage of total revenue decreased. The increase in expense was primarily due to increases in employee costs, including the accelerated vesting of restricted shares in July 2013 which resulted in additional compensation expense of $3.7 million, and higher

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costs as a result of our integration of ARCT. In January 2014, we had 116 employees, as compared to 97 employees in January 2013 and 83 employees in January 2012.

Dollars in thousands	2013	2012	2011
General and administrative expenses	$ 56,827	$ 37,998	$ 30,954
Total revenue, including discontinued operations(1)	759,889	483,671	422,224
General and administrative expenses as a percentage of total revenue	7.5%	7.9%	7.3%

(1) Excludes all tenant reimbursements revenue, as well as gain on sales and Crest Net revenue included in discontinued operations.

Property Expenses (including reimbursable)

Property expenses consist of costs associated with unleased properties, non-net leased properties and general portfolio expenses, as well as contractually obligated reimbursements from tenants for recoverable real estate taxes and operating expenses. Expenses related to unleased properties and non-net leased 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, 2013, 70 properties were available for lease, as compared to 84 at December 31, 2012 and 87 at December 31, 2011.

Property expenses were $38.8 million (including $24.9 million reimbursable) in 2013, $21.3 million (including $14.6 million reimbursable) in 2012 and $15.5 million (including $9.8 million reimbursable) in 2011. The increase in property expenses in 2013 is primarily attributable to increased portfolio size, higher maintenance and utilities, insurance costs, property taxes, and ground rent expenses as a result of our acquisition of ARCT, along with higher contractually obligated reimbursements primarily due to our 2012 and 2013 acquisitions.

Income Taxes

Income taxes were $2.7 million in 2013, as compared to $1.4 million in 2012 and $1.5 million in 2011. These amounts are for city and state income and franchise taxes paid by Realty Income and its subsidiaries.

Merger-Related Costs

Merger-related costs include, but are not limited to, advisor fees, legal fees, accounting fees, printing fees and transfer taxes related to our acquisition of ARCT. Merger-related costs were $13.0 million in 2013 and $7.9 million in 2012. On a diluted per common share basis, these expenses represented $0.07 for 2013 and $0.06 for 2012.

Discontinued Operations

Operations from ten Realty Income investment properties, two Crest properties classified as held for sale at December 31, 2013, and 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		**2013**		**2012**		**2011**
Gain on sales of investment properties	$	64,743	$	9,873	$	5,193
Rental revenue		6,040		15,161		19,546
Tenant reimbursements		146		379		370
Other revenue		418		282		94
Depreciation and amortization		(1,761)		(3,916)		(5,568)
Property expenses (including reimbursable)		(916)		(2,529)		(2,518)
Provisions for impairment		(2,738)		(1,500)		(395)
Crest s income from discontinued operations		1,171		683		688
Income from discontinued operations	$	67,103	$	18,433	$	17,410
Per common share, basic and diluted	$	0.35	$	0.14	$	0.14

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Crest s Assets and Property Sales

At December 31, 2013, Crest had an inventory of three properties, one of which was classified as held for investment. In addition to the three properties, Crest also held notes receivable of $18.7 million at December 31, 2013 and $18.9 million at December 31, 2012.

During 2013, Crest did not acquire any properties. However, Crest sold one property in 2013 for $597,000, and recorded an impairment of $308,000 upon the sale of this property. During 2012, Crest acquired one property for $890,000, but did not sell any properties. During 2011, Crest did not buy or sell any properties.

Gain on Sales of Investment Properties by Realty Income

During 2013, we sold 75 investment properties for $134.2 million, which resulted in a gain of $64.7 million. The results of operations for these properties have been reclassified as discontinued operations.

During 2012, we sold 44 investment properties for $50.6 million, which resulted in a gain of $9.9 million. The results of operations for these properties have been reclassified as discontinued operations.

During 2011, we sold 26 investment properties for $22.0 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 five properties for $2.1 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.

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, 2013, we classified real estate with a carrying amount of $12.0 million as held for sale on our balance sheet. In 2014, we intend to continue our active disposition efforts to further enhance our real estate portfolio and anticipate approximately

$50 million in property sales for all of 2014. 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 at our estimated values or be able to invest the property sale proceeds in new properties.

Provisions for Impairment on Real Estate Acquired for Resale by Crest

During 2013, Crest recorded a provision for impairment of $308,000 for one property sold during the year.

During 2012 and 2011, Crest did not record any provisions for impairment.

Provisions for Impairment on Realty Income Investment Properties

In 2013, Realty Income recorded total provisions for impairment of $3.0 million. Provisions for impairment of $2.7 million are included in income from discontinued operations on seven sold properties and one property classified as held for sale. Additionally, during 2013, Realty Income recorded provisions for impairment of $290,000 on one property held for investment in the automotive service industry. This provision for impairment is included in income from continuing operations.

In 2012, Realty Income recorded total provisions for impairment of $5.1 million. Provisions for impairment of $1.5 million are included in income from discontinued operations on six properties. Additionally, during 2012, Realty Income recorded provisions for impairment of $3.6 million on four properties held for investment at December 31, 2012. These provisions for impairment are included in income from continuing operations.

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During 2011, Realty Income recorded total provisions for impairment of $405,000 on four properties. These provisions for impairment are included in income from discontinued operations, except for $10,000 which is included in income from continuing operations.

Preferred Stock Dividends

Preferred stock dividends totaled $41.9 million in 2013, $40.9 million in 2012 and $24.3 million in 2011.

Excess of Redemption Value over Carrying Value of Preferred Shares Redeemed

When we redeemed our Class D preferred stock in March 2012, we incurred a charge of $3.7 million for the excess of redemption value over the carrying value. This charge, representing the Class D preferred stock original issuance cost that was paid in 2004, was recorded as a reduction to net income available to common stockholders when the shares were redeemed during the first quarter of 2012. On a diluted per common share basis, this charge was $0.03.

Net Income Available to Common Stockholders

Net income available to common stockholders was $203.6 million in 2013, an increase of $89.1 million as compared to $114.5 million in 2012. Net income available to common stockholders in 2011 was $132.8 million. Net income available to common stockholders in 2013 includes $13.0 million of merger-related costs for the acquisition of ARCT, which represents $0.07 on a diluted per common share basis, and $3.7 million for accelerated vesting of restricted shares that occurred in July 2013 from ten-year vesting to five years, which represents $0.02 on a diluted per common share basis. Net income available to common stockholders in 2012 includes $7.9 million of merger-related costs related to the acquisition of ARCT, which represents $0.06 on a diluted per common share basis, and a $3.7 million charge for the excess of redemption value over carrying value of the Class D preferred shares, which represents $0.03 on a diluted per common share basis.

The calculation to determine net income available to common stockholders includes gains from the sale of properties. 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.

Gains from the sale of investment properties during 2013 were $64.7 million, as compared to gains from the sale of investment properties of $9.9 million during 2012 and a $5.7 million gain from the sale of properties during 2011.

FUNDS FROM OPERATIONS AVAILABLE TO COMMON STOCKHOLDERS (FFO) AND NORMALIZED FUNDS FROM OPERATIONS AVAILABLE TO COMMON STOCKHOLDERS (Normalized FFO)

FFO for 2013 increased by $188.1 million, or 72.1%, to $449.0 million, as compared to $260.9 million in 2012 and $249.4 million in 2011. FFO for 2013 includes $13.0 million for merger-related costs related to our acquisition of ARCT, which represents $0.07 on a diluted per common share basis, and $3.7 million for accelerated vesting of restricted shares that occurred in July 2013 from ten-year vesting to five years, which represents $0.02 on a diluted per common share basis. FFO for 2012 includes $7.9 million of merger-related costs, which represents $0.06 on a diluted per common share basis, and a $3.7 million charge associated with the Class D preferred stock redemption in March 2012, which represents $0.03 on a diluted per common share basis.

We define normalized FFO as FFO excluding the merger-related costs for our 2013 acquisition of ARCT. Normalized FFO for 2013 increased by $193.2 million, or 71.9%, to $462.0 million, as compared to $268.8 million in 2012 and $249.4 million in 2011.

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The following is a reconciliation of net income available to common stockholders (which we believe is the most comparable GAAP measure) to FFO and normalized 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):

	2013	2012	2011
Net income available to common stockholders	$ 203,634	$ 114,538	$ 132,779
Depreciation and amortization:			
Continuing operations	306,577	147,323	116,546
Discontinued operations	1,818	3,984	5,633
Depreciation allocated to noncontrolling interest	(1,009)	-	-
Depreciation of furniture, fixtures and equipment	(288)	(249)	(238)
Provisions for impairment on investment properties	3,028	5,139	405
Gain on sale of investment properties:			
continuing operations	-	-	(540)
discontinued operations	(64,743)	(9,873)	(5,193)
FFO available to common stockholders	449,017	260,862	249,392
Merger-related costs	13,013	7,899	-
Normalized FFO available to common stockholders	$ 462,030	$ 268,761	$ 249,392
FFO per common share:			
Basic	$ 2.34	$ 1.96	$ 1.98
Diluted	$ 2.34	$ 1.96	$ 1.98
Normalized FFO per common share,			
Basic	$ 2.41	$ 2.02	$ 1.98
Diluted	$ 2.41	$ 2.02	$ 1.98
Distributions paid to common stockholders	$ 409,222	$ 236,348	$ 219,297
Normalized FFO in excess of distributions paid to common stockholders	$ 52,808	$ 32,413	$ 30,095
Weighted average number of common shares used for computation per share:			
Basic	191,754,857	132,817,472	126,142,696
Diluted	191,781,622	132,884,933	126,189,399

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 depreciable real estate assets, reduced by gains on the sale of investment properties and extraordinary items. We define normalized FFO, a non-GAAP measure, as FFO excluding the merger-related costs for our 2013 acquisition of ARCT.

We consider FFO and normalized FFO to be appropriate supplemental measures of a REIT s operating performance as they are based on a net income analysis of property portfolio performance that adds back items such as depreciation and impairments for FFO, and adds back merger-related costs, for normalized FFO. 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.

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ADJUSTED FUNDS FROM OPERATIONS AVAILABLE TO COMMON STOCKHOLDERS (AFFO)

AFFO for 2013 increased by $188.9 million, or 68.9%, to $463.1 million, as compared to $274.2 million in 2012 and $253.4 million in 2011. 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), FAD (for Funds Available for Distribution), or other terms.

The following is a reconciliation of net income available to common stockholders (which we believe is the most comparable GAAP measure) to FFO, normalized 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):

		2013		**2012**		**2011**
Net income available to common stockholders	$	203,634	$	114,538	$	132,779
Cumulative adjustments to calculate FFO(1)		245,383		146,324		116,613
FFO available to common stockholders		449,017		260,862		249,392
Merger-related costs		13,013		7,899		-
Normalized FFO available to common stockholders		462,030		268,761		249,392
Provisions for impairment on Crest properties		308		-		-
Amortization of share-based compensation		20,785		10,001		7,873
Amortization of deferred financing costs(2)		4,436		2,786		2,074
Excess of redemption value over carrying value of Class D preferred share redemption		-		3,696		-
Amortization of net mortgage premiums		(9,481)		(665)		(189)
(Gain) loss on interest rate swaps		(878)		56		(4)
Capitalized leasing costs and commissions		(1,280)		(1,619)		(1,722)
Capitalized building improvements		(7,227)		(4,935)		(2,450)
Straight-line rent		(13,742)		(5,674)		(2,681)
Amortization of above and below-market leases		8,188		1,776		1,079
Total AFFO available to common stockholders	$	463,139	$	274,183	$	253,372
AFFO per common share, basic and diluted:						
Basic	$	2.42	$	2.06	$	2.01
Diluted	$	2.41	$	2.06	$	2.01
Distributions paid to common stockholders	$	409,222	$	236,348	$	219,297
AFFO in excess of distributions paid to common stockholders	$	53,917	$	37,835	$	34,075
Weighted average number of common shares used for computation per share:						
Basic		191,754,857		132,817,472		126,142,696
Diluted		191,781,622		132,884,933		126,189,399

(1) See reconciling items for FFO presented under Funds from Operations Available to Common Stockholders (FFO) and Normalized Funds from Operations Available to Common Stockholders (Normalized FFO).

(2) Includes the amortization of costs incurred and capitalized when our notes were issued in March 2003, November 2003, March 2005, September 2005, September 2006, September 2007, June 2010, June 2011, October 2012, and July 2013. Additionally, this includes the

amortization of deferred financing costs incurred and capitalized in connection with our assumption of the mortgages payable and the issuance of our term loan. The deferred financing costs are being amortized over the lives of the respective mortgages and term loan. No costs associated with our credit facility agreements or annual fees paid to credit rating agencies have been included.

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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, normalized 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, normalized FFO and AFFO in the same way, so comparisons with other REITs may not be meaningful. Furthermore, FFO, normalized FFO and AFFO are not necessarily indicative of cash flow available to fund cash needs and should not be considered as alternatives to net income as an indication of our performance. FFO, normalized FFO and AFFO should not be considered as alternatives to reviewing our cash flows from operating, investing, and financing activities. In addition, FFO, normalized FFO and AFFO should not be considered as measures 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 3,896 properties in our portfolio, approximately 97.7% or 3,807 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

As of December 31, 2013, the impact of recent accounting pronouncements on our business is not considered to be material.

Item 7A: Quantitative and Qualitative Disclosures about Market Risk

We are exposed to interest rate changes primarily as a result of our credit facility, term loan, 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.

In order to mitigate and manage the effects of interest rate risks on our operations, we may utilize a variety of financial instruments, including interest rate swaps and caps. The use of these types of instruments to hedge our exposure to changes in interest rates carries additional risks, including counterparty credit risk, the enforceability of hedging contracts and the risk that unanticipated and significant changes in interest rates will cause a significant loss of basis in the contract. To limit counterparty credit risk we will seek to enter into such agreements with major financial institutions with favorable credit ratings. There can be no assurance that we will be able to adequately protect against the foregoing risks or realize an economic benefit that exceeds the related amounts incurred in connection with engaging in such hedging activities. We do not enter into any derivative transactions for speculative or trading purposes.

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, 2013. This information is presented to evaluate the expected cash flows and sensitivity to interest rate changes (dollars in millions):

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Expected Maturity Data

Year of maturity		Fixed rate debt	Weighted average interest rate on fixed rate debt		Variable rate debt	Weighted average interest rate on variable rate debt
2014	$	48.2	6.43 %	$	1.7	4.83 %
2015		249.9	5.42 %		25.6	4.68 %
2016		521.2	5.39 %		130.3	1.31 %
2017		281.8	5.68 %		26.2	5.05 %
2018		364.8	2.15 %		70.2	1.37 %
Thereafter		2,425.3	5.18 %		7.3	2.52 %
Totals (1)	$	3,891.2	4.99 %	$	261.3	2.09 %
Fair Value (2)	$	4,057.2		$	261.5	

(1) Excludes net premiums recorded on mortgages payable and original issuance discounts recorded on notes payable. At December 31, 2013, the unamortized balance of net premiums on mortgages payable is $28.9 million, and the unamortized balance of original issuance discounts on notes payable is $14.5 million.

(2) We base the estimated fair value of the fixed rate senior notes at December 31, 2013 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, 2013 on the relevant Treasury yield curve, plus an applicable credit-adjusted spread. We believe that the carrying value of the credit facility balance and term loan balance reasonably approximate their estimated fair values at December 31, 2013.

The table incorporates only those exposures that exist as of December 31, 2013. 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 notes and bonds have fixed interest rates. All of our mortgages payable have fixed interest rates, except three with a total value of $63.3 million, excluding net premiums, at December 31, 2013. Interest on our credit facility and term loan balance is variable. However, the variable interest rate feature on our term loan has been mitigated by an interest rate swap agreement. Based on our credit facility balance of $128.0 million at December 31, 2013, a 1% change in interest rates would change our interest costs by $1.3 million per year.

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.

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, 2013 and 2012, and the related consolidated statements of income, equity, and cash flows for each of the years in the three-year period ended December 31, 2013. 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 Realty Income Corporation 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, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, 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, 2013, based on criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 14, 2014 expressed an unqualified opinion on the effectiveness of Realty Income Corporation s internal control over financial reporting.

/s/ KPMG LLP

San Diego, California
February 14, 2014

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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, 2013, based on criteria established in *Internal Control Integrated Framework (1992)* 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 Realty Income Corporation 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, 2013, based on criteria established in *Internal Control Integrated Framework (1992)* 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, 2013 and 2012, and the related consolidated statements of income, equity, and cash flows for each of the years in the three-year period ended December 31, 2013, and our report dated February 14, 2014 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

San Diego, California
February 14, 2014

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REALTY INCOME CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2013 and 2012

(dollars in thousands, except per share data)

	2013	2012
ASSETS		
Real estate, at cost:		
Land	$ 2,791,147	$ 1,999,820
Buildings and improvements	7,108,328	3,920,865
Total real estate, at cost	9,899,475	5,920,685
Less accumulated depreciation and amortization	(1,114,888)	(897,767)
Net real estate held for investment	8,784,587	5,022,918
Real estate held for sale, net	12,022	19,219
Net real estate	8,796,609	5,042,137
Cash and cash equivalents	10,257	5,248
Accounts receivable, net	39,323	21,659
Acquired lease intangible assets, net	935,459	242,125
Goodwill	15,660	16,945
Other assets, net	127,133	101,234
Total assets	$ 9,924,441	$ 5,429,348
LIABILITIES AND EQUITY		
Distributions payable	$ 41,452	$ 23,745
Accounts payable and accrued expenses	102,511	70,426
Acquired lease intangible liabilities, net	148,250	26,471
Other liabilities	44,030	26,059
Lines of credit payable	128,000	158,000
Term loan	70,000	-
Mortgages payable, net	783,360	175,868
Notes payable, net	3,185,480	2,535,985
Total liabilities	4,503,083	3,016,554
Commitments and contingencies		
Stockholders equity:		
Preferred stock and paid in capital, par value $0.01 per share, 69,900,000 shares authorized and 25,150,000 shares issued and outstanding as of December 31, 2013 and December 31, 2012	609,363	609,363
Common stock and paid in capital, par value $0.01 per share, 370,100,000 shares authorized, 207,485,073 shares issued and outstanding as of December 31, 2013 and 133,452,411 shares issued and outstanding at December 31, 2012	5,767,878	2,572,092
Distributions in excess of net income	(991,794)	(768,661)
Total stockholders equity	5,385,447	2,412,794
Noncontrolling interests	35,911	-
Total equity	5,421,358	2,412,794
Total liabilities and equity	$ 9,924,441	$ 5,429,348

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, 2013, 2012 and 2011

(dollars in thousands, except per share data)

	2013	2012	2011
REVENUE			
Rental	$ 747,570	$ 466,498	$ 400,972
Tenant reimbursements	24,944	14,619	9,776
Other	5,861	1,730	1,612
Total revenue	778,375	482,847	412,360
EXPENSES			
Depreciation and amortization	306,577	147,323	116,546
Interest	180,916	122,542	108,301
General and administrative	56,827	37,998	30,954
Property (including reimbursable)	38,838	21,297	15,457
Income taxes	2,734	1,430	1,470
Merger-related costs	13,013	7,899	-
Provisions for impairment	290	3,639	10
Total expenses	599,195	342,128	272,738
Income from continuing operations	179,180	140,719	139,622
Income from discontinued operations	67,103	18,433	17,410
Net income	246,283	159,152	157,032
Net income attributable to noncontrolling interests	(719)	-	-
Net income attributable to the Company	245,564	159,152	157,032
Preferred stock dividends	(41,930)	(40,918)	(24,253)
Excess of redemption value over carrying value of preferred shares redeemed (see note 10)	-	(3,696)	-
Net income available to common stockholders	$ 203,634	$ 114,538	$ 132,779
Amounts available to common stockholders per common share:			
Income from continuing operations:			
Basic	$ 0.71	$ 0.72	$ 0.91
Diluted	$ 0.71	$ 0.72	$ 0.91
Net income:			
Basic	$ 1.06	$ 0.86	$ 1.05
Diluted	$ 1.06	$ 0.86	$ 1.05
Weighted average common shares outstanding:			
Basic	191,754,857	132,817,472	126,142,696
Diluted	191,781,622	132,884,933	126,189,399

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 EQUITY

Years Ended December 31, 2013, 2012, and 2011

(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 stockholders equity	Noncontrolling interests	Total equity
Balance, December 31, 2010	13,900,000	118,058,988	$ 337,790	$ 2,066,287	$ (557,112)	$ 1,846,965	$ -	$ 1,846,965
Net Income	-	-	-	-	157,032	157,032	-	157,032
Distributions paid and payable	-	-	-	-	(245,904)	(245,904)	-	(245,904)
Shares issued in stock offerings, net of offering costs of $25,200	-	14,925,000	-	489,236	-	489,236	-	489,236
Shares issued pursuant to dividend reinvestment and stock purchase plan, net	-	59,605	-	1,930	-	1,930	-	1,930
Share-based compensation	-	179,745	-	5,595	-	5,595	-	5,595
Balance, December 31, 2011	13,900,000	133,223,338	337,790	2,563,048	(645,984)	2,254,854	-	2,254,854
Net Income	-	-	-	-	159,152	159,152	-	159,152
Distributions paid and payable	-	-	-	-	(278,133)	(278,133)	-	(278,133)
Shares issued in stock offerings, net of offering costs of $13,773	16,350,000	-	395,377	-	-	395,377	-	395,377
Shares issued pursuant to dividend reinvestment and stock purchase plan, net	-	55,598	-	2,051	-	2,051	-	2,051
Preferred shares redeemed	(5,100,000)	-	(123,804)	-	(3,696)	(127,500)	-	(127,500)
Share-based compensation	-	173,475	-	6,993	-	6,993	-	6,993
Balance, December 31, 2012	25,150,000	133,452,411	609,363	2,572,092	(768,661)	2,412,794	-	2,412,794
Net Income	-	-	-	-	245,564	245,564	719	246,283
Distributions paid and payable	-	-	-	-	(468,697)	(468,697)	(1,371)	(470,068)
Shares issued in stock offerings, net of offering costs of $55,359	-	27,025,000	-	1,133,574	-	1,133,574	-	1,133,574
Shares issued in conjunction with acquisition of ARCT, net of our shares owned by	-	45,364,435	-	1,997,850	-	1,997,850	-	1,997,850

ARCT								
Issuance of preferred and common units	-	-	-	-	-	-	36,563	36,563
Shares issued pursuant to dividend reinvestment and stock purchase plan, net	-	1,449,139	-	55,244	-	55,244	-	55,244
Share-based compensation	-	194,088	-	9,118	-	9,118	-	9,118
Balance, December 31, 2013	25,150,000	207,485,073	$ 609,363	$ 5,767,878	$ (991,794)	$ 5,385,447	$ 35,911	$ 5,421,358

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, 2013, 2012 and 2011

(dollars in thousands)

	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 246,283	$ 159,152	$ 157,032
Adjustments to net income:			
Depreciation and amortization	306,577	147,323	116,546
Income from discontinued operations	(67,103)	(18,433)	(17,410)
Amortization of share-based compensation	20,785	10,001	7,873
Non-cash rental revenue adjustments	(5,554)	(3,898)	(1,602)
Amortization of net premiums on mortgages payable	(9,481)	(665)	(189)
Amortization of deferred financing costs	9,364	6,849	5,265
Gain on sale of real estate	-	-	(540)
Provisions for impairment on real estate held for investment	290	3,639	10
Other non-cash adjustments	-	(301)	-
Cash provided by discontinued operations:			
Real estate	7,224	14,044	18,245
Proceeds from sale of real estate	597	-	-
Collection of notes receivable by Crest	209	90	3,032
Change in assets and liabilities, other than from the impact of our acquisition of American Realty Capital Trust, Inc., or ARCT			
Accounts receivable and other assets	(3,131)	483	2,511
Accounts payable, accrued expenses and other liabilities	12,846	8,185	8,179
Net cash provided by operating activities	518,906	326,469	298,952
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment properties, net of cash received	(1,429,483)	(1,015,725)	(953,175)
Improvements to real estate, including leasing costs	(8,507)	(6,554)	(4,172)
Proceeds from sales of real estate:			
Continuing operations	8	23	2,078
Discontinued operations	126,785	50,563	22,049
Loans receivable	(10,656)	(34,876)	(1,593)
Restricted escrow deposits for Section 1031 tax-deferred exchanges and pending acquisitions	(10,158)	(1,805)	(50)
Net cash used in investing activities	(1,332,011)	(1,008,374)	(934,863)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash distributions to common stockholders	(409,222)	(236,348)	(219,297)
Cash dividends to preferred stockholders	(41,930)	(39,445)	(24,253)
Borrowings on line of credit	2,624,700	1,074,000	612,800
Payments on line of credit	(2,654,700)	(1,153,400)	(375,400)
Proceeds from notes and bonds payable issued	750,000	800,000	150,000
Principal payment on notes payable	(100,000)	-	-
Principal payments on mortgages payable	(32,603)	(11,729)	(279)
Proceeds from term loan	70,000	-	-
Repayment of ARCT line of credit	(317,207)	-	-
Repayment of ARCT term loan	(235,000)	-	-
Proceeds from common stock offerings, net	1,133,574	-	489,236
Proceeds from preferred stock offerings, net	-	395,377	-
Redemption of preferred stock	-	(127,500)	-
Distributions to noncontrolling interests	(1,216)	-	-
Debt issuance costs	(10,666)	(16,979)	(9,864)
Proceeds from dividend reinvestment and stock purchase plan, net	55,806	2,159	1,894
Other items, including shares withheld upon vesting	(13,422)	(3,147)	(2,368)
Net cash provided by financing activities	818,114	682,988	622,469

Net increase (decrease) in cash and cash equivalents	5,009	1,083	(13,442)
Cash and cash equivalents, beginning of year	5,248	4,165	17,607
Cash and cash equivalents, end of year	$ 10,257	$ 5,248	$ 4,165

For supplemental disclosures, see note 17.

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, 2013, 2012 and 2011

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, 2013, we owned 3,896 properties, located in 49 states and Puerto Rico, containing over 62.6 million leasable square feet.

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

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 dividends paid to our stockholders in determining our taxable income. Assuming our dividends equal or exceed our net income, we 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 our taxable REIT subsidiaries, 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.

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 provisions for uncertain income tax positions have been recorded in our financial statements.

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, and was deemed to be liquidated for Federal income tax purposes; the real property was deemed to be transferred to us with a carryover tax basis. As of December 31, 2013, we have built-in gains of $59 million with respect to such properties. We do not expect that we will be required to pay income tax on the built-in gains in these properties. 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 after 2013 but 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.

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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, plus income attributable to dilutive shares outstanding, 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:

	2013	2012	2011
Weighted average shares used for the basic net income per share computation	191,754,857	132,817,472	126,142,696
Incremental shares from share-based compensation	26,765	67,461	46,703
Weighted average shares used for diluted net income per share computation	191,781,622	132,884,933	126,189,399
Unvested shares from share-based compensation that were anti-dilutive	59,629	17,570	13,020
Partnership common units convertible to common shares that were anti-dilutive	851,568	-	-

Discontinued Operations. Operations from ten Realty Income investment properties, two properties owned by our wholly owned taxable REIT subsidiary, Crest Net Lease, Inc., or Crest, and properties previously sold, were reported as discontinued operations at December 31, 2013. 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 the property was previously reclassified as held for sale but the applicable criteria for this classification are no longer met, 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	**2013**	**2012**	**2011**
Gain on sales of investment properties	$ 64,743	$ 9,873	$ 5,193
Rental revenue	6,040	15,161	19,546
Tenant reimbursements	146	379	370
Other revenue	418	282	94
Depreciation and amortization	(1,761)	(3,916)	(5,568)
Property expenses (including reimbursable)	(916)	(2,529)	(2,518)

Provisions for impairment		(2,738)		(1,500)		(395)
Crest s income from discontinued operations		1,171		683		688
Income from discontinued operations	$	67,103	$	18,433	$	17,410
Per common share, basic and diluted	$	0.35	$	0.14	$	0.14

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Revenue Recognition and Accounts Receivable. All leases are accounted for as operating leases. Under this method, leases 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. Contractually obligated reimbursements from tenants for recoverable real estate taxes and operating expenses are included in tenant reimbursements in the period when such costs are incurred.

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 collectability of accounts receivable and appropriate allowances to record. The allowance for doubtful accounts was $498,000 at December 31, 2013 and $448,000 at December 31, 2012.

Other revenue, which comprises property-related revenue not included in rental revenue or tenant reimbursements, was $5.9 million in 2013, $1.7 million in 2012 and $1.6 million in 2011.

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 consolidate entities that we control and record a noncontrolling interest for the portion that we do not own. Noncontrolling interest that was created or assumed as part of a business combination was recognized at fair value as of the date of the transaction (see notes 4 and 12). We have no unconsolidated investments.

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 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, 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 or below-market lease value of in-place leases, the value of in-place leases, and tenant relationships, as applicable. In addition, any assumed mortgages receivable or payable and any assumed or issued noncontrolling interests are recorded at their estimated fair values.

Our estimated fair value determinations are based on management s judgment, utilizing various factors, including: (1) market conditions, (2) industry that the 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 either internally or by an independent valuation firm.

Our methodologies for measuring fair value related to the allocation of the purchase price of real estate acquisitions include both observable market data (and thus should be categorized as level 2 on FASB s three-level valuation hierarchy) and 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).

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 either internally or 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 the remaining term of the lease.

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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 aggregate value of other acquired intangible assets consists of the fair value of in-place leases and tenant relationships, as applicable. 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 and expected below-market renewal option periods.

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.

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.

In allocating noncontrolling interests, amounts are recorded based on the fair value of units issued at the date of acquisition, as determined by the terms of the applicable agreement.

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 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.

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

Buildings	25 years or 35 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. 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 factors that we estimate in this analysis include projected rental rates, estimated holding periods, capital expenditures and property sales capitalization rates. If a property is classified as held for sale, it is carried at the lower of carrying cost or estimated fair value, less estimated cost to sell, and depreciation of the property ceases.

In 2013, Realty Income recorded total provisions for impairment of $3.0 million. Provisions for impairment of $2.7 million are included in income from discontinued operations on seven sold properties and one property classified as held for sale, in the following industries: one in the automotive parts industry, one in the automotive service industry, two in the child care industry, one in the grocery store industry, one in the pet supplies and services industry, and two in the restaurant-casual dining industry. Additionally, during 2013, Realty Income recorded provisions for impairment of $290,000 on one property held for investment in the automotive service industry. This provision for impairment is included in income from continuing operations.

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In 2013, Crest also recorded a provision for impairment of $308,000 on one sold property in the restaurant-casual dining industry, which is included in income from discontinued operations.

In 2012, Realty Income recorded total provisions for impairment of $5.1 million. Provisions for impairment of $1.5 million are included in income from discontinued operations on six properties in the following industries: one in the automotive parts industry, one in the automotive tire services industry, one in the automotive service industry, one in the child care industry, one in the convenience store industry, and one in the home improvement industry. Additionally, during 2012, Realty Income recorded provisions for impairment of $3.6 million on four properties held for investment at December 31, 2012, in the restaurant-casual dining industry. These provisions for impairment are included in income from continuing operations.

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.

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. Under the amendments issued in conjunction with *ASU No. 2011-08, Intangibles Goodwill and Other (Topic 350)*, 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. We elected to continue testing goodwill 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 2013, 2012 and 2011, 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 2013, 2012 or 2011.

Equity Offering Costs. Underwriting commissions and offering costs have been reflected as a reduction of additional paid-in-capital on our consolidated balance sheets.

Noncontrolling Interests. Noncontrolling interests are reflected on our consolidated balance sheets as a component of equity. Investments in noncontrolling interests are recorded initially at fair value based on the price of the applicable units issued, and subsequently adjusted each period for distributions, contributions and the allocation of net income attributable to the noncontrolling interests.

As consideration for two separate acquisitions during 2013, partnership units of Tau Operating Partnership, L.P. and Realty Income, L.P. were issued to third parties. These common units (discussed in footnote 12) do not have voting rights, are entitled to monthly distributions equal to the amount paid to our common stockholders, and are redeemable in cash or our common stock, at our option and at a conversion ratio of one to one, subject to certain exceptions. As the general partner for each of these partnerships, we have operating and financial control over these entities, consolidate them in our financial statements, and record the partnership units held by third parties as noncontrolling interests.

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.

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Reclassifications. In order to conform to the 2013 presentation, certain of the 2012 and 2011 balances have been reclassified on our consolidated financial statements, including the following:

- Discontinued operations, in order to report the results of properties that either have been sold or are classified as held for sale; and

- Lease intangible assets and liabilities, which were previously reported as a component of other assets, net, and other liabilities, net, are disclosed separately on our consolidated balance sheets due to the significance of recent acquisitions.

Revisions. Certain of the 2012 and 2011 balances have been revised on our consolidated financial statements as follows:

- Tenant reimbursements as a component of total revenue and reimbursable property expenses as a component of total property expenses, which were previously reported on a net basis within property expenses, are reported on a gross basis on our consolidated statements of income; and

- Unamortized original issuance discounts on our notes payable, which were previously reported as a component of other assets, net, are reported net of our notes payable on our consolidated balance sheets.

3. Supplemental Detail for Certain Components of Consolidated Balance Sheets

A. Other assets, net, consist of the following (dollars in thousands) at:	December 31, 2013	December 31, 2012
Loans receivable	$ 48,844	$ 35,126
Deferred financing costs on notes payable, net	19,856	15,672
Notes receivable issued in connection with property sales	19,078	19,300
Prepaid expenses	11,674	9,489
Restricted escrow deposits	10,158	1,805
Credit facility origination costs, net	7,146	8,188
Impounds related to mortgages payable	5,555	-
Corporate assets, net	1,259	909
Deferred financing costs on mortgages payable, net	1,219	1,541
Deferred financing costs on term loan, net	248	-
Note receivable issued in connection with acquisition	-	8,780
Other items	2,096	424
	$ 127,133	$ 101,234

B. Acquired lease intangible assets, net, consist of the following (dollars in thousands) at:	December 31, 2013	December 31, 2012
Acquired in-place leases	$ 843,616	$ 235,914
Accumulated amortization of acquired in-place leases	(95,084)	(29,601)
Acquired above-market leases	207,641	40,389

Accumulated amortization of acquired above-market leases	(20,714)	(4,577)
	$ 935,459	$ 242,125

C. Distributions payable consist of the following declared distributions (dollars in thousands) at:	December 31, 2013	December 31, 2012
Common stock distributions	$ 37,797	$ 20,251
Preferred stock dividends	3,494	3,494
Noncontrolling interests distributions	161	-
	$ 41,452	$ 23,745

D. Accounts payable and accrued expenses consist of the following (dollars in thousands) at:	December 31, 2013	December 31, 2012
Notes payable - interest payable	$ 55,616	$ 40,061
Accrued costs on properties under development	14,058	8,595
Mortgages payable - accrued interest payable	2,790	648
Other items	30,047	21,122
	$ 102,511	$ 70,426

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E. Acquired lease intangible liabilities, net, consist of the following (dollars in thousands) at:	December 31, 2013	December 31, 2012
Acquired below-market leases	$ 158,703	$ 28,975
Accumulated amortization of acquired below-market leases	(10,453)	(2,504)
	$ 148,250	$ 26,471

F. Other liabilities consist of the following (dollars in thousands) at:	December 31, 2013	December 31, 2012
Rent received in advance	$ 31,144	$ 20,929
Preferred units issued upon acquisition of ARCT	6,750	-
Security deposits	6,136	5,130
	$ 44,030	$ 26,059

4. American Realty Capital Trust

A. Acquisition

On January 22, 2013, we completed our acquisition of ARCT for approximately $3.2 billion. Each outstanding share of ARCT common stock was converted into the right to receive a combination of: (i) $0.35 in cash and (ii) 0.2874 shares of our common stock, resulting in the issuance of a total of 45,573,144 shares of our common stock to ARCT shareholders, valued at a per share amount of $44.04, which was the closing price of our common stock on January 22, 2013. In connection with the closing of the ARCT acquisition, we repaid and terminated the amounts then outstanding of approximately $552.9 million under ARCT s revolving credit facility and term loan.

The acquisition of ARCT provided benefits to Realty Income, including accretion to net earnings, growth in the size of our real estate portfolio, diversification of industries and property type, and increase in the percentage of investment grade tenants.

With this acquisition, we added 515 properties to our portfolio. The final allocation of the purchase price reflects aggregate consideration of approximately $2.1 billion, as calculated below (in thousands):

Consideration associated with equity issued (1)	$	2,027,753
Cash consideration paid to previous owners of ARCT (2)		56,216
Total purchase consideration	$	2,083,969

(1) Includes the value associated with the issuance of the Tau Operating Partnership units discussed in 4.C. below.

(2) Includes a $55.5 million cash payment on 158,505,108 ARCT common shares outstanding at the acquisition date.

We have accounted for the ARCT acquisition in accordance with *ASC 805, Business Combinations*. The following table summarizes our final purchase price allocation, which represents our acquisition date fair values of the assets acquired and liabilities assumed (in thousands):

Assets:		
Real estate	$	2,674,464
Acquired lease intangible assets		561,289
Cash and cash equivalents, accounts receivable, and other assets, net		41,371
Total Assets		3,277,124
Liabilities:		
Lines of credit payable		317,207
Term loan		235,000
Mortgages payable		538,960
Acquired lease intangible liabilities		79,690
Accounts payable, accrued expenses, and other liabilities, net		22,298
Total Liabilities		1,193,155
Fair value of net assets acquired	$	2,083,969

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The final allocation of the purchase price was based on our assessment of the fair value of the acquired assets and liabilities using both Level 2 and 3 inputs.

Investments in Real Estate Properties. We determined the fair value generally by applying an income approach methodology using both direct capitalization and discounted cash flow analysis. Key assumptions include capitalization and discount rates. Our valuations were based, in part, on valuations prepared by an independent valuation firm.

Acquired Lease Intangibles. The fair value of in-place leases was calculated based upon our estimate of the costs to obtain tenants in each of the applicable markets. An asset or liability was recognized for acquired leases with favorable or unfavorable rents based on our estimate of current market rents in each of the applicable markets. Our valuations of the intangible assets were based, in part, on valuations prepared by an independent valuation firm.

Debt. The fair value of debt was estimated based on contractual future cash flows discounted using borrowing spreads and market interest rates that would be available to us for the issuance of debt with similar terms and remaining maturities.

B. Transaction Costs

In connection with our acquisition of ARCT, we incurred total merger-related transaction costs of approximately $21 million, which include, but are not limited to, advisor fees, legal fees, accounting fees, printing fees and transfer taxes. During 2013, we incurred $13.0 million of the $21 million of total merger-related transaction costs, which are included in income from continuing operations. In 2012, we incurred $7.9 million of these total merger-related transaction costs.

C. Noncontrolling interests and preferred units

Consideration associated with equity issued includes the value of common and preferred partnership units issued in Tau Operating Partnership, L.P., or Tau Operating Partnership, the consolidated subsidiary which owns properties acquired through the ARCT acquisition. Since the date of acquisition, Realty Income and its subsidiaries hold a 99.3% interest in the Tau Operating Partnership.

The common units do not have voting rights, are entitled to monthly distributions equal to the amount paid to common stockholders of Realty Income, and are redeemable in cash or Realty Income common stock at our option and at a conversion ratio of one to one. Noncontrolling interests with redemption provisions that permit the issuer to settle in either cash or common stock, at the option of the issuer, were evaluated to determine whether temporary or permanent equity classification on the balance sheet was appropriate. We evaluated this guidance and determined that the common units meet the requirements to qualify for presentation as permanent equity. See note 12 for the change in the carrying value of these common units from January 22, 2013 through December 31, 2013.

The Tau Operating Partnership preferred units have also been recorded at fair value as of the date of acquisition. Since they are redeemable at a fixed price on a determinable date, we have classified them in other liabilities on our consolidated balance sheet.

Payments on these preferred units are made monthly at a rate of 2% per annum and are included in interest expense. As of December 31, 2013, the preferred units have a carrying value of $6.75 million.

D. Litigation

In connection with our acquisition of ARCT, one action remains pending in the Supreme Court of the State of New York for New York, New York under the consolidated caption *In re American Realty Capital Trust Shareholders Litigation*, No. 65330-2012 (the New York Action). On November 9, 2012, the Court granted defendants motion to stay the New York Action, which currently remains stayed. We believe this pending matter will not have a material impact on our financial position or results of operations.

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5. Investments in Real Estate

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

A. 2013 and 2012 Acquisitions

During 2013, Realty Income invested $1.51 billion in 459 new properties and properties under development or expansion (in addition to our acquisition of ARCT, which is discussed in more detail in note 4), with an initial weighted average contractual lease rate of 7.1%. The 459 new properties and properties under development or expansion, are located in 40 states, will contain approximately 9.0 million leasable square feet, and are 100% leased with a weighted average lease term of 14.0 years. The tenants occupying the new properties operate in 23 industries and the property types consist of 83.8% retail, 9.2% office, 4.9% industrial and distribution, and 2.1% manufacturing, based on rental revenue. These investments are in addition to the $3.2 billion acquisition of 515 properties of American Realty Capital Trust, Inc., or ARCT, which were added to our real estate portfolio during the first quarter of 2013. Our combined total investment in real estate assets during 2013 was $4.67 billion in 974 new properties and properties under development or expansion. During 2013, none of our investments caused any one tenant to be 10% or more of our total assets at December 31, 2013.

The 515 properties added to our real estate portfolio as a result of the ARCT acquisition, are located in 44 states and Puerto Rico, contain over 16.0 million leasable square feet, and are 100% leased with a weighted average lease term of 12.2 years. The 69 tenants, occupying the 515 properties acquired, operate in 28 industries and the property types consist of 54.0% retail, 32.6% industrial and distribution, and 13.4% office, based on rental revenue. We recorded ARCT merger-related transaction costs of $13.0 million in 2013 and $7.9 million in 2012.

Additionally, in September 2013, we purchased a property for $45.4 million in San Diego, California, which will serve as our new corporate headquarters. We plan on relocating to this facility during the second half of 2014.

The $4.67 billion invested during 2013 was allocated as follows: $805.5 million to land, $3.21 billion to buildings and improvements, $772.7 million to intangible assets related to leases, $13.6 million to other assets, net, and $128.6 million to intangible liabilities related to leases and other assumed liabilities. We also recorded mortgage premiums of $28.4 million associated with the mortgages acquired. There was no contingent consideration associated with these acquisitions.

The properties acquired during 2013 generated total revenues of $225.3 million and income from continuing operations of $44.0 million.

The purchase price allocation for $120.8 million of the $4.67 billion invested by us in 2013 is based on a preliminary measurement of fair value that is subject to change. The allocation for these properties represents our current best estimate of fair value and we expect to finalize the valuations and complete the purchase price allocations in 2014. In 2013, we finalized the purchase price allocations for $106.4 million invested in the second half of 2012. There were no material changes to our consolidated financial statements as a result of the finalization of purchase price allocations during 2013.

In comparison, during 2012, Realty Income invested $1.16 billion in 439 properties and properties under development or expansion, with an initial weighted average contractual lease rate of 7.2%. The 439 properties and properties under development or expansion, are located in 38 states, will contain over 10.5 million leasable square feet, and are 100% leased with an average lease term of 13.8 years. The tenants occupying the new properties operated in 23 industries and the property types consisted of 79.6% retail, 11.3% industrial and distribution, 8.3% manufacturing, and 0.8% office, based on rental revenue.

The $1.16 billion invested during 2012 was allocated as follows: $289.2 million to land, $768.4 million to buildings and improvements, $104.8 million to intangible assets, $34.9 million to other assets, net, and $33.2 million to intangible and assumed liabilities. We also recorded mortgage premiums of $10.0 million. The majority of our 2012 acquisitions were cash purchases, except for eight transactions that included the assumption of $110.5 million of mortgages payable. There was no contingent consideration associated with these acquisitions.

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The properties acquired during 2012 generated total revenues of $23.9 million and income from continuing operations of $9.8 million.

The estimated initial weighted average contractual lease rate for a property is generally computed as estimated contractual net operating income, which, in the case of a net leased property, is equal to the aggregate base rent under the lease for the first full year of each lease, divided by the total cost of the property. 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.

In the case of a property under development or expansion, the estimated initial weighted average contractual lease rate is computed as follows: estimated net operating income (which is calculated by multiplying the capitalization rate determined by the lease by our projected total investment in the property, including land, construction and capitalized interest costs) for the first full year of each lease, divided by such projected total investment in the property. Of the $4.67 billion we invested during 2013, $39.6 million was invested in 21 properties under development or expansion with an estimated initial weighted average contractual lease rate of 8.5%.

B. *Acquisition Transaction Costs*

Acquisition transaction costs (excluding ARCT merger-related costs) of $2.1 million and $2.4 million, respectively, were recorded to general and administrative expense on our consolidated statements of income for 2013 and 2012.

C. *Investments in Existing Properties*

During 2013, we capitalized costs of $8.5 million on existing properties in our portfolio, consisting of $1.3 million for re-leasing costs and $7.2 million for building and tenant improvements. During 2012, we capitalized costs of $6.6 million on existing properties in our portfolio, consisting of $1.62 million for re-leasing costs and $4.93 million for building and tenant improvements.

D. *Properties with Existing Leases*

Of the $4.67 billion we invested during 2013, approximately $4.32 billion was used to acquire 799 properties with existing leases. Associated with these 799 properties, we recorded $602.8 million as the intangible value of the in-place leases, $169.9 million as the intangible value of above-market leases and $128.6 million as the intangible value of below-market leases. The value of the in-place and above-market leases is recorded to acquired lease intangible assets, net on our consolidated balance sheet, and the value of the below-market leases is recorded to acquired lease intangible liabilities, net on our consolidated balance sheet

The values of the in-place leases are amortized as depreciation and amortization expense. The amounts amortized to expense for all of our in-place leases, for 2013, 2012, and 2011, were $65.5 million, $15.6 million, and $8.3 million, respectively.

The values of the above-market and below-market leases are amortized as rental revenue on our consolidated statements of income. All of these amounts are amortized over the term of the respective leases. The amounts amortized as a net decrease to rental revenue for capitalized above-market and below-market leases, for 2013, 2012 and 2011, were $8.2 million, $1.8 million, and $1.1 million, respectively.

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.

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The following table presents the estimated 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, 2013 (in thousands):

		Net decrease to rental revenue		Increase to amortization expense
2014	$	(7,708)	$	75,164
2015		(7,785)		72,616
2016		(7,797)		72,210
2017		(7,794)		70,986
2018		(7,535)		68,649
Thereafter		(58)		388,907
Totals	$	(38,677)	$	748,532

E. Unaudited Pro Forma Information

The following pro forma total revenue and income from continuing operations, for 2013 and 2012, assumes all of our 2013 acquisitions, including ARCT, occurred on January 1, 2012 (in millions). This pro forma supplemental information does not include: (1) the impact of any synergies or lower borrowing costs that we have or may achieve as a result of the acquisitions or any strategies that management has or may consider in order to continue to efficiently manage our operations, and (2) ARCT s historical operational costs, including general and administrative costs and property expenses. Additionally, this information does not purport to be indicative of what our operating results would have been, had the acquisitions occurred on January 1, 2012, and may not be indicative of future operating results. For purposes of calculating these pro-forma amounts, we assumed that merger-related costs of approximately $12.5 million, which represent the merger-related costs incurred after consummation of our ARCT acquisition, occurred on January 1, 2012. Other than these items specified above, no material, non-recurring pro-forma adjustments were included in the calculation of this information.

Dollars in millions		Total revenue		Income from continuing operations
Supplemental pro forma for the year ended December 31, 2013	$	848.6	$	223.3
Supplemental pro forma for the year ended December 31, 2012	$	772.6	$	212.8

6. Credit Facility

In October 2013, we increased our unsecured acquisition credit facility from $1.0 billion to $1.5 billion. The initial term of the credit facility expires in May 2016 and includes, at our election, a one-year extension option. Under this credit facility, our current investment grade credit ratings provide for financing at the London Interbank Offered Rate, commonly referred to as LIBOR, plus 1.075% with a facility commitment fee of 0.175%, for all-in drawn pricing of 1.25% 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 this credit facility. Our credit facility is unsecured and, accordingly, we have not pledged any assets as collateral for this obligation.

At December 31, 2013, credit facility origination costs of $7.1 million are included in other assets, net, on our consolidated balance sheet. These costs are being amortized over the remaining term of our current $1.5 billion credit facility.

At December 31, 2013, we had a borrowing capacity of $1.372 billion available on our credit facility (subject to customary conditions to borrowing) and an outstanding balance of $128.0 million, as compared to an outstanding balance of $158.0 million at December 31, 2012.

The average interest rate on outstanding borrowings under our credit facilities was 1.3% during 2013, 1.6% during 2012, and was 2.1% during 2011. At December 31, 2013, the effective interest rate was 1.2%. Our current and prior credit facilities are and were subject to various leverage and interest coverage ratio limitations. At December 31, 2013, we remain in compliance with these covenants.

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7. Mortgages Payable

During 2013, we assumed mortgages totaling $630.0 million, excluding net premiums. The mortgages are secured by the properties on which the debt was placed. Of the $630.0 million of mortgages assumed during 2013, approximately $608.8 million is considered non-recourse with limited customary exceptions for items such as bankruptcy, misrepresentation, fraud, misapplication of payments, environmental liabilities, failure to pay taxes, insurance premiums, liens on the property and uninsured losses. Approximately $6.6 million has full recourse to Realty Income, and the remaining $14.6 million of the assumed debt is not guaranteed by and is non-recourse to Realty Income. We expect to pay off the mortgages as soon as prepayment penalties have declined to a level that will make it economically feasible to do so. We intend to continue to primarily identify property acquisitions that are free from mortgage indebtedness. We repaid four mortgages in full during 2013, including one in August for $11.7 million and three in December for $23.1 million. One of the mortgages repaid in December was related to a mortgage previously assumed during 2013.

During 2013, aggregate net premiums totaling $28.4 million were recorded upon assumption of the mortgages for above-market interest rates, as compared to net premiums totaling $10.0 million recorded in 2012. Amortization of these net premiums is recorded as a reduction to interest expense over the remaining term of the respective mortgages, 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. At December 31, 2013, we remain in compliance with these covenants.

As a result of assuming mortgages payable, we incurred deferred financing costs of $211,000 in 2013 and $1.1 million in 2012, which are classified as part of other assets, net, on our consolidated balance sheets. The balance of these deferred financing costs was $1.2 million at December 31, 2013 and $1.5 million at December 31, 2012 which is being amortized over the remaining term of each mortgage.

The following is a summary of all our mortgages payable as of December 31, 2013 and 2012, respectively (dollars in thousands):

As Of	Number of Properties(1)	Weighted Average Stated Interest Rate(2)	Weighted Average Effective Interest Rate(3)	Weighted Average Remaining Years Until Maturity	Remaining Principal Balance	Unamortized Premium Balance	Mortgage Payable Balance
12/31/13	227	5.3%	3.9%	4.3	$ 754,508	$ 28,852	$ 783,360
12/31/12	11	5.8%	4.4%	4.8	$ 165,927	$ 9,941	$ 175,868

(1) At December 31, 2013, there were 47 mortgages on 227 properties, while at December 31, 2012, there were 13 mortgages on 11 properties. The mortgages require monthly payments, with principal payments due at maturity. The mortgages are at fixed interest rates, except for: (1) a $23.6 million mortgage maturing on June 10, 2015 with a floating variable interest rate calculated as the sum of the current one month LIBOR plus 4.5%, not to exceed an all-in interest rate of 5.5%, (2) a $8.3 million mortgage maturing on September 3, 2021, with a floating interest rate calculated as the sum of the current one month LIBOR plus 2.4%, and (3) a $32.4 million mortgage maturing on April 10, 2017, which is fixed at

5.07% through December 28, 2015, but is reset to the greater of 4.0%, or the two-year swap rate plus 2.75% thereafter. As part of the $8.3 million mortgage payable assumed in 2012, we also acquired an interest rate swap which essentially fixes the interest rate on this mortgage payable at 6.0%. As part of the $32.4 million mortgage payable assumed in 2013, we have the opportunity to prepay the mortgage at par on December 28, 2015, prior to the variable interest rate reset. As part of two mortgages totaling $8.8 million that matured on December 28, 2013, we also acquired an $8.8 million note receivable, upon which we received interest income at a stated rate of 8.1% through December 28, 2013.

(2) Stated interest rates ranged from 2.5% to 6.9% at December 31, 2013, while stated interest rates ranged from 2.6% to 8.3% at December 31, 2012.

(3) Effective interest rates ranged from 2.4% to 9.2% at December 31, 2013, while effective interest rates ranged from 2.7% to 8.3% at December 31, 2012.

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The following table summarizes the maturity of mortgages payable, excluding net premiums of $28.9 million, as of December 31, 2013 (dollars in millions):

Year of Maturity		
2014	$	49.9
2015		125.5
2016		248.5
2017		133.0
2018		15.0
Thereafter		182.6
Totals	$	754.5

8. Term Loan

In January 2013, in conjunction with our acquisition of ARCT, we entered into a $70 million senior unsecured term loan maturing January 21, 2018. Borrowing under the term loan bears interest at the current one month LIBOR, plus 1.2%. In conjunction with this term loan, we also acquired an interest rate swap, which essentially fixes our per annum interest rate on the term loan at 2.15%. The interest rate swap has a nominal value at December 31, 2013. As a result of entering into our term loan, we incurred deferred financing costs of $303,000, which are being amortized over the remaining term of the term loan. The net balance of these deferred financing costs was $248,000, which are classified as part of other assets, net, on our consolidated balance sheet at December 31, 2013.

9. Notes Payable

A. General

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

		December 31, 2013		December 31, 2012
5.375% notes, issued in March 2003 and repaid in March 2013	$	-	$	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
2.0% notes, issued in October 2012 and due in January 2018		350		350
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
3.25% notes, issued in October 2012 and due in October 2022		450		450
4.65% notes, issued in July 2013 and due in August 2023		750		-
5.875% bonds, $100 issued in March 2005 and $150 issued in June 2011, both due in March 2035		250		250
Total principal amount		3,200		2,550
Unamortized original issuance discounts		(15)		(14)
	$	3,185	$	2,536

The following table summarizes the maturity of our notes and bonds payable as of December 31, 2013, excluding unamortized original issuance discounts (dollars in millions):

Year of Maturity	Notes and Bonds
2014	$ -
2015	150
2016	275
2017	175
2018	350
Thereafter	2,250
Totals	$ 3,200

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As of December 31, 2013, the weighted average interest rate on our notes and bonds payable was 4.9% and the weighted average remaining years until maturity was 7.6 years.

Interest incurred on all of the notes and bonds was $138.9 million for 2013, $110.4 million for 2012 and $101.5 million for 2011. 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, 2013, we remain in compliance with these covenants.

B. Note Repayment

In March 2013, we repaid the $100 million of outstanding 5.375% notes, plus accrued and unpaid interest, using proceeds from our March 2013 common stock offering and our credit facility.

C. Note Issuances

In July 2013, we issued $750 million of 4.65% senior unsecured notes due August 2023, or the 2023 Notes. The price to the investors for the 2023 Notes was 99.775% of the principal amount for an effective yield of 4.678% per annum. The total net proceeds of approximately $741.4 million from this offering were used to repay all outstanding borrowings under our acquisition credit facility, and the remaining proceeds were used for other general corporate purposes and working capital, including additional property acquisitions. Interest is paid semiannually on the 2023 Notes.

In October 2012, we issued $350 million in aggregate principal amount of 2.00% senior unsecured notes due January 2018, or the 2018 Notes, and $450 million in aggregate principal amount of 3.25% senior unsecured notes due October 2022, or the 2022 Notes. The price to the investors for the 2018 Notes was 99.910% of the principal amount for an effective yield of 2.017% per annum. The price to the investors for the 2022 Notes was 99.382% of the principal amount for an effective yield of 3.323% per annum. The total net proceeds of approximately $790.1 million from these offerings were used to repay all outstanding borrowings under our acquisition credit facility, and the remaining proceeds were used for general corporate purposes, including additional property acquisitions. Interest is paid semiannually on both the 2018 and 2022 Notes.

10. Issuance and Redemption of Preferred Stock

A. In 2006, we issued 8.8 million shares of 6.75% Monthly Income Class E Cumulative Redeemable Preferred Stock, or Class E preferred stock, at a price of $25.00 per share. Since December 2011, the shares of Class E preferred stock are redeemable at our option, for $25.00 per share. During 2013, 2012 and 2011, 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, 2013, a monthly dividend of $0.140625 per share was payable and was paid in January 2014.

B. In February 2012, we issued 14.95 million shares of our 6.625% Monthly Income Class F Cumulative Redeemable Preferred Stock, or Class F preferred stock, at a price of $25.00 per share, including 1.95 million shares purchased by the underwriters upon the exercise of their overallotment option. In April 2012, we issued an additional 1.4 million shares of our Class F preferred stock at a price of $25.2863 per share. After aggregate underwriting discounts and other offering costs totaling $13.8 million, we received total net proceeds of $395.4 million for the February and April offerings combined, of which $127.5 million was used to redeem all of our outstanding 7.375% Monthly Income Class D Cumulative Redeemable Preferred Stock, or Class D preferred stock, and the balance was used to repay a portion of the borrowings under our credit facility. Beginning February 15, 2017, the shares of Class F preferred stock are redeemable at our option, for $25.00 per share. The initial dividend of $0.1702257 per share was paid on March 15, 2012 and covered 37 days. Thereafter, dividends of $0.138021 per share are paid monthly in arrears on the Class F preferred stock. During 2012, we paid ten monthly dividends to holders of our Class F preferred stock totaling $1.4124147, or $22.6 million. During 2013, we paid twelve monthly dividends to holders of our Class F preferred stock totaling $1.656252, or $27.1 million, and at December 31, 2013, a monthly dividend of $0.138021 per share was payable and was paid in January 2014.

C. We redeemed all of the 5.1 million shares of our Class D preferred stock in March 2012 for $25.00 per share, plus accrued dividends. We incurred a charge of $3.7 million for 2012, representing the Class D preferred stock original issuance costs that we paid in 2004.

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

11. Issuance of Common Stock

In October 2013, we issued 9,775,000 shares of common stock at a price of $40.63 per share, including 1,275,000 shares purchased by the underwriters upon the exercise of their option to purchase additional shares. After underwriting discounts and other estimated offering costs of $18.7 million, the net proceeds of approximately $378.5 million were used to repay a portion of the borrowings under our acquisition credit facility, which were used to fund property acquisitions.

In March 2013, we issued 17,250,000 shares of common stock at a price of $45.90 per share, including 2,250,000 shares purchased by the underwriters upon the exercise of their overallotment option. After underwriting discounts and other offering costs of $36.7 million, the net proceeds of $755.1 million were used to redeem our 5.375% notes in March 2013 and repay borrowings under our acquisition credit facility, which were used to fund property acquisitions, including our acquisition of ARCT.

In connection with our January 2013 acquisition of ARCT, as described in note 4, we issued a total of 45,573,144 shares of our common stock to ARCT shareholders and we received 208,709 shares of our common stock that were previously held by ARCT. The closing price per share of our common stock on the date of the ARCT acquisition was $44.04. The total value of the 45,573,144 common shares was approximately $2 billion.

12. Noncontrolling Interests

In June 2013, we completed the acquisition of a portfolio of properties by issuing units in a newly formed entity, Realty Income, L.P. The units issued as consideration for the acquisition represent a 2.2% ownership in Realty Income, L.P. at December 31, 2013. Realty Income holds the remaining 97.8% interests in this entity, and consolidates the entity.

The Realty Income, L.P. units do not have voting rights, are entitled to monthly distributions equal to the amount paid to common stockholders of Realty Income, and are redeemable in cash or Realty Income common stock, at our option, and at a conversion ratio of one to one, subject to certain exceptions. Noncontrolling interests with redemption provisions that permit the issuer to settle in either cash or common stock, at the option of the issuer, were evaluated to determine whether temporary or permanent equity classification on the balance sheet was appropriate. We evaluated this guidance and determined that the units meet the requirements to qualify for presentation as permanent equity.

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The following table represents the change in the carrying value of all noncontrolling interests, including Tau Operating Partnership units which are discussed in note 4, through December 31, 2013 (dollars in thousands):

	Tau Operating Partnership units(1)	Realty Income, L.P. units(2)	Total
Fair value of units issued	$ 13,962	$ 22,601	$ 36,563
Distributions	(691)	(680)	(1,371)
Allocation of net income	218	501	719
Carrying value at December 31, 2013	$ 13,489	$ 22,422	$ 35,911

(1) 317,022 Tau Operating Partnership units were issued on January 22, 2013 and remain outstanding as of December 31, 2013.

(2) 534,546 Realty Income, L.P. units were issued on June 27, 2013 and remain outstanding as of December 31, 2013.

13. 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	2013	2012	2011
January	$ 0.1517500	$ 0.1455000	$ 0.1442500
February	0.1809167	0.1455000	0.1442500
March	0.1809167	0.1455000	0.1442500
April	0.1812292	0.1458125	0.1445625
May	0.1812292	0.1458125	0.1445625
June	0.1812292	0.1458125	0.1445625
July	0.1815417	0.1461250	0.1448750
August	0.1815417	0.1461250	0.1448750
September	0.1815417	0.1511250	0.1448750
October	0.1818542	0.1514375	0.1451875
November	0.1818542	0.1514375	0.1451875
December	0.1818542	0.1514375	0.1451875
Total	$ 2.1474587	$ 1.7716250	$ 1.7366250

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

	2013	2012	2011
Ordinary income	$ 1.3153791	$ 1.3367481	$ 1.3787863
Nontaxable distributions	0.8320796	0.4348769	0.3578387

Totals	$	2.1474587	$	1.7716250	$	1.7366250

At December 31, 2013, a distribution of $0.1821667 per common share was payable and was paid in January 2014. At December 31, 2012, a distribution of $0.15175 per common share was payable and was paid in January 2013.

B. Class D Preferred Stock

Prior to the redemption of the Class D preferred stock in March 2012, dividends of $0.1536459 per share were paid monthly in arrears on the Class D preferred stock. We declared dividends to holders of our Class D preferred stock totaling $2.0 million in 2012 and $9.4 million in 2011. For 2012 and 2011, dividends paid per share in the amounts of $0.3841147 and $1.8437508, respectively, were characterized as ordinary income for federal income tax purposes.

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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 2013, 2012 and 2011. For 2013, 2012 and 2011, dividends paid per share in the amount of $1.6875 were characterized as ordinary income for federal income tax purposes.

D. Class F Preferred Stock

Dividends of $0.138021 per share are paid monthly in arrears on the Class F preferred stock. We declared dividends to holders of our Class F preferred stock totaling $27.1 million in 2013 and $22.6 million in 2012. For 2013 and 2012, dividends paid per share of $1.656252 and $1.4124147, respectively, were characterized as ordinary income for federal income tax purposes.

14. Operating Leases

A. At December 31, 2013, we owned 3,896 properties in 49 states and Puerto Rico, plus an additional three properties owned by Crest. Of the 3,896 properties, 3,876, or 99.5%, are single-tenant properties, and the remaining twenty are multi-tenant properties. At December 31, 2013, 70 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) was $2.9 million for 2013, $2.1 million for 2012 and $1.4 million for 2011, including amounts recorded to discontinued operations of $115,000 in 2013, $163,000 in 2012 and $70,000 in 2011.

At December 31, 2013, minimum future annual rents to be received on the operating leases for the next five years and thereafter are as follows (dollars in thousands):

2014	$	809,394
2015		796,822
2016		782,480
2017		763,348
2018		740,078
Thereafter		5,074,496
Total	$	8,966,618

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, 2013, 2012 or 2011.

15. Gain on Sales of Investment Properties

During 2013, we sold 75 investment properties for $134.2 million, which resulted in a gain of $64.7 million. The results of operations for these properties have been reclassified as discontinued operations for all periods presented.

During 2012, we sold 44 investment properties for $50.6 million, which resulted in a gain of $9.9 million. The results of operations for these properties have been reclassified as discontinued operations for all periods presented.

During 2011, we sold 26 investment properties for $22.0 million, which resulted in a gain of $5.2 million. The results of operations for these properties have been reclassified as discontinued operations for all periods presented. Additionally, we sold excess real estate from five properties for $2.1 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.

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During 2013, Crest sold one property for $597,000, which resulted in no gain. The results of operations for this property have been reclassified as discontinued operations. During 2012 and 2011, Crest did not sell any properties.

16. 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, loans receivable, lines of credit payable, term loan and all other liabilities, due to their short-term nature or interest rates and terms that are consistent with market, except for our notes receivable issued in connection with property sales or acquired in connection with an acquisition, mortgages payable (which includes net mortgage premiums) and our senior notes and bonds payable, which are disclosed below (dollars in millions):

At December 31, 2013		**Carrying value per balance sheet**		**Estimated fair value**
Notes receivable issued in connection with property sales	$	19.1	$	21.1
Mortgages payable assumed in connection with acquisitions		783.4		780.0
Notes payable, net of unamortized original issuance discounts		3,185.5		3,340.7

At December 31, 2012		**Carrying value per balance sheet**		**Estimated fair value**
Notes receivable issued in connection with property sales	$	19.3	$	20.5
Note receivable issued in connection with an acquisition		8.8		8.8
Mortgages payable assumed in connection with acquisitions		175.9		176.7
Notes payable, net of unamortized original issuance discounts		2,536.0		2,827.1

The estimated fair values of our notes receivable issued in connection with property sales or acquired in connection with an acquisition, and our mortgages payable have been calculated by discounting the future cash flows using an interest rate based upon the relevant Treasury yield curve, plus an applicable credit-adjusted spread. Because this methodology includes unobservable inputs that reflect our own internal assumptions and calculations, the measurement of estimated fair values related to our notes receivable and mortgages payable, is categorized as level three on the three-level valuation hierarchy.

The estimated fair values of our senior notes and bonds payable is based upon indicative market prices and recent trading activity of our senior notes and bonds payable. Because this methodology includes inputs that are less observable by the public and are not necessarily reflected in active markets, the measurement of the estimated fair values, related to our notes and bonds payable, is categorized as level two on the three-level valuation hierarchy.

17. Supplemental Disclosures of Cash Flow Information

Cash paid for interest was $166.1 million in 2013, $112.5 million in 2012, and $102.0 million in 2011.

Interest capitalized to properties under development was $537,000 in 2013, $498,000 in 2012, and $438,000 in 2011.

Cash paid for income taxes was $2.1 million in 2013, $1.0 million in 2012, and $871,000 in 2011.

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

A. Share-based compensation expense was $20.8 million for 2013, $10.0 million for 2012 and $7.9 million for 2011.

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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. During 2013, the following components were acquired in connection with our acquisition of ARCT: (1) real estate investments and related intangible assets of $3.2 billion, (2) other assets of $19.5 million, (3) lines of credit payable of $317.2 million, (4) a term loan for $235.0 million, (5) mortgages payable of $539.0 million, (6) intangible liabilities of $79.7 million, (7) other liabilities of $29.0 million, and (8) noncontrolling interests of $14.0 million.

D. During 2013, we acquired mortgages payable, (excluding the mortgages payable discussed in items C. and E.) to third-party lenders of $81.3 million and recorded $6.1 million of net premiums related to property acquisitions. During 2012, we assumed $110.5 million of mortgages payable to third-party lenders and recorded $10.0 million of net premiums. During 2011, we assumed $67.4 million of mortgages payable to third-party lenders and recorded $820,000 of net premiums.

E. During 2013, we acquired $55.9 million of real estate through the assumption of a $32.4 million mortgage payable, the issuance of 534,546 units by Realty Income, L.P. and cash of $1.0 million. We recorded a mortgage discount of $386,000 related to this acquisition.

F. During 2013, we acquired real estate for $7.4 million via exchanges of our properties.

G. During 2013, we recorded receivables of $1.9 million for the taking of two investment properties as a result of an eminent domain action. These receivables are included in other assets, net, on our consolidated balance sheet at December 31, 2013.

H. Accrued costs on properties under development resulted in an increase in buildings and improvements and accounts payable of $5.5 million, $3.8 million and $3.7 million at December 31, 2013, 2012 and 2011, respectively.

18. 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.

19. Common Stock Incentive Plan

In 2012, our Board of Directors adopted and stockholders approved the Realty Income Corporation 2012 Incentive Award Plan, or the 2012 Plan, to enable us to motivate, attract and retain the services of directors, employees and consultants considered essential to our long-term success. The 2012 Plan offers our directors, employees and consultants an opportunity to own stock in Realty Income or rights that will reflect our growth, development and financial success. Under the terms of the 2012 plan, the aggregate number of shares of our common stock subject to options, restricted stock, stock appreciation rights, restricted stock units and other awards, will be no more than 3,985,734 shares. The 2012 Plan, which has a term of 10 years from the date it was adopted by our Board of Directors, replaced the 2003 Incentive Award Plan of Realty Income Corporation (as amended and restated February 21, 2006), or the 2003 Plan, which was set to expire in March 2013. No further awards will be granted under the 2003 Plan. The disclosures below incorporate activity for both the 2003 Plan and the 2012 Plan.

The amount of share-based compensation costs recognized in general and administrative expense on our consolidated statements of income was $20.8 million during 2013, $10.0 million during 2012, and $7.9 million during 2011.

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The following table summarizes our common stock grant activity under our 2012 Plan and the previous 2003 Plan. Our common stock grants vest over periods ranging from immediately to five years.

	2013			2012			2011		
	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	895,550	$	19.94	925,526	$	20.21	924,294	$	19.69
Shares granted	484,060	$	41.13	261,811	$	35.06	247,214	$	33.94
Shares vested	(654,650)	$	30.91	(290,877)	$	27.47	(245,487)	$	25.26
Shares forfeited	(2,697)	$	37.30	(910)	$	31.67	(495)	$	31.37
Outstanding nonvested shares, end of each period	722,263	$	23.37	895,550	$	19.94	925,526	$	20.21

(1) Grant date fair value.

During 2013, we issued 484,060 shares of common stock under the 2012 Plan. Of the 484,060 shares, 432,606 shares vest over the following service periods: 106,026 vested immediately, 62,989 vest over a service period of one year, 12,000 vest over a service period of three years, 77,180 shares vest over a service period of four years, and 174,411 vest over a service period of five years. Additionally, 51,454 shares of performance-based common stock was granted, of which 12,864 shares vested at the end of 2013 based on the achievement of certain 2013 performance metrics, and of which 12,864 may vest at the end of 2014, 2015 and 2016, if certain performance metrics are reached.

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 typical 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;

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 being 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 or attainment of individual achievements, non-executive employees may receive grants of nonvested stock which vests over a five year period.

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As of December 31, 2013, the remaining unamortized share-based compensation expense totaled $16.9 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 2012 and 2003 Plans, 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 2013, 2012 or 2011.

As of December 31, 2013 and 2012, there were no remaining common stock options outstanding for any of the periods presented.

20. Dividend Reinvestment and Stock Purchase Plan

In March 2011, we established a Dividend Reinvestment and Stock Purchase Plan, or the DRSPP, to provide our common stockholders, as well as new investors, with a convenient and economical method of purchasing our common stock and reinvesting their distributions. The DRSPP also allows our current stockholders to buy additional shares of common stock by reinvesting all or a portion of their distributions. The DRSPP authorizes up to 6,000,000 common shares to be issued. During 2013, we issued 1,449,139 shares and raised approximately $55.6 million under the DRSPP. These amounts include the shares issued as part of the waiver approval process discussed below. During 2012, we issued 55,598 shares and raised approximately $2.2 million under the DRSPP. During 2011, we issued 59,605 shares and raised approximately $2.0 million under the DRSPP. From the inception of the DRSPP through December 31, 2013, we have issued 1,564,342 shares and raised approximately $59.8 million, which includes the amounts issued under the waiver discount program as described below.

In March 2013, we updated our DRSPP so that we are now paying for a majority of the plan-related fees, which were previously paid by investors.

In November 2013, we revised our DRSPP to institute a waiver approval process allowing larger investors or institutions, per a formal approval process, to purchase shares at a small discount, if approved by us. In December 2013, we issued 1,308,490 shares and raised $49.7 million under this waiver approval process.

21. 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 48 activity segments. 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, rental revenue is the only component of segment profit and loss we measure.

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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, 2013 (dollars in thousands):

Assets, as of December 31:	**2013**	**2012**
Segment net real estate:		
Automotive service	$ 108,940	$ 96,409
Automotive tire services	258,787	184,601
Beverages	306,278	310,555
Child care	57,201	61,747
Convenience stores	766,472	671,676
Dollar stores	824,274	450,566
Drug stores	943,401	159,482
Financial services	252,764	26,020
Food processing	138,000	102,964
Grocery stores	283,207	219,216
Health and fitness	493,981	330,503
Health care	228,003	4,562
Motor vehicle dealerships	114,203	102,155
Restaurants-casual dining	477,130	448,806
Restaurants-quick service	312,474	250,454
Sporting goods	94,771	77,737
Theaters	367,830	381,123
Transportation services	623,541	130,203
Wholesale club	455,875	308,202
29 other non-reportable segments	1,689,477	725,156
Total segment net real estate	8,796,609	5,042,137
Intangible assets:		
Automotive service	3,248	-
Automotive tire services	15,770	470
Beverages	3,055	3,313
Convenience stores	13,342	-
Dollar stores	50,209	12,475
Drug stores	180,506	14,885
Financial services	40,112	4,443
Food processing	25,297	21,785
Grocery stores	22,377	5,650
Health and fitness	53,703	15,056
Health care	38,465	-
Motor vehicle dealerships	7,790	3,587
Restaurants-casual dining	11,906	-
Restaurants-quick service	17,936	3,464
Sporting goods	10,984	4,862
Theaters	23,600	28,475
Transportation services	107,296	27,997
Wholesale club	33,221	-
Other non-reportable segments	276,642	95,663
Goodwill:		
Automotive service	454	471
Automotive tire services	865	865
Child care	5,141	5,276
Convenience stores	2,031	2,064
Restaurants-casual dining	2,328	2,430
Restaurants-quick service	1,131	1,176
Other non-reportable segments	3,710	4,663
Other corporate assets	176,713	128,141
Total assets	$ 9,924,441	$ 5,429,348

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For the years ended December 31,	**2013**	**Revenue 2012**	**2011**
Segment rental revenue:			
Automotive service	$ 15,403	$ 14,478	$ 14,635
Automotive tire services	26,929	22,604	22,595
Beverages	24,848	24,553	23,458
Child care	20,850	20,812	20,966
Convenience stores	83,973	76,309	75,961
Dollar stores	46,483	10,324	143
Drug stores	60,313	16,160	15,374
Financial services	14,783	2,787	2,343
Food processing	11,151	6,213	2,953
Grocery stores	22,322	17,746	7,012
Health and fitness	46,979	32,782	26,769
Health care	14,346	288	235
Motor vehicle dealerships	12,200	9,409	8,796
Restaurants-casual dining	38,261	33,205	43,073
Restaurants-quick service	32,219	26,739	23,369
Sporting goods	12,875	11,798	11,176
Theaters	46,122	45,073	36,812
Transportation services	40,552	11,516	7,586
Wholesale club	29,448	15,217	3,059
29 other non-reportable segments	147,513	68,485	54,657
Total rental revenue	747,570	466,498	400,972
Tenant reimbursements	24,944	14,619	9,776
Other revenue	5,861	1,730	1,612
Total revenue	$ 778,375	$ 482,847	$ 412,360

22. Commitments and Contingencies

In the ordinary course of 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, 2013, we had contingent obligations of $1.7 million for tenant improvements and leasing costs. In addition, as of December 31, 2013, we had committed $23.7 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, 2013, minimum future rental payments for the next five years and thereafter are as follows (dollars in millions):

	Ground Leases Paid by Realty Income(1)	**Ground Leases Paid by Our Tenants(2)**	**Total**
2014	$ 1.0	$ 12.6	$ 13.6
2015	1.0	12.7	13.7
2016	1.0	12.7	13.7
2017	1.0	12.8	13.8
2018	1.0	12.8	13.8
Thereafter	9.4	144.5	153.9
Total	$ 14.4	$ 208.1	$ 222.5

(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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23. Subsequent Events

In January 2014 and February 2014, we declared the following dividends, which will be paid in February 2014 and March 2014, respectively:

- $0.1821667 per share to our common stockholders;
- $0.140625 per share to our Class E preferred stockholders; and
- $0.138021 per share to our Class F preferred stockholders.

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)
2013 (1)					
Total revenue	$ 175,057	$ 185,990	$ 201,629	$ 215,699	$ 778,375
Depreciation and amortization expense	66,701	73,858	80,774	85,245	306,577
Interest expense	41,468	39,100	49,703	50,645	180,916
Other expenses	33,883	21,442	26,002	30,374	111,702
Income from continuing operations	33,005	51,590	45,150	49,435	179,180
Income from discontinued operations	40,221	4,926	6,757	15,199	67,103
Net income	73,226	56,516	51,907	64,634	246,283
Net income available to common stockholders	62,735	45,957	41,089	53,854	203,634
Net income per common share					
Basic	0.37	0.23	0.21	0.26	1.06
Diluted	0.36	0.23	0.21	0.26	1.06
Dividends paid per common share	0.5135834	0.5436876	0.5446251	0.5455626	2.1474587
2012 (1)					
Total revenue	$ 114,529	$ 115,532	$ 119,984	$ 132,803	$ 482,847
Depreciation and amortization expense	34,111	34,504	36,952	41,755	147,323
Interest expense	28,952	28,806	29,720	35,065	122,542
Other expenses	15,165	14,686	19,878	22,534	72,263
Income from continuing operations	36,301	37,536	33,434	33,449	140,719
Income from discontinued operations	2,962	5,871	4,024	5,575	18,433
Net income	39,263	43,407	37,458	39,024	159,152
Net income available to common stockholders	26,071	32,950	26,976	28,542	114,538

Net income per common share					
Basic and diluted	0.20	0.25	0.20	0.21	0.86
Dividends paid per common share	0.4365000	0.4374375	0.4433750	0.4543125	1.7716250

(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. Additionally, measurement period adjustments were made to the first two quarters of 2013 to adjust preliminary real estate values to reflect new information about facts and circumstances that existed as of the acquisition date. Also, tenant reimbursements have been reported as a component of total revenue and reimbursable property expense have been reported as a component of total expenses. 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, 2013, 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 (1992) 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 13, 2014 by,

John P. Case, Chief Executive Officer

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, 2013 that have materially affected, or are reasonably likely to material affect, our internal control over financial reporting. As of December 31, 2013, 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 2014 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 6, 2014.

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 2014 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 2014 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 2014 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 2014 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, 2013 and 2012

c. Consolidated Statements of Income,

Years ended December 31, 2013, 2012 and 2011

d. Consolidated Statements of Equity,

Years ended December 31, 2013, 2012 and 2011

e. Consolidated Statements of Cash Flows,

Years ended December 31, 2013, 2012 and 2011

f. Notes to Consolidated Financial Statements

g. Consolidated Quarterly Financial Data, (unaudited) for 2013 and 2012

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
2.1	Agreement and Plan of Merger, dated as of September 6, 2012, by and among Realty Income Corporation, Tau Acquisition LLC and American Realty Capital Trust, Inc. (filed as exhibit 2.1 to the Company s Form 8-K, filed on September 6, 2012 and incorporated herein by reference).
2.2	First Amendment to Agreement and Plan of Merger, dated as of January 6, 2013, by and among Realty Income Corporation, Tau Acquisition LLC and American Realty Capital Trust, Inc. (filed as exhibit 2.1 to the Company s Form 8-K, filed on January 7, 2013 and incorporated herein by reference).
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), 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 incorporated herein by reference); and amendment No. 4 dated June 21, 2012 (filed as exhibit 3.1 to the Company s Form 8-K, filed on June 21, 2012 and incorporated herein by reference).

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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 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 incorporated herein by reference), February 7, 2012 (filed as exhibit 3.1 to the Company s Form 8-K, filed on February 13, 2012 and incorporated herein by reference), February 21, 2012 (filed as exhibit 3.1 to the Company s Form 8-K, filed on February 22, 2012 and incorporated herein by reference), March 13, 2013 (filed as exhibit 3.1 to the Company s Form 8-K, filed on March 14, 2013 and incorporated herein by reference), and September 3, 2013 (filed as exhibit 3.1 to the Company s Form 8-K, filed on September 6, 2013 and incorporate herein by reference).

3.3 Articles Supplementary to the Articles of Incorporation of the Company classifying and designating the 6.75% Monthly Income Class E Cumulative Redeemable Preferred Stock, dated November 30, 2006 (filed as exhibit 3.5 to the Company s Form 8-A, filed on December 5, 2006 and incorporated herein by reference).

3.4 Articles Supplementary to the Articles of Incorporation of the Company classifying and designating the 6.625% Monthly Income Class F Cumulative Redeemable Preferred Stock, dated February 3, 2012 (the First Class F Articles Supplementary) (filed as exhibit 3.1 to the Company s Form 8-K, filed on February 3, 2012 and incorporated herein by reference).

3.5 Certificate of Correction to the First Class F Articles Supplementary, dated April 11, 2012 (filed as exhibit 3.2 to the Company s Form 8-K, filed on April 17, 2012 and incorporated herein by reference).

3.6 Articles Supplementary to the Articles of Incorporation of the Company classifying and designating additional shares of the 6.625% Monthly Income Class F Cumulative Redeemable Preferred Stock, dated April 17, 2012 (filed as exhibit 3.3 to the Company s Form 8-K, filed on April 17, 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 incorporated herein by reference).

4.2 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 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 5.50% Senior Notes due 2015 (filed as exhibit 4.3 to the Company s Form 8-K, filed on November 24, 2003 and incorporated herein by reference).

4.4 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 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 5.875% Senior Debentures due 2035 (filed as exhibit 4.3 to the Company s Form 8-K, filed on March 11, 2005 and incorporated herein by reference).

4.6 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 incorporated herein by reference).

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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 5.375% Senior Notes due 2017 (filed as exhibit 4.3 to the Company s Form 8-K, filed on September 16, 2005 and incorporated herein by reference).

4.8 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 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 5.95% Senior Notes due 2016 (filed as exhibit 4.3 to the Company s Form 8-K, filed on September 18, 2006 and incorporated herein by reference).

4.10 Form of 6.75% Notes due 2019 (filed as exhibit 4.2 to Company s Form 8-K, filed on September 5, 2007 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 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 incorporated herein by reference).

4.12 Form of 5.750% Notes due 2021 (filed as exhibit 4.2 to Company s Form 8-K, filed on June 29, 2010 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 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 incorporated herein by reference).

4.14 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).

4.15 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).

4.16 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).

4.17 Form of 2.000% Note due 2018 (filed as exhibit 4.2 to Company s Form 8-K, filed on October 10, 2012 and incorporated herein by reference).

4.18 Form of 3.250% Note due 2022 (filed as exhibit 4.3 to Company s Form 8-K, filed on October 10, 2012 and incorporated herein by reference).

4.19 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 2.000% Notes due 2018 and establishing a series of securities entitled 3.250% Notes due 2022 (filed as exhibit 4.4 to the Company s Form 8-K, filed on October 10, 2012 and incorporated herein by reference).

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4.20 Form of 4.650% Note due 2023 (filed as exhibit 4.2 to Company s Form 8-K, filed on July 16, 2013 and incorporated herein by reference).

4.21 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 4.650% Notes due 2023 (filed as exhibit 4.3 to the Company s Form 8-K, filed on July 16, 2013 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).

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 under the 2003 Stock Incentive Award Plan of Realty Income Corporation (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 under the 2003 Stock Incentive Award Plan of Realty Income Corporation (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, for the quarter ended March 31, 2010 and incorporated herein by reference).

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10.13 Realty Income Corporation 2012 Incentive Award Plan (filed as Appendix B to the Company s Proxy Statement on Schedule 14A filed on March 30, 2012 and incorporated herein by reference).

10.14 Amended and Restated Credit Agreement dated May 10, 2012 (filed as exhibit 10.1 to the Company s Form 8-K, filed on May 11, 2012 and incorporated herein by reference).

10.15 Form of Restricted Stock Agreement for Employees under the Realty Income Corporation 2012 Incentive Award Plan (filed as exhibit 10.1 to the Company s Form 8-K, filed on January 8, 2013 and incorporated herein by reference).

10.16 Form of Restricted Stock Agreement for Non-Employee Directors under the Realty Income Corporation 2012 Incentive Award Plan (filed as exhibit 10.2 to the Company s Form 8-K, filed on January 8, 2013 and incorporated herein by reference).

10.17 Term Loan Agreement, dated as of January 22, 2013, by and among Tau Operating Partnership, L.P. and Lenders (as defined therein) (filed as exhibit 10.1 to the Company s Form 8-K, filed on January 23, 2013 and incorporated herein by reference).

10.18 The First Amendment to Amended and Restated Credit Agreement among the Company, as Borrower, each of the Lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent (filed as exhibit 10.1 to the Company s Form 8-K, filed on June 3, 2013 and incorporated herein by reference).

10.19 Form of Amendment to Employment Agreement (filed as exhibit 10.1 to the Company s Form 8-K, filed on June 19, 2013 and incorporated herein by reference).

10.20 Form of Addendum to Restricted Stock Agreement (filed as exhibit 10.2 to the Company s Form 8-K, filed on June 19, 2013 and incorporated herein by reference).

10.21 The Second Amendment to Amended and Restated Credit Agreement among the Company, as Borrower, each of the Lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent (filed as exhibit 10.1 to the Company s Form 8-K, filed on August 28, 2013 and incorporated herein by reference).

10.22 Resignation Letter from Thomas A. Lewis dated September 3, 2013 (filed as exhibit 10.1 to the Company s Form 8-K, filed on September 6, 2013 and incorporated herein by reference).

10.23 Amended and Restated Employment Agreement dated September 3, 2013 between the Company and John P. Case (filed as exhibit 10.2 to the Company s Form 8-K, filed on September 6, 2013 and incorporated herein by reference).

10.24 Form of Time-Based Restricted Stock Agreement for John P. Case dated September 3, 2013 (filed as exhibit 10.7 to the Company s Form 10-Q, for the quarter ended September 30, 2013 and incorporated herein by reference).

10.25 Form of Performance-Based Restricted Stock Agreement for John P. Case dated September 26, 2013 (filed as exhibit 10.8 to the Company s Form 10-Q, for the quarter ended September 30, 2013 and incorporated herein by reference).

10.26 The Third Amendment to Amended and Restated Credit Agreement among the Company, as Borrower, each of the Lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent (filed as exhibit 10.1 to the Company s Form 8-K, filed on October 29, 2013 and incorporated herein by reference).

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10.27 Dividend Reinvestment and Stock Purchase Plan (filed pursuant to Rule 424(b)(5) under the Securities Act of 1933, as amended, on February 22, 2013 and as amended on November 21, 2013, as a prospectus supplement to the Company s prospectus dated February 22, 2013 (File No. 333-186788) 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 13, 2014.

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.

Interactive Data Files

*101 The following materials from Realty Income Corporation s Annual Report on Form 10-K for the year ended December 31, 2013, formatted in Extensible Business Reporting Language: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Stockholders Equity, (iv) Consolidated Statements of Cash Flows, (v) Notes to Consolidated Financial Statements, and (vi) Schedule III Real Estate and Accumulated Depreciation.

* 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/ JOHN P. CASE Date: February 13, 2014
John P. Case
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/MICHAEL D. MCKEE Date: February 13, 2014
Michael D. McKee
Non-Executive Chairman of the Board of Directors

By: /s/THOMAS A. LEWIS Date: February 13, 2014
Thomas A. Lewis
Vice Chairman of the Board of Directors

By: /s/KATHLEEN R. ALLEN, Ph.D. Date: February 13, 2014
Kathleen R. Allen, Ph.D.
Director

By: /s/ JOHN P. CASE Date: February 13, 2014
John P. Case
Director and Chief Executive Officer
(Principal Executive Officer)

By: /s/A. LARRY CHAPMAN Date: February 13, 2014
A. Larry Chapman
Director

By: /s/PRIYA CHERIAN HUSKINS Date: February 13, 2014
Priya Cherian Huskins
Director

By: /s/GREGORY T. MCLAUGHLIN Date: February 13, 2014
Gregory T. McLaughlin
Director

By: /s/RONALD L. MERRIMAN Date: February 13, 2014
Ronald L. Merriman
Director

By: /s/PAUL M. MEURER Date: February 13, 2014

Paul M. Meurer
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

By:	/s/GREGORY J. FAHEY Gregory J. Fahey Senior Vice President, Controller (Principal Accounting Officer)	Date: February 13, 2014

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REALTY INCOME CORPORATION AND SUBSIDIARIES

SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION

AS OF DECEMBER 31, 2013

			Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 3, 4, 6 and 7)					
Description (Note 1)		Encumbrances (Note 2)	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	Accumulated Depreciation (Note 5)	Date of Construction	Da Acqu
Aerospace												
Batesville	MS	7,861,560	2,160,849	17,219,291	None	None	2,160,849	17,219,291	19,380,140	947,061		08/09
Ellisville	MS		4,140,000	20,930,630	None	None	4,140,000	20,930,630	25,070,630	323,926		06/27
Columbus	OH	15,541,882	-	19,637,318	None	None	-	19,637,318	19,637,318	303,911		06/19
DFW Airport	TX	11,336,846	-	37,503,886	13,600	None	-	37,517,486	37,517,486	3,812,112		06/20
Lufkin	TX		589,925	15,492,255	None	None	589,925	15,492,255	16,082,180	424,193		01/22
Apparel												
Mesa	AZ		619,035	867,013	6,484	43,549	619,035	917,046	1,536,081	563,619		02/11
Elk Grove	CA		804,327	2,668,492	7,794	None	804,327	2,676,286	3,480,613	138,099		09/18
Hanford	CA		562,812	3,468,215	None	None	562,812	3,468,215	4,031,027	179,191		09/18
Lodi	CA		3,153,559	2,661,260	None	None	3,153,559	2,661,260	5,814,819	137,498		09/18
Manteca	CA		1,565,672	4,440,141	None	None	1,565,672	4,440,141	6,005,813	215,407		09/18
Moreno Valley	CA		1,654,486	3,305,084	197,969	None	1,654,486	3,503,053	5,157,539	178,187		09/18
Redlands	CA		3,006,680	2,242,430	275,278	None	3,006,680	2,517,708	5,524,388	123,888		09/18
Sacramento	CA		3,446,351	4,460,201	None	None	3,446,351	4,460,201	7,906,552	230,444		09/18
South Lake Tahoe	CA		3,110,000	3,176,091	9,750	None	3,110,000	3,185,841	6,295,841	408,005		10/22
Sun Valley	CA		4,631,964	4,710,912	None	None	4,631,964	4,710,912	9,342,876	243,397		09/18
Vacaville	CA		1,299,816	3,375,574	183,515	None	1,299,816	3,559,089	4,858,905	181,286		09/18
Danbury	CT		1,096,861	6,217,688	212,673	56	1,096,861	6,430,417	7,527,278	4,114,618		09/30
Manchester	CT		771,660	3,653,539	1,661	161	771,660	3,655,361	4,427,021	2,308,646		03/26
Manchester	CT		1,250,464	5,917,037	3,555	None	1,250,464	5,920,592	7,171,056	3,739,296		03/26
Deerfield Beach	FL		3,160,000	4,832,848	6,603	None	3,160,000	4,839,451	7,999,451	622,220		10/22
Collinsville	IL	3,570,500	675,724	7,021,479	None	None	675,724	7,021,479	7,697,203	269,157		01/22
Georgetown	KY	5,679,500	1,922,820	10,448,325	None	None	1,922,820	10,448,325	12,371,145	400,519		01/22
Missoula	MT		163,100	362,249	28,843	16,199	163,100	407,291	570,391	366,641		10/30
Staten Island	NY		4,202,093	3,385,021	159,549	None	4,202,093	3,544,570	7,746,663	2,147,192		03/26
Clarksville	TN		3,992,886	-	None	None	3,992,886	-	3,992,886	-		07/05
Dallas	TX		1,210,000	2,675,265	7,975	None	1,210,000	2,683,240	3,893,240	343,499		10/22
The Colony	TX		2,580,000	2,214,133	20,700	None	2,580,000	2,234,833	4,814,833	289,063		10/22
Automotive collision services												
Colorado Springs	CO		1,085,560	2,137,425	None	None	1,085,560	2,137,425	3,222,985	163,790		01/05
Denver	CO		480,348	2,127,792	None	None	480,348	2,127,792	2,608,140	136,854	06/08/12	09/30
Highlands Ranch	CO		583,289	2,139,057	None	None	583,289	2,139,057	2,722,346	829,956	07/10/07	08/11
Littleton	CO		601,388	2,169,898	None	None	601,388	2,169,898	2,771,286	695,155	02/02/06	11/12
Parker	CO		868,768	2,653,745	None	None	868,768	2,653,745	3,522,513	853,956	09/07/12	07/03

Thornton	CO	693,323	1,896,616	None	128	693,323	1,896,744	2,590,067	684,098	10/05/04	10/15
Cumming	GA	661,624	1,822,363	None	None	661,624	1,822,363	2,483,987	745,462	09/18/03	12/31
Douglasville	GA	679,868	1,935,515	None	None	679,868	1,935,515	2,615,383	797,493	08/11/03	12/30
Lilburn	GA	1,150,000	1,670,724	None	None	1,150,000	1,670,724	2,820,724	19,519	07/29/13	02/20
Macon	GA	1,400,000	1,317,435	None	None	1,400,000	1,317,435	2,717,435	83,413	05/11/12	01/10
Morrow	GA	725,948	1,846,315	None	None	725,948	1,846,315	2,572,263	766,155	07/07/03	08/30
Peachtree City	GA	1,190,380	689,284	None	None	1,190,380	689,284	1,879,664	302,979	12/16/02	09/19
Roswell	GA	1,825,000	1,934,495	None	None	1,825,000	1,934,495	3,759,495	153,509	12/22/11	08/10
Warner Robins	GA	1,250,000	1,012,258	None	None	1,250,000	1,012,258	2,262,258	77,282	01/11/12	09/01
Naperville	IL	1,090,000	1,596,107	None	None	1,090,000	1,596,107	2,686,107	2,660		12/23
Oak Lawn	IL	180,000	547,000	None	None	180,000	547,000	727,000	2,735		11/13
Oak Lawn	IL	370,000	1,116,641	None	None	370,000	1,116,641	1,486,641	1,861		12/23
Orland Park	IL	120,000	1,015,358	None	None	120,000	1,015,358	1,135,358	1,692		12/23
South Holland	IL	80,000	1,548,690	None	None	80,000	1,548,690	1,628,690	2,581		12/23
Ham Lake	MN	192,610	1,930,958	None	None	192,610	1,930,958	2,123,568	698,575	07/01/04	10/31
Stillwater	MN	656,250	1,218,901	187,158	None	656,250	1,406,059	2,062,309	60,287		11/16
Olive Branch	MS	350,000	1,965,718	None	None	350,000	1,965,718	2,315,718	196,706	06/29/11	11/02
Cary	NC	610,389	1,492,235	None	None	610,389	1,492,235	2,102,624	455,132		05/25

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REALTY INCOME CORPORATION AND SUBSIDIARIES

SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION

AS OF DECEMBER 31, 2013

Description (Note 1)		Encumbrances (Note 2)	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 3, 4, 6 and 7): Land	Gross Amount: Buildings, Improvements and Acquisition Fees	Gross Amount: Total	Accumulated Depreciation (Note 5)	Date of Construction	Date Acqui
Durham	NC		680,969	1,323,140	None	24	680,969	1,323,164	2,004,133	403,581		05/25/
Wilmington	NC		378,813	1,150,679	None	None	378,813	1,150,679	1,529,492	388,361	07/15/05	12/21/
Las Vegas	NV		720,000	1,660,000	None	None	720,000	1,660,000	2,380,000	13,833		10/22/
Bartlett	TN		648,526	1,960,733	None	None	648,526	1,960,733	2,609,259	709,353	08/03/04	10/27/
Riverton	UT		1,100,000	1,576,390	None	None	1,100,000	1,576,390	2,676,390	49,952	01/18/13	07/26/
Salt Lake City	UT		2,900,000	1,598,391	None	None	2,900,000	1,598,391	4,498,391	115,444	02/17/12	10/11/
Automotive parts												
Birmingham	AL		355,823	660,814	None	None	355,823	660,814	1,016,637	27,534		12/07/
Flomaton	AL		90,000	808,163	None	None	90,000	808,163	898,163	20,204		05/01/
Harvest	AL	522,690	744,737	1,537,832	None	None	744,737	1,537,832	2,282,569	58,950		01/22/
Millbrook	AL		108,000	518,741	170,938	211	108,000	689,890	797,890	327,196	12/10/98	01/21/
Montgomery	AL		254,465	502,350	10,819	295	254,465	513,464	767,929	317,914		06/30/
Phoenix	AZ		231,000	513,057	None	62	231,000	513,119	744,119	513,072		11/09/
Phoenix	AZ		222,950	495,178	None	102	222,950	495,280	718,230	479,419		11/02/
San Luis	AZ		287,508	694,650	None	None	287,508	694,650	982,158	8,104		09/26/
Tucson	AZ		194,250	431,434	None	None	194,250	431,434	625,684	431,434		10/30/
Grass Valley	CA		325,000	384,955	None	None	325,000	384,955	709,955	384,955		05/20/
Sacramento	CA		210,000	466,419	None	127	210,000	466,546	676,546	466,547		11/25/
Turlock	CA		222,250	493,627	None	None	222,250	493,627	715,877	493,627		12/30/
Denver	CO		141,400	314,056	None	82	141,400	314,138	455,538	314,091		11/18/
Denver	CO		315,000	699,623	None	290	315,000	699,913	1,014,913	699,817		05/16/
Littleton	CO		252,925	561,758	None	181	252,925	561,939	814,864	561,919		02/12/
Smyrna	DE		232,273	472,855	15,774	None	232,273	488,629	720,902	292,685		08/07/
Apopka	FL		820,000	1,115,761	None	None	820,000	1,115,761	1,935,761	24,175		06/21/
Deerfield Beach	FL		475,000	871,738	2,420	31,798	475,000	905,956	1,380,956	540,613		01/29/
Kissimmee	FL		1,000,000	1,169,792	None	None	1,000,000	1,169,792	2,169,792	25,345		06/21/
Merritt Island	FL		309,652	482,459	38,694	21,831	309,652	542,984	852,636	343,484		11/26/
Atlanta	GA		652,551	763,360	27,163	45,476	652,551	835,999	1,488,550	474,307		12/18/
Byron	GA		359,612	868,859	None	None	359,612	868,859	1,228,471	13,033		08/05/
Council Bluffs	IA		194,355	431,668	None	None	194,355	431,668	626,023	431,668		05/19/
Des Moines	IA		414,218	1,000,794	None	None	414,218	1,000,794	1,415,012	1,668		12/06/
Boise	ID		158,400	351,812	None	5,428	158,400	357,240	515,640	354,602		05/06/
Moscow	ID		117,250	260,417	None	None	117,250	260,417	377,667	260,417		09/14/
Joliet	IL	1,309,100	723,567	2,571,856	None	None	723,567	2,571,856	3,295,423	98,588		01/22/
Brazil	IN		183,952	453,831	8,942	173	183,952	462,946	646,898	272,749		03/31/
Chesterton	IN		293,382	708,842	None	None	293,382	708,842	1,002,224	8,270		09/27/
Griffith	IN		343,778	830,602	None	None	343,778	830,602	1,174,380	9,690		09/27/
Muncie	IN		148,901	645,660	214,057	28,327	148,901	888,044	1,036,945	541,029		11/26/
Plainfield	IN		453,645	908,485	42,619	47,114	453,645	998,218	1,451,863	594,351		01/30/

Princeton	IN		134,209	560,113	None	211	134,209	560,324	694,533	331,606		03/31/
Vincennes	IN		185,312	489,779	17,925	173	185,312	507,877	693,189	291,333		03/31/
Kansas City	KS		222,000	455,881	18,738	146	222,000	474,765	696,765	468,099		05/16/
Scottsville	KY		503,473	1,039,640	None	None	503,473	1,039,640	1,543,113	39,853		01/22/
Lafayette	LA	526,620	740,444	1,528,968	None	None	740,444	1,528,968	2,269,412	58,610		01/22/
Slidell	LA	564,610	629,335	1,299,536	None	None	629,335	1,299,536	1,928,871	49,816		01/22/
Sulphur	LA		290,047	700,785	None	None	290,047	700,785	990,832	10,512		08/01/
West Monroe	LA	564,610	462,715	1,394,603	None	None	462,715	1,394,603	1,857,318	53,460		01/22/
Alma	MI		155,000	600,282	13,902	122	155,000	614,306	769,306	354,492	04/29/99	02/10/
Lansing	MI		265,000	574,931	132,237	303	265,000	707,471	972,471	398,105	04/30/99	12/03/
Rockford	MI	666,135	870,632	1,726,400	None	None	870,632	1,726,400	2,597,032	66,179		01/22/
Roseville	MI		558,997	1,810,289	None	None	558,997	1,810,289	2,369,286	69,394		01/22/
Saginaw	MI		948,826	1,959,264	None	None	948,826	1,959,264	2,908,090	75,105		01/22/
Saginaw	MI		859,956	1,775,753	None	None	859,956	1,775,753	2,635,709	68,071		01/22/
Sturgis	MI		109,558	550,274	10,272	94	109,558	560,640	670,198	333,444		12/30/
Waterford	MI		995,991	2,056,657	None	None	995,991	2,056,657	3,052,648	78,839		01/22/

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SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION

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Description (Note 1)		Encumbrances (Note 2)	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 3, 4, 6 and 7): Land	Gross Amount at Which Carried at Close of Period (Notes 3, 4, 6 and 7): Buildings, Improvements and Acquisition Fees	Gross Amount at Which Carried at Close of Period (Notes 3, 4, 6 and 7): Total	Accumulated Depreciation (Note 5)	Date of Construction	Dat Acqui
Batesville	MS		190,124	485,670	None	173	190,124	485,843	675,967	300,397		07/27
Crystal Springs	MS	410,030	514,234	1,061,859	None	None	514,234	1,061,859	1,576,093	40,705		01/22
Horn Lake	MS		142,702	514,779	3,945	211	142,702	518,935	661,637	320,682		06/30
Richland	MS		243,565	558,645	10,302	211	243,565	569,158	812,723	316,960		12/21
Vicksburg	MS	474,220	631,900	1,304,832	None	None	631,900	1,304,832	1,936,732	50,019		01/22
Harrisburg	NC		680,000	813,119	None	None	680,000	813,119	1,493,119	17,618		06/21
Omaha	NE		196,000	435,321	None	32	196,000	435,353	631,353	435,331		05/26
Omaha	NE		199,100	412,042	None	32	199,100	412,074	611,174	412,051		05/27
Artesia	NM		400,000	807,227	None	None	400,000	807,227	1,207,227	17,490		06/21
Las Cruces	NM		370,000	1,010,676	None	None	370,000	1,010,676	1,380,676	21,898		06/21
Rio Rancho	NM		211,577	469,923	None	None	211,577	469,923	681,500	469,923		02/26
Santa Fe	NM		517,006	1,249,140	None	None	517,006	1,249,140	1,766,146	10,410		10/11
Fernley	NV		300,000	1,027,155	None	None	300,000	1,027,155	1,327,155	22,255		06/21
Las Vegas	NV		161,000	357,585	260,000	None	161,000	617,585	778,585	522,252		10/29
Dunkirk	NY	779,160	631,375	1,303,749	None	None	631,375	1,303,749	1,935,124	49,977		01/22
Canton	OH		396,560	597,553	None	25,682	396,560	623,235	1,019,795	373,956		08/14
Centerville	OH		601,408	758,192	9,017	38,193	601,408	805,402	1,406,810	480,909		06/30
Hamilton	OH		183,000	515,727	2,941	122	183,000	518,790	701,790	305,658	04/07/99	12/03
Oberlin	OH		383,506	926,590	None	None	383,506	926,590	1,310,096	4,633		11/07
Toledo	OH		130,000	1,562,052	None	None	130,000	1,562,052	1,692,052	44,258		04/12
Toledo	OH		140,000	1,059,979	None	None	140,000	1,059,979	1,199,979	30,033		04/12
Del City	OK		634,664	1,178,662	None	None	634,664	1,178,662	1,813,326	49,111		12/07
Oklahoma City	OK		602,052	1,118,096	None	None	602,052	1,118,096	1,720,148	35,406		03/01
Albany	OR		152,250	338,153	None	58	152,250	338,211	490,461	338,159		08/24
Beaverton	OR		210,000	466,419	None	58	210,000	466,477	676,477	466,424		08/26
Portland	OR		190,750	423,664	None	58	190,750	423,722	614,472	423,669		08/12
Portland	OR		147,000	326,493	None	58	147,000	326,551	473,551	326,498		08/26
Salem	OR		136,500	303,170	None	58	136,500	303,228	439,728	303,175		08/20
Butler	PA		339,929	633,078	47,758	230	339,929	681,066	1,020,995	403,039		08/07
Dover	PA		265,112	593,341	None	None	265,112	593,341	858,453	368,859		06/30
Enola	PA		220,228	546,026	11,416	172	220,228	557,614	777,842	333,732		11/10
Hanover	PA		132,500	719,511	9,982	232	132,500	729,725	862,225	414,901	07/26/99	05/13
Harrisburg	PA		327,781	608,291	7,138	172	327,781	615,601	943,382	380,221		06/30
Harrisburg	PA		283,417	352,473	3,100	172	283,417	355,745	639,162	216,231		09/30
Lancaster	PA		199,899	774,838	24,235	None	199,899	799,073	998,972	490,257		08/14
New Castle	PA		180,009	525,774	91,802	230	180,009	617,806	797,815	350,704		06/30
Reading	PA		379,000	658,722	10,100	232	379,000	669,054	1,048,054	392,961	06/09/99	12/04
Guayama	PR	988,000	874,937	1,806,689	None	None	874,937	1,806,689	2,681,626	69,256		01/22
Humacao	PR	1,506,700	1,161,891	2,399,229	None	None	1,161,891	2,399,229	3,561,120	91,970		01/22
Ponce	PR	1,803,100	1,321,292	2,728,382	None	None	1,321,292	2,728,382	4,049,674	104,588		01/22
San Juan	PR	1,506,700	1,158,525	2,392,278	None	None	1,158,525	2,392,278	3,550,803	91,704		01/22
Columbia	SC		474,027	1,427,348	None	None	474,027	1,427,348	1,901,375	54,715		01/22

Arlington	TN	381,083	707,726	None	None	381,083	707,726	1,088,809	29,489	12/07
Columbia	TN	273,120	431,716	None	211	273,120	431,927	705,047	251,325	06/30
Channelview	TX	483,804	1,168,921	None	None	483,804	1,168,921	1,652,725	17,534	08/14
Denton	TX	435,456	1,052,108	None	None	435,456	1,052,108	1,487,564	5,261	11/15
Edinburg	TX	320,000	963,916	None	None	320,000	963,916	1,283,916	20,885	06/21
Hallettsville	TX	349,985	845,600	None	None	349,985	845,600	1,195,585	7,047	10/11
Laredo	TX	807,044	1,498,795	None	None	807,044	1,498,795	2,305,839	62,450	12/07
Richmond	TX	521,238	1,259,366	None	None	521,238	1,259,366	1,780,604	10,495	10/24
Roma	TX	200,000	1,004,538	None	None	200,000	1,004,538	1,204,538	21,765	06/21
San Benito	TX	411,712	994,738	None	None	411,712	994,738	1,406,450	8,289	10/11
Bellevue	WA	185,500	411,997	None	107	185,500	412,104	597,604	412,047	08/06
Bellingham	WA	168,000	373,133	None	107	168,000	373,240	541,240	373,183	08/20
Kenmore	WA	199,500	443,098	None	107	199,500	443,205	642,705	443,148	08/20
Kent	WA	199,500	443,091	None	107	199,500	443,198	642,698	443,141	08/06
Moses Lake	WA	138,600	307,831	None	107	138,600	307,938	446,538	307,882	08/12

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			Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 3, 4, 6 and 7)					
Description (Note 1)		Encumbrances (Note 2)	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	Accumulated Depreciation (Note 5)	Date of Construction	Date Acquir
Renton	WA		185,500	412,003	None	107	185,500	412,110	597,610	412,053		09/15/
Seattle	WA		162,400	360,697	None	107	162,400	360,804	523,204	360,747		08/20/
Silverdale	WA		183,808	419,777	None	107	183,808	419,884	603,692	419,827		09/16/
Tacoma	WA		191,800	425,996	None	107	191,800	426,103	617,903	426,046		08/18/
Tacoma	WA		196,000	435,324	None	107	196,000	435,431	631,431	435,374		10/15/
Vancouver	WA		180,250	400,343	None	58	180,250	400,401	580,651	400,348		08/20/
Vancouver	WA		168,000	373,135	None	58	168,000	373,193	541,193	373,141		05/23/
Wenatchee	WA		148,400	329,602	None	107	148,400	329,709	478,109	329,653		08/25/
Viroqua	WI		130,000	751,418	None	None	130,000	751,418	881,418	18,785		05/01/
Automotive service												
Flagstaff	AZ		144,821	417,485	6,150	10	144,821	423,645	568,466	258,456	04/11/02	08/29/
Mesa	AZ		210,620	475,072	None	None	210,620	475,072	685,692	220,904		05/14/
Phoenix	AZ		189,341	546,984	None	110	189,341	547,094	736,435	254,458		05/14/
Phoenix	AZ		384,608	279,824	None	None	384,608	279,824	664,432	130,116		05/14/
Sierra Vista	AZ		175,114	345,508	None	None	175,114	345,508	520,622	160,659		05/14/
Tucson	AZ		226,596	437,972	None	None	226,596	437,972	664,568	203,655		05/14/
Tucson	AZ		287,369	533,684	None	None	287,369	533,684	821,053	80,942		03/25/
Bakersfield	CA		65,165	206,927	None	None	65,165	206,927	272,092	96,219		05/14/
Chula Vista	CA		313,293	409,654	None	None	313,293	409,654	722,947	288,806	05/01/96	01/19/
Dublin	CA		415,620	1,153,928	None	None	415,620	1,153,928	1,569,548	536,574		05/14/
Folsom	CA		471,813	325,610	None	None	471,813	325,610	797,423	151,406		05/14/
Indio	CA		264,956	265,509	None	None	264,956	265,509	530,465	123,460		05/14/
Los Angeles	CA		580,446	158,876	None	None	580,446	158,876	739,322	73,875		05/14/
Oxnard	CA		186,980	198,236	None	None	186,980	198,236	385,216	92,178		05/14/
Simi Valley	CA		213,920	161,012	None	None	213,920	161,012	374,932	74,869		05/14/
Stockton	CA		1,395,822	2,882,282	None	None	1,395,822	2,882,282	4,278,104	110,487		01/22/
Vacaville	CA		358,067	284,931	None	None	358,067	284,931	642,998	132,491		05/14/
Aurora	CO		231,314	430,495	None	115	231,314	430,610	661,924	108,422		09/04/
Broomfield	CO		154,930	503,626	None	2,564	154,930	506,190	661,120	350,676	08/22/96	03/15/
Denver	CO		79,717	369,587	None	208	79,717	369,795	449,512	369,744		10/08/
Denver	CO		239,024	444,785	None	115	239,024	444,900	683,924	112,018		09/04/
Lakewood	CO		70,422	132,296	None	None	70,422	132,296	202,718	33,294		09/04/
Longmont	CO		87,385	163,169	None	115	87,385	163,284	250,669	41,144		09/04/
Thornton	CO		276,084	415,464	None	115	276,084	415,579	691,663	281,746	12/31/96	10/31/
Hartford	CT		248,540	482,460	35,465	1,034	248,540	518,959	767,499	340,066		09/30/
Southington	CT		225,882	672,910	None	172	225,882	673,082	898,964	445,207		06/06/
Vernon	CT		81,529	300,518	None	None	81,529	300,518	382,047	138,739		06/27/
Jacksonville	FL		76,585	355,066	6,980	420	76,585	362,466	439,051	358,960		12/23/
Miami Gardens	FL		163,239	262,726	None	None	163,239	262,726	425,965	121,292		06/27/
Orange City	FL		99,613	139,008	None	None	99,613	139,008	238,621	64,637		05/14/
Pensacola	FL		308,067	573,708	23,430	2,874	308,067	600,012	908,079	183,825		11/22/
Atlanta	GA		309,474	574,737	None	None	309,474	574,737	884,211	87,168		03/25/

Bogart	GA	66,807	309,733	None	None	66,807	309,733	376,540	309,733		12/20/
Douglasville	GA	214,771	129,519	None	None	214,771	129,519	344,290	60,224		05/14/
Duluth	GA	222,275	316,925	368	4,697	222,275	321,990	544,265	205,273	10/24/97	06/20/
Duluth	GA	290,842	110,056	None	None	290,842	110,056	400,898	51,174		05/14/
Gainesville	GA	53,589	248,452	None	None	53,589	248,452	302,041	248,452		12/19/
Kennesaw	GA	266,865	139,425	None	None	266,865	139,425	406,290	64,831		05/14/
Marietta	GA	60,900	293,461	67,871	499	60,900	361,831	422,731	317,759		12/26/
Marietta	GA	69,561	346,024	None	3,353	69,561	349,377	418,938	347,404		06/03/
Norcross	GA	244,124	151,831	None	None	244,124	151,831	395,955	70,599		05/14/
Norcross	GA	503,773	937,121	39,032	21,600	503,773	997,753	1,501,526	299,264		11/22/
Riverdale	GA	58,444	270,961	None	None	58,444	270,961	329,405	270,961		01/15/
Rome	GA	56,454	261,733	None	None	56,454	261,733	318,187	261,733		12/19/
Snellville	GA	253,316	132,124	None	None	253,316	132,124	385,440	61,436		05/14/

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Description (Note 1)		Encumbrances (Note 2)	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 3, 4, 6 and 7): Land	Gross Amount: Buildings, Improvements and Acquisition Fees	Gross Amount: Total	Accumulated Depreciation (Note 5)	Date of Construction	Date Acquire
Tucker	GA		78,646	364,625	15,014	None	78,646	379,639	458,285	365,457		12/18/8
Arlington Hts	IL		441,437	215,983	None	None	441,437	215,983	657,420	100,430		05/14/0
Chicago	IL		329,076	255,294	None	None	329,076	255,294	584,370	118,710		05/14/0
Round Lake Beach	IL		472,132	236,585	None	None	472,132	236,585	708,717	110,010		05/14/0
Westchester	IL		421,239	184,812	None	None	421,239	184,812	606,051	85,936		05/14/0
Anderson	IN		232,170	385,661	None	179	232,170	385,840	618,010	247,537		12/19/9
Indianapolis	IN		231,384	428,307	None	130	231,384	428,437	659,821	296,332		09/27/9
Michigan City	IN		392,638	297,650	(3,065)	None	389,573	297,650	687,223	138,406		05/14/0
Warsaw	IN		140,893	228,116	None	None	140,893	228,116	369,009	106,072		05/14/0
Olathe	KS		217,995	367,055	None	21	217,995	367,076	585,071	244,098	04/22/97	11/11/9
Topeka	KS		32,022	60,368	None	None	32,022	60,368	92,390	15,192		09/04/0
Louisville	KY		56,054	259,881	None	None	56,054	259,881	315,935	259,881		12/17/8
Newport	KY		323,511	289,017	49,586	85	323,511	338,688	662,199	198,568		09/17/9
East Falmouth	MA		191,302	340,539	None	None	191,302	340,539	531,841	158,349		05/14/0
East Wareham	MA		149,680	278,669	None	None	149,680	278,669	428,349	129,579		05/14/0
Fairhaven	MA		138,957	289,294	None	None	138,957	289,294	428,251	134,519		05/14/0
Gardner	MA		138,990	289,361	None	None	138,990	289,361	428,351	134,550		05/14/0
Hyannis	MA		180,653	458,522	None	None	180,653	458,522	639,175	211,684		06/27/0
Lenox	MA		287,769	535,273	None	232	287,769	535,505	823,274	316,924		03/31/9
Newburyport	MA		274,698	466,449	None	None	274,698	466,449	741,147	215,344		06/27/0
North Reading	MA		180,546	351,161	None	None	180,546	351,161	531,707	163,287		05/14/0
Orleans	MA		138,212	394,065	None	None	138,212	394,065	532,277	183,238		05/14/0
Aberdeen	MD		223,617	225,605	None	None	223,617	225,605	449,222	104,154		06/27/0
Bethesda	MD		282,717	525,928	None	None	282,717	525,928	808,645	132,358		09/04/0
Capital Heights	MD		547,173	219,979	(12,319)	None	534,854	219,979	754,833	102,286		05/14/0
Clinton	MD		70,880	328,620	11,440	None	70,880	340,060	410,940	333,482		11/15/8
Lexington Park	MD		111,396	335,288	(7,600)	None	103,796	335,288	439,084	155,905		05/14/0
Kalamazoo	MI		391,745	296,975	(2,196)	None	389,549	296,975	686,524	138,092		05/14/0
Portage	MI		402,409	286,441	(2,112)	None	400,297	286,441	686,738	133,193		05/14/0
Southfield	MI		275,952	350,765	None	None	275,952	350,765	626,717	163,104		05/14/0
Troy	MI		214,893	199,299	None	None	214,893	199,299	414,192	92,672		05/14/0
St. Cloud	MN		203,338	258,626	None	None	203,338	258,626	461,964	119,399		06/27/0
Independence	MO		297,641	233,152	None	181	297,641	233,333	530,974	158,963		12/20/9
Asheville	NC		441,746	242,565	None	None	441,746	242,565	684,311	112,791		05/14/0
Concord	NC		237,688	357,976	None	26	237,688	358,002	595,690	221,434		11/05/9
Durham	NC		55,074	255,336	None	1,490	55,074	256,826	311,900	256,546		11/13/8
Durham	NC		354,676	361,203	3,400	168	354,676	364,771	719,447	238,887	08/29/97	03/31/9
Fayetteville	NC		224,326	257,733	None	337	224,326	258,070	482,396	165,615		12/03/9
Greensboro	NC		286,068	244,606	None	None	286,068	244,606	530,674	113,733		05/14/0
Matthews	NC		295,580	338,472	10,000	13,703	295,580	362,175	657,755	225,619	08/28/98	02/27/9

Pineville	NC	254,460	355,630	None	10	254,460	355,640	610,100	231,715	08/28/97	04/16/9
Raleigh	NC	89,145	413,301	None	None	89,145	413,301	502,446	413,301		10/28/8
Raleigh	NC	398,694	263,621	None	None	398,694	263,621	662,315	170,879		10/01/9
Salisbury	NC	235,614	150,592	None	None	235,614	150,592	386,206	70,023		05/14/0
Fargo	ND	53,973	100,262	None	None	53,973	100,262	154,235	25,233		09/04/0
Lincoln	NE	337,138	316,958	None	None	337,138	316,958	654,096	147,383		05/14/0
Scottsbluff	NE	33,307	63,355	None	None	33,307	63,355	96,662	15,944		09/04/0
Cherry Hill	NJ	463,808	862,240	None	None	463,808	862,240	1,326,048	216,997		09/04/0
Edison	NJ	448,936	238,773	None	None	448,936	238,773	687,709	111,026		05/14/0
Glassboro	NJ	182,013	312,480	None	None	182,013	312,480	494,493	144,261		06/27/0
Hamilton Square	NJ	422,477	291,555	None	None	422,477	291,555	714,032	135,569		05/14/0
Hamilton Township	NJ	265,238	298,167	None	None	265,238	298,167	563,405	138,644		05/14/0
Pleasantville	NJ	77,105	144,693	None	None	77,105	144,693	221,798	36,414		09/04/0
Randolph	NJ	452,629	390,163	None	None	452,629	390,163	842,792	181,423		05/14/0
Westfield	NJ	705,337	288,720	None	None	705,337	288,720	994,057	134,250		05/14/0
Albuquerque	NM	231,553	430,026	None	None	231,553	430,026	661,579	65,221		03/25/1
Las Vegas	NV	326,879	359,101	None	None	326,879	359,101	685,980	166,980		05/14/0

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			Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 3, 4, 6 and 7)					
Description (Note 1)		Encumbrances (Note 2)	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	Accumulated Depreciation (Note 5)	Date of Construction	Da Acqu
Las Vegas	NV		316,441	369,768	None	None	316,441	369,768	686,209	171,940		05/1
Las Vegas	NV		252,169	562,715	None	None	252,169	562,715	814,884	261,660		05/1
Las Vegas	NV		1,940,015	3,624,877	None	None	1,940,015	3,624,877	5,564,892	138,954		01/2
Sparks	NV		326,813	306,311	None	None	326,813	306,311	633,124	142,433		05/1
Albion	NY		170,589	317,424	None	None	170,589	317,424	488,013	187,801		03/3
Bethpage	NY		334,120	621,391	None	None	334,120	621,391	955,511	156,383		09/0
Commack	NY		400,427	744,533	None	None	400,427	744,533	1,144,960	187,374		09/0
East Amherst	NY		260,708	484,788	None	156	260,708	484,944	745,652	286,957		03/3
East Syracuse	NY		250,609	466,264	None	156	250,609	466,420	717,029	275,994		03/3
Freeport	NY		134,828	251,894	None	None	134,828	251,894	386,722	63,393		09/0
Johnson City	NY		242,863	451,877	None	156	242,863	452,033	694,896	267,482		03/3
Queens Village	NY		242,775	451,749	None	None	242,775	451,749	694,524	113,690		09/0
Riverhead	NY		143,929	268,795	None	None	143,929	268,795	412,724	67,646		09/0
Wellsville	NY		161,331	300,231	None	None	161,331	300,231	461,562	177,628		03/3
West Amherst	NY		268,692	499,619	None	156	268,692	499,775	768,467	295,732		03/3
Akron	OH		139,126	460,334	None	165	139,126	460,499	599,625	300,014		09/1
Beavercreek	OH		205,000	492,538	None	None	205,000	492,538	697,538	330,821	02/13/97	09/0
Beavercreek	OH		349,091	251,127	None	None	349,091	251,127	600,218	93,335		09/1
Canal Winchester	OH		443,751	825,491	None	None	443,751	825,491	1,269,242	362,886	12/19/02	08/2
Centerville	OH		305,000	420,448	None	None	305,000	420,448	725,448	293,613	07/24/96	06/2
Cincinnati	OH		211,185	392,210	None	None	211,185	392,210	603,395	158,845		11/0
Cincinnati	OH		305,556	244,662	None	None	305,556	244,662	550,218	90,932		09/1
Cincinnati	OH		589,286	160,932	None	None	589,286	160,932	750,218	59,813		09/1
Cincinnati	OH		159,375	265,842	None	None	159,375	265,842	425,217	98,804		09/1
Cincinnati	OH		350,000	300,217	None	None	350,000	300,217	650,217	108,579		12/2
Cleveland	OH		215,111	216,517	None	None	215,111	216,517	431,628	99,959		06/2
Columbus	OH		71,098	329,627	None	None	71,098	329,627	400,725	329,627		10/0
Columbus	OH		75,761	351,247	None	None	75,761	351,247	427,008	351,247		10/2
Columbus	OH		432,110	386,553	None	None	432,110	386,553	818,663	164,284		05/2
Columbus	OH		466,696	548,133	None	None	466,696	548,133	1,014,829	232,956		05/2
Columbus	OH		337,679	272,484	None	None	337,679	272,484	610,163	101,273		09/1
Columbus	OH		190,000	260,162	None	None	190,000	260,162	450,162	96,693		09/1
Columbus	OH		371,429	278,734	None	None	371,429	278,734	650,163	103,596		09/1
Cuyahoga Falls	OH		253,750	271,400	None	None	253,750	271,400	525,150	100,870		09/1
Dayton	OH		70,000	324,538	None	122	70,000	324,660	394,660	324,660		10/3
Dublin	OH		437,887	428,046	None	None	437,887	428,046	865,933	181,918		05/2
Eastlake	OH		321,347	459,774	None	209	321,347	459,983	781,330	331,990		12/2
Fairfield	OH		323,408	235,024	44,232	3,330	323,408	282,586	605,994	162,766		09/1
Fairlawn	OH		280,000	270,150	None	None	280,000	270,150	550,150	100,405		09/1
Findlay	OH		283,515	397,004	None	114	283,515	397,118	680,633	254,809		12/2

Hamilton	OH	252,608	413,279	None	None	252,608	413,279	665,887	273,450	03/31/97	10/0
Huber Heights	OH	282,000	449,381	None	None	282,000	449,381	731,381	304,830	12/03/96	07/1
Lima	OH	241,132	114,085	None	None	241,132	114,085	355,217	42,401		09/1
Marion	OH	100,000	275,162	None	None	100,000	275,162	375,162	99,517		12/2
Mason	OH	310,990	405,373	None	None	310,990	405,373	716,363	172,283		05/2
Middleburg Hghts	OH	317,308	307,842	None	None	317,308	307,842	625,150	114,414		09/1
Mt. Vernon	OH	216,115	375,357	None	114	216,115	375,471	591,586	240,915		12/3
Norwalk	OH	200,205	366,000	None	114	200,205	366,114	566,319	234,909		12/1
Parma	OH	268,966	381,184	None	None	268,966	381,184	650,150	141,673		09/1
Reynoldsburg	OH	267,750	497,371	None	None	267,750	497,371	765,121	184,856		09/1
Reynoldsburg	OH	374,000	176,162	None	None	374,000	176,162	550,162	65,473		09/1
S. Euclid	OH	337,593	451,944	None	None	337,593	451,944	789,537	192,076		05/2
Sandusky	OH	264,708	404,011	None	343	264,708	404,354	669,062	259,534		12/1
Solon	OH	794,305	222,797	None	None	794,305	222,797	1,017,102	94,689		05/2
Springboro	OH	191,911	522,902	None	None	191,911	522,902	714,813	351,057		03/0
Springfield	OH	320,000	280,217	None	None	320,000	280,217	600,217	104,147		09/1
Springfield	OH	189,091	136,127	None	None	189,091	136,127	325,218	50,593		09/1

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			Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 3, 4, 6 and 7)					
Description (Note 1)		Encumbrances (Note 2)	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	Accumulated Depreciation (Note 5)	Date of Construction	D Acc
Stow	OH		310,000	415,150	None	None	310,000	415,150	725,150	154,297		09/1
Toledo	OH		120,000	230,217	None	None	120,000	230,217	350,217	85,564		09/1
Toledo	OH		250,000	175,217	None	25	250,000	175,242	425,242	65,147		09/1
Toledo	OH		320,000	280,217	None	None	320,000	280,217	600,217	104,147		09/1
Toledo	OH		250,000	530,217	None	None	250,000	530,217	780,217	197,064		09/1
West Chester	OH		446,449	768,644	None	None	446,449	768,644	1,215,093	320,654	06/27/03	03/1
Zanesville	OH		125,000	300,162	None	None	125,000	300,162	425,162	111,560		09/1
Midwest City	OK		106,312	333,551	None	5	106,312	333,556	439,868	205,217	08/06/98	08/0
Tulsa	OK		133,648	249,702	None	None	133,648	249,702	383,350	62,842		09/0
Portland	OR		251,499	345,952	None	58	251,499	346,010	597,509	155,683		09/2
Salem	OR		337,711	253,855	None	58	337,711	253,913	591,624	118,046		05/1
Bethel Park	PA		299,595	331,264	None	114	299,595	331,378	630,973	212,629		12/1
Bethlehem	PA		275,328	389,067	None	629	275,328	389,696	665,024	250,190		12/1
Bethlehem	PA		229,162	310,526	None	172	229,162	310,698	539,860	199,326		12/2
Bridgeville	PA		275,000	375,150	None	None	275,000	375,150	650,150	139,430		09/1
Coraopolis	PA		225,000	375,150	None	None	225,000	375,150	600,150	139,430		09/1
Harrisburg	PA		131,529	220,317	(2,515)	None	129,014	220,317	349,331	102,444		05/1
Monroeville	PA		275,000	250,150	None	None	275,000	250,150	525,150	92,972		09/1
North Wales	PA		2,813,873	4,379,809	None	None	2,813,873	4,379,809	7,193,682	167,893		01/2
Philadelphia	PA		858,500	877,744	(287,681)	1,736	858,500	591,799	1,450,299	688,706	05/19/95	12/0
Pittsburgh	PA		378,715	685,374	None	None	378,715	685,374	1,064,089	306,488	08/22/02	01/1
Pittsburgh	PA		219,938	408,466	None	None	219,938	408,466	628,404	165,429		11/0
Pittsburgh	PA		175,000	300,150	None	None	175,000	300,150	475,150	111,555		09/1
Pittsburgh	PA		243,750	406,400	None	None	243,750	406,400	650,150	151,045		09/1
Pittsburgh	PA		208,333	416,817	None	None	208,333	416,817	625,150	154,916		09/1
Pittsburgh	PA		121,429	303,721	None	None	121,429	303,721	425,150	112,883		09/1
Warminster	PA		323,847	216,999	(3,929)	None	319,918	216,999	536,917	100,901		05/1
Wexford	PA		284,375	240,775	None	None	284,375	240,775	525,150	89,488		09/1
York	PA		249,436	347,424	None	404	249,436	347,828	597,264	223,239		12/3
Charleston	SC		217,250	294,079	6,700	159	217,250	300,938	518,188	193,842	07/14/97	03/1
Columbia	SC		267,622	298,594	None	428	267,622	299,022	566,644	188,092	03/31/98	11/0
Greenville	SC		221,946	315,163	None	168	221,946	315,331	537,277	204,448	09/05/97	03/3
Lexington	SC		241,534	342,182	None	302	241,534	342,484	584,018	201,740		09/2
North Charleston	SC		174,980	341,466	5,875	5,413	174,980	352,754	527,734	218,106	08/06/98	03/1
Sioux Falls	SD		48,833	91,572	None	None	48,833	91,572	140,405	23,045		09/0
Brentwood	TN		305,546	505,728	None	None	305,546	505,728	811,274	322,815	03/13/98	05/2
Hendersonville	TN		175,764	327,096	None	None	175,764	327,096	502,860	143,377		01/2
Hermitage	TN		204,296	172,695	None	None	204,296	172,695	376,991	80,301		05/1
Madison	TN		175,769	327,068	None	None	175,769	327,068	502,837	143,365		01/2
Memphis	TN		108,094	217,079	None	None	108,094	217,079	325,173	100,939		05/1
Memphis	TN		214,110	193,591	None	None	214,110	193,591	407,701	90,017		05/1
Memphis	TN		215,017	216,794	None	None	215,017	216,794	431,811	100,087		06/2
Murfreesboro	TN		150,411	215,528	None	None	150,411	215,528	365,939	100,219		05/1

Nashville	TN	342,960	227,440	None	None	342,960	227,440	570,400	148,165		09/1
Carrollton	TX	174,284	98,623	None	None	174,284	98,623	272,907	45,858		05/1
Carrolton	TX	177,041	199,088	None	None	177,041	199,088	376,129	92,574		05/1
Dallas	TX	234,604	325,951	12,719	15,373	234,604	354,043	588,647	232,141	08/09/96	02/1
Fort Worth	TX	83,530	111,960	None	None	83,530	111,960	195,490	52,060		05/1
Houston	TX	285,000	369,697	None	234	285,000	369,931	654,931	239,737	08/08/97	08/0
Humble	TX	257,169	325,652	None	None	257,169	325,652	582,821	151,426		05/1
Lake Jackson	TX	197,170	256,376	None	None	197,170	256,376	453,546	119,213		05/1
Lewisville	TX	199,942	324,736	None	149	199,942	324,885	524,827	225,783	08/02/96	02/1
Lewisville	TX	130,238	207,683	None	None	130,238	207,683	337,921	95,881		06/2
Mansfield	TX	420,000	780,000	None	None	420,000	780,000	1,200,000	118,300		03/2
Waco	TX	232,105	431,053	None	None	232,105	431,053	663,158	65,376		03/2
Wylie	TX	252,000	468,000	None	None	252,000	468,000	720,000	70,980		03/2
Richmond	VA	403,549	876,981	None	None	403,549	876,981	1,280,530	348,271	07/08/04	10/1

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Description (Note 1)		Encumbrances (Note 2)	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	Accumulated Depreciation (Note 5)	Date of Construction	Dat Acqui
Roanoke	VA		349,628	322,545	None	153	349,628	322,698	672,326	207,059		12/19
Warrenton	VA		186,723	241,173	None	None	186,723	241,173	427,896	112,142		05/14
Bremerton	WA		261,172	373,080	None	2,621	261,172	375,701	636,873	256,335	03/19/97	07/24
Tacoma	WA		109,127	202,691	None	None	109,127	202,691	311,818	51,010		09/04
Milwaukee	WI		173,005	499,244	None	None	173,005	499,244	672,249	360,287		12/22
Milwaukee	WI		152,509	475,480	None	197	152,509	475,677	628,186	329,004		09/27
New Berlin	WI		188,491	466,268	None	1,414	188,491	467,682	656,173	337,688		12/22
Racine	WI		184,002	114,167	None	None	184,002	114,167	298,169	53,086		05/14
Automotive tire services												
Athens	AL		760,031	1,413,494	None	None	760,031	1,413,494	2,173,525	402,842		11/22
Auburn	AL		660,210	1,228,112	None	500	660,210	1,228,612	1,888,822	350,483		11/22
Birmingham	AL		635,111	1,180,909	None	500	635,111	1,181,409	1,816,520	337,030		11/22
Daphne	AL		876,139	1,629,123	None	500	876,139	1,629,623	2,505,762	464,771		11/22
Decatur	AL		635,111	1,181,499	None	500	635,111	1,181,999	1,817,110	337,198		11/22
Dothan	AL		455,651	565,343	None	None	455,651	565,343	1,020,994	116,455	10/17/08	06/10
Foley	AL		870,031	1,617,357	None	500	870,031	1,617,857	2,487,888	461,418		11/22
Gardendale	AL		610,055	1,134,554	None	500	610,055	1,135,054	1,745,109	323,334		11/22
Hoover	AL		504,396	938,299	None	None	504,396	938,299	1,442,695	267,411		11/22
Hoover	AL		620,270	1,153,493	None	None	620,270	1,153,493	1,773,763	328,742		11/22
Huntsville	AL		499,843	929,863	None	500	499,843	930,363	1,430,206	265,482		11/22
Huntsville	AL		635,111	1,181,499	None	None	635,111	1,181,499	1,816,610	336,723		11/22
Madison	AL		635,111	1,181,532	None	None	635,111	1,181,532	1,816,643	336,732		11/22
Mobile	AL		635,111	1,181,499	None	None	635,111	1,181,499	1,816,610	336,723		11/22
Mobile	AL		525,750	977,810	None	None	525,750	977,810	1,503,560	278,672		11/22
Montgomery	AL		544,181	654,046	None	500	544,181	654,546	1,198,727	146,098		01/24
Orange Beach	AL		630,244	1,172,036	None	500	630,244	1,172,536	1,802,780	334,501		11/22
Pelham	AL		635,111	1,180,909	None	None	635,111	1,180,909	1,816,020	336,555		11/22
Phenix City	AL		630,244	1,172,024	None	500	630,244	1,172,524	1,802,768	334,498		11/22
Benton	AR	1,295,160	976,474	2,016,354	None	None	976,474	2,016,354	2,992,828	77,294		01/22
Tucson	AZ		178,297	396,004	None	None	178,297	396,004	574,301	379,321		01/19
Arvada	CO		301,489	931,092	None	None	301,489	931,092	1,232,581	488,861	09/22/00	11/18
Aurora	CO		221,691	492,382	None	None	221,691	492,382	714,073	471,638		01/29
Aurora	CO		353,283	1,135,051	None	None	353,283	1,135,051	1,488,334	580,805	01/03/01	03/10
Colorado Springs	CO		280,193	622,317	None	None	280,193	622,317	902,510	596,099		01/23
Colorado Springs	CO		192,988	433,542	None	None	192,988	433,542	626,530	366,729		05/20
Denver	CO		688,292	1,331,224	None	None	688,292	1,331,224	2,019,516	585,513	01/10/03	05/30
Grand Junction	CO	1,382,880	1,121,415	2,315,649	None	None	1,121,415	2,315,649	3,437,064	88,767		01/22
Westminster	CO		526,620	1,099,523	None	None	526,620	1,099,523	1,626,143	562,624	01/12/01	01/18
Destin	FL		1,034,411	1,922,591	None	None	1,034,411	1,922,591	2,957,002	547,934		11/22

Ft. Walton Bch	FL	635,111	1,181,032	None	500	635,111	1,181,532	1,816,643	337,065		11/22
Ft. Walton Bch	FL	635,111	1,181,032	None	500	635,111	1,181,532	1,816,643	337,065		11/22
Lakeland	FL	500,000	645,402	None	None	500,000	645,402	1,145,402	394,959	06/04/98	12/31
Middleburg	FL	1,167,247	2,410,289	None	None	1,167,247	2,410,289	3,577,536	92,394		01/22
Milton	FL	635,111	1,181,145	None	None	635,111	1,181,145	1,816,256	336,622		11/22
Niceville	FL	920,803	1,711,621	None	None	920,803	1,711,621	2,632,424	487,808		11/22
Orlando	FL	635,111	1,181,076	None	500	635,111	1,181,576	1,816,687	337,078		11/22
Orlando	FL	630,244	1,172,023	None	None	630,244	1,172,023	1,802,267	334,023		11/22
Oviedo	FL	971,996	1,806,780	None	None	971,996	1,806,780	2,778,776	514,928		11/22
Pace	FL	630,244	1,171,993	None	500	630,244	1,172,493	1,802,737	334,489		11/22
Panama City	FL	635,111	1,181,076	None	500	635,111	1,181,576	1,816,687	337,078		11/22
Pensacola	FL	635,111	1,181,063	None	None	635,111	1,181,063	1,816,174	336,599		11/22
Pensacola	FL	588,305	1,094,130	None	None	588,305	1,094,130	1,682,435	311,823		11/22
Sanford	FL	630,244	1,172,023	None	None	630,244	1,172,023	1,802,267	334,023		11/22
St. Cloud	FL	525,207	976,968	None	None	525,207	976,968	1,502,175	278,432		11/22
Tallahassee	FL	419,902	781,405	None	None	419,902	781,405	1,201,307	222,696		11/22

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SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION

AS OF DECEMBER 31, 2013

			Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 3, 4, 6 and 7)					
Description (Note 1)		Encumbrances (Note 2)	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	Accumulated Depreciation (Note 5)	Date of Construction	Da Acq
Tallahassee	FL		611,916	1,137,986	None	500	611,916	1,138,486	1,750,402	324,797		11/2
Tampa	FL		427,395	472,030	None	None	427,395	472,030	899,425	288,885	06/10/98	12/0
Union Park	FL		1,004,103	1,866,287	None	None	1,004,103	1,866,287	2,870,390	531,888		11/2
Alpharetta	GA		630,244	1,171,870	None	500	630,244	1,172,370	1,802,614	334,454		11/2
Atlanta	GA		55,840	258,889	16,005	14,141	55,840	289,035	344,875	267,482		11/2
Columbus	GA		630,244	1,171,988	None	None	630,244	1,171,988	1,802,232	334,012		11/2
Conyers	GA		531,935	1,180,296	None	None	531,935	1,180,296	1,712,231	552,457	03/28/02	11/1
Conyers	GA		635,111	1,181,027	None	None	635,111	1,181,027	1,816,138	336,589		11/2
Douglasville	GA		795,842	1,643,361	None	None	795,842	1,643,361	2,439,203	62,996		01/2
Duluth	GA		638,509	1,186,594	None	None	638,509	1,186,594	1,825,103	480,566		11/2
Hiram	GA		635,111	1,181,017	None	None	635,111	1,181,017	1,816,128	336,586		11/2
Kennesaw	GA		519,903	967,180	None	None	519,903	967,180	1,487,083	275,642		11/2
Kennesaw	GA		659,964	1,827,997	None	None	659,964	1,827,997	2,487,961	70,073		01/2
Lawrenceville	GA		635,111	1,181,137	None	500	635,111	1,181,637	1,816,748	337,095		11/2
Lilburn	GA		994,894	1,807,565	None	None	994,894	1,807,565	2,802,459	69,290		01/2
Marietta	GA		500,293	930,657	None	None	500,293	930,657	1,430,950	265,233		11/2
McDonough	GA		635,111	1,181,032	None	500	635,111	1,181,532	1,816,643	337,065		11/2
Peachtree City	GA		625,316	1,162,827	None	None	625,316	1,162,827	1,788,143	331,402		11/2
Roswell	GA		515,617	959,138	None	None	515,617	959,138	1,474,755	273,350		11/2
Sandy Springs	GA		586,211	1,090,241	None	None	586,211	1,090,241	1,676,452	310,715		11/2
Stockbridge	GA		632,128	1,175,478	None	500	632,128	1,175,978	1,808,106	335,482		11/2
Aurora	IL		513,204	953,885	None	None	513,204	953,885	1,467,089	386,319		11/2
Joliet	IL		452,267	840,716	None	None	452,267	840,716	1,292,983	340,486		11/2
Lombard	IL		428,170	795,965	None	2,000	428,170	797,965	1,226,135	323,315		11/2
Niles	IL		366,969	682,306	None	None	366,969	682,306	1,049,275	276,330		11/2
Orland Park	IL		663,087	1,232,240	None	None	663,087	1,232,240	1,895,327	499,053		11/2
Vernon Hills	IL		524,948	975,668	None	None	524,948	975,668	1,500,616	395,142		11/2
West Dundee	IL		530,835	986,628	None	None	530,835	986,628	1,517,463	399,580		11/2
Overland Park	KS		1,101,841	2,047,067	None	None	1,101,841	2,047,067	3,148,908	829,058		11/2
Wichita	KS	1,228,080	963,692	1,989,962	None	None	963,692	1,989,962	2,953,654	76,282		01/2
Winchester	KY		355,474	929,177	20,045	22,651	355,474	971,873	1,327,347	586,181		06/3
Baton Rouge	LA	1,444,800	1,158,316	2,391,847	None	None	1,158,316	2,391,847	3,550,163	91,687		01/2
Allston	MA		576,505	1,071,520	None	None	576,505	1,071,520	1,648,025	433,960		11/2
Billerica	MA		399,043	462,240	None	172	399,043	462,412	861,455	308,908		04/0
Shrewsbury	MA		721,065	1,339,913	None	None	721,065	1,339,913	2,060,978	542,661		11/2
Waltham	MA		338,955	630,279	None	None	338,955	630,279	969,234	255,259		11/2
Weymouth	MA		752,234	1,397,799	None	None	752,234	1,397,799	2,150,033	566,104		11/2
Woburn	MA		676,968	1,258,018	None	None	676,968	1,258,018	1,934,986	509,493		11/2
Annapolis	MD		780,806	1,450,860	None	None	780,806	1,450,860	2,231,666	587,594		11/2
Bowie	MD		734,558	1,364,970	None	None	734,558	1,364,970	2,099,528	552,809		11/2
Capital Heights	MD		701,705	1,303,958	None	None	701,705	1,303,958	2,005,663	528,099		11/2

Germantown	MD	808,296	1,501,913	None	None	808,296	1,501,913	2,310,209	608,271		11/2
Waldorf	MD	427,033	793,854	None	None	427,033	793,854	1,220,887	321,507		11/2
Eagan	MN	902,443	845,536	None	None	902,443	845,536	1,747,979	520,030	06/19/98	02/2
Ferguson	MO	386,112	717,856	None	None	386,112	717,856	1,103,968	290,728		11/2
Grandview	MO	347,150	711,024	None	None	347,150	711,024	1,058,174	434,943	08/20/98	02/2
Independence	MO	721,020	1,339,829	None	None	721,020	1,339,829	2,060,849	542,627		11/2
St. Louis	MO	1,222,303	2,019,908	None	None	1,222,303	2,019,908	3,242,211	77,430		01/2
Charlotte	NC	508,100	457,295	None	None	508,100	457,295	965,395	194,350		05/2
Charlotte	NC	181,662	338,164	None	None	181,662	338,164	519,826	136,952		11/2
Clemmons	NC	630,000	1,100,160	None	None	630,000	1,100,160	1,730,160	269,539		11/0
Jamestown	NC	650,000	857,823	None	None	650,000	857,823	1,507,823	210,167		11/0
Matthews	NC	489,063	909,052	None	None	489,063	909,052	1,398,115	368,162		11/2
Omaha	NE	253,128	810,922	None	32	253,128	810,954	1,064,082	463,635	07/22/99	03/0
Manchester	NH	722,532	1,342,636	None	None	722,532	1,342,636	2,065,168	543,763		11/2
Newington	NH	690,753	1,283,624	None	None	690,753	1,283,624	1,974,377	519,864		11/2
Salem	NH	597,833	1,111,059	None	None	597,833	1,111,059	1,708,892	449,975		11/2

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			Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 3, 4, 6 and 7)					
Description (Note 1)		Encumbrances (Note 2)	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	Accumulated Depreciation (Note 5)	Date of Construction	D Acc
Deptford	NJ		619,376	1,151,062	None	None	619,376	1,151,062	1,770,438	466,176		11/
Maple Shade	NJ		508,285	944,750	None	None	508,285	944,750	1,453,035	382,620		11/
Northfield	NJ		1,364,997	2,361,337	None	None	1,364,997	2,361,337	3,726,334	90,518		01/
Woodbury	NJ		212,788	320,283	None	None	212,788	320,283	533,071	148,928		05/
Albuquerque	NM		1,210,015	2,498,602	None	None	1,210,015	2,498,602	3,708,617	95,780		01/
Akron	OH		242,133	450,467	None	None	242,133	450,467	692,600	182,435		11/
Cambridge	OH		103,368	192,760	None	None	103,368	192,760	296,128	78,064		11/
Canton	OH		337,161	626,948	None	None	337,161	626,948	964,109	253,910		11/
Cleveland	OH		582,107	1,081,848	None	None	582,107	1,081,848	1,663,955	438,145		11/
Columbus	OH		385,878	717,422	None	None	385,878	717,422	1,103,300	290,552		11/
Edmond	OK		1,240,403	2,561,350	None	None	1,240,403	2,561,350	3,801,753	98,185		01/
Oklahoma City	OK		509,370	752,691	None	None	509,370	752,691	1,262,061	437,986	04/14/99	09/
Oklahoma City	OK		404,815	771,625	None	None	404,815	771,625	1,176,440	448,984	04/09/99	10/
Oklahoma City	OK		1,127,056	2,327,297	None	None	1,127,056	2,327,297	3,454,353	89,213		01/
Owasso	OK		1,078,296	2,226,612	5,698	None	1,078,296	2,232,310	3,310,606	85,532		01/
Tulsa	OK		964,367	1,996,137	5,993	None	964,367	2,002,130	2,966,497	76,779		01/
Yukon	OK		1,173,070	2,422,313	None	None	1,173,070	2,422,313	3,595,383	92,855		01/
Greensburg	PA		594,891	1,105,589	None	None	594,891	1,105,589	1,700,480	447,759		11/
Lancaster	PA		431,050	801,313	None	None	431,050	801,313	1,232,363	324,528		11/
Mechanicsburg	PA		455,854	847,377	None	None	455,854	847,377	1,303,231	343,184		11/
Monroeville	PA		723,660	1,344,733	None	None	723,660	1,344,733	2,068,393	544,613		11/
Philadelphia	PA		334,939	622,821	None	None	334,939	622,821	957,760	252,238		11/
Pittsburgh	PA		384,756	715,339	None	None	384,756	715,339	1,100,095	289,708		11/
York	PA		389,291	723,760	None	None	389,291	723,760	1,113,051	293,119		11/
Columbia	SC		343,785	295,001	183,130	None	343,785	478,131	821,916	369,072	05/27/97	02/
Sioux Falls	SD		332,979	498,108	None	None	332,979	498,108	831,087	306,351	06/01/99	02/
Goodlettsville	TN		601,306	1,117,504	None	None	601,306	1,117,504	1,718,810	452,585		11/
Hermitage	TN		560,443	1,011,799	None	None	560,443	1,011,799	1,572,242	461,851	10/15/01	05/
Allen	TX		1,162,614	2,400,722	None	None	1,162,614	2,400,722	3,563,336	92,028		01/
Arlington	TX		599,558	1,114,256	None	None	599,558	1,114,256	1,713,814	451,269		11/
Austin	TX		185,454	411,899	None	None	185,454	411,899	597,353	393,119		02/
Austin	TX		710,485	1,320,293	None	None	710,485	1,320,293	2,030,778	534,714		11/
Austin	TX		590,828	1,098,073	None	None	590,828	1,098,073	1,688,901	444,715		11/
Austin	TX		569,909	1,059,195	None	None	569,909	1,059,195	1,629,104	428,970		11/
Austin	TX		532,497	989,715	None	None	532,497	989,715	1,522,212	400,830		11/
Austin	TX	1,367,400	1,066,021	2,201,264	None	None	1,066,021	2,201,264	3,267,285	84,382		01/
Carrollton	TX		568,401	1,056,394	None	None	568,401	1,056,394	1,624,795	427,835		11/
Conroe	TX		396,068	736,346	None	None	396,068	736,346	1,132,414	298,216		11/
Crowley	TX		1,103,218	2,278,074	None	None	1,103,218	2,278,074	3,381,292	87,326		01/
Dallas	TX		191,267	424,811	None	73	191,267	424,884	616,151	406,987		01/
Fort Worth	TX		543,950	1,010,984	None	None	543,950	1,010,984	1,554,934	409,444		11/
Garland	TX		242,887	539,461	None	91	242,887	539,552	782,439	516,736		01/
Harlingen	TX		134,599	298,948	None	None	134,599	298,948	433,547	286,354		01/
Houston	TX		151,018	335,417	None	None	151,018	335,417	486,435	321,286		01/

Houston	TX		392,113	729,002	None	None	392,113	729,002	1,121,115	295,242	11/
Houston	TX		1,030,379	1,914,353	None	None	1,030,379	1,914,353	2,944,732	775,309	11/
Houston	TX		619,101	1,150,551	None	None	619,101	1,150,551	1,769,652	465,969	11/
Houston	TX		642,495	1,193,997	None	None	642,495	1,193,997	1,836,492	483,565	11/
Houston	TX		872,866	1,621,829	None	None	872,866	1,621,829	2,494,695	656,837	11/
Humble	TX		612,414	1,138,132	None	None	612,414	1,138,132	1,750,546	460,940	11/
League City	TX		1,032,003	2,131,018	None	None	1,032,003	2,131,018	3,163,021	81,689	01/
Leon Valley	TX		178,221	395,834	None	None	178,221	395,834	574,055	379,158	01/
Leon Valley	TX		529,967	985,046	None	None	529,967	985,046	1,515,013	398,939	11/
Mesquite	TX		591,538	1,099,363	None	None	591,538	1,099,363	1,690,901	445,238	11/
Pasadena	TX		107,391	238,519	None	None	107,391	238,519	345,910	228,470	01/
Pearland	TX	1,290,000	935,739	1,932,240	None	None	935,739	1,932,240	2,867,979	74,069	01/
Plano	TX		187,564	417,157	700	91	187,564	417,948	605,512	399,404	01/

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Description (Note 1)		Encumbrances (Note 2)	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	Accumulated Depreciation (Note 5)	Date of Construction	Ac
Plano	TX		494,407	918,976	None	None	494,407	918,976	1,413,383	372,181		11
Richardson	TX		555,188	1,031,855	None	None	555,188	1,031,855	1,587,043	417,897		11
Rockwall	TX		1,178,158	2,432,819	None	None	1,178,158	2,432,819	3,610,977	93,258		01
San Antonio	TX		245,164	544,518	None	None	245,164	544,518	789,682	519,691		02
San Antonio	TX		688,249	1,278,967	None	None	688,249	1,278,967	1,967,216	517,978		11
Stafford	TX		706,786	1,313,395	None	None	706,786	1,313,395	2,020,181	531,921		11
Waco	TX		401,999	747,362	None	None	401,999	747,362	1,149,361	302,677		11
Weatherford	TX		971,317	2,005,706	None	None	971,317	2,005,706	2,977,023	76,885		01
Webster	TX		600,261	1,115,563	None	None	600,261	1,115,563	1,715,824	451,799		11
Bountiful	UT		183,750	408,115	None	111	183,750	408,226	591,976	391,023		01
Alexandria	VA		542,791	1,008,832	None	None	542,791	1,008,832	1,551,623	408,573		11
Alexandria	VA		592,698	1,101,517	None	None	592,698	1,101,517	1,694,215	446,110		11
Chesapeake	VA		770,000	1,112,334	None	None	770,000	1,112,334	1,882,334	272,522		11
Chester	VA		1,204,525	2,487,265	None	None	1,204,525	2,487,265	3,691,790	95,345		01
Lynchburg	VA		342,751	637,329	None	None	342,751	637,329	980,080	258,114		11
Virginia Beach	VA		780,000	1,026,384	None	None	780,000	1,026,384	1,806,384	251,464		11
Woodbridge	VA		774,854	1,439,806	None	None	774,854	1,439,806	2,214,660	583,117		11
Tacoma	WA		187,111	415,579	None	None	187,111	415,579	602,690	398,071		01
Brown Deer	WI		257,408	802,141	None	None	257,408	802,141	1,059,549	482,684	12/15/98	07
Delafield	WI		324,574	772,702	None	None	324,574	772,702	1,097,276	441,073	07/29/99	02
Madison	WI		452,630	811,977	None	None	452,630	811,977	1,264,607	494,009	10/20/98	04
Milwaukee	WI		1,304,098	2,692,877	None	None	1,304,098	2,692,877	3,996,975	103,227		01
Oak Creek	WI		420,465	852,408	None	None	420,465	852,408	1,272,873	518,608	08/07/98	03
Beverages												
Calistoga	CA		12,677,285	2,750,715	None	None	12,677,285	2,750,715	15,428,000	398,151		06
Calistoga	CA		5,445,030	21,154,970	None	None	5,445,030	21,154,970	26,600,000	2,996,954		06
Calistoga	CA		6,039,131	1,576,869	None	None	6,039,131	1,576,869	7,616,000	223,390		06
Calistoga	CA		4,988,527	1,999,473	None	None	4,988,527	1,999,473	6,988,000	284,839		06
Calistoga	CA		8,146,907	2,067,093	None	None	8,146,907	2,067,093	10,214,000	292,838		06
Calistoga	CA		12,675,172	4,907,828	None	None	12,675,172	4,907,828	17,583,000	696,781		06
Calistoga	CA		45,184,528	10,437,472	None	None	45,184,528	10,437,472	55,622,000	1,482,593		06
Calistoga	CA		10,630,191	5,580,929	None	None	10,630,191	5,580,929	16,211,120	679,789		12
Napa	CA		6,000,000	25,000,000	None	None	6,000,000	25,000,000	31,000,000	3,541,667		06
Napa	CA		11,253,989	2,846,011	None	None	11,253,989	2,846,011	14,100,000	406,346		06
Napa	CA		17,590,091	5,898,149	None	None	17,590,091	5,898,149	23,488,240	871,245		06
Napa	CA		10,777,485	390,515	None	None	10,777,485	390,515	11,168,000	54,999		09
Napa	CA		4,675,262	298,928	None	None	4,675,262	298,928	4,974,190	36,370		12
Napa	CA		6,860,862	524,117	None	None	6,860,862	524,117	7,384,979	42,803		12
Paicines	CA		12,058,127	1,607,783	None	None	12,058,127	1,607,783	13,665,910	254,458		12
St. Helena	CA		15,254,700	4,150,300	None	None	15,254,700	4,150,300	19,405,000	598,706		06
St. Helena	CA		23,471,336	6,589,664	None	None	23,471,336	6,589,664	30,061,000	939,180		06
Shreveport	LA		1,320,003	8,130,438	None	147	1,320,003	8,130,585	9,450,588	880,869		04

Book stores											
Tampa	FL	998,250	3,696,707	129,751	79	998,250	3,826,537	4,824,787	2,494,395		03
Child care											
Hoover	AL	63,800	295,791	9,240	84	63,800	305,115	368,915	296,072		10
Avondale	AZ	242,723	1,129,139	None	None	242,723	1,129,139	1,371,862	656,869	04/20/99	07
Chandler	AZ	291,720	647,923	None	171	291,720	648,094	939,814	648,082		12
Chandler	AZ	271,695	603,446	9,758	19,469	271,695	632,673	904,368	611,118		12
Mesa	AZ	308,951	1,025,612	None	None	308,951	1,025,612	1,334,563	586,345	07/26/99	01
Phoenix	AZ	260,719	516,181	None	32,296	260,719	548,477	809,196	491,022		12
Scottsdale	AZ	291,993	648,529	None	171	291,993	648,700	940,693	648,688		12
Scottsdale	AZ	264,504	587,471	None	27,528	264,504	614,999	879,503	566,683		06

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REALTY INCOME CORPORATION AND SUBSIDIARIES

SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION

AS OF DECEMBER 31, 2013

			Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 3, 4, 6 and 7)					
Description (Note 1)		Encumbrances (Note 2)	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	Accumulated Depreciation (Note 5)	Date of Construction	Date Acquired
Tempe	AZ		292,200	648,989	None	16,676	292,200	665,665	957,865	665,569		03/10/88
Tucson	AZ		304,500	676,303	None	62	304,500	676,365	980,865	676,317		09/28/88
Tucson	AZ		283,500	546,878	None	337	283,500	547,215	830,715	547,105		09/29/88
Calabasas	CA		156,430	725,248	100,838	58,741	156,430	884,827	1,041,257	808,322		09/26/85
Carmichael	CA		131,035	607,507	80,368	21,673	131,035	709,548	840,583	622,734		08/22/86
Chino	CA		155,000	634,071	None	22	155,000	634,093	789,093	634,091		10/06/83
Chula Vista	CA		350,563	778,614	None	43,353	350,563	821,967	1,172,530	804,625		10/30/87
El Cajon	CA		157,804	731,621	2,540	44,802	157,804	778,963	936,767	749,886		12/19/85
Escondido	CA		276,286	613,638	5,000	44,389	276,286	663,027	939,313	642,385		12/31/87
Folsom	CA		281,563	625,363	None	None	281,563	625,363	906,926	625,363		10/23/87
Mission Viejo	CA		353,891	744,367	12,500	None	353,891	756,867	1,110,758	637,806		06/24/93
Oceanside	CA		145,568	674,889	17,000	None	145,568	691,889	837,457	684,899		12/23/85
Palmdale	CA		249,490	554,125	9,864	None	249,490	563,989	813,479	563,441		09/14/88
Rancho Cordova	CA		276,328	613,733	24,967	None	276,328	638,700	915,028	628,308		03/22/89
Rancho Cucamonga	CA		471,733	1,047,739	149,765	170	471,733	1,197,674	1,669,407	1,068,656		12/30/87
Sacramento	CA		290,734	645,732	None	None	290,734	645,732	936,466	645,732		10/05/87
Simi Valley	CA		208,585	967,055	79,082	31	208,585	1,046,168	1,254,753	1,000,732		12/20/85
Valencia	CA		301,295	669,185	67,995	46	301,295	737,226	1,038,521	700,700		06/23/88
Walnut	CA		217,365	1,007,753	1,200	51,214	217,365	1,060,167	1,277,532	1,029,967		08/22/86
Aurora	CO		287,000	637,440	20,313	18,188	287,000	675,941	962,941	640,546		12/31/87
Broomfield	CO		155,306	344,941	25,000	82	155,306	370,023	525,329	364,341		03/15/88
Colorado Springs	CO		58,400	271,217	25,000	82	58,400	296,299	354,699	287,994		12/22/82
Fort Collins	CO		55,200	256,356	15,030	79	55,200	271,465	326,665	256,573		12/22/82
Greenwood Village	CO		131,216	608,372	6,862	21,268	131,216	636,502	767,718	627,877		12/05/86
Littleton	CO		161,617	358,956	None	82	161,617	359,038	520,655	358,992		12/10/87
Longmont	CO		115,592	535,931	None	71	115,592	536,002	651,594	535,962		03/25/86
Louisville	CO		58,089	269,313	22,582	89	58,089	291,984	350,073	271,424		06/22/84
Parker	CO		153,551	341,042	None	82	153,551	341,124	494,675	341,078		10/19/87
Westminster	CO		306,387	695,737	32,991	11,233	306,387	739,961	1,046,348	683,432		09/27/89
Bradenton	FL		160,060	355,501	25,000	79	160,060	380,580	540,640	374,358		05/05/88
Clearwater	FL		42,223	269,380	None	79	42,223	269,459	311,682	269,437		12/22/81
Jacksonville	FL		48,000	243,060	None	None	48,000	243,060	291,060	243,060		12/22/81
Jacksonville	FL		184,800	410,447	22,872	189	184,800	433,508	618,308	423,595		03/30/89
Margate	FL		66,686	309,183	None	240	66,686	309,423	376,109	309,390		12/16/86
Melbourne	FL		256,439	549,345	None	79	256,439	549,424	805,863	467,068		04/16/93
Niceville	FL		73,696	341,688	None	None	73,696	341,688	415,384	341,688		12/03/86
Orlando	FL		68,001	313,922	None	None	68,001	313,922	381,923	313,922		09/04/85
Orlando	FL		159,177	353,538	None	154	159,177	353,692	512,869	353,615		07/02/87
Oviedo	FL		166,409	369,598	None	154	166,409	369,752	536,161	369,676		11/20/87
Panama City	FL		69,500	244,314	82,701	4,560	69,500	331,575	401,075	278,824		06/15/82

Pensacola	FL	147,000	326,492	20,000	240	147,000	346,732	493,732	332,195		03/28/89
Royal Palm Beach	FL	194,193	431,309	25,000	None	194,193	456,309	650,502	445,337		11/15/88
St. Augustine	FL	44,800	213,040	23,090	189	44,800	236,319	281,119	224,131		12/22/81
Sunrise	FL	245,000	533,280	92,266	28,616	245,000	654,162	899,162	594,816		05/25/89
Tampa	FL	53,385	199,846	None	154	53,385	200,000	253,385	199,924		12/22/81
Duluth	GA	310,000	1,040,008	None	None	310,000	1,040,008	1,350,008	591,121	08/25/99	06/07/99
Ellenwood	GA	119,678	275,414	58,545	479	119,678	334,438	454,116	290,805		11/16/88
Lawrenceville	GA	141,449	314,161	156,426	14,614	141,449	485,201	626,650	361,457		07/07/88
Lithia Springs	GA	187,444	363,358	None	84	187,444	363,442	550,886	349,946		12/28/89
Lithonia	GA	239,715	524,459	24,410	26,132	239,715	575,001	814,716	511,430		08/20/91
Marietta	GA	148,620	330,090	25,000	205	148,620	355,295	503,915	349,413		09/16/88
Marietta	GA	292,250	649,095	74,491	10,464	292,250	734,050	1,026,300	662,776		12/02/88
Marietta	GA	295,750	596,299	None	17,678	295,750	613,977	909,727	611,247		12/30/88
Marietta	GA	301,000	668,529	71,474	19,961	301,000	759,964	1,060,964	692,485		12/30/88
Smyrna	GA	274,750	610,229	None	415	274,750	610,644	885,394	610,639		11/15/88
Stockbridge	GA	168,700	374,688	62,622	92	168,700	437,402	606,102	393,204		03/28/89
Cedar Rapids	IA	194,950	427,085	None	None	194,950	427,085	622,035	372,778		09/24/92

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SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION

AS OF DECEMBER 31, 2013

			Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 3, 4, 6 and 7)					
Description (Note 1)		Encumbrances (Note 2)	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	Accumulated Depreciation (Note 5)	Date of Construction	Date Acquired
Iowa City	IA		186,900	408,910	None	None	186,900	408,910	595,810	356,846		09/24/92
Addison	IL		125,780	583,146	None	134	125,780	583,280	709,060	583,240		03/25/86
Algonquin	IL		241,500	509,629	28,260	134	241,500	538,023	779,523	482,325		07/10/90
Aurora	IL		165,679	398,738	27,450	21,087	165,679	447,275	612,954	435,281		12/21/88
Aurora	IL		468,000	1,259,926	None	None	468,000	1,259,926	1,727,926	707,749	10/26/99	06/14/99
Bartlett	IL		120,824	560,166	73,302	8,536	120,824	642,004	762,828	572,032		03/25/86
Carol Stream	IL		122,831	586,416	None	134	122,831	586,550	709,381	586,510		03/25/86
Crystal Lake	IL		400,000	1,259,424	None	None	400,000	1,259,424	1,659,424	711,655	09/28/99	05/14/99
Glendale Heights	IL		318,500	707,399	None	172	318,500	707,571	1,026,071	707,571		11/16/88
Hoffman Estates	IL		318,500	707,399	None	257	318,500	707,656	1,026,156	702,588		03/31/89
Homer Glen	IL		189,477	442,018	None	85	189,477	442,103	631,580	442,055		10/29/87
Lake in the Hills	IL		375,000	1,127,678	None	None	375,000	1,127,678	1,502,678	637,215	09/03/99	05/14/99
Naperville	IL		425,000	1,230,654	None	None	425,000	1,230,654	1,655,654	691,300	10/06/99	05/19/99
O Fallon	IL		141,250	313,722	None	232	141,250	313,954	455,204	313,834		10/30/87
Oswego	IL		380,000	1,165,818	None	None	380,000	1,165,818	1,545,818	662,627	08/18/99	06/30/99
Palatine	IL		121,911	565,232	None	134	121,911	565,366	687,277	565,327		03/25/86
Roselle	IL		297,541	561,037	None	172	297,541	561,209	858,750	561,209		12/30/88
Schaumburg	IL		218,798	485,955	20,461	None	218,798	506,416	725,214	495,103		12/17/87
Vernon Hills	IL		132,523	614,430	None	134	132,523	614,564	747,087	614,525		03/25/86
Westmont	IL		124,742	578,330	77,621	167	124,742	656,118	780,860	578,630		03/25/86
Fishers	IN		212,118	419,958	None	419	212,118	420,377	632,495	386,725		12/27/90
Highland	IN		220,460	436,476	None	314	220,460	436,790	657,250	401,887		12/26/90
Indianapolis	IN		245,000	544,153	None	211	245,000	544,364	789,364	512,051		06/29/90
Lenexa	KS		318,500	707,399	14,200	127	318,500	721,726	1,040,226	714,340		03/31/89
Olathe	KS		304,500	676,308	71,023	186	304,500	747,517	1,052,017	700,842		09/28/88
Overland Park	KS		357,500	1,115,171	None	None	357,500	1,115,171	1,472,671	637,543	07/23/99	05/14/99
Shawnee	KS		315,000	699,629	None	429	315,000	700,058	1,015,058	699,902		10/27/88
Shawnee	KS		288,246	935,875	None	127	288,246	936,002	1,224,248	556,895	12/29/98	08/24/98
Wichita	KS		209,890	415,549	33,984	16,592	209,890	466,125	676,015	404,024		12/26/90
Acton	MA		315,533	700,813	None	278	315,533	701,091	1,016,624	701,091		09/30/88
Marlborough	MA		352,765	776,488	None	232	352,765	776,720	1,129,485	776,720		11/04/88
Westborough	MA		359,412	773,877	63,037	22,543	359,412	859,457	1,218,869	791,531		11/01/88
Ellicott City	MD		219,368	630,839	26,550	None	219,368	657,389	876,757	648,237		12/19/88
Frederick	MD		203,352	1,017,109	None	2,874	203,352	1,019,983	1,223,335	629,303		07/06/98
Olney	MD		342,500	760,701	4,400	41,605	342,500	806,706	1,149,206	783,883		12/18/87
Waldorf	MD		130,430	604,702	None	580	130,430	605,282	735,712	605,091		09/26/84
Waldorf	MD		237,207	526,844	None	172	237,207	527,016	764,223	526,919		12/31/87
Canton	MI		55,000	378,848	2,913	11,071	55,000	392,832	447,832	391,031		10/06/82
Apple Valley	MN		113,523	526,319	None	238	113,523	526,557	640,080	526,453		03/26/86
	MN		118,111	547,587	None	197	118,111	547,784	665,895	547,718		03/26/86

Brooklyn Park											
Eden Prairie	MN	124,286	576,243	None	197	124,286	576,440	700,726	576,374		03/27/86
Maple Grove	MN	313,250	660,149	None	278	313,250	660,427	973,677	619,424		07/11/90
Plymouth	MN	134,221	622,350	None	197	134,221	622,547	756,768	622,481		12/12/86
White Bear Lake	MN	242,165	537,856	None	278	242,165	538,134	780,299	502,506		08/30/90
Florissant	MO	181,300	402,672	34,635	12,626	181,300	449,933	631,233	422,208		03/29/89
Florissant	MO	318,500	707,399	78,556	11,102	318,500	797,057	1,115,557	735,843		03/30/89
Gladstone	MO	294,000	652,987	None	9,422	294,000	662,409	956,409	659,818		09/29/88
Lee s Summit	MO	239,627	532,220	None	179	239,627	532,399	772,026	517,340		09/27/89
Lee s Summit	MO	330,000	993,787	None	127	330,000	993,914	1,323,914	568,154	07/26/99	06/17/99
Lee s Summit	MO	313,740	939,367	None	None	313,740	939,367	1,253,107	533,921	09/08/99	06/30/99
North Kansas City	MO	307,784	910,401	None	None	307,784	910,401	1,218,185	547,237	09/28/99	08/21/98
Jackson	MS	248,483	572,522	54,227	17,780	248,483	644,529	893,012	342,354		11/16/99
Pearl	MS	121,801	270,524	18,837	4,207	121,801	293,568	415,369	287,704		11/15/88
Tupelo	MS	121,697	637,691	26,216	9,587	121,697	673,494	795,191	452,449		11/26/96
Cary	NC	75,200	262,973	15,000	187	75,200	278,160	353,360	268,323		01/25/84
Charlotte	NC	134,582	268,222	24,478	139	134,582	292,839	427,421	286,969		11/16/88
Concord	NC	32,441	190,859	None	326	32,441	191,185	223,626	191,139		12/23/81

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Description (Note 1)		Encumbrances (Note 2)	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	Accumulated Depreciation (Note 5)	Date of Construction	Date Acquired
Durham	NC		175,700	390,234	26,312	187	175,700	416,733	592,433	407,529		03/29/89
Durham	NC		220,728	429,380	None	None	220,728	429,380	650,108	413,532		12/29/89
Kernersville	NC		162,216	316,300	None	223	162,216	316,523	478,739	304,876		12/14/89
Bellevue	NE		60,568	280,819	None	None	60,568	280,819	341,387	280,819		12/16/86
Omaha	NE		60,500	280,491	None	32	60,500	280,523	341,023	280,501		08/01/84
Omaha	NE		53,000	245,720	22,027	211	53,000	267,958	320,958	255,747		10/11/84
Omaha	NE		142,867	317,315	None	32	142,867	317,347	460,214	317,325		12/09/87
Londonderry	NH		335,467	745,082	None	None	335,467	745,082	1,080,549	726,675		08/18/89
Clementon	NJ		279,851	554,060	18,899	50	279,851	573,009	852,860	498,424		09/09/91
Las Vegas	NV		201,250	446,983	None	126	201,250	447,109	648,359	420,566		06/29/90
Beavercreek	OH		179,552	398,786	None	122	179,552	398,908	578,460	398,908		06/30/87
Centerville	OH		174,519	387,613	None	237	174,519	387,850	562,369	387,814		07/23/87
Dublin	OH		84,000	389,446	None	230	84,000	389,676	473,676	389,675		10/08/85
Englewood	OH		74,000	343,083	None	85	74,000	343,168	417,168	343,120		10/23/85
Forest Park	OH		170,778	379,305	None	85	170,778	379,390	550,168	379,341		09/28/87
Huber Heights	OH		245,000	544,153	None	122	245,000	544,275	789,275	506,370		09/27/90
Pickerington	OH		87,580	406,055	None	None	87,580	406,055	493,635	406,055		12/11/86
Westerville	OH		82,000	380,173	None	122	82,000	380,295	462,295	380,295		10/08/85
Westerville	OH		294,350	646,557	None	122	294,350	646,679	941,029	602,231		09/26/90
Broken Arrow	OK		78,705	220,434	None	None	78,705	220,434	299,139	220,434		01/27/83
Midwest City	OK		67,800	314,338	None	None	67,800	314,338	382,138	314,338		08/14/85
Oklahoma City	OK		50,800	214,474	None	173	50,800	214,647	265,447	214,647		06/15/82
Oklahoma City	OK		79,000	366,261	17,659	173	79,000	384,093	463,093	382,963		11/14/84
Yukon	OK		61,000	282,812	27,000	173	61,000	309,985	370,985	303,538		05/02/85
Charleston	SC		140,700	312,498	25,000	376	140,700	337,874	478,574	328,424		03/28/89
Columbia	SC		58,160	269,643	None	139	58,160	269,782	327,942	269,781		11/14/84
Columbia	SC		160,831	313,600	None	223	160,831	313,823	474,654	302,276		12/14/89
Goose Creek	SC		61,635	192,905	None	153	61,635	193,058	254,693	192,971		12/22/81
North Charleston	SC		125,593	278,947	2,060	567	125,593	281,574	407,167	279,436		05/26/88
Summerville	SC		44,400	174,500	None	321	44,400	174,821	219,221	174,712		12/22/81
Memphis	TN		238,263	504,897	None	None	238,263	504,897	743,160	504,897		09/29/88
Memphis	TN		238,000	528,608	2,734	263	238,000	531,605	769,605	531,448		09/30/88
Arlington	TX		82,109	380,677	14,595	139	82,109	395,411	477,520	384,667		12/13/84
Arlington	TX		241,500	550,559	33,725	192	241,500	584,476	825,976	571,681		09/22/89
Austin	TX		103,600	230,532	8,750	16	103,600	239,298	342,898	239,286		10/29/82
Austin	TX		88,872	222,684	54,562	15,026	88,872	292,272	381,144	264,951		01/12/83
Austin	TX		134,383	623,103	2,379	13,967	134,383	639,449	773,832	632,768		12/23/86
Austin	TX		236,733	640,023	46,171	171	236,733	686,365	923,098	587,887		09/27/88

Austin	TX	191,636	425,629	15,530	294	191,636	441,453	633,089	440,069		12/22/88
Austin	TX	217,878	483,913	82,048	9,167	217,878	575,128	793,006	502,025		06/22/89
Bedford	TX	241,500	550,559	34,949	73	241,500	585,581	827,081	567,212		09/22/89
Carrollton	TX	277,850	617,113	52,614	18,544	277,850	688,271	966,121	642,720		12/11/87
Cedar Park	TX	168,857	375,036	5,200	282	168,857	380,518	549,375	379,702		11/21/88
Colleyville	TX	250,000	1,070,360	None	102	250,000	1,070,462	1,320,462	608,389	08/17/99	05/14/99
Converse	TX	217,000	481,963	None	None	217,000	481,963	698,963	481,963		09/28/88
Corinth	TX	285,000	1,041,626	None	None	285,000	1,041,626	1,326,626	598,930	06/04/99	05/19/99
Euless	TX	234,111	519,962	None	217	234,111	520,179	754,290	520,180		05/08/87
Flower Mound	TX	202,773	442,845	32,069	16,315	202,773	491,229	694,002	463,228		04/20/87
Flower Mound	TX	281,735	1,099,726	12,769	31,678	281,735	1,144,173	1,425,908	643,998	04/23/99	01/13/99
Fort Worth	TX	85,518	396,495	33,279	6,357	85,518	436,131	521,649	423,219		12/03/86
Fort Worth	TX	238,000	528,608	73,662	4,282	238,000	606,552	844,552	543,502		09/26/88
Fort Worth	TX	216,160	427,962	None	149	216,160	428,111	644,271	391,004		02/07/91
Garland	TX	211,050	468,749	31,233	101	211,050	500,083	711,133	458,749		12/12/89
Grand Prairie	TX	167,164	371,276	58,206	16,412	167,164	445,894	613,058	409,264		12/13/88
Houston	TX	60,000	278,175	24,492	783	60,000	303,450	363,450	289,092		05/01/85
Houston	TX	139,125	308,997	19,128	229	139,125	328,354	467,479	321,903		05/22/87
Houston	TX	141,296	313,824	12,442	5,289	141,296	331,555	472,851	326,682		07/24/87

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REALTY INCOME CORPORATION AND SUBSIDIARIES

SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION

AS OF DECEMBER 31, 2013

Description (Note 1)		Encumbrances (Note 2)	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 3, 4, 6 and 7): Land	Gross Amount at Which Carried at Close of Period (Notes 3, 4, 6 and 7): Buildings, Improvements and Acquisition Fees	Gross Amount at Which Carried at Close of Period (Notes 3, 4, 6 and 7): Total	Accumulated Depreciation (Note 5)	Date of Construction	Da Acqu
Houston	TX		219,100	486,631	2,583	12,853	219,100	502,067	721,167	486,890		09/3
Houston	TX		149,109	323,314	27,979	10,061	149,109	361,354	510,463	327,702		06/2
Houston	TX		294,582	919,276	None	None	294,582	919,276	1,213,858	543,954	01/11/99	08/1
Humble	TX		278,915	1,034,868	None	None	278,915	1,034,868	1,313,783	591,630	07/19/99	05/1
Katy	TX		309,898	983,041	None	None	309,898	983,041	1,292,939	588,212	11/30/98	08/2
Lewisville	TX		192,777	428,121	36,000	95	192,777	464,216	656,993	434,572		01/0
Mansfield	TX		181,375	402,839	46,878	17,274	181,375	466,991	648,366	425,140		12/2
Mesquite	TX		85,000	394,079	9,855	12,976	85,000	416,910	501,910	411,897		10/2
Mesquite	TX		139,466	326,525	39,638	13,047	139,466	379,210	518,676	328,683		10/0
Pasadena	TX		60,000	278,173	23,529	15,075	60,000	316,777	376,777	294,492		10/2
Plano	TX		261,912	581,658	30,831	18,268	261,912	630,757	892,669	614,745		01/0
Plano	TX		250,514	556,399	19,869	10,306	250,514	586,574	837,088	571,996		12/1
Round Rock	TX		80,525	373,347	None	19,117	80,525	392,464	472,989	386,979		12/1
Round Rock	TX		186,380	413,957	45,752	None	186,380	459,709	646,089	434,644		04/1
San Antonio	TX		130,833	606,596	43,050	22,373	130,833	672,019	802,852	613,130		03/2
San Antonio	TX		102,512	475,288	50,798	17	102,512	526,103	628,615	478,149		12/0
San Antonio	TX		81,530	378,007	None	266	81,530	378,273	459,803	378,248		12/1
San Antonio	TX		181,412	402,923	None	139	181,412	403,062	584,474	402,984		07/0
San Antonio	TX		234,500	520,831	None	282	234,500	521,113	755,613	521,034		12/2
San Antonio	TX		217,000	481,967	32,529	115	217,000	514,611	731,611	509,287		10/1
San Antonio	TX		182,868	406,155	18,940	None	182,868	425,095	607,963	423,846		12/0
San Antonio	TX		220,500	447,108	None	115	220,500	447,223	667,723	444,050		03/3
Sugar Land	TX		339,310	1,000,876	None	None	339,310	1,000,876	1,340,186	578,838	05/30/99	01/1
Layton	UT		136,574	269,008	None	None	136,574	269,008	405,582	257,444		02/0
Sandy	UT		168,089	373,330	None	None	168,089	373,330	541,419	356,309		02/0
Centreville	VA		371,000	824,003	None	592	371,000	824,595	1,195,595	801,094		09/2
Chesapeake	VA		190,050	422,107	24,568	None	190,050	446,675	636,725	437,078		03/2
Glen Allen	VA		74,643	346,060	None	283	74,643	346,343	420,986	346,264		06/2
Portsmouth	VA		171,575	381,073	24,932	None	171,575	406,005	577,580	399,189		12/2
Virginia Beach	VA		69,080	320,270	29,024	13,825	69,080	363,119	432,199	339,995		11/1
Federal Way	WA		150,785	699,101	None	107	150,785	699,208	849,993	699,151		12/1
Federal Way	WA		261,943	581,782	27,500	107	261,943	609,389	871,332	600,526		11/2
Kent	WA		128,300	539,141	None	None	128,300	539,141	667,441	539,141		06/0
Kent	WA		140,763	678,809	36,500	None	140,763	715,309	856,072	700,062		12/1
Kirkland	WA		301,000	668,534	None	107	301,000	668,641	969,641	668,584		03/3
Puyallup	WA		195,552	434,327	27,000	107	195,552	461,434	656,986	453,783		12/0
Redmond	WA		279,830	621,513	None	107	279,830	621,620	901,450	621,563		07/2
Renton	WA		111,183	515,490	None	None	111,183	515,490	626,673	515,490		03/2
Appleton	WI		196,000	424,038	None	581	196,000	424,619	620,619	398,132		07/1
Waukesha	WI		233,100	461,500	None	211	233,100	461,711	694,811	424,700		12/1
Waukesha	WI		215,950	427,546	None	581	215,950	428,127	644,077	393,762		12/1
Consumer appliances												

Iowa City	IA	6,395,970	19,385,806	None	None	6,395,970	19,385,806	25,781,776	530,802		01/2
Greenville	OH	820,230	12,985,433	77,047	None	820,230	13,062,480	13,882,710	758,944		07/3
Marion	OH	801,003	25,410,810	None	None	801,003	25,410,810	26,211,813	695,772		01/2
Consumer electronics											
Tampa	FL	401,874	933,768	103,336	31,913	401,874	1,069,017	1,470,891	670,146		12/2
Smyrna	GA	1,094,058	3,090,236	None	None	1,094,058	3,090,236	4,184,294	2,044,592		06/0
Richmond	IN	93,999	193,753	4,447	179	93,999	198,379	292,378	135,665		11/2
Jackson	MI	550,162	571,590	None	None	550,162	571,590	1,121,752	340,220	01/15/99	09/2
Pineville	NC	567,864	840,284	37,249	39,217	567,864	916,750	1,484,614	552,311		12/3
Westbury	NY	6,333,590	3,952,773	44,677	None	6,333,590	3,997,450	10,331,040	2,592,566		09/2
Bartlett	TN	420,000	674,437	49,629	6,323	420,000	730,389	1,150,389	406,830	05/12/99	02/2

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REALTY INCOME CORPORATION AND SUBSIDIARIES

SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION

AS OF DECEMBER 31, 2013

			Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 3, 4, 6 and 7)					
Description (Note 1)		Encumbrances (Note 2)	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	Accumulated Depreciation (Note 5)	Date of Construction	Dat Acqui
Consumer goods												
West Branch	IA	12,714,379	969,797	19,896,576	107,902	None	969,797	20,004,478	20,974,275	1,028,801		09/20
DeKalb	IL	20,498,000	3,507,503	50,808,610	None	None	3,507,503	50,808,610	54,316,113	1,391,188		01/22
Loves Park	IL		1,010,778	10,068,142	None	None	1,010,778	10,068,142	11,078,920	275,675		01/22
Tooele	UT		1,719,381	40,160,295	None	None	1,719,381	40,160,295	41,879,676	1,099,627		01/22
Convenience stores												
Daphne	AL		140,000	391,637	None	None	140,000	391,637	531,637	153,388		03/18
Mobile	AL		190,000	301,637	None	None	190,000	301,637	491,637	118,138		03/18
Mobile	AL		180,000	421,637	None	None	180,000	421,637	601,637	165,138		03/18
North Little Rock	AR		1,138,381	2,114,137	None	None	1,138,381	2,114,137	3,252,518	67,013		03/29
Florence	AZ		150,000	371,637	None	None	150,000	371,637	521,637	145,555		03/18
Gilbert	AZ		680,000	1,111,637	None	None	680,000	1,111,637	1,791,637	435,388		03/18
Litchfield Park	AZ		610,000	531,637	None	None	610,000	531,637	1,141,637	208,222		03/18
Marana	AZ		180,000	331,637	None	None	180,000	331,637	511,637	129,888		03/18
Marana	AZ		330,000	911,637	None	None	330,000	911,637	1,241,637	357,055		03/18
Maricopa	AZ		170,000	361,637	None	None	170,000	361,637	531,637	141,638		03/18
Mesa	AZ		560,000	821,637	None	None	560,000	821,637	1,381,637	321,805		03/18
Mesa	AZ		750,000	1,071,637	None	None	750,000	1,071,637	1,821,637	419,722		03/18
Mesa	AZ		810,000	1,061,637	None	None	810,000	1,061,637	1,871,637	415,805		03/18
Mesa	AZ		890,000	1,081,637	None	None	890,000	1,081,637	1,971,637	423,638		03/18
Mesa	AZ		780,000	1,071,637	None	None	780,000	1,071,637	1,851,637	419,722		03/18
Mesa	AZ		900,000	1,191,637	None	None	900,000	1,191,637	2,091,637	466,722		03/18
Payson	AZ		210,000	351,637	None	None	210,000	351,637	561,637	137,722		03/18
Payson	AZ		260,000	311,637	None	None	260,000	311,637	571,637	122,055		03/18
Peoria	AZ		520,000	751,637	None	None	520,000	751,637	1,271,637	294,388		03/18
Phoenix	AZ		440,000	511,637	None	None	440,000	511,637	951,637	200,388		03/18
Phoenix	AZ		360,000	421,637	None	None	360,000	421,637	781,637	165,138		03/18
Phoenix	AZ		710,000	591,637	None	None	710,000	591,637	1,301,637	231,722		03/18
Phoenix	AZ		320,000	661,637	None	None	320,000	661,637	981,637	259,138		03/18
Phoenix	AZ		450,000	651,637	None	None	450,000	651,637	1,101,637	255,222		03/18
Phoenix	AZ		430,000	711,637	None	None	430,000	711,637	1,141,637	278,722		03/18
Phoenix	AZ		730,000	931,637	None	None	730,000	931,637	1,661,637	364,888		03/18
Phoenix	AZ		400,000	931,637	None	None	400,000	931,637	1,331,637	364,888		03/18
Phoenix	AZ		790,000	1,051,637	None	None	790,000	1,051,637	1,841,637	411,888		03/18
Pinetop	AZ		170,000	311,637	None	None	170,000	311,637	481,637	122,055		03/18
Queen Creek	AZ		520,000	891,637	None	None	520,000	891,637	1,411,637	349,222		03/18
Scottsdale	AZ		210,000	201,637	None	None	210,000	201,637	411,637	78,972		03/18
Scottsdale	AZ		660,000	1,031,637	None	None	660,000	1,031,637	1,691,637	404,055		03/18
Sierra Vista	AZ		110,000	301,637	None	None	110,000	301,637	411,637	118,138		03/18

Tempe	AZ	620,000	1,071,637	None	None	620,000	1,071,637	1,691,637	419,722	03/18
Tempe	AZ	270,000	461,637	None	None	270,000	461,637	731,637	180,805	03/18
Tolleson	AZ	460,000	1,231,637	None	None	460,000	1,231,637	1,691,637	482,388	03/18
Tombstone	AZ	110,000	381,637	None	None	110,000	381,637	491,637	149,472	03/18
Tucson	AZ	220,000	311,637	None	None	220,000	311,637	531,637	122,055	03/18
Tucson	AZ	240,000	341,637	None	None	240,000	341,637	581,637	133,805	03/18
Tucson	AZ	550,000	511,637	None	None	550,000	511,637	1,061,637	200,388	03/18
Tucson	AZ	126,000	234,565	None	None	126,000	234,565	360,565	91,089	04/14
Wellton	AZ	120,000	291,637	None	None	120,000	291,637	411,637	114,222	03/18
Wickenburg	AZ	150,000	291,637	None	None	150,000	291,637	441,637	114,222	03/18
Colorado Springs	CO	1,103,650	2,049,635	None	None	1,103,650	2,049,635	3,153,285	64,970	03/29
Manchester	CT	118,262	305,510	None	None	118,262	305,510	423,772	229,642	03/03
Vernon	CT	179,646	319,372	None	13	179,646	319,385	499,031	240,062	03/09
Westbrook	CT	98,247	373,340	None	None	98,247	373,340	471,587	280,627	03/09
Camden	DE	113,811	174,435	None	None	113,811	174,435	288,246	75,291	03/19
Camden	DE	250,528	379,165	None	None	250,528	379,165	629,693	163,666	03/19

REALTY INCOME CORPORATION AND SUBSIDIARIES

SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION

AS OF DECEMBER 31, 2013

			Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 3, 4, 6 and 7)					
Description (Note 1)		Encumbrances (Note 2)	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	Accumulated Depreciation (Note 5)	Date of Construction	Date Acqui
Dewey	DE		147,465	224,665	None	None	147,465	224,665	372,130	96,973		03/19/
Dover	DE		278,804	421,707	None	None	278,804	421,707	700,511	182,030		03/19/
Dover	DE		367,137	554,207	None	None	367,137	554,207	921,344	239,226		03/19/
Dover	DE		367,425	554,884	None	None	367,425	554,884	922,309	239,518		03/19/
Felton	DE		307,260	464,391	None	None	307,260	464,391	771,651	200,455		03/19/
Greenwood	DE		632,303	1,176,711	None	None	632,303	1,176,711	1,809,014	288,292		11/29/
Harrington	DE		563,812	849,220	None	None	563,812	849,220	1,413,032	366,573		03/19/
Milford	DE		310,049	468,575	None	None	310,049	468,575	778,624	202,261		03/19/
Newcastle	DE		589,325	887,488	None	None	589,325	887,488	1,476,813	383,092		03/19/
Smyrna	DE		121,774	186,436	None	None	121,774	186,436	308,210	80,471		03/19/
Smyrna	DE		401,135	605,332	None	None	401,135	605,332	1,006,467	261,294		03/19/
Townsend	DE		241,416	365,749	None	None	241,416	365,749	607,165	157,874		03/19/
Wilmington	DE		280,682	424,525	None	None	280,682	424,525	705,207	183,246		03/19/
Archer	FL		296,238	578,145	None	None	296,238	578,145	874,383	338,214		05/07/
Bradenton	FL		946,638	1,671,528	499	None	946,638	1,672,027	2,618,665	64,121		01/22/
Bradenton	FL		414,000	109,000	None	None	414,000	109,000	523,000	3,529		03/08/
Bushnell	FL		130,000	291,637	None	None	130,000	291,637	421,637	114,222		03/18/
Clearwater	FL		359,792	311,845	None	None	359,792	311,845	671,637	122,137		03/18/
Cocoa	FL		323,827	287,810	None	None	323,827	287,810	611,637	112,723		03/18/
Deltona	FL		140,000	321,637	None	None	140,000	321,637	461,637	125,972		03/18/
Englewood	FL		270,000	331,637	None	None	270,000	331,637	601,637	129,888		03/18/
Gainesville	FL		515,834	873,187	None	None	515,834	873,187	1,389,021	510,813		05/07/
Gainesville	FL		480,318	600,633	None	None	480,318	600,633	1,080,951	351,369		05/07/
Gainesville	FL		347,310	694,859	None	None	347,310	694,859	1,042,169	406,491		05/07/
Gainesville	FL		339,263	658,807	None	None	339,263	658,807	998,070	385,401		05/07/
Gainesville	FL		351,921	552,557	None	None	351,921	552,557	904,478	323,245		05/07/
Gainesville	FL		500,032	850,291	None	None	500,032	850,291	1,350,323	497,419		05/07/
Homosassa Springs	FL		740,000	621,637	None	None	740,000	621,637	1,361,637	243,472		03/18/
Hudson	FL		300,000	351,637	None	None	300,000	351,637	651,637	137,722		03/18/
Intercession City	FL		161,776	319,861	None	None	161,776	319,861	481,637	125,276		03/18/
Jacksonville	FL		266,111	494,206	None	None	266,111	494,206	760,317	191,917		04/01/
Key West	FL		873,700	627,937	None	None	873,700	627,937	1,501,637	245,939		03/18/
Key West	FL		492,785	208,852	None	None	492,785	208,852	701,637	81,798		03/18/
Lakeland	FL		527,076	464,561	None	None	527,076	464,561	991,637	181,950		03/18/
Lakeland	FL		300,000	321,637	None	None	300,000	321,637	621,637	125,972		03/18/
Lakeport	FL		180,342	331,295	None	None	180,342	331,295	511,637	129,755		03/18/
Land O Lakes	FL		120,000	361,637	None	None	120,000	361,637	481,637	141,638		03/18/
Largo	FL		900,000	888,367	None	None	900,000	888,367	1,788,367	74	In-progress	08/13/
Lutz	FL		480,000	421,637	None	None	480,000	421,637	901,637	165,138		03/18/
Mount Dora	FL		1,423,518	2,513,578	751	None	1,423,518	2,514,329	3,937,847	96,423		01/22/
Naples	FL		150,000	301,637	None	None	150,000	301,637	451,637	118,138		03/18/

Naples	FL	620,000	381,637	None	None	620,000	381,637	1,001,637	149,472		03/18/
New Port Richey	FL	190,000	601,637	None	None	190,000	601,637	791,637	235,638		03/18/
North Fort Meyers	FL	140,000	281,637	None	None	140,000	281,637	421,637	110,305		03/18/
Okeechobee	FL	195,075	346,562	None	None	195,075	346,562	541,637	135,734		03/18/
Orlando	FL	240,000	301,637	None	None	240,000	301,637	541,637	118,138		03/18/
Palm Bay	FL	230,880	300,757	None	None	230,880	300,757	531,637	117,794		03/18/
Palm Harbor	FL	510,000	381,637	None	None	510,000	381,637	891,637	149,472		03/18/
Panama City	FL	210,000	431,637	None	None	210,000	431,637	641,637	169,055		03/18/
Pensacola	FL	168,000	312,727	None	None	168,000	312,727	480,727	121,440		04/14/
Port Charlotte	FL	170,000	311,637	None	None	170,000	311,637	481,637	122,055		03/18/
Port Charlotte	FL	200,000	356,637	None	None	200,000	356,637	556,637	139,680		03/18/
Port Orange	FL	609,438	512,199	None	None	609,438	512,199	1,121,637	200,609		03/18/
Punta Gorda	FL	400,000	511,637	None	None	400,000	511,637	911,637	200,388		03/18/
Riverview	FL	1,930,000	1,423,720	None	None	1,930,000	1,423,720	3,353,720	7,343	In-progress	08/13/
Tallahassee	FL	600,000	341,637	None	None	600,000	341,637	941,637	133,805		03/18/
Tampa	FL	300,000	301,637	None	None	300,000	301,637	601,637	118,138		03/18/

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			Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 3, 4, 6 and 7)					
Description (Note 1)		Encumbrances (Note 2)	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	Accumulated Depreciation (Note 5)	Date of Construction	Da Acqu
Tampa	FL		380,000	361,637	None	None	380,000	361,637	741,637	141,638		03/18
Tampa	FL		320,000	591,637	None	None	320,000	591,637	911,637	231,722		03/18
Webster	FL		640,000	1,071,637	None	None	640,000	1,071,637	1,711,637	419,722		03/18
Winter Springs	FL		150,000	291,637	None	None	150,000	291,637	441,637	114,222		03/18
Augusta	GA		620,000	383,232	None	None	620,000	383,232	1,003,232	221,631		07/22
Augusta	GA		540,000	337,853	None	None	540,000	337,853	877,853	195,387		07/22
Augusta	GA		510,000	392,929	None	None	510,000	392,929	902,929	227,239		07/22
Augusta	GA		180,000	422,020	None	None	180,000	422,020	602,020	244,065		07/22
Augusta	GA		260,000	392,171	None	None	260,000	392,171	652,171	226,802		07/22
Augusta	GA		240,000	451,637	None	None	240,000	451,637	691,637	176,888		03/18
Cahutta	GA		437,500	813,742	None	None	437,500	813,742	1,251,242	332,272		10/16
Calhoun	GA		122,500	228,742	None	None	122,500	228,742	351,242	93,397		10/16
Calhoun	GA		262,500	488,742	None	None	262,500	488,742	751,242	199,563		10/16
Cartersville	GA		262,500	488,742	None	None	262,500	488,742	751,242	199,563		10/16
Chatsworth	GA		140,000	261,242	None	47	140,000	261,289	401,289	106,713		10/16
Chatsworth	GA		140,000	261,242	None	47	140,000	261,289	401,289	106,713		10/16
Chatsworth	GA		140,000	261,242	None	47	140,000	261,289	401,289	106,713		10/16
Chickamauga	GA		181,731	338,742	None	None	181,731	338,742	520,473	138,313		10/16
Dalton	GA		171,500	319,742	None	None	171,500	319,742	491,242	130,555		10/16
Dalton	GA		87,500	163,742	None	None	87,500	163,742	251,242	66,855		10/16
Dalton	GA		485,650	903,162	None	None	485,650	903,162	1,388,812	368,785		10/16
Dalton	GA		146,000	272,385	None	None	146,000	272,385	418,385	111,218		10/16
Dalton	GA		420,000	781,242	None	None	420,000	781,242	1,201,242	319,001		10/16
Dalton	GA		210,000	391,242	None	None	210,000	391,242	601,242	159,751		10/16
Dalton	GA		332,500	618,742	None	None	332,500	618,742	951,242	252,647		10/16
Decatur	GA		529,383	532,429	None	296	529,383	532,725	1,062,108	352,333		06/27
Decatur	GA	1,860,265	1,622,631	2,865,162	856	None	1,622,631	2,866,018	4,488,649	109,910		01/22
Dunwoody	GA		545,462	724,254	None	296	545,462	724,550	1,270,012	479,249		06/27
Flintstone	GA		157,500	293,742	None	None	157,500	293,742	451,242	119,938		10/16
Lafayette	GA		122,500	228,742	None	None	122,500	228,742	351,242	93,397		10/16
Lithonia	GA		386,784	776,436	None	None	386,784	776,436	1,163,220	513,685		06/27
Mableton	GA		491,069	355,957	None	None	491,069	355,957	847,026	235,477		06/27
Martinez	GA		450,000	402,777	None	None	450,000	402,777	852,777	232,935		07/22
Martinez	GA		830,000	871,637	None	None	830,000	871,637	1,701,637	341,388		03/18
Norcross	GA		384,162	651,273	None	None	384,162	651,273	1,035,435	430,865		06/27
Ringgold	GA		234,500	1,168,914	(7,829)	None	226,671	1,168,914	1,395,585	426,077		10/16
Ringgold	GA		385,000	716,242	(21,175)	None	363,825	716,242	1,080,067	292,459		10/16
Ringgold	GA		482,251	896,851	None	None	482,251	896,851	1,379,102	366,208		10/16
Rocky Face	GA		164,231	306,241	None	None	164,231	306,241	470,472	125,042		10/16
Rome	GA		210,000	391,242	None	None	210,000	391,242	601,242	159,751		10/16
Rome	GA		199,199	371,183	None	None	199,199	371,183	570,382	151,560		10/16
Rome	GA		201,791	375,997	(22,030)	None	179,761	375,997	555,758	153,526		10/16
Rome	GA		315,000	586,242	None	None	315,000	586,242	901,242	239,376		10/16

Rossville	GA	157,500	293,742	None	None	157,500	293,742	451,242	119,938	10/16
Summerville	GA	66,231	124,242	None	None	66,231	124,242	190,473	50,726	10/16
Trenton	GA	129,231	241,242	None	None	129,231	241,242	370,473	98,501	10/16
Adair	IA	779,853	1,377,027	411	None	779,853	1,377,438	2,157,291	52,824	01/22
Neola	IA	784,675	1,385,540	414	None	784,675	1,385,954	2,170,629	53,150	01/22
Belvidere	IL	768,748	1,427,676	None	None	768,748	1,427,676	2,196,424	231,165	12/28
Dekalb	IL	661,500	1,228,500	None	None	661,500	1,228,500	1,890,000	199,084	12/28
Godfrey	IL	374,586	733,190	None	314	374,586	733,504	1,108,090	485,338	06/27
Granite City	IL	362,287	737,255	None	314	362,287	737,569	1,099,856	488,029	06/27
Harford	IL	599,172	1,112,747	None	None	599,172	1,112,747	1,711,919	180,371	12/28
Loves Park	IL	547,582	1,018,023	None	None	547,582	1,018,023	1,565,605	246,558	12/20
Loves Park	IL	760,725	1,412,775	None	None	760,725	1,412,775	2,173,500	228,875	12/28
Machesney Park	IL	562,275	1,044,225	None	None	562,275	1,044,225	1,606,500	169,055	12/28
Madison	IL	173,812	625,030	None	314	173,812	625,344	799,156	413,792	06/27

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Description (Note 1)		Encumbrances (Note 2)	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 3, 4, 6 and 7): Land	Gross Amount at Which Carried at Close of Period (Notes 3, 4, 6 and 7): Buildings, Improvements and Acquisition Fees	Gross Amount at Which Carried at Close of Period (Notes 3, 4, 6 and 7): Total	Accumulated Depreciation (Note 5)	Date of Construction	Da Acqu
Marengo	IL		501,948	932,188	None	None	501,948	932,188	1,434,136	151,061		12/2
Rochelle	IL		607,418	1,129,145	None	None	607,418	1,129,145	1,736,563	273,234		12/2
Rockford	IL		463,050	859,950	None	None	463,050	859,950	1,323,000	139,383		12/2
Rockford	IL		388,631	721,744	None	None	388,631	721,744	1,110,375	117,039		12/2
Tuscola	IL		752,456	1,397,419	None	None	752,456	1,397,419	2,149,875	226,631		12/2
Albany	IN		427,437	796,632	None	None	427,437	796,632	1,224,069	211,891		05/2
Alexandria	IN		139,219	259,369	None	None	139,219	259,369	398,588	68,729		05/2
Anderson	IN		147,263	274,307	None	None	147,263	274,307	421,570	72,688		05/2
Anderson	IN		283,430	529,190	None	None	283,430	529,190	812,620	141,019		05/2
Elkhart	IN		495,914	923,971	None	None	495,914	923,971	1,419,885	245,439		05/2
Frankfort	IN		208,666	390,345	None	None	208,666	390,345	599,011	104,225		05/2
Greenwood	IN		173,250	323,022	None	None	173,250	323,022	496,272	85,597		05/2
Hartford City	IN		250,310	467,702	None	None	250,310	467,702	718,012	124,724		05/2
Indianapolis	IN		129,938	242,134	None	None	129,938	242,134	372,072	64,162		05/2
Indianapolis	IN		269,294	502,439	None	None	269,294	502,439	771,733	133,733		05/2
Indianapolis	IN		318,432	593,693	None	None	318,432	593,693	912,125	157,915		05/2
Knox	IN		341,250	634,999	None	None	341,250	634,999	976,249	158,256		10/0
Lafayette	IN		147,263	274,309	None	None	147,263	274,309	421,572	72,689		05/2
Lafayette	IN		112,613	209,959	None	None	112,613	209,959	322,572	55,636		05/2
Marion	IN		209,196	391,495	None	None	209,196	391,495	600,691	104,333		05/2
Michigan City	IN		227,500	423,749	None	None	227,500	423,749	651,249	105,796		10/0
Mishawaka	IN		123,983	233,743	None	None	123,983	233,743	357,726	62,725		05/2
Morristown	IN		366,590	684,082	None	None	366,590	684,082	1,050,672	182,065		05/2
Muncie	IN		103,950	193,870	None	None	103,950	193,870	297,820	51,372		05/2
Muncie	IN		184,237	344,974	None	None	184,237	344,974	529,211	92,201		05/2
New Albany	IN		181,459	289,353	None	211	181,459	289,564	471,023	217,708		03/0
New Albany	IN		262,465	331,796	None	211	262,465	332,007	594,472	249,611		03/0
New Castle	IN		138,600	258,672	None	None	138,600	258,672	397,272	68,545		05/2
New Castle	IN		79,854	150,572	None	None	79,854	150,572	230,426	40,292		05/2
New Castle	IN		203,941	381,519	None	None	203,941	381,519	585,460	101,689		05/2
Richmond	IN		281,248	525,089	None	None	281,248	525,089	806,337	139,735		05/2
Richmond	IN		255,908	478,528	None	None	255,908	478,528	734,436	127,593		05/2
Rushville	IN		138,600	258,672	None	None	138,600	258,672	397,272	68,545		05/2
Rushville	IN		121,275	226,497	None	None	121,275	226,497	347,772	60,018		05/2
South Bend	IN		372,387	695,064	None	None	372,387	695,064	1,067,451	184,975		05/2
Wabash	IN		430,437	802,871	None	None	430,437	802,871	1,233,308	213,544		05/2
Wabash	IN		334,923	624,988	None	13	334,923	625,001	959,924	166,209		05/2
Warsaw	IN		415,275	774,213	None	13	415,275	774,226	1,189,501	205,754		05/2
West Lafayette	IN		1,052,628	1,342,855	None	None	1,052,628	1,342,855	2,395,483	356,417		05/2
Zionsville	IN		910,595	1,693,926	None	None	910,595	1,693,926	2,604,521	449,674		05/2
Berea	KY		252,077	360,815	None	197	252,077	361,012	613,089	271,400		03/0
Elizabethtown	KY		286,106	286,106	None	364	286,106	286,470	572,576	215,333		03/0
Lebanon	KY		158,052	316,105	None	350	158,052	316,455	474,507	237,859		03/0

Louisville	KY	198,926	368,014	None	211	198,926	368,225	567,151	276,835		03/0
Louisville	KY	216,849	605,697	None	187	216,849	605,884	822,733	425,005	06/18/96	11/1
Mt. Washington	KY	327,245	479,593	None	None	327,245	479,593	806,838	328,553	12/06/96	05/3
Owensboro	KY	360,000	590,000	None	None	360,000	590,000	950,000	433,650		08/2
Alexandria	LA	170,000	371,637	None	None	170,000	371,637	541,637	145,555		03/1
Baton Rouge	LA	500,000	521,637	None	None	500,000	521,637	1,021,637	204,305		03/1
Baton Rouge	LA	210,000	361,637	None	None	210,000	361,637	571,637	141,638		03/1
Bossier City	LA	230,000	431,637	None	None	230,000	431,637	661,637	169,055		03/1
Destrehan	LA	200,000	411,637	None	None	200,000	411,637	611,637	161,222		03/1
Lafayette	LA	240,000	391,637	None	None	240,000	391,637	631,637	153,388		03/1
Shreveport	LA	192,500	358,227	None	None	192,500	358,227	550,727	139,109		04/1
North Reading	MA	574,601	756,174	None	None	574,601	756,174	1,330,775	313,812		08/1
Seekonk	MA	298,354	268,518	None	None	298,354	268,518	566,872	201,836		03/0
South Amherst	MA	110,969	639,806	None	None	110,969	639,806	750,775	265,519		08/1

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			Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 3, 4, 6 and 7)					
Description (Note 1)		Encumbrances (Note 2)	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	Accumulated Depreciation (Note 5)	Date of Construction	D Acq
Berlin	MD		255,951	387,395	None	None	255,951	387,395	643,346	167,218		03/1
Crisfield	MD		219,704	333,024	None	None	219,704	333,024	552,728	143,748		03/1
Hebron	MD		376,251	567,844	None	None	376,251	567,844	944,095	245,112		03/1
La Plata	MD		1,017,544	2,706,729	None	None	1,017,544	2,706,729	3,724,273	1,231,314		08/0
Mechanicsville	MD		1,540,335	2,860,928	None	None	1,540,335	2,860,928	4,401,263	1,320,736		06/2
Millersville	MD		830,737	2,696,245	None	None	830,737	2,696,245	3,526,982	1,244,813		06/2
Breckenridge	MI		437,500	813,468	None	None	437,500	813,468	1,250,968	202,576		10/0
Carson City	MI		262,500	488,468	None	None	262,500	488,468	750,968	122,056		10/0
Charlevoix	MI		385,000	715,513	None	None	385,000	715,513	1,100,513	178,627		10/0
Cheboygan	MI		280,000	520,513	None	None	280,000	520,513	800,513	130,202		10/0
Clare	MI		306,250	569,718	None	None	306,250	569,718	875,968	142,233		10/0
Clare	MI		229,250	426,718	None	None	229,250	426,718	655,968	106,157		10/0
Comstock	MI		315,000	586,261	None	None	315,000	586,261	901,261	146,529		10/0
Farwell	MI		437,500	813,468	None	None	437,500	813,468	1,250,968	202,765		10/0
Flint	MI		194,492	476,504	None	348	194,492	476,852	671,344	344,161		12/2
Gladwin	MI		140,000	260,513	None	None	140,000	260,513	400,513	65,259		10/0
Grand Rapids	MI		437,500	813,761	None	None	437,500	813,761	1,251,261	202,649		10/0
Kalamazoo	MI		238,000	443,249	None	None	238,000	443,249	681,249	110,450		10/0
Kalkaska	MI		437,500	813,013	None	None	437,500	813,013	1,250,513	203,217		10/0
Lake City	MI		115,500	215,013	None	None	115,500	215,013	330,513	53,960		10/0
Lakeview	MI		96,250	179,718	None	None	96,250	179,718	275,968	45,383		10/0
Mackinaw City	MI		455,000	845,513	None	None	455,000	845,513	1,300,513	210,346		10/0
Mecosta	MI		122,500	228,468	None	None	122,500	228,468	350,968	57,113		10/0
Midland	MI		437,500	813,013	None	None	437,500	813,013	1,250,513	202,652		10/0
Mount Pleasant	MI		162,750	303,294	None	13	162,750	303,307	466,057	76,259		10/0
Mount Pleasant	MI		463,750	862,218	None	None	463,750	862,218	1,325,968	214,682		10/0
Mount Pleasant	MI		210,000	390,968	None	None	210,000	390,968	600,968	97,844		10/0
Mount Pleasant	MI		437,500	813,468	None	None	437,500	813,468	1,250,968	202,953		10/0
Mount Pleasant	MI		350,000	650,968	None	None	350,000	650,968	1,000,968	162,222		10/0
Mount Pleasant	MI		175,000	325,968	None	None	175,000	325,968	500,968	81,514		10/0
Petoskey	MI		490,000	910,513	None	None	490,000	910,513	1,400,513	226,487		10/0
Prudenville	MI		133,000	247,513	None	None	133,000	247,513	380,513	62,407		10/0
Saginaw	MI		262,500	488,013	None	None	262,500	488,013	750,513	121,755		10/0
Standish	MI		92,750	172,763	None	None	92,750	172,763	265,513	43,468		10/0
Traverse City	MI		210,000	391,002	None	None	210,000	391,002	601,002	97,852		10/0
Walker	MI		586,250	1,089,999	None	None	586,250	1,089,999	1,676,249	271,248		10/0
Alexandria	MN		132,924	246,858	None	None	132,924	246,858	379,782	30,408		12/0
Andover	MN		888,706	1,650,454	None	None	888,706	1,650,454	2,539,160	201,179		12/0

Apple Valley	MN	350,000	650,000	None	None	350,000	650,000	1,000,000	79,457	12/0
Baxter	MN	350,000	650,000	None	None	350,000	650,000	1,000,000	79,457	12/0
Blaine	MN	767,270	1,424,929	None	None	767,270	1,424,929	2,192,199	173,740	12/0
Bloomington	MN	262,500	487,500	None	None	262,500	487,500	750,000	59,686	12/0
Bloomington	MN	676,771	1,256,859	None	None	676,771	1,256,859	1,933,630	153,198	12/0
Brainerd	MN	490,000	910,000	None	None	490,000	910,000	1,400,000	111,277	12/0
Brooklyn Center	MN	979,764	1,819,561	None	None	979,764	1,819,561	2,799,325	221,660	12/0
Brooklyn Center	MN	979,764	1,819,561	None	None	979,764	1,819,561	2,799,325	221,753	12/0
Brooklyn Center	MN	979,764	1,819,561	None	None	979,764	1,819,561	2,799,325	221,753	12/0
Brooklyn Park	MN	830,336	1,542,052	None	None	830,336	1,542,052	2,372,388	187,990	12/0
Brooklyn Park	MN	578,964	1,075,220	None	None	578,964	1,075,220	1,654,184	131,192	12/0
Brooklyn Park	MN	750,697	1,394,151	None	None	750,697	1,394,151	2,144,848	34,958	05/0
Burnsville	MN	615,240	1,142,589	None	None	615,240	1,142,589	1,757,829	139,295	12/0
Burnsville	MN	515,298	956,981	None	None	515,298	956,981	1,472,279	116,806	12/0
Burnsville	MN	350,000	650,000	None	None	350,000	650,000	1,000,000	79,457	12/0
Burnsville	MN	932,558	1,731,892	None	None	932,558	1,731,892	2,664,450	211,087	12/0
Chaska	MN	979,764	1,819,561	None	None	979,764	1,819,561	2,799,325	221,753	12/0
Chaska	MN	490,000	910,000	None	None	490,000	910,000	1,400,000	111,090	12/0
Chaska	MN	410,797	762,908	None	None	410,797	762,908	1,173,705	19,177	05/0

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SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION

AS OF DECEMBER 31, 2013

Description (Note 1)		Encumbrances (Note 2)	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 3, 4, 6 and 7) Land	Gross Amount Buildings, Improvements and Acquisition Fees	Gross Amount Total	Accumulated Depreciation (Note 5)	Date of Construction	Date Acquired
Columbia Heights	MN		673,068	1,249,983	None	None	673,068	1,249,983	1,923,051	152,361		12/01/10
Coon Rapids	MN		490,000	910,000	None	None	490,000	910,000	1,400,000	111,090		12/01/10
Cottage Grove	MN		805,888	1,496,650	None	None	805,888	1,496,650	2,302,538	182,466		12/01/10
Crystal	MN		552,641	1,026,332	None	None	552,641	1,026,332	1,578,973	125,244		12/01/10
Crystal	MN		740,518	1,375,248	None	None	740,518	1,375,248	2,115,766	167,695		12/01/10
Eagan	MN		906,287	1,683,104	None	None	906,287	1,683,104	2,589,391	205,244		12/01/10
Eagan	MN		699,277	1,298,658	None	None	699,277	1,298,658	1,997,935	158,377		12/01/10
Eden Prairie	MN		947,702	1,760,019	None	None	947,702	1,760,019	2,707,721	214,416		12/01/10
Eden Prairie	MN		485,526	901,690	None	None	485,526	901,690	1,387,216	110,079		12/01/10
Edina	MN		568,893	1,056,516	None	None	568,893	1,056,516	1,625,409	128,916		12/01/10
Elk River	MN		613,113	1,138,637	None	None	613,113	1,138,637	1,751,750	138,814		12/01/10
Elk River	MN		456,850	848,435	None	None	456,850	848,435	1,305,285	103,600		12/01/10
Excelsior	MN		262,500	487,500	None	None	262,500	487,500	750,000	59,686		12/01/10
Falcon Heights	MN		494,415	918,199	None	None	494,415	918,199	1,412,614	112,088		12/01/10
Farmington	MN		437,500	812,500	None	None	437,500	812,500	1,250,000	99,228		12/01/10
Forest Lake	MN		398,985	740,973	None	None	398,985	740,973	1,139,958	90,432		12/01/10
Fridley	MN		519,325	964,461	None	None	519,325	964,461	1,483,786	117,716		12/01/10
Fridley	MN		706,295	1,311,691	None	None	706,295	1,311,691	2,017,986	159,962		12/01/10
Fridley	MN		175,000	325,000	None	None	175,000	325,000	500,000	39,915		12/01/10
Golden Valley	MN		979,764	1,819,561	None	None	979,764	1,819,561	2,799,325	221,753		12/01/10
Ham Lake	MN		979,764	1,819,561	None	None	979,764	1,819,561	2,799,325	221,753		12/01/10
Hastings	MN		979,764	1,819,561	None	None	979,764	1,819,561	2,799,325	221,753		12/01/10
Inver Grove Hghts	MN		134,705	250,166	None	None	134,705	250,166	384,871	30,717		12/01/10
Inver Grove Hghts	MN		979,764	1,819,561	None	None	979,764	1,819,561	2,799,325	221,753		12/01/10
Lakeville	MN		631,855	1,173,446	None	None	631,855	1,173,446	1,805,301	143,143		12/01/10
Lakeville	MN		654,912	1,216,266	None	None	654,912	1,216,266	1,871,178	148,352		12/01/10
Litchfield	MN		388,788	722,036	None	None	388,788	722,036	1,110,824	88,128		12/01/10
Little Falls	MN		175,000	325,000	None	None	175,000	325,000	500,000	39,822		12/01/10
Long Lake	MN		808,543	1,501,579	None	None	808,543	1,501,579	2,310,122	183,065		12/01/10
Maplewood	MN		931,427	1,729,793	None	None	931,427	1,729,793	2,661,220	210,738		12/01/10
Maplewood	MN		175,000	325,000	None	None	175,000	325,000	500,000	39,915		12/01/10
Mendota Heights	MN		827,026	1,535,906	None	None	827,026	1,535,906	2,362,932	187,242		12/01/10
Mendota Heights	MN		717,808	1,333,072	None	None	717,808	1,333,072	2,050,880	162,564		12/01/10

Minneapolis	MN	967,640	1,797,045	None	None	967,640	1,797,045	2,764,685	219,014	12/01/10
Minneapolis	MN	856,122	1,589,941	None	None	856,122	1,589,941	2,446,063	193,816	12/01/10
Minneapolis	MN	979,764	1,819,561	None	None	979,764	1,819,561	2,799,325	221,753	12/01/10
Minneapolis	MN	979,764	1,819,561	None	None	979,764	1,819,561	2,799,325	221,753	12/01/10
Minneapolis	MN	938,237	1,742,440	None	None	938,237	1,742,440	2,680,677	212,370	12/01/10
Minneapolis	MN	365,977	679,671	None	None	365,977	679,671	1,045,648	82,973	12/01/10
Minneapolis	MN	979,764	1,819,561	None	None	979,764	1,819,561	2,799,325	221,753	12/01/10
Minneapolis	MN	738,535	1,371,564	None	None	738,535	1,371,564	2,110,099	167,154	12/01/10
Minneapolis	MN	811,510	1,507,090	None	None	811,510	1,507,090	2,318,600	183,643	12/01/10
Minneapolis	MN	539,242	1,001,450	None	None	539,242	1,001,450	1,540,692	122,216	12/01/10
Minneapolis	MN	577,070	1,071,702	None	None	577,070	1,071,702	1,648,772	130,764	12/01/10
Minneapolis	MN	175,000	325,000	None	None	175,000	325,000	500,000	39,915	12/01/10
Minneapolis	MN	979,764	1,819,561	None	None	979,764	1,819,561	2,799,325	221,753	12/01/10
Minneapolis	MN	350,000	650,000	None	None	350,000	650,000	1,000,000	79,363	12/01/10
Minneapolis	MN	759,822	1,411,097	None	None	759,822	1,411,097	2,170,919	171,963	12/01/10
Minnetonka	MN	582,162	1,081,158	None	None	582,162	1,081,158	1,663,320	27,112	05/01/13
Monticello	MN	589,643	1,095,051	None	None	589,643	1,095,051	1,684,694	133,605	12/01/10
Mounds View	MN	743,926	1,381,578	None	None	743,926	1,381,578	2,125,504	168,465	12/01/10
New Brighton	MN	585,039	1,086,502	None	None	585,039	1,086,502	1,671,541	132,471	12/01/10
New Hope	MN	175,000	325,000	None	None	175,000	325,000	500,000	39,822	12/01/10
Newport	MN	967,228	1,796,280	None	None	967,228	1,796,280	2,763,508	218,921	12/01/10
Oak Park Heights	MN	635,158	1,179,579	None	None	635,158	1,179,579	1,814,737	143,889	12/01/10
Pine City	MN	644,412	1,196,765	None	None	644,412	1,196,765	1,841,177	146,073	12/01/10
Princeton	MN	546,257	1,014,476	None	None	546,257	1,014,476	1,560,733	123,801	12/01/10

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REALTY INCOME CORPORATION AND SUBSIDIARIES

SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION

AS OF DECEMBER 31, 2013

			Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 3, 4, 6 and 7)					
Description (Note 1)		Encumbrances (Note 2)	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	Accumulated Depreciation (Note 5)	Date of Construction	Date Acqui
Ramsey	MN		650,205	1,207,523	None	None	650,205	1,207,523	1,857,728	147,289		12/01/
Richfield	MN		630,540	1,171,003	None	None	630,540	1,171,003	1,801,543	142,845		12/01/
Richfield	MN		678,216	1,259,543	None	None	678,216	1,259,543	1,937,759	153,618		12/01/
Richfield	MN		436,919	811,421	None	None	436,919	811,421	1,248,340	99,003		12/01/
Richfield	MN		839,497	1,559,065	None	None	839,497	1,559,065	2,398,562	190,060		12/01/
Rogers	MN		781,303	1,450,991	None	None	781,303	1,450,991	2,232,294	176,911		12/01/
Roseville	MN		403,786	749,887	None	None	403,786	749,887	1,153,673	91,516		12/01/
Roseville	MN		979,764	1,819,561	None	None	979,764	1,819,561	2,799,325	221,753		12/01/
Roseville	MN		979,764	1,819,561	None	None	979,764	1,819,561	2,799,325	221,753		12/01/
Roseville	MN		979,764	1,819,561	None	None	979,764	1,819,561	2,799,325	221,753		12/01/
Sauk Rapids	MN		175,000	325,000	None	None	175,000	325,000	500,000	39,915		12/01/
Savage	MN		605,220	1,123,981	None	None	605,220	1,123,981	1,729,201	137,031		12/01/
Savage	MN		569,195	1,057,075	None	None	569,195	1,057,075	1,626,270	128,891		12/01/
Savage	MN		175,000	325,000	None	None	175,000	325,000	500,000	39,915		12/01/
Shakopee	MN		522,391	970,156	None	None	522,391	970,156	1,492,547	118,782		12/01/
Shakopee	MN		477,517	886,817	None	None	477,517	886,817	1,364,334	108,456		12/01/
Shakopee	MN		688,324	1,278,317	None	None	688,324	1,278,317	1,966,641	155,902		12/01/
Shakopee	MN		783,764	1,455,562	None	None	783,764	1,455,562	2,239,326	177,373		12/01/
St. Cloud	MN		786,129	1,459,954	None	None	786,129	1,459,954	2,246,083	177,908		12/01/
St. Cloud	MN		175,000	325,000	None	None	175,000	325,000	500,000	40,102		12/01/
St. Cloud	MN		677,052	1,257,383	None	None	677,052	1,257,383	1,934,435	153,355		12/01/
St. Louis Park	MN		175,000	325,000	None	None	175,000	325,000	500,000	39,822		12/01/
St. Michael	MN		561,604	1,042,980	None	None	561,604	1,042,980	1,604,584	127,363		12/01/
St. Paul	MN		808,755	1,501,973	None	None	808,755	1,501,973	2,310,728	183,020		12/01/
St. Paul	MN		418,774	777,723	None	None	418,774	777,723	1,196,497	94,903		12/01/
St. Paul	MN		175,000	325,000	None	None	175,000	325,000	500,000	39,822		12/01/
St. Paul	MN		832,144	1,545,409	None	None	832,144	1,545,409	2,377,553	188,398		12/01/
St. Paul	MN		979,764	1,819,561	None	None	979,764	1,819,561	2,799,325	221,753		12/01/
St. Paul	MN		175,000	325,000	None	None	175,000	325,000	500,000	39,822		12/01/
St. Paul	MN		979,764	1,819,561	None	None	979,764	1,819,561	2,799,325	221,660		12/01/
St. Paul	MN		576,820	1,071,236	None	None	576,820	1,071,236	1,648,056	130,614		12/01/
St. Paul	MN		531,091	986,311	None	None	531,091	986,311	1,517,402	120,375		12/01/
St. Paul	MN		592,617	1,100,575	None	None	592,617	1,100,575	1,693,192	134,183		12/01/
St. Paul	MN		739,277	1,372,944	None	None	739,277	1,372,944	2,112,221	167,322		12/01/
St. Paul	MN		788,752	1,464,824	None	None	788,752	1,464,824	2,253,576	178,500		12/01/
St. Paul	MN		950,678	1,765,546	None	None	950,678	1,765,546	2,716,224	215,088		12/01/
St. Paul	MN		175,000	325,000	None	None	175,000	325,000	500,000	39,822		12/01/
St. Paul	MN		262,500	487,500	None	None	262,500	487,500	750,000	59,593		12/01/
St. Paul	MN		541,547	1,005,731	None	None	541,547	1,005,731	1,547,278	122,644		12/01/
St. Paul	MN		827,608	1,536,987	None	None	827,608	1,536,987	2,364,595	187,187		12/01/
St. Paul	MN		789,790	1,466,752	None	None	789,790	1,466,752	2,256,542	178,828		12/01/
St. Paul	MN		648,354	1,204,086	None	None	648,354	1,204,086	1,852,440	30,165		05/01/

St. Paul Park	MN	979,764	1,819,561	None	None	979,764	1,819,561	2,799,325	221,660	12/01/
St. Paul Park	MN	1,925,000	3,575,000	None	None	1,925,000	3,575,000	5,500,000	434,958	12/01/
Vadnais Heights	MN	931,400	1,729,742	None	None	931,400	1,729,742	2,661,142	210,825	12/01/
West St. Paul	MN	979,764	1,819,561	None	None	979,764	1,819,561	2,799,325	221,660	12/01/
White Bear Lake	MN	943,945	1,753,040	None	None	943,945	1,753,040	2,696,985	213,660	12/01/
White Bear Lake	MN	860,523	1,598,113	None	None	860,523	1,598,113	2,458,636	194,810	12/01/
Woodbury	MN	962,500	1,787,500	None	None	962,500	1,787,500	2,750,000	217,759	12/01/
Zimmerman	MN	979,764	1,819,561	None	None	979,764	1,819,561	2,799,325	221,753	12/01/
Bolivar	MO	712,586	1,258,249	376	None	712,586				