

REALTY INCOME CORP  
Form 10-K  
February 10, 2011

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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, 2010

Commission File Number 1-13374

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

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

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, \$1.00 Par Value Class D Preferred Stock, \$1.00 Par Value Class E Preferred	New York Stock Exchange New York Stock Exchange New York Stock Exchange New York Stock Exchange

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Stock, \$1.00

Par Value

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  NO

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  NO

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  NO

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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  NO

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.

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  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

At June 30, 2010, the aggregate market value of the Registrant's shares of common stock, \$1.00 par value, held by non-affiliates of the Registrant was \$3.1 billion based upon the last reported sale price of \$30.33 per share on the New York Stock Exchange on June 30, 2010, the last business day of the Registrant's most recently completed second fiscal quarter.

At February 1, 2011, the number of shares of common stock outstanding was 118,200,703, the number of shares of Class D preferred stock outstanding was 5,100,000 and the number of shares of Class E preferred stock outstanding was 8,800,000.

#### 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 3, 2011, 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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PART I

Item 1: Business

THE COMPANY

Realty Income Corporation, The Monthly Dividend Company®, is a Maryland corporation organized to operate as an equity real estate investment trust, or REIT. Our primary business objective is to generate dependable monthly cash distributions from a consistent and predictable level of funds from operations, or FFO, per share. Our monthly distributions are supported by the cash flow from our portfolio of properties leased to retail and other commercial enterprises. We have in-house acquisition, leasing, legal, credit research, real estate research, portfolio management and capital markets expertise. Over the past 42 years, Realty Income and its predecessors have been acquiring and owning freestanding retail and other commercial properties that generate rental revenue under long-term lease agreements (primarily 15 to 20 years).

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

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

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

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

At December 31, 2010, we owned a diversified portfolio:

Of 2,496 properties;  
With an occupancy rate of 96.6%, or 2,412 properties occupied and only 84 properties available for lease;  
Leased to 122 different retail and other commercial enterprises doing business in 32 separate industries;  
Located in 49 states;  
With over 21.2 million square feet of leasable space; and  
With an average leasable space per property of approximately 8,500 square feet.

Of the 2,496 properties in the portfolio, 2,485, or 99.6%, are single-tenant properties, and the remaining 11 are multi-tenant, distribution and office properties. At December 31, 2010, of the 2,485 single-tenant properties, 2,402 were leased with a weighted average remaining lease term (excluding extension options) of approximately 11.4 years.

In addition, at December 31, 2010, our wholly-owned taxable REIT subsidiary, Crest Net Lease, Inc., or Crest, had an inventory of three properties valued at \$3.0 million, which are classified as held for investment. No Crest properties are classified as held for sale at December 31, 2010. Crest was created to buy and sell properties, primarily to individual investors who are involved in tax-deferred exchanges under Section 1031 of the Internal Revenue Code of 1986, as amended, or the Code. In addition to the three properties, Crest also holds notes receivable of \$22.1 million at December 31, 2010.

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

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Our net-lease agreements generally:

Are for initial terms of 15 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.

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

Our eight senior officers owned 1.1% of our outstanding common stock with a market value of \$44.5 million at February 1, 2011. Our directors and eight senior officers, as a group, owned 1.3% of our outstanding common stock with a market value of \$53.9 million at February 1, 2011.

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

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

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

In February 2011, we had 79 employees as compared to 72 employees in February 2010.

We maintain an Internet website at [www.realtyincome.com](http://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, Forms 3, 4, 5, current reports on Form 8-K, and amendments to those reports, as soon as reasonably practicable after we electronically file these reports with the Securities and Exchange Commission, or SEC. None of the information on our website is deemed to be part of this report.

## RECENT DEVELOPMENTS

### Increases in Monthly Distributions to Common Stockholders

We have continued our 42-year policy of paying distributions monthly. Monthly distributions per share increased in April 2010 by \$0.0003125 to \$0.1433125, in July 2010 by \$0.0003125 to \$0.143625, in October 2010 by \$0.0003125 to \$0.1439375 and in January 2011 by \$0.0003125 to \$0.14425. The increase in January 2011 was our 53rd consecutive quarterly increase and the 60th increase in the amount of our dividend since our listing on the NYSE in 1994. In 2010, we paid three monthly cash distributions per share in the amount of \$0.143, three in the amount of \$0.1433125, three in the amount of \$0.143625 and three in the amount of \$0.1439375, totaling \$1.721625. In December 2010, January 2011 and February 2011, we declared distributions of \$0.14425 per share, which were paid in January 2011 and will be paid in February 2011 and March 2011, respectively.

The current monthly distribution of \$0.14425 per share represents an annualized distribution of \$1.731 per share, and an annualized distribution yield of approximately 5.1% based on the last reported sale price of our common stock on the NYSE of \$34.20 on December 31, 2010. Although we expect to continue our policy of paying monthly



distributions, we cannot guarantee that we will maintain our current level of distributions, that we will continue our pattern of increasing distributions per share, or what our actual distribution yield will be in any future period.

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### Acquisitions During 2010

During 2010, we invested \$713.5 million in 186 new properties with an initial weighted average contractual lease rate of 7.9%. These 186 properties are located in 14 states, contain over 2.2 million leasable square feet, and are 100% leased with an average lease term of 15.7 years. The 186 new properties we acquired are net-leased to commercial enterprises in the following 13 industries: apparel stores, automotive collision services, automotive service, crafts and novelties, consumer electronics, convenience store, drug stores, grocery stores, health and fitness, office supplies, restaurants, sporting goods and wine and spirits. There were no acquisitions by Crest in 2010.

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

Included in the \$713.5 million invested during 2010 are the following acquisitions:

The acquisition and leaseback of approximately \$304.1 million of winery and vineyard properties under 20-year, triple-net lease agreements with Diageo Chateau & Estates Wine Company, guaranteed by Diageo plc, or, together with its subsidiaries, Diageo. The properties are primarily located in California's Napa Valley and include two wineries that produce wines for Diageo's Sterling Vineyards, or Sterling, and Beaulieu Vineyards, or BV, brands and 14 vineyards producing grapes for their Sterling, BV and other brands. The properties include approximately 3,600 acres and 426,000 square feet of winery, production, storage, shipping and tourist buildings. Diageo will continue to operate the wineries and vineyards. As a result of this acquisition of properties, Diageo has become our largest tenant based on rental revenue. Headquartered in London, Diageo is a global premium drinks company with a well-known portfolio of international brands of spirits, beer and wine. Diageo ordinary shares trade on the London Stock Exchange under the symbol "DGE.L" and on the NYSE under the symbol "DEO."

The acquisition of 23 retail properties leased to 13 tenants in six states, for approximately \$126.5 million, under long-term, net lease agreements. The properties are in eight different industries, including apparel stores, consumer electronics, crafts and novelties, drug stores, grocery stores, health and fitness, office supplies, and sporting goods. All of the properties acquired have in-place leases.

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

The remaining 11 properties acquired totaled approximately \$35.3 million.

### Investments in Existing Properties

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

### \$425 Million Acquisition Credit Facility

In December 2010, we entered into a new \$425 million acquisition credit facility that replaced our previous \$355 million acquisition credit facility that was scheduled to expire in May 2011. The initial term of the new credit facility expires in March 2014 and includes two, one-year extension options. Under the new credit facility, our investment grade credit ratings provide for financing at London Interbank Offered Rate, commonly referred to as LIBOR, plus 185 basis points with a facility commitment fee of 35 basis points, for all-in drawn pricing of 220 basis points over LIBOR. We also have other interest rate options available to us. Our credit facility is unsecured and, accordingly, we have not pledged any assets as collateral for this obligation. At December 31, 2010, there were no borrowings on our credit facility, but if there were, the effective borrowing rate would have been 2.1%.

### Issuance of Common Stock

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

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

Note Issuance

In June 2010, we issued \$250.0 million aggregate principal amount of 5.75% senior unsecured notes due January 2021, or the 2021 Notes. The price to the investor for the 2021 Notes was 99.404% of the principal amount for an effective yield of 5.826%. The net proceeds of approximately \$246.1 million from this offering were used to repay borrowings under our acquisition credit facility, which were used to finance the acquisition of the Diageo properties. Interest is paid semiannually on the 2021 Notes.

Net Income Available to Common Stockholders

Net income available to common stockholders was \$106.5 million in 2010 versus \$106.9 million in 2009, a decrease of \$343,000. On a diluted per common share basis, net income was \$1.01 in 2010 as compared to \$1.03 in 2009.

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.

The gain from the sale of properties during 2010 was \$8.7 million, as compared to \$8.1 million during 2009.

Funds from Operations Available to Common Stockholders (FFO)

In 2010, our FFO increased by \$3.3 million, or 1.7%, to \$193.7 million versus \$190.4 million in 2009. On a diluted per common share basis, FFO was \$1.83 in 2010 compared to \$1.84 in 2009, a decrease of \$0.01, or 0.5%.

See our discussion of FFO 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.

Adjusted Funds from Operations Available to Common Stockholders (AFFO)

In 2010, our AFFO increased by \$4.6 million, or 2.4%, to \$197.3 million versus \$192.7 million in 2009. On a diluted per common share basis, AFFO was \$1.86 in 2010 and 2009.

See our discussion of AFFO 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 AFFO.

## DISTRIBUTION POLICY

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

In order to maintain our tax status as a REIT for federal income tax purposes, we generally are required to distribute dividends to our stockholders aggregating annually at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and excluding net capital gains), and we are subject to income tax to the extent we distribute less than 100% of our REIT taxable income (including net capital gains). In 2010, our cash distributions totaled \$206.8 million, or approximately 136.3% of our estimated REIT taxable income of \$151.7 million. Our

estimated REIT taxable income reflects non-cash deductions for depreciation and amortization. Our estimated REIT taxable income is presented to show our compliance with REIT distribution requirements and is not a measure of our liquidity or performance.

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We intend to continue to make distributions to our stockholders that are sufficient to meet this distribution requirement and that will reduce 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 2010 cash distributions to common stockholders totaled \$182.5 million, representing 94.2% of our funds from operations available to common stockholders of \$193.7 million.

The Class D preferred stockholders receive cumulative distributions at a rate of 7.375% per annum on the \$25 per share liquidation preference (equivalent to \$1.84375 per annum per share). The Class E preferred stockholders receive cumulative distributions at a rate of 6.75% per annum on the \$25 per share liquidation preference (equivalent to \$1.6875 per annum per share). Dividends on our Class D and Class E preferred stock are current.

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

Distributions of our current and accumulated earnings and profits for federal income tax purposes generally will be taxable to stockholders as ordinary income, except to the extent that we recognize capital gains and declare a capital gains dividend, or that such amounts constitute "qualified dividend income" subject to a reduced rate of tax. The maximum tax rate of non-corporate taxpayers for "qualified dividend income" has generally been reduced to 15% (until it "sunset" or reverts to the provisions of prior law, which under current law will occur with respect to taxable years beginning after December 31, 2012). In general, dividends payable by REITs are not eligible for the reduced tax rate on corporate dividends, except to the extent the REIT's dividends are attributable to dividends received from taxable corporations (such as our taxable REIT subsidiary, Crest), 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) or, as discussed above, dividends properly designated by us as "capital gain dividends." Distributions in excess of earnings and profits generally will be treated as a non-taxable reduction in the stockholders' basis in their stock. Distributions above that basis, generally, will be taxable as a capital gain to stockholders who hold their shares as a capital asset. Approximately 26.8% of the distributions to our common stockholders, made or deemed to have been made in 2010, were classified as a return of capital for federal income tax purposes. We are unable to predict the portion of future distributions that may be classified as a return of capital.

## BUSINESS PHILOSOPHY AND STRATEGY

### Capital Philosophy

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

### 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, 2010, our total outstanding borrowings were \$1.6 billion of senior unsecured notes, or approximately 26.7% of our total market capitalization of \$5.99 billion. There were no outstanding borrowings on our credit facility at December 31, 2010.

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We define our total market capitalization at December 31, 2010 as the sum of:

Shares of our common stock outstanding of 118,058,988 multiplied by the last reported NYSE sales price of \$34.20 per share on December 31, 2010, or \$4.04 billion;

Aggregate liquidation value (par value of \$25 per share) of the Class D preferred stock of \$127.5 million;

Aggregate liquidation value (par value of \$25 per share) of the Class E preferred stock of \$220 million; and  
Outstanding notes of \$1.6 billion.

### Investment Philosophy

We believe that owning an actively managed, diversified portfolio of commercial properties under long-term, net leases produces consistent and predictable income. Net leases typically require the tenant to be responsible for monthly rent and property operating expenses including property taxes, insurance and maintenance. In addition, tenants are typically responsible 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. We believe that a portfolio of properties under long-term leases, coupled with the tenant's responsibility for property expenses, generally produces a more predictable income stream than many other types of real estate portfolios, while continuing to offer the potential for growth in rental income.

### Investment Strategy

When identifying new properties for acquisition, our focus is generally on providing capital to owners and operators of retail and other commercial enterprises by acquiring, then leasing back, the real estate they consider important to the successful operation of their business. We categorize tenants as: 1) venture market, 2) middle market, and 3) upper market. Venture companies typically offer a newer concept, generally in one geographic region of the country and operate between five and 50 locations. Middle market companies typically have 50 to 500 locations, operations in more than one geographic region, have been successful through one or more economic cycles, and have a proven, replicable concept. The upper market tenants typically consist of companies with 500 or more locations, operating a proven, mature concept. Upper market tenants generally have strong operating histories and access to several sources of capital.

We primarily focus on acquiring properties leased to middle market retail and other commercial enterprises that we believe are attractive for investment because:

They generally have overcome many of the operational and managerial obstacles that can adversely affect new venture companies;

They typically require capital to fund expansion but have more limited financing options than upper market tenants;

They generally have provided us with attractive risk-adjusted returns over time since their financial strength has, in many cases, tended to improve as their businesses have grown;

Their relatively large size allows them to spread corporate expenses across a greater number of locations; and  
Middle market tenants typically have the critical mass to survive during economic or market dislocations.

Historically, our investment focus has primarily been on retail and other commercial enterprises that have a service component because we believe the lease revenue from these types of businesses is more stable. Because of this investment focus, for the quarter ended December 31, 2010, approximately 78% of our rental revenue was derived from tenants with a service component in their business. We believe these service-oriented businesses would be difficult to duplicate over the Internet and that our properties continue to perform well relative to competition from Internet-based businesses.

### Credit Strategy



We primarily provide sale-leaseback financing to less than investment grade tenants. We typically acquire and lease back properties to regional and national commercial enterprises and believe that within this market we can achieve an attractive risk-adjusted return. Since 1970, our overall weighted average occupancy rate at the end of each year has been 98.2%, and our occupancy rate at the end of each year has never been below 96%.

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

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

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

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

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

### Acquisition Strategy

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

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

### Impact of Real Estate and Credit Markets

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

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Portfolio Management Strategy

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

Our executives regularly review and analyze:

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

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

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

At December 31, 2010, we classified real estate with a carrying amount of \$3.6 million as held for sale on our balance sheet. Additionally, we anticipate selling investment properties from our portfolio that have not yet been specifically identified, from which we anticipate receiving between \$10 million and \$35 million in proceeds during the next 12 months. We intend to invest these proceeds into new property acquisitions, if there are attractive opportunities available. However, we cannot guarantee that we will sell properties during the next 12 months or be able to invest the proceeds from the sales of any properties in new properties.

Universal Shelf Registration

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

\$425 Million Acquisition Credit Facility

In December 2010, we entered into a new \$425 million revolving, unsecured credit facility that replaced our previous \$355 million acquisition credit facility that was scheduled to expire in May 2011. The initial term of the new credit facility expires in March 2014 and includes two, one-year extension options. Under the new credit facility, our investment grade credit ratings provide for financing at LIBOR, plus 185 basis points with a facility commitment fee of 35 basis points, for all-in drawn pricing of 220 basis points over LIBOR. We also have other interest rate options available to us. Our credit facility is unsecured and, accordingly, we have not pledged any assets as collateral for this obligation. At December 31, 2010, we had a borrowing capacity of \$425 million available on our credit facility and no outstanding balance. If there were outstanding borrowings, the effective borrowing rate would have been 2.1%.

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



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

### Credit Agency Ratings

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

Based on our current ratings, the current facility interest rate is LIBOR plus 185 basis points with a facility commitment fee of 35 basis points, for all-in drawn pricing of 220 basis points over LIBOR. The credit facility provides that the interest rate can range between: (i) LIBOR plus 300 basis points if our credit facility is lower than BBB-/Baa3 and (ii) LIBOR plus 175 basis points if our credit rating is A-/A3 or higher. In addition, our credit facility provides for a facility commitment fee based on our credit ratings, which ranges from: (i) 50 basis points for a rating lower than BBB-/Baa3, and (ii) 30 basis points for a credit rating of A-/A3 or higher.

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

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

### Mortgage Debt

We have no mortgage debt on any of our properties.

### No Off-Balance Sheet Arrangements or Unconsolidated Investments

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

### Competitive Strategy

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

**Size and Type of Investment Properties:** We believe smaller (\$500,000 to \$10,000,000) net-leased properties, whether purchased individually or as part of larger portfolio purchases, represent an attractive investment opportunity in today's real estate environment. Due to the complexities of acquiring and managing a large portfolio of relatively small assets, we believe these types of properties have not experienced significant institutional ownership interest or the corresponding yield reduction experienced by larger income-producing properties. We believe the less intensive day-to-day property management required by net-lease agreements, coupled with the active management of a large portfolio of smaller properties, is an effective investment strategy. The tenants of our

freestanding properties generally provide goods and services that satisfy basic consumer needs. In order to grow and expand, they generally need capital. Since the acquisition of real estate is typically the single largest capital expenditure of many of these tenants, our method of purchasing the property and then leasing it back, under a net-lease arrangement, allows the commercial enterprise to free up capital.

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

**Diversification:** Diversification of the portfolio by industry type, tenant, and geographic location is key to our objective of providing predictable investment results for our stockholders, therefore further diversification of our portfolio is a continuing objective. At December 31, 2010, we owned a diversified property portfolio that consisted of 2,496 properties located in 49 states, leased to 122 different retail and other commercial enterprises doing business in 32 industry segments. Each of the 32 industry segments, represented in our property portfolio, individually accounted for no more than 19.1% of our rental revenue for the quarter ended December 31, 2010.

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

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



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PROPERTY PORTFOLIO INFORMATION

At December 31, 2010, we owned a diversified portfolio:

- Of 2,496 properties;
- With an occupancy rate of 96.6%, or 2,412 properties occupied and only 84 properties available for lease;
- Leased to 122 different retail and other commercial enterprises doing business in 32 separate industries;
- Located in 49 states;
- With over 21.2 million square feet of leasable space; and
- With an average leasable space per property of approximately 8,500 square feet.

In addition to our real estate portfolio, our subsidiary, Crest, had an inventory of three properties located in three states at December 31, 2010. These properties are valued at \$3.0 million and are classified as held for investment. No Crest properties are classified as held for sale at December 31, 2010.

At December 31, 2010, of our 2,496 properties, 2,402 were leased under net-lease agreements. A net lease typically requires the tenant to be responsible for minimum monthly rent and property operating expenses including property taxes, insurance and maintenance. In addition, our tenants are typically responsible 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.

Our net-lease agreements generally:

- Are for initial terms of 15 to 20 years;
- Require the tenant to pay minimum monthly rents 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. Where leases provide for rent increases based on increases in the consumer price index, generally these increases become part of the new permanent base rent. Where leases provide for percentage rent, this additional rent is typically payable only if the tenants' gross sales, for a given period (usually one year), exceed a specified level and is then typically calculated as a percentage of only the amount of gross sales in excess of that level.

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## Industry Diversification

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

Industries	Percentage of Rental Revenue(1)													
	For the Quarter Ended December		For the Years Ended											
	31, 2010		Dec 31, 2010		Dec 31, 2009		Dec 31, 2008		Dec 31, 2007		Dec 31, 2006		Dec 31, 2005	
Apparel stores	1.5	%	1.2	%	1.1	%	1.1	%	1.2	%	1.7	%	1.6	%
Automotive collision services	1.0		1.0		1.1		1.0		1.1		1.3		1.3	
Automotive parts	1.5		1.4		1.5		1.6		2.1		2.8		3.4	
Automotive service	4.5		4.7		4.8		4.8		5.2		6.9		7.6	
Automotive tire services	5.9		6.4		6.9		6.7		7.3		6.1		7.2	
Book stores	0.1		0.1		0.2		0.2		0.2		0.2		0.3	
Business services	*		*		*		*		0.1		0.1		0.1	
Child care	5.9		6.5		7.3		7.6		8.4		10.3		12.7	
Consumer electronics	0.6		0.6		0.7		0.8		0.9		1.1		1.3	
Convenience stores	17.4		17.1		16.9		15.8		14.0		16.1		18.7	
Crafts and novelties	0.3		0.3		0.3		0.3		0.3		0.4		0.4	
Distribution and office	1.0		1.0		1.0		1.0		0.6		--		--	
Drug stores	3.9		4.1		4.3		4.1		2.7		2.9		2.8	
Entertainment	1.1		1.2		1.3		1.2		1.4		1.6		2.1	
Equipment rental services	0.2		0.2		0.2		0.2		0.2		0.2		0.4	
Financial services	0.2		0.2		0.2		0.2		0.2		0.1		0.1	
General merchandise	0.7		0.8		0.8		0.8		0.7		0.6		0.5	
Grocery stores	1.5		0.9		0.7		0.7		0.7		0.7		0.7	
Health and fitness	6.7		6.9		5.9		5.6		5.1		4.3		3.7	
Home furnishings	1.2		1.3		1.3		2.4		2.6		3.1		3.7	
Home improvement	1.6		1.7		1.9		1.9		2.1		3.4		1.1	
Motor vehicle dealerships	2.4		2.6		2.7		3.1		3.1		3.4		2.6	
Office supplies	1.0		0.9		1.0		1.0		1.1		1.3		1.5	
Pet supplies and services	0.8		0.9		0.9		0.8		0.9		1.1		1.3	
Private education	0.8		0.8		0.9		0.8		0.8		0.8		0.8	
Restaurants	19.1		20.4		21.3		21.8		21.2		11.9		9.4	

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Shoe stores	0.2	0.1	--	--	--	--	0.3							
Sporting goods	2.9	2.7	2.6	2.3	2.6	2.9	3.4							
Theaters	8.6	8.9	9.2	9.0	9.0	9.6	5.2							
Travel plazas	0.2	0.2	0.2	0.2	0.2	0.3	0.3							
Video rental	0.0	0.2	1.0	1.1	1.7	2.1	2.5							
Wine and spirits	5.6	3.0	--	--	--	--	--							
Other	1.6	1.7	1.8	1.9	2.3	2.7	3.0							
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.

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## Service Category Diversification

The following table sets forth certain information regarding the properties owned by Realty Income (excluding properties owned by Crest) at December 31, 2010, classified according to the business types and the level of services they provide (dollars in thousands):

Industry	Number of Properties	Rental Revenue for the Quarter Ended December 31, 2010(1)	Percentage of Rental Revenue	
<b>Tenants Providing Services</b>				
Automotive collision services	14	\$893	1.0	%
Automotive service	240	4,113	4.5	
Child care	250	5,467	5.9	
Entertainment	8	1,064	1.1	
Equipment rental services	2	150	0.2	
Financial services	12	193	0.2	
Health and fitness	34	6,182	6.7	
Private education	11	730	0.8	
Theaters	34	7,944	8.6	
Other	13	1,456	1.6	
	618	28,192	30.6	
<b>Tenants Selling Goods and Services</b>				
Automotive parts (with installation)	25	449	0.5	
Automotive tire services	154	5,468	5.9	
Business services	1	5	*	
Convenience stores	720	16,046	17.4	
Distribution and office	4	919	1.0	
Home improvement	1	27	*	
Motor vehicle dealerships	17	2,228	2.4	
Pet supplies and services	12	709	0.8	
Restaurants	631	17,601	19.1	
Travel plazas	1	187	0.2	
Video rental	15	0	0.0	
	1,581	43,639	47.3	
<b>Tenants Selling Goods</b>				
Apparel stores	11	1,365	1.5	
Automotive parts	43	898	1.0	
Book stores	1	128	0.1	
Consumer electronics	9	521	0.6	
Crafts and novelties	5	234	0.3	
Drug stores	52	3,619	3.9	
General merchandise	33	691	0.7	
Grocery stores	21	1,397	1.5	
Home furnishings	42	1,149	1.2	
Home improvement	28	1,464	1.6	
Office supplies	11	880	1.0	
Pet supplies	3	33	*	

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Shoe stores	1	168	0.2	
Sporting goods	21	2,650	2.9	
Wine and spirits	16	5,134	5.6	
	297	20,331	22.1	
Totals	2,496	\$92,162	100.0	%

\* Less than 0.1%

(1) Includes rental revenue for all properties owned by Realty Income at December 31, 2010, including revenue from properties reclassified as discontinued operations of \$98. Excludes revenue of \$80 for properties owned by Crest.

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## Lease Expirations

The following table sets forth certain information regarding Realty Income's property portfolio (excluding properties owned by Crest) regarding the timing of the lease term expirations (excluding extension options) on our 2,402 net leased, single-tenant properties as of December 31, 2010 (dollars in thousands):

Year	Total Number of Leases Expiring(1)	Total Portfolio Rental Revenue for the Quarter Ended 31, 2010(2)			Initial Expirations(3)			Subsequent Expirations(4)				
		Number	% of Total Rental Revenue	%	Number of Leases Expiring	Rental Revenue for the Quarter Ended 31, 2010	% of Total Rental Revenue	Number of Leases Expiring	Rental Revenue for the Quarter Ended 31, 2010	% of Total Rental Revenue		
2011	164	\$ 4,144	4.6	%	58	\$ 1,975	2.2	%	106	\$ 2,169	2.4	%
2012	127	2,908	3.2		37	1,031	1.1		90	1,877	2.1	
2013	147	4,947	5.5		65	2,961	3.3		82	1,986	2.2	
2014	111	3,489	3.8		41	1,861	2.0		70	1,628	1.8	
2015	147	3,768	4.2		78	2,205	2.5		69	1,563	1.7	
2016	130	2,516	2.8		111	2,107	2.3		19	409	0.5	
2017	51	1,904	2.1		40	1,681	1.9		11	223	0.2	
2018	46	2,230	2.5		38	2,027	2.3		8	203	0.2	
2019	98	5,089	5.6		90	4,659	5.1		8	430	0.5	
2020	86	4,208	4.6		75	3,605	4.0		11	603	0.6	
2021	177	7,592	8.4		176	7,538	8.3		1	54	0.1	
2022	100	3,072	3.4		99	3,024	3.3		1	48	0.1	
2023	253	8,779	9.7		251	8,706	9.6		2	73	0.1	
2024	64	2,348	2.6		64	2,348	2.6		--	--	--	
2025	208	7,684	8.5		203	7,557	8.4		5	127	0.1	
2026	109	6,378	7.1		107	6,319	7.0		2	59	0.1	
2027	169	5,572	6.1		168	5,555	6.1		1	17	*	
2028	81	4,119	4.5		79	4,069	4.4		2	50	0.1	
2029	49	1,290	1.4		48	1,275	1.4		1	15	*	
2030	43	6,163	6.8		43	6,163	6.8		--	--	--	
2031	27	663	0.7		27	663	0.7		--	--	--	
2032	2	655	0.7		2	655	0.7		--	--	--	
2033	7	460	0.5		7	460	0.5		--	--	--	
2034	3	281	0.3		3	281	0.3		--	--	--	
2037	2	354	0.4		2	354	0.4		--	--	--	
2043	1	13	*		--	--	--		1	13	*	
Totals	2,402	\$ 90,626	100.0	%	1,912	\$ 79,079	87.2	%	490	\$ 11,547	12.8	%

\*Less than 0.1%

(1) Excludes ten multi-tenant properties and 84 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 \$98 from properties reclassified as discontinued operations and excludes revenue of \$1,536 from ten multi-tenant properties and from 84 vacant and unleased properties at December 31, 2010.

Excludes revenue of \$80 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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## State Diversification

The following table sets forth certain state-by-state information regarding Realty Income's property portfolio (excluding properties owned by Crest) as of December 31, 2010 (dollars in thousands):

State	Number of Properties	Percent Leased	Approximate Leasable Square Feet	Rental Revenue for the Quarter Ended December 31, 2010(1)	Percentage of Rental Revenue
Alabama	62	97	% 420,200	\$ 1,861	2.0 %
Alaska	2	100	128,500	287	0.3
Arizona	82	98	509,300	2,740	3.0
Arkansas	17	94	92,400	380	0.4
California	82	98	1,675,500	9,987	10.8
Colorado	51	94	471,400	1,804	2.0
Connecticut	23	96	269,100	1,156	1.3
Delaware	17	100	33,300	431	0.5
Florida	169	93	1,621,000	6,903	7.5
Georgia	131	95	905,500	3,809	4.1
Hawaii	--	--	--	--	--
Idaho	12	100	80,700	339	0.4
Illinois	84	99	998,500	5,107	5.5
Indiana	81	95	729,900	3,512	3.8
Iowa	21	100	290,600	1,018	1.1
Kansas	31	90	562,500	1,043	1.1
Kentucky	22	95	110,600	647	0.7
Louisiana	32	100	184,900	947	1.0
Maine	3	100	22,500	162	0.2
Maryland	28	100	266,600	1,661	1.8
Massachusetts	64	98	575,400	2,558	2.8
Michigan	52	100	257,300	1,287	1.4
Minnesota	150	99	894,700	3,240	3.5
Mississippi	72	97	360,700	1,563	1.7
Missouri	61	95	634,900	2,174	2.4
Montana	2	100	30,000	77	0.1
Nebraska	19	95	196,300	488	0.5
Nevada	14	93	153,200	720	0.8
New Hampshire	14	100	109,900	588	0.6
New Jersey	33	100	261,300	1,944	2.1
New Mexico	9	100	58,400	211	0.2
New York	39	97	495,000	2,553	2.8
North Carolina	94	99	531,700	2,896	3.1
North Dakota	6	100	36,600	69	0.1
Ohio	136	94	846,200	3,224	3.5
Oklahoma	35	100	755,300	1,305	1.4
Oregon	18	94	297,300	929	1.0
Pennsylvania	98	99	677,200	3,556	3.9
Rhode Island	3	100	11,000	59	0.1



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South Carolina	99	100	372,500	2,271	2.5
South Dakota	10	100	89,800	165	0.2
Tennessee	129	95	592,400	2,758	3.0
Texas	213	95	2,357,200	8,074	8.8
Utah	4	100	25,200	94	0.1
Vermont	4	100	12,700	129	0.1
Virginia	104	95	636,500	3,410	3.7
Washington	34	94	276,500	1,036	1.1
West Virginia	2	100	23,000	121	0.1
Wisconsin	27	93	269,200	869	0.9
Wyoming	1	0	5,400	0	0.0
Totals/Average	2,496	97	% 21,215,800	\$ 92,162	100.0 %

\* Less than 0.1%

(1) Includes rental revenue for all properties owned by Realty Income at December 31, 2010, including revenue from properties reclassified as discontinued operations of \$98. Excludes revenue of \$80 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;
- Future expenditures for development projects; and
- Profitability of our subsidiary, Crest.

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; 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.

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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.

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; and  
Economic or physical decline of the areas where the properties are located.

At any time, any tenant may experience a downturn in its business that may weaken its operating results or overall financial condition. As a result, a tenant may delay lease commencement, fail to make rental payments when due, decline to extend a lease upon its expiration, become insolvent or declare bankruptcy. Any tenant bankruptcy or insolvency, leasing delay or failure to make rental payments when due could result in the termination of the tenant's lease and material losses to us.

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



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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 be substantially less than the remaining rent we are owed under the leases. In addition, any claim we have for unpaid past rent, if any, may not be paid in full. 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.

Eighty-four of our properties were available for lease or sale at December 31, 2010, of which all but one were single-tenant properties. At December 31, 2010, 32 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 2010, each of our tenants accounted for less than 10% of our rental revenue.

For the fourth quarter of 2010, our tenants in the restaurant and convenience store industries accounted for approximately 19.1% and 17.4%, respectively, of our rental revenue. A downturn in either of these industries, whether nationwide or limited to specific sectors of the United States could adversely affect tenants in these industries, which in turn could have a material adverse affect on our financial position, results of operations and our ability to pay the principal of and interest on our debt securities and other indebtedness and to make distributions on our common stock and preferred stock. Individually, each of the other industries in our property portfolio accounted for less than 10% of our rental revenue for the fourth quarter of 2010. Nevertheless, downturns in these other industries could also adversely affect our tenants, which in turn could also have a material adverse affect on our financial position, results of operations and our ability to pay the principal of and interest on our debt securities and other indebtedness and to make distributions on our common and preferred stock. In addition, we may in the future make additional investments in the restaurant industry and convenience store industry, which would increase these industries' percentages of our rental revenues, thereby increasing the effect that such a downturn in these industries would have on us.

In addition, a substantial number of our properties are leased to middle-market retail and other commercial enterprises that generally have more limited financial and other resources than certain upper-market retail and other commercial enterprises, and therefore, they are more likely to be adversely affected by a downturn in their respective businesses or in the regional or national economy.

Furthermore, we may 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. These risks may include a limited knowledge and understanding of the industry in which the tenant operates, new types of real estate locations and lease structures, and new laws and culture of any non-U.S. jurisdiction.

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

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

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

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

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

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

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

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

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

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



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If we fail to qualify as a real estate investment trust, the amount of dividends we are able to pay would decrease, which could adversely affect the market price of our capital stock and could adversely affect the value of our debt securities.

Commencing with our taxable year ended December 31, 1994, we believe that we have been organized and have operated, and we intend to continue to operate, so as to qualify as a "REIT" under Sections 856 through 860 of the Code. However, we cannot assure you that we have been organized or have operated in a manner that has satisfied the requirements for qualification as a REIT, or that we will continue to be organized or operate in a manner that will allow us to continue to qualify as a REIT.

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

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

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

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

- We would be required to pay federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates;

- We would not be allowed a deduction in computing our taxable income for amounts distributed to our stockholders;

- We could be disqualified from treatment as a REIT for the four taxable years following the year during which qualification is lost;

  - We would no longer be required to make distributions to stockholders; and

- This treatment would substantially reduce amounts available for investment or distribution to stockholders because of the additional tax liability for the years involved, which could have a material adverse effect on the market price of our capital stock and the value of our debt securities.

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

Distributions requirements imposed by law limit our flexibility.

To maintain our status as a REIT for federal income tax purposes, we generally are required to distribute to our stockholders at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and by excluding net capital gains each year. We also are subject to tax at regular corporate rates to the extent that we distribute less than 100% of our REIT taxable income (including net capital gains) each year.

In addition, we are subject to a 4% nondeductible excise tax to the extent that we fail to distribute during any calendar year at least the sum of 85% of our ordinary income for that calendar year, 95% of our capital gain net income for the

calendar year, and any amount of that income that was not distributed in prior years.

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

Future issuances of equity securities could dilute the interest of holders of our common stock.

Our future growth will depend, in large part, upon our ability to raise additional capital. If we were to raise additional capital through the issuance of equity securities, we could dilute the interests of holders of our common stock. The interests of our common stockholders could also be diluted by the issuance of shares of common stock upon the exercise of outstanding options or pursuant to stock incentive plans. Likewise, our Board of Directors is authorized to cause us to issue preferred stock of any class or series (with dividend, voting and other rights as determined by the Board of Directors). Accordingly, the Board of Directors may authorize the issuance of preferred stock with voting, dividend and other similar rights that could dilute, or otherwise adversely affect, the interest of holders of our common stock.

We are subject to risks associated with debt and capital stock financing.

We intend to incur additional indebtedness in the future, including borrowings under our \$425 million acquisition credit facility. At December 31, 2010, we had no borrowings outstanding under our \$425 million acquisition credit facility and we had a total of \$1.6 billion of outstanding unsecured senior debt securities. To the extent that new indebtedness is added to our current debt levels, the related risks that we now face would increase. As a result, we are and will be subject to risks associated with debt financing, including the risk that our cash flow could be insufficient to meet required payments on our debt. We also face variable interest rate risk as the interest rate on our \$425 million credit facility is variable and could therefore increase over time. We also face the risk that we may be unable to refinance or repay our debt as it comes due. Given the recent disruptions in the financial markets and the ongoing financial crisis in Europe (which relates primarily to concerns that certain European countries may be unable to repay their national debt), we also face the risk that one or more of the participants in our credit facility may not be able to lend us money.

In addition, our \$425 million credit facility contains provisions that could limit or, in certain cases, prohibit the payment of distributions on our common stock and preferred stock. In particular, our \$425 million acquisition credit facility provides that, if an event of default (as defined in the credit facility) exists, neither we nor any of our subsidiaries may make any distributions on (except distributions payable in shares of a given class of our stock to the shareholders of that class), or repurchase or redeem, among other things, any shares of our common stock or preferred stock, during any period of four consecutive fiscal quarters in an aggregate amount in excess of the greater of:

The sum of (a) 95% of our adjusted funds from operations (as defined in the credit facility) for that period plus (b) the aggregate amount of cash distributions on our preferred stock for that period, and

The minimum amount of cash distributions required to be made to our shareholders in order to maintain our status as a REIT, for federal income tax purposes,

except that we may repurchase or redeem preferred stock with the net proceeds from the issuance of our common stock or preferred stock. The \$425 million credit facility further provides that, in the event of a failure to pay principal, interest or any other amount payable thereunder when due or upon the occurrence of certain events of bankruptcy, insolvency or reorganization with respect to us or with respect to any of our subsidiaries that has guaranteed amounts payable under the credit facility or that meets a significance test set forth in the credit facility, we and our subsidiaries may not pay any distributions on (except distributions payable in shares of a given class of our stock to the shareholders of that class), or repurchase or redeem, among other things, any shares of our common stock or preferred stock. If any such event of default 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, and may adversely affect our ability to qualify, or prevent us from qualifying, as a REIT.

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

- Increasing our vulnerability to general adverse economic and industry conditions;
- Limiting our ability to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements;
- Requiring the use of a substantial portion of our cash flow from operations for the payment of principal and interest on our indebtedness, thereby reducing our ability to use our cash flow to fund working capital, 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.

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 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.

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

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

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

Competition for tenants;  
Changes in market rental rates;  
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;

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Changes in tax, real estate, zoning and environmental laws that may have an adverse impact upon the value of real estate;

Uninsured property liability;

Property damage or casualty losses;

Unexpected expenditures for capital improvements or to bring properties into compliance with applicable federal, state and local laws;

The need to periodically renovate and repair our properties;

Physical or weather-related damage to properties;

The potential risk of functional obsolescence of properties over time;

Acts of terrorism and war; and

Acts of God and other factors beyond the control of our management.

An uninsured loss or a loss that exceeds the policy limits on our properties could subject us to lost capital or revenue on those properties.

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

In addition to the indemnities and required insurance policies identified above, many of our properties are also covered by flood and earthquake insurance policies (subject to substantial deductibles) obtained and paid for by the tenants as part of their risk management programs. Additionally, we have obtained blanket liability, flood and earthquake (subject to substantial deductibles) and property damage insurance policies to protect us and our properties against loss should the indemnities and insurance policies provided by the tenants fail to restore the properties to their condition prior to a loss. However, should a loss occur that is uninsured or in an amount exceeding the combined aggregate limits for the policies noted above, or in the event of a loss that is subject to a substantial deductible under an insurance policy, we could lose all or part of our capital invested in, and anticipated revenue from, one or more of the properties, which could have a material adverse effect on our results of operations or financial condition and on our ability to pay the principal of and interest on our debt securities and other indebtedness and to make distributions to our stockholders. Given the recent disruptions in the insurance industry, we also face the risk that our insurance carriers may not be able to provide payment under any potential claims that might arise under the terms of our insurance policies, and we may not have the ability to purchase insurance policies we desire.

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Compliance with the Americans with Disabilities Act of 1990 and fire, safety, and other regulations may require us to make unintended expenditures that could adversely impact our results of operations.

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

Property taxes may increase without notice.

The real property taxes on our properties and any other properties that we develop or acquire in the future may increase as property tax rates change and as those properties are assessed or reassessed by tax authorities.

We depend on key personnel.

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

Terrorist attacks and other acts of violence or war may affect the value of our debt and equity securities, the markets in which we operate and our results of operations.

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

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



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

Over the last three 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. More recently, the financial crisis in Europe (which relates primarily to concerns that certain European countries may be unable to pay their national debt) has had a similar, although less pronounced, 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. Continued uncertainty in the stock and credit markets may negatively impact our ability to access additional financing at reasonable terms, which may negatively affect our ability to make acquisitions. A prolonged downturn in the stock or credit markets may cause us to seek alternative sources of potentially less attractive financing, and may require us to adjust our business plan accordingly. In addition, these factors may make it more difficult for us to sell properties or may adversely affect the price we receive for properties that we do sell, as prospective buyers may experience increased costs of financing or difficulties in obtaining financing. These events in the stock and credit markets may make it more difficult or costly for us to raise capital through the issuance of our common stock or preferred stock or debt securities. These disruptions in the financial markets also may have a material adverse effect on the market value of our common stock, preferred stock and debt securities, the income we receive from our properties and the lease rates we can charge for our properties, as well as other unknown adverse effects on us or the economy in general.

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

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

Current volatility in market and economic conditions may impact the accuracy of the various estimates used in the preparation of our financial statements and footnotes to the financial statements.

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

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

The SEC is currently considering whether issuers in the U.S. should be required to prepare financial statements in accordance with International Financial Reporting Standards, or IFRS, instead of U.S. generally accepted accounting principles, or GAAP. IFRS is a comprehensive set of accounting standards promulgated by the International Accounting Standards Board, or IASB, which are rapidly gaining worldwide acceptance. The SEC has indicated that it will decide in 2011 whether IFRS will be required for U.S. issuers. If the SEC decides to require IFRS, it expects that U.S. issuers would first report under the new standards beginning in approximately 2015 or 2016, although the timeframe has not been finalized. Additionally, the Financial Accounting Standards Board, or FASB, is considering various changes to GAAP, some of which may be significant, as part of a joint effort with the IASB to converge accounting standards. Although the FASB and IASB currently have a project on their agenda to examine the accounting for leases, the project may not result in the issuance of a final standard or a standard that would be comparable to current GAAP. If IFRS is adopted, the potential issues associated with lease accounting, along with

other potential changes associated with the adoption or convergence with IFRS, may adversely impact our financial condition and results of operations.

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Item 1B: Unresolved Staff comments

There are no unresolved staff comments.

Item 2: Properties

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

Item 3: Legal Proceedings

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

Item 4: (Removed and Reserved)

## PART II

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

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

	Price Per Share of Common Stock		Distributions Declared(1)
	High	Low	
2010			
First quarter	\$ 31.18	\$ 25.30	\$ 0.4293125
Second quarter	34.53	28.42	0.4302500
Third quarter	34.79	29.12	0.4311875
Fourth quarter	35.97	32.92	0.4321250
Total			\$ 1.7228750
2009			
First quarter	\$ 23.41	\$ 14.26	\$ 0.4255625
Second quarter	23.23	17.90	0.4265000
Third quarter	28.20	19.83	0.4274375
Fourth quarter	27.53	22.17	0.4283750
Total			\$ 1.7078750

(1) Common stock cash distributions currently are declared monthly by us based on financial results for the prior months. At December 31, 2010, a distribution of \$0.14425 per common share had been declared and was paid in January 2011.

There were 8,396 registered holders of record of our common stock as of December 31, 2010. We estimate that our total number of shareholders is approximately 100,000 when we include both registered and beneficial holders of our common stock.

During the fourth quarter of 2010, no shares of stock were withheld for state and federal payroll taxes on the vesting of stock awards, as permitted under the 2003 Incentive Award Plan of Realty Income Corporation.

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

As of or for the years ended December 31,	2010	2009	2008	2007	2006
Total assets (book value)	\$3,535,590	\$2,914,787	\$2,994,179	\$3,077,352	\$2,546,508
Cash and cash equivalents	17,607	10,026	46,815	193,101	10,573
Lines of credit and notes payable	1,600,000	1,354,600	1,370,000	1,470,000	920,000
Total liabilities	1,688,625	1,426,778	1,439,518	1,539,260	970,516
Total stockholders' equity	1,846,965	1,488,009	1,554,661	1,538,092	1,575,992
Net cash provided by operating activities	243,368	226,707	246,155	318,169	86,945
Net change in cash and cash equivalents	7,581	(36,789 )	(146,286 )	182,528	(55,131 )
Total revenue	345,009	325,245	325,041	288,650	230,940
Income from continuing operations	121,416	120,775	110,301	121,871	99,551
Income from discontinued operations	9,368	10,352	21,540	18,538	11,230
Net income	130,784	131,127	131,841	140,409	110,781
Preferred stock cash dividends	(24,253 )	(24,253 )	(24,253 )	(24,253 )	(11,362 )
Net income available to common stockholders	106,531	106,874	107,588	116,156	99,419
Cash distributions paid to common stockholders	182,500	178,008	169,655	157,659	129,667
Basic and diluted net income per common share	1.01	1.03	1.06	1.16	1.11
Cash distributions paid per common share	1.721625	1.706625	1.662250	1.560250	1.437250
Cash distributions declared per common share	1.722875	1.707875	1.667250	1.570500	1.447500
Basic weighted average number of common shares outstanding	105,869,637	103,577,507	101,178,191	100,195,031	89,766,714
Diluted weighted average number of common shares outstanding	105,942,721	103,581,053	101,209,883	100,333,966	89,917,554

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

GENERAL

Realty Income Corporation, The Monthly Dividend Company®, is a Maryland corporation organized to operate as an equity real estate investment trust, or REIT. Our primary business objective is to generate dependable monthly cash distributions from a consistent and predictable level of funds from operations, or FFO, per share. Our monthly distributions are supported by the cash flow from our portfolio of properties leased to retail and other commercial enterprises. We have in-house acquisition, leasing, legal, credit research, real estate research, portfolio management and capital markets expertise. Over the past 42 years, Realty Income and its predecessors have been acquiring and owning freestanding retail and other commercial properties that generate rental revenue under long-term lease agreements (primarily 15 to 20 years).

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

At December 31, 2010, we owned a diversified portfolio:

Of 2,496 properties;  
With an occupancy rate of 96.6%, or 2,412 properties occupied and only 84 properties available for lease;  
Leased to 122 different retail and other commercial enterprises doing business in 32 separate industries;  
Located in 49 states;  
With over 21.2 million square feet of leasable space; and  
With an average leasable space per property of approximately 8,500 square feet.

Of the 2,496 properties in the portfolio, 2,485, or 99.6%, are single-tenant properties, and the remaining 11 are multi-tenant, distribution and office properties. At December 31, 2010, of the 2,485 single-tenant properties, 2,402 were leased with a weighted average remaining lease term (excluding extension options) of approximately 11.4 years.

In addition, at December 31, 2010, our wholly-owned taxable REIT subsidiary, Crest Net Lease, Inc. ("Crest"), had an inventory of three properties valued at \$3.0 million, which are classified as held for investment. No Crest properties are classified as held for sale at December 31, 2010. Crest was created to buy and sell properties, primarily to individual investors who are involved in tax-deferred exchanges under Section 1031 of the Internal Revenue Code of 1986, as amended (the "Code"). In addition to the three properties, Crest also holds notes receivable of \$22.1 million at December 31, 2010. Crest did not acquire any properties in 2010.

LIQUIDITY AND CAPITAL RESOURCES

Capital Philosophy

Historically, we have met our long-term capital needs by issuing common stock, preferred stock and long-term unsecured notes and bonds. Over the long term, we believe that common stock should be the majority of our capital structure. However, we may issue additional preferred stock or debt securities from time to time. We may issue common stock when we believe that our share price is at a level that allows for the proceeds of any offering to be invested on an accretive basis 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.



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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, 2010, our total outstanding borrowings were \$1.6 billion of senior unsecured notes, or approximately 26.7% of our total market capitalization of \$5.99 billion. There were no outstanding borrowings on our credit facility at December 31, 2010.

We define our total market capitalization at December 31, 2010 as the sum of:

Shares of our common stock outstanding of 118,058,988 multiplied by the last reported NYSE sales price of \$34.20 per share on December 31, 2010, or \$4.04 billion;

Aggregate liquidation value (par value of \$25 per share) of the Class D preferred stock of \$127.5 million;

Aggregate liquidation value (par value of \$25 per share) of the Class E preferred stock of \$220 million; and

Outstanding notes of \$1.6 billion.

### Mortgage Debt

We have no mortgage debt on any of our properties.

### \$425 Million Acquisition Credit Facility

In December 2010, we entered into a new \$425 million acquisition credit facility that replaced our previous \$355 million acquisition credit facility that was scheduled to expire in May 2011. The initial term of the new credit facility expires in March 2014 and includes two, one-year extension options. Under the new credit facility, our investment grade credit ratings provide for financing at the London Interbank Offered Rate, commonly referred to as LIBOR, plus 185 basis points with a facility commitment fee of 35 basis points, for all-in drawn pricing of 220 basis points over LIBOR. The borrowing rate is not subject to a LIBOR floor. We also have other interest rate options available to us. At December 31, 2010, we had a borrowing capacity of \$425 million available on our credit facility and no outstanding balance. If there were outstanding borrowings, the effective borrowing rate would have been 2.1%.

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

### Cash Reserves

We are organized to operate as an equity REIT that acquires and leases properties and distributes to stockholders, in the form of monthly cash distributions, a substantial portion of our net cash flow generated from leases on our properties. We intend to retain an appropriate amount of cash as working capital. At December 31, 2010, we had cash and cash equivalents totaling \$17.6 million.

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

### Acquisitions During 2010

During 2010, we invested \$713.5 million in 186 new properties with an initial weighted average contractual lease rate of 7.9%. These 186 properties are located in 14 states, contain over 2.2 million leasable square feet, and are 100% leased with an average lease term of 15.7 years. The 186 new properties we acquired are net-leased to commercial enterprises in the following 13 industries: apparel stores, automotive collision services, automotive service, crafts and



novelties, consumer electronics, convenience stores, drug stores, grocery stores, health and fitness, office supplies, restaurants, sporting goods and wine and spirits. There were no acquisitions by Crest in 2010.

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

Included in the \$713.5 million invested during 2010 are the following acquisitions:

The acquisition and leaseback of approximately \$304.1 million of winery and vineyard properties under 20-year, triple-net lease agreements with Diageo Chateau & Estates Wine Company, guaranteed by Diageo plc, or, together with its subsidiaries, Diageo. The properties are primarily located in California's Napa Valley and include two wineries that produce wines for Diageo's Sterling Vineyards, or Sterling, and Beaulieu Vineyards, or BV, brands and 14 vineyards producing grapes for their Sterling, BV and other brands. The properties include approximately 3,600 acres and 426,000 square feet of winery, production, storage, shipping and tourist buildings. Diageo will continue to operate the wineries and vineyards. As a result of this acquisition of properties, Diageo has become our largest tenant based on rental revenue. Headquartered in London, Diageo is a global premium drinks company with a well-known portfolio of international brands of spirits, beer and wine. Diageo ordinary shares trade on the London Stock Exchange under the symbol "DGE.L" and on the NYSE under the symbol "DEO."

The acquisition of 23 retail properties leased to 13 tenants in six states, for approximately \$126.5 million, under long-term, net lease agreements. The properties are in eight different industries, including apparel stores, consumer electronics, crafts and novelties, drug stores, grocery stores, health and fitness, office supplies, and sporting goods. All of the properties acquired have in-place leases.

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

The remaining 11 properties acquired totaled approximately \$35.3 million.

## Impact of Real Estate and Credit Markets

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

## Increases in Monthly Distributions to Common Stockholders

We have continued our 42-year policy of paying distributions monthly. Monthly distributions per share increased in April 2010 by \$0.0003125 to \$0.1433125, in July 2010 by \$0.0003125 to \$0.143625, in October 2010 by \$0.0003125 to \$0.1439375 and in January 2011 by \$0.0003125 to \$0.14425. The increase in January 2011 was our 53rd consecutive quarterly increase and the 60th increase in the amount of our dividend since our listing on the New York Stock Exchange, or NYSE, in 1994. In 2010, we paid three monthly cash distributions per share in the amount of \$0.143, three in the amount of \$0.1433125, three in the amount of \$0.143625 and three in the amount of \$0.1439375, totaling \$1.721625. In December 2010, January 2011 and February 2011, we declared distributions of \$0.14425 per share, which were paid in January 2011 and will be paid in February 2011 and March 2011, respectively.

The monthly distribution of \$0.14425 per share represents an annualized distribution of \$1.731 per share, and an annualized distribution yield of approximately 5.1% based on the last reported sale price of our common stock on the NYSE of \$34.20 on December 31, 2010. Although we expect to continue our policy of paying monthly distributions, we cannot guarantee that we will maintain our current level of distributions, that we will continue our pattern of increasing distributions per share, or what our actual distribution yield will be in any future period.



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### Issuance of Common Stock

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

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

### Note Issuance

In June 2010, we issued \$250.0 million aggregate principal amount of 5.75% senior unsecured notes due January 2021 (the "2021 Notes"). The price to the investor for the 2021 Notes was 99.404% of the principal amount for an effective yield of 5.826%. The net proceeds of approximately \$246.1 million from this offering were used to repay borrowings under our acquisition credit facility, which were used to finance the acquisition of the Diageo properties. Interest is paid semiannually on the 2021 Notes.

### Universal Shelf Registration

In March 2009, we filed a shelf registration statement with the SEC, which expires in March 2012. In accordance with the SEC rules, the amount of the securities to be issued pursuant to this shelf registration statement was not specified when it was filed and there is no specific dollar limit. The securities covered by this registration statement include common stock, preferred stock, debt securities, or any combination of such 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.

### Credit Agency Ratings

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

Based on our current ratings, the current facility interest rate is LIBOR plus 185 basis points with a facility commitment fee of 35 basis points, for all-in drawn pricing of 220 basis points over LIBOR. The credit facility provides that the interest rate can range between: (i) LIBOR plus 300 basis points if our credit facility is lower than BBB-/Baa3 and (ii) LIBOR plus 175 basis points if our credit rating is A-/A3 or higher. In addition, our credit facility provides for a facility commitment fee based on our credit ratings, which ranges from: (i) 50 basis points for a rating lower than BBB-/Baa3, and (ii) 30 basis points for a credit rating of A-/A3 or higher.

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

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



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## Notes Outstanding

Our senior unsecured note obligations consist of the following as of December 31, 2010, sorted by maturity date (dollars in millions):

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

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

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 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, 2010 are:

Note Covenants	Required	Actual
Limitation on incurrence of total debt	≤ 60% of adjusted assets	38.2 %
Limitation on incurrence of secured debt	≤ 40% of adjusted assets	0.0 %
Debt service coverage (trailing 12 months) ≥ 1.5 x		3.5 x
Maintenance of total unencumbered assets ≥ 150% of unsecured debt		262.0 %

The following table summarizes the maturity of each of our obligations as of December 31, 2010 (dollars in millions):

Year of Maturity	Credit Facility	Notes	Interest(1)	Ground Leases Paid by Our		Totals
				Tenants(2)	Other(3)	
2011	\$--	\$--	\$96.8	\$3.6	\$4.6	\$105.0
2012	--	--	96.8	3.5	--	100.3
2013	--	100.0	92.5	3.4	--	195.9
2014	--	--	91.4	3.2	--	94.6
2015	--	150.0	90.4	3.1	--	243.5
Thereafter	--	1,350.0	347.5	31.9	--	1,729.4
Totals	\$--	\$1,600.0	\$815.4	\$48.7	\$4.6	\$2,468.7

(1) Interest on the credit facility and notes has been calculated based on outstanding balances as of December 31, 2010 through their respective maturity dates.

(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.

(3) "Other" consists of \$420,000 of commitments under construction contracts and \$4.2 million of contingent payments for tenant improvements and leasing costs.

Our credit facility and note obligations are unsecured. Accordingly, we have not pledged any assets as collateral for these obligations.

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### Preferred Stock Outstanding

In 2004, we issued 5.1 million shares of 7.375% Class D cumulative redeemable preferred stock. In May 2009, shares of Class D preferred stock became redeemable at our option for \$25 per share, plus any accrued and unpaid dividends. Dividends on shares of Class D preferred stock are paid monthly in arrears.

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

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

### No Off-Balance Sheet Arrangements or Unconsolidated Investments

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

## RESULTS OF OPERATIONS

### Critical Accounting Policies

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

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

When acquiring a property for investment purposes, we allocate the fair value of real estate acquired to: 1) land and 2) building and improvements, based in each case on their estimated fair values.

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

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, 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. If events should occur that require us to reduce the carrying value of our real estate by recording provisions for impairment, it could have a material impact on our results of operations.

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The following is a comparison of our results of operations for the years ended December 31, 2010, 2009 and 2008.

Rental Revenue

Rental revenue was \$344.1 million for 2010 versus \$323.8 million for 2009, an increase of \$20.3 million, or 6.3%. Rental revenue was \$323.2 million in 2008. The increase in rental revenue in 2010 compared to 2009 is primarily attributable to:

- The 186 properties acquired by Realty Income in 2010, which generated \$15.9 million of rent in 2010;
- The 16 properties acquired by Realty Income in 2009, which generated \$5.6 million of rent in 2010 compared to \$490,000 in 2009, an increase of \$5.1 million;
- Same store rents generated on 2,131 properties during the entire years of 2010 and 2009, increased by \$1.8 million, or 0.6%, to \$313.8 million from \$312.0 million; and
- An increase in straight-line rent and other non-cash adjustments to rent of \$442,000 in 2010 as compared to 2009; net of
  - A net decrease of \$3.1 million relating to the aggregate of (i) development properties acquired before 2009 that started paying rent in 2009, (ii) properties that were vacant during part of 2010 or 2009, (iii) properties sold during 2010 and 2009 and (iv) lease termination settlements, which, in aggregate, totaled \$7.16 million in 2010 compared to \$10.23 million in 2009.

Of the 2,496 properties in the portfolio at December 31, 2010, 2,485, or 99.6%, are single-tenant properties and the remaining 11 are multi-tenant, distribution and office properties. Of the 2,485 single-tenant properties, 2,402, or 96.7%, were net leased with a weighted average remaining lease term (excluding rights to extend a lease at the option of the tenant) of approximately 11.4 years at December 31, 2010. Of our 2,402 leased single-tenant properties, 2,217 or 92.3% were under leases that provide for increases in rents through:

- Primarily base rent increases tied to a consumer price index (typically subject to ceilings);
- Overage 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 \$1.3 million in 2010, \$1.3 million in 2009 and \$1.2 million in 2008 (excluding percentage rent reclassified to discontinued operations of \$56,000 in 2010, \$90,000 in 2009 and \$61,000 in 2008). Percentage rent in 2010 was less than 1% of rental revenue and we anticipate percentage rent to be less than 1% of rental revenue in 2011.

Our portfolio of real estate, leased primarily to regional and national commercial enterprises under net leases, continues to perform well and provides dependable lease revenue supporting the payment of monthly dividends to our stockholders. At December 31, 2010, our portfolio of 2,496 properties was 96.6% leased with 84 properties available for lease as compared to 75 at December 31, 2009. It has been our experience that approximately 2% to 4% of our property portfolio will be unleased at any given time; however, we cannot assure you that the number of properties available for lease will not exceed these levels.

Depreciation and Amortization

Depreciation and amortization was \$95.5 million in 2010 versus \$90.5 million in 2009 and \$89.1 million in 2008. The increases in depreciation and amortization in 2010 and 2009 were primarily due to the acquisition of properties in 2010, 2009 and 2008, which was partially offset by property sales in those same years. As discussed in the section entitled "Funds from Operations Available to Common Stockholders," depreciation and amortization is a non-cash item that is added back to net income available to common stockholders for our calculation of FFO and AFFO.



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## Interest Expense

Interest expense was \$93.2 million in 2010 versus \$85.5 million in 2009 and \$94.0 million in 2008. The increase in interest expense from 2009 to 2010 was primarily due to an increase in borrowings attributable to the issuance of our \$250 million of 5.75% senior unsecured notes in June 2010 and utilization of our credit facility in 2010, which was partially offset by lower average interest rates. The decrease in interest expense from 2008 to 2009 was primarily due to lower average outstanding balances and, to a lesser extent, lower interest rates. We redeemed, in November 2008, the \$100 million outstanding principal amount of our 8.25% Monthly Income Senior Notes and, in January 2009, the \$20 million outstanding principal amount of our 8% Notes, both of which contributed to the decrease in average outstanding balances and lower average interest rates on our debt in 2009.

In December 2010, as a result of entering into our \$425 million credit facility, we incurred \$4.2 million of credit facility origination costs that were classified in “other assets” on our consolidated balance sheet at December 31, 2010, and are being amortized over the term of the credit facility. The remaining credit facility origination costs that were incurred as a result of entering into our previous \$355 million credit facility, which were \$452,000 at December 31, 2010, are included in “other assets” and are being amortized over the remaining term of our current \$425 million credit facility.

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

	2010	2009	2008
Interest on our credit facility and notes	\$89,916	\$82,460	\$91,213
Interest included in discontinued operations from real estate acquired for resale by Crest	(557 )	(595 )	(1,797 )
Credit facility commitment fees	1,017	990	795
Amortization of credit facility origination costs and deferred bond financing costs	2,871	2,678	3,078
Amortization of settlements on treasury lock agreement	--	--	759
Interest capitalized	(10 )	(5 )	(92 )
Interest expense	\$93,237	\$85,528	\$93,956
Credit facility and notes outstanding	2010	2009	2008
Average outstanding balances (dollars in thousands)	\$1,496,150	\$1,350,791	\$1,457,222
Average interest rates	6.01 %	6.10 %	6.26 %

At December 31, 2010, the weighted average interest rate on our notes payable of \$1.6 billion was 6.05%. There was no outstanding balance on our credit facility at December 31, 2010, but if there was, the effective borrowing rate would have been 2.11%.

## Interest Coverage Ratio

Our interest coverage ratio for 2010 was 3.3 times, for 2009 was 3.5 times and for 2008 was 3.2 times. Interest coverage ratio is calculated as: the interest coverage amount (as calculated in the following table) divided by interest expense, including interest recorded as discontinued operations. We consider interest coverage ratio to be an appropriate supplemental measure of a company’s ability to meet its interest expense obligations. Our calculation of interest coverage ratio may be different from the calculation used by other companies and, therefore, comparability may be limited. This information should not be considered as an alternative to any GAAP liquidity measures.

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The following is a reconciliation of net cash provided by operating activities on our consolidated statements of cash flow to our interest coverage amount (dollars in thousands):

	2010	2009	2008
Net cash provided by operating activities	\$243,368	\$226,707	\$246,155
Interest expense	93,237	85,528	93,956
Interest expense included in discontinued operations(1)	557	595	1,797
Income taxes	1,393	677	1,230
Income taxes (benefit) included in discontinued operations(1)	(344 )	(645 )	225
Investment in real estate acquired for resale(1)	--	--	9
Proceeds from sales of real estate acquired for resale(1)	--	(1,987 )	(31,455 )
Collection of note receivables by Crest(1)	(138 )	(129 )	(87 )
Crest provisions for impairment(1)	(807 )	(277 )	(3,374 )
Gain on sales of real estate acquired for resale(1)	--	--	4,642
Amortization of share-based compensation	(6,166 )	(4,726 )	(5,049 )
Changes in assets and liabilities:			
Accounts receivable and other assets	(5,270 )	(3,607 )	930
Accounts payable, accrued expenses and other liabilities	(12,517 )	(856 )	(1,676 )
Interest coverage amount	\$313,313	\$301,280	\$307,303
Divided by interest expense(2)	\$93,794	\$86,123	\$95,753
Interest coverage ratio	3.3	3.5	3.2

(1) Crest activities.

(2) Includes interest expense recorded to “income from discontinued operations, real estate acquired for resale by Crest” on our consolidated statements of income.

**Fixed Charge Coverage Ratio**

Our fixed charge coverage ratio for 2010 was 2.7 times, for 2009 was 2.7 times and for 2008 was 2.6 times. Fixed charge coverage ratio is calculated in exactly the same manner as interest coverage ratio, except that preferred stock dividends are also added to the denominator. We consider fixed charge coverage ratio to be an appropriate supplemental measure of a company’s ability to make its interest and preferred stock dividend payments. Our calculation of the fixed charge coverage ratio may be different from the calculation used by other companies and, therefore, comparability may be limited. This information should not be considered as an alternative to any GAAP liquidity measures or information presented in Exhibit 12.1 to this Annual Report.

Interest coverage amount divided by interest expense plus preferred stock dividends (dollars in thousands):

	2010	2009	2008
Interest coverage amount	\$313,313	\$301,280	\$307,303
Divided by interest expense plus preferred stock dividends(1)	\$ 118,047	\$ 110,376	\$ 120,006
Fixed charge coverage ratio	2.7	2.7	2.6

(1) Includes interest expense recorded to “income from discontinued operations, real estate acquired for resale by Crest” on our consolidated statements of income.

**General and Administrative Expenses**

General and administrative expenses increased by \$4.4 million to \$25.3 million in 2010 as compared to \$20.9 million in 2009. General and administrative expenses were \$21.6 million in 2008. In 2010, general and administrative expenses as a percentage of total revenue were 7.3% as compared to 6.4% in 2009 and 6.7% in 2008. General and

administrative expenses increased during 2010 primarily because of increases in employee costs, particularly in the acquisitions and research departments. In February 2011, we had 79 employees as compared to 72 employees in February 2010. In accordance with GAAP, 2010 general and administrative expenses also include transaction costs of \$368,000 related to the acquisition of 186 new properties during 2010, as compared to \$62,000 related to the acquisition of 16 new properties during 2009. Prior to 2009, GAAP required these transaction costs to be capitalized as part of the property investments.

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Property Expenses

Property expenses are broken down into costs associated with non-net leased multi-tenant properties, unleased single-tenant properties and general portfolio expenses. Expenses related to the multi-tenant and unleased single-tenant properties include, but are not limited to, property taxes, maintenance, insurance, utilities, property inspections, bad debt expense and legal fees. General portfolio costs include, but are not limited to, insurance, legal, bad debt expense, property inspections and title search fees. At December 31, 2010, 84 properties were available for lease, as compared to 75 at December 31, 2009 and 70 at December 31, 2008.

Property expenses were \$7.3 million in 2010, \$6.6 million in 2009 and \$5.5 million in 2008. The increase in property expenses in 2010 is primarily attributable to an increase in maintenance, utilities and property taxes associated with properties available for lease, partially offset by a decrease in bad debt expense.

Income Taxes

Income taxes were \$1.4 million in 2010 as compared to \$677,000 in 2009 and \$1.2 million in 2008. These amounts are for city and state income and franchise taxes paid by Realty Income. Income taxes for 2009 are lower primarily a result of a prior year review of our state tax filings, where we determined that it was appropriate to amend some prior year tax returns from which we realized a tax benefit of \$308,000 in 2009.

In addition, Crest recorded state and federal income tax benefits of \$344,000 in 2010 as compared to income tax benefits of \$645,000 in 2009 and income tax expense of \$225,000 in 2008. These amounts are included in "income from discontinued operations, real estate acquired for resale by Crest" on our consolidated statements of income. The Crest 2009 tax benefit includes a benefit of \$303,000 attributable to amendments of certain prior year state tax returns.

Discontinued Operations

Crest acquires properties with the intention of reselling them rather than holding them as investments and operating the properties. Consequently, we typically Crest's assets as held for sale at the date of acquisition and do not depreciate them. As a result, the operations of Crest's property assets are typically classified as "income from discontinued operations, real estate acquired for resale by Crest" on our consolidated statements of income.

However, if we determine we have no plans to sell a property asset in the near term (i.e. within the next 12 months), and this property was previously classified as held for sale, the property is reclassified as real estate held for investment. A property that is reclassified as 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.

At December 31, 2010, we determined that three property assets, acquired by Crest in 2006, no longer met the held for sale criteria because we decided to lease rather than sell these properties in the near term. As a result, investment in real estate of \$3.0 million was reclassified from real estate held for sale to real estate held for investment on our consolidated balance sheet at December 31, 2010. The results of operations for these properties are included in income from continuing operations on our consolidated statements of income. As a result of this reclassification, \$911,000, \$214,000 and \$3.2 million in operating loss was reclassified from discontinued operations to continuing operations for 2010, 2009 and 2008, respectively.

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The following is a summary of Crest's "income from discontinued operations, real estate acquired for resale by Crest" on our consolidated statements of income (dollars in thousands, except per share data):

Crest's income from discontinued operations, real estate acquired for resale	2010	2009	2008
Rental revenue	\$--	\$157	\$1,595
Interest revenue	1,397	1,403	899
Gain on sales of real estate acquired for resale	--	--	4,642
Interest expense	(557 )	(595 )	(1,797 )
General and administrative expense	(226 )	(336 )	(511 )
Property expenses	(12 )	(24 )	(13 )
Provisions for impairment	--	(78 )	--
Depreciation(1)	--	--	(771 )
Income tax benefit (expense)	344	645	(225 )
Income from discontinued operations, real estate acquired for resale by Crest	\$946	\$1,172	\$3,819
Per common share, basic and diluted	\$0.01	\$0.01	\$0.04

(1) Depreciation was recorded on one property that was classified as held for investment. This property was sold in 2008.

Operations from nine of our investment properties were classified as held for sale at December 31, 2010, plus properties sold in 2010, 2009 and 2008 have been classified as discontinued operations. The following is a summary of Realty Income's "income from discontinued operations, real estate held for investment" on our consolidated statements of income (dollars in thousands, except per share data):

Realty Income's income from discontinued operations, real estate held for investment	2010	2009	2008
Gain on sales of investment properties	\$8,405	\$8,044	\$13,314
Rental revenue	1,771	3,592	6,813
Other revenue	32	45	96
Depreciation and amortization	(636 )	(1,428 )	(1,929 )
Property expenses	(937 )	(963 )	(573 )
Provisions for impairment	(213 )	(110 )	--
Income from discontinued operations, real estate held for investment	\$8,422	\$9,180	\$17,721
Per common share, basic and diluted	\$0.08	\$0.09	\$0.18

The following is a summary of our total income from discontinued operations (dollars in thousands, except per share data):

Total discontinued operations	2010	2009	2008
Real estate acquired for resale by Crest	\$946	\$1,172	\$3,819
Real estate held for investment	8,422	9,180	17,721
Income from discontinued operations	\$9,368	\$10,352	\$21,540
Per common share, basic and diluted	\$0.09	\$0.10	\$0.21

The above per share amounts have each been calculated independently.

## Crest's Property Sales

During 2010, Crest did not sell any properties. During 2009, Crest sold two properties for \$2.0 million, which resulted in no gain. In 2008, Crest sold 25 properties for \$50.7 million, which resulted in a gain of \$4.6 million.



During 2008, as part of two sales, Crest provided buyer financing of \$19.2 million. Crest's gains on sales are reported before income taxes and are included in discontinued operations.

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Gain on Sales of Investment Properties by Realty Income

During 2010, we sold 28 investment properties for \$26.6 million, which resulted in a gain of \$8.4 million. The results of operations for these properties have been reclassified as discontinued operations. Additionally, we sold excess land from one property for \$600,000, which resulted in a gain of \$271,000. This gain is included in "other revenue" on our consolidated statement of income for 2010 because this excess land was associated with a property that continues to be owned as part of our core operations.

During 2009, we sold 25 investment properties for \$20.3 million, which resulted in a gain of \$8.0 million. The results of operations for these properties have been reclassified as discontinued operations. Additionally, we received proceeds of \$170,000 from the sale of excess land from one property, which resulted in a gain of \$15,000. This gain is included in "other revenue" on our consolidated statement of income for 2009 because this excess land was associated with a property that continues to be owned as part of our core operations.

During 2008, we sold 29 investment properties for \$27.4 million, which resulted in a gain of \$13.3 million. The results of operations for these properties have been reclassified as discontinued operations. Additionally, we received proceeds of \$439,000 from the sale of excess land from one property, which resulted in a gain of \$236,000. This gain is included in "other revenue" on our consolidated statement of income for 2008 because this excess land was associated with a property that continues 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, 2010, we classified real estate with a carrying amount of \$3.6 million as held for sale on our balance sheet. Additionally, we anticipate selling investment properties from our portfolio that have not yet been specifically identified, from which we anticipate receiving between \$10 million and \$35 million in proceeds during the next 12 months. We intend to invest these proceeds into new property acquisitions, if there are attractive opportunities available. However, we cannot guarantee that we will sell properties during the next 12 months or be able to invest the proceeds from the sales of any properties in new properties.

Provisions for Impairment on Real Estate Acquired for Resale by Crest

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

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

During 2008, Crest recorded total provisions for impairment of \$3.4 million on three properties which were held for investment at December 31, 2010. These provisions for impairment are included in continuing operations on our consolidated statement of income for 2008.



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Provisions for Impairment on Realty Income Investment Properties

During 2010, we recorded provisions for impairment of \$213,000 on four properties, three which were sold in 2010 and the other is anticipated to be sold in the first quarter of 2011. These provisions for impairment are included in "income from discontinued operations, real estate held for investment" on our consolidated statement of income for 2010. During 2009, we recorded a provision for impairment of \$110,000 on one property, which is included in "income from discontinued operations, real estate held for investment" on our consolidated statement of income for 2009, and the property was sold in 2010. No provisions for impairment were recorded in 2008.

Preferred Stock Dividends

Preferred stock cash dividends totaled \$24.3 million in 2010, 2009 and 2008.

Net Income Available to Common Stockholders

Net income available to common stockholders was \$106.5 million in 2010, a slight decrease of \$343,000 as compared to \$106.9 million in 2009. Net income available to common stockholders in 2008 was \$107.6 million.

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.

Gain from the sale of investment properties and the sale of excess land recognized during 2010 was \$8.7 million, as compared to a \$8.1 million gain recognized during 2009 and a \$13.6 million gain recognized during 2008. Crest's recognized no gain from the sale of properties during 2010 or 2009 as compared to \$4.6 million during 2008.

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## FUNDS FROM OPERATIONS AVAILABLE TO COMMON STOCKHOLDERS (FFO)

FFO for 2010 increased by \$3.3 million, or 1.7%, to \$193.7 million, as compared to \$190.4 million in 2009 and \$185.5 million in 2008. The following is a reconciliation of net income available to common stockholders (which we believe is the most comparable GAAP measure) to FFO. Also presented is information regarding distributions paid to common stockholders and the weighted average number of common shares used for the basic and diluted computation per share (dollars in thousands, except per share amounts):

	2010	2009	2008
Net income available to common stockholders	\$ 106,531	\$ 106,874	\$ 107,588
Depreciation and amortization:			
Continuing operations	95,513	90,519	89,104
Discontinued operations	636	1,428	2,701
Depreciation of furniture, fixtures and equipment	(291 )	(318 )	(319 )
Gain on sales of land and investment properties:			
Continuing operations	(271 )	(15 )	(236 )
Discontinued operations	(8,405 )	(8,044 )	(13,314 )
FFO available to common stockholders	\$ 193,713	\$ 190,444	\$ 185,524
FFO per common share:			
Basic	\$ 1.83	\$ 1.84	\$ 1.83
Diluted	\$ 1.83	\$ 1.84	\$ 1.83
Distributions paid to common stockholders	\$ 182,500	\$ 178,008	\$ 169,655
FFO in excess of distributions paid to common stockholders	\$ 11,213	\$ 12,436	\$ 15,869
Weighted average number of common shares used for computation per share:			
Basic	105,869,637	103,577,507	101,178,191
Diluted	105,942,721	103,581,053	101,209,883

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, reduced by gains on sales of investment properties and extraordinary items.

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

Presentation of this information is intended to assist the reader in comparing the operating performance of different REITs, although it should be noted that not all REITs calculate FFO the same way, so comparisons with other REITs may not be meaningful. Furthermore, FFO is not necessarily indicative of cash flow available to fund cash needs and should not be considered as an alternative to net income as an indication of our performance. In addition, FFO should

not be considered as an alternative to reviewing our cash flows from operating, investing and financing activities as a measure of liquidity, of our ability to make cash distributions or of our ability to pay interest payments.

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## ADJUSTED FUNDS FROM OPERATIONS AVAILABLE TO COMMON STOCKHOLDERS (AFFO)

AFFO for 2010 increased by \$4.6 million, or 2.4%, to \$197.3 million as compared to \$192.7 million in 2009 and \$192.0 million in 2008. We consider AFFO to be an appropriate supplemental measure of our performance because it provides analysts and investors with an additional indicator of our ability to pay dividends. Most companies in our industry use a similar measurement, but they may use the term "CAD" (for Cash Available for Distribution) or "FAD" (for Funds Available for Distribution). AFFO further adjusts FFO by adding back non-cash items that reduce net income in accordance with GAAP, and deducting such items as capitalized expenditures and straight-line rent revenue.

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

	2010	2009	2008
Net income available to common stockholders	\$ 106,531	\$ 106,874	\$ 107,588
Cumulative adjustments to calculate FFO(1)	87,182	83,570	77,936
FFO available to common stockholders	193,713	190,444	185,524
Amortization of share-based compensation	6,166	4,726	5,049
Amortization of deferred note financing costs(2)	1,548	1,363	1,748
Amortization of settlements on treasury lock agreements(3)	--	--	759
Provisions for impairment	1,020	387	3,374
Capitalized leasing costs and commissions	(1,501 )	(1,185 )	(956 )
Capitalized building improvements	(2,077 )	(1,879 )	(1,498 )
Straight-line rent revenue(4)	(1,613 )	(1,117 )	(1,997 )
Total AFFO available to common stockholders	\$ 197,256	\$ 192,739	\$ 192,003
AFFO per common share:			
Basic	\$ 1.86	\$ 1.86	\$ 1.90
Diluted	\$ 1.86	\$ 1.86	\$ 1.90
Distributions paid to common stockholders	\$ 182,500	\$ 178,008	\$ 169,655
AFFO in excess of distributions paid to common stockholders	\$ 14,756	\$ 14,731	\$ 22,348
Weighted average number of common shares used for computation per share:			
Basic	105,869,637	103,577,507	101,178,191
Diluted	105,942,721	103,581,053	101,209,883

- (1) See reconciling items for FFO presented on the previous page.
- (2) Amortization of deferred note financing costs includes the amortization of costs incurred and capitalized when our notes were issued in January 1999, March 2003, November 2003, March 2005, September 2005, September 2006, September 2007 and June 2010. These costs are being amortized over the lives of these notes. No costs associated with our credit facility agreements or annual fees paid to credit rating agencies have been included.
- (3) The settlement on the treasury lock agreements resulted from an interest rate risk prevention strategy that we used in 1997 and 1998, which correlated to pending issuances of senior note securities. We have not employed this strategy since 1998.

(4) A negative amount indicates that our straight-line rent revenue was greater than our actual cash rent collected.

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



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## IMPACT OF INFLATION

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

Of our 2,496 properties in our portfolio, approximately 96.2% or 2,402 are leased to tenants under net leases where the tenant is responsible for property expenses. Net leases tend to reduce our exposure to rising property expenses due to inflation. Inflation and increased costs may have an adverse impact on our tenants if increases in their operating expenses exceed increases in revenue.

## IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

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

## Item 7A: Quantitative and Qualitative Disclosures about Market Risk

We are exposed to interest rate changes primarily as a result of our credit facility and long-term notes and bonds used to maintain liquidity and expand our real estate investment portfolio and operations. Our interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flow and to lower our overall borrowing costs. To achieve these objectives we issue long-term notes and bonds, primarily at fixed rates. We were not a party to any derivative financial instruments at December 31, 2010. 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 debt as of December 31, 2010. This information is presented to evaluate the expected cash flows and sensitivity to interest rate changes (dollars in millions):

## Expected Maturity Data

Year of maturity	Fixed rate debt	Average interest rate on fixed rate debt	Variable rate debt	Average interest rate on variable rate debt
2011	\$--	--	% \$--	--
2012	--	--	--	--
2013(1)	100.0	5.38	--	--
2014(2)	--	--	--	--
2015(3)	150.0	5.50	--	--
Thereafter(4)	1,350.0	6.16	--	--
Totals	\$1,600.0	6.05	% \$--	--
Fair Value(5)	\$1,707.1		\$--	

- (1) \$100 million matures in March 2013.  
(2) The credit facility expires in March 2014.  
(3) \$150 million matures in November 2015.

- (4) \$275 million matures in September 2016, \$175 million matures in September 2017, \$550 million matures in August 2019, \$250 million matures in January 2021 and \$100 million matures in March 2035.
- (5) We base the estimated fair value of the fixed rate debt at December 31, 2010 on the indicative market prices and recent trading activity of our notes payable.

The table incorporates only those exposures that exist as of December 31, 2010. 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. Interest on our credit facility balance is variable. At December 31, 2010, our credit facility balance was zero; however, we intend to borrow funds on our credit facility in the future. Based on a hypothetical credit facility borrowing of \$50 million, a 1% change in interest rates would change our interest costs by \$500,000 per year.

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Item 8: Financial Statements and Supplementary Data

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A.	Reports of Independent Registered Public Accounting Firm
B.	Consolidated Balance Sheets, December 31, 2010 and 2009
C.	Consolidated Statements of Income, Years ended December 31, 2010, 2009 and 2008
D.	Consolidated Statements of Stockholders' Equity, Years ended December 31, 2010, 2009 and 2008
E.	Consolidated Statements of Cash Flows, Years ended December 31, 2010, 2009 and 2008
F.	Notes to Consolidated Financial Statements
G.	Consolidated Quarterly Financial Data (unaudited) for 2010 and 2009
H.	Schedule III Real Estate and Accumulated Depreciation

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

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders  
Realty Income Corporation:

We have audited the accompanying consolidated balance sheets of Realty Income Corporation and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2010. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule III. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Realty Income Corporation and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2010, 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, 2010, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 10, 2011 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG

San Diego, California  
February 10, 2011

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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, 2010, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Realty Income Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Realty Income Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Realty Income Corporation and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2010, and our report dated February 10, 2011 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG

San Diego, California  
February 10, 2011

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## REALTY INCOME CORPORATION AND SUBSIDIARIES

## Consolidated Balance Sheets

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

	2010	2009
<b>ASSETS</b>		
Real estate, at cost:		
Land	\$1,520,413	\$1,169,295
Buildings and improvements	2,592,449	2,270,161
Total real estate, at cost	4,112,862	3,439,456
Less accumulated depreciation and amortization	(711,615 )	(630,840 )
Net real estate held for investment	3,401,247	2,808,616
Real estate held for sale, net	3,631	8,266
Net real estate	3,404,878	2,816,882
Cash and cash equivalents	17,607	10,026
Accounts receivable, net	11,301	10,396
Goodwill	17,206	17,206
Other assets, net	84,598	60,277
Total assets	\$3,535,590	\$2,914,787
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Distributions payable	\$19,051	\$16,926
Accounts payable and accrued expenses	47,019	38,445
Other liabilities	22,555	16,807
Lines of credit payable	--	4,600
Notes payable	1,600,000	1,350,000
Total liabilities	1,688,625	1,426,778
Commitments and contingencies		
Stockholders' equity:		
Preferred stock and paid in capital, par value \$1.00 per share, 20,000,000 shares authorized, 13,900,000 shares issued and outstanding in 2010 and 2009	337,790	337,790
Common stock and paid in capital, par value \$1.00 per share, 200,000,000 shares authorized, 118,058,988 and 104,286,705 shares issued and outstanding as of December 31, 2010 and 2009, respectively	2,066,287	1,629,237
Distributions in excess of net income	(557,112 )	(479,018 )
Total stockholders' equity	1,846,965	1,488,009
Total liabilities and stockholders' equity	\$3,535,590	\$2,914,787

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

Table of contentsREALTY INCOME CORPORATION AND SUBSIDIARIES  
Consolidated Statements Of IncomeYears Ended December 31, 2010, 2009 and 2008  
(dollars in thousands, except per share data)

	2010	2009	2008
<b>REVENUE</b>			
Rental	\$344,080	\$323,819	\$323,164
Other	929	1,426	1,877
Total revenue	345,009	325,245	325,041
<b>EXPENSES</b>			
Depreciation and amortization	95,513	90,519	89,104
Interest	93,237	85,528	93,956
General and administrative	25,311	20,946	21,618
Property	7,332	6,601	5,458
Income taxes	1,393	677	1,230
Provisions for impairment	807	199	3,374
Total expenses	223,593	204,470	214,740
Income from continuing operations	121,416	120,775	110,301
Income from discontinued operations:			
Real estate acquired for resale by Crest	946	1,172	3,819
Real estate held for investment	8,422	9,180	17,721
Total income from discontinued operations	9,368	10,352	21,540
Net income	130,784	131,127	131,841
Preferred stock cash dividends	(24,253 )	(24,253 )	(24,253 )
Net income available to common stockholders	\$106,531	\$106,874	\$107,588
Amounts available to common stockholders per common share:			
Income from continuing operations:			
Basic	\$0.92	\$0.93	\$0.85
Diluted	\$0.92	\$0.93	\$0.85
Net income:			
Basic	\$1.01	\$1.03	\$1.06
Diluted	\$1.01	\$1.03	\$1.06
Weighted average common shares outstanding:			
Basic	105,869,637	103,577,507	101,178,191
Diluted	105,942,721	103,581,053	101,209,883

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



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## REALTY INCOME CORPORATION AND SUBSIDIARIES

## Consolidated Statements Of Stockholders'

## Equity

Years Ended December 31, 2010, 2009 and 2008  
(dollars in thousands)

	Shares of preferred stock	Shares of common stock	Preferred stock and paid in capital	Common stock and paid in capital	Distributions in excess of net income	Total
Balance, December 31, 2007	13,900,000	101,082,717	\$337,790	\$1,545,037	\$ (344,735 )	\$1,538,092
Net income	--	--	--	--	131,841	131,841
Distributions paid and payable	--	--	--	--	(194,857 )	(194,857 )
Shares issued in stock offering, net of offering costs of						
\$4,024	--	2,925,000	--	74,425	--	74,425
Share-based compensation	--	203,824	--	5,160	--	5,160
Balance, December 31, 2008	13,900,000	104,211,541	337,790	1,624,622	(407,751 )	1,554,661
Net income	--	--	--	--	131,127	131,127
Distributions paid and payable	--	--	--	--	(202,394 )	(202,394 )
Share-based compensation	--	75,164	--	4,615	--	4,615
Balance, December 31, 2009	13,900,000	104,286,705	337,790	1,629,237	(479,018 )	1,488,009
Net income	--	--	--	--	130,784	130,784
Distributions paid and payable	--	--	--	--	(208,878 )	(208,878 )
Shares issued in stock offering, net of offering costs of						
\$22,471	--	13,558,500	--	432,591	--	432,591
Share-based compensation	--	213,783	--	4,459	--	4,459
Balance, December 31, 2010	13,900,000	118,058,988	\$337,790	\$2,066,287	\$ (557,112 )	\$1,846,965

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  
FlowsYears Ended December 31, 2010, 2009 and 2008  
(dollars in thousands)

	2010	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 130,784	\$ 131,127	\$ 131,841
Adjustments to net income:			
Depreciation and amortization	95,513	90,519	89,104
Income from discontinued operations			
Real estate acquired for resale	(946 )	(1,172 )	(3,819 )
Real estate held for investment	(8,422 )	(9,180 )	(17,721 )
Gain on sales of land	(271 )	(15 )	(236 )
Amortization of share-based compensation	6,166	4,726	5,049
Provisions for impairment on real estate held for investment	807	199	3,374
Cash provided by (used in) discontinued operations:			
Real estate acquired for resale	946	1,250	(52 )
Real estate held for investment	866	2,674	6,336
Investment in real estate acquired for resale	--	--	(9 )
Proceeds from sales of real estate acquired for resale	--	1,987	31,455
Collection of notes receivable by Crest	138	129	87
Change in assets and liabilities:			
Accounts receivable and other assets	5,270	3,607	(930 )
Accounts payable, accrued expenses and other liabilities	12,517	856	1,676
Net cash provided by operating activities	243,368	226,707	246,155
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sales of investment properties:			
Continuing operations	--	170	439
Discontinued operations	25,779	19,904	27,365
Restricted escrow deposit for Section 1031 tax-deferred exchange	(6,361 )	(4,479 )	(3,174 )
Acquisition of and improvements to investment properties	(701,391 )	(60,459 )	(194,106 )
Intangibles acquired in connection with acquisitions of investment properties	(15,385 )	(860 )	(397 )
Net cash used in investing activities	(697,358 )	(45,724 )	(169,873 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash distributions to common stockholders	(182,500 )	(178,008 )	(169,655 )
Cash dividends to preferred stockholders	(24,253 )	(24,253 )	(24,253 )
Borrowings from lines of credit	612,200	4,600	--
Payments under lines of credit	(616,800 )	--	--
Proceeds from notes issued, net	246,131	--	--
Proceeds from common stock offerings, net	432,591	--	74,425
Debt issuance costs	(4,091 )	--	(3,196 )
Principal payment on notes payable	--	(20,000 )	(100,000 )
Other items	(1,707 )	(111 )	111
Net cash provided by (used in) financing activities	461,571	(217,772 )	(222,568 )
Net increase (decrease) in cash and cash equivalents	7,581	(36,789 )	(146,286 )

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Cash and cash equivalents, beginning of year	10,026	46,815	193,101
Cash and cash equivalents, end of year	\$17,607	\$10,026	\$46,815

For supplemental disclosures, see note 13.

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, 2010, 2009 and 2008

## 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, 2010, we owned 2,496 properties, located in 49 states, containing over 21.2 million leasable square feet, along with three properties owned by our wholly-owned taxable REIT subsidiary, Crest Net Lease, Inc., or Crest. Crest was created to buy and sell properties, primarily to individual investors who are involved in tax-deferred exchanges under Section 1031 of the Internal Revenue Code of 1986, as amended, or the Code.

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

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

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

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

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

	2010(1)	2009	2008
Net income available to common stockholders	\$ 106,531	\$ 106,874	\$ 107,588
Preferred stock cash dividends	24,253	24,253	24,253
Depreciation and amortization timing differences	22,905	27,094	28,624
Tax gain on the sales of real estate less than book gain	--	(5,436 )	(4,518 )
Tax loss on the sale of real estate less than book gain	(10,063 )	--	--
Dividends received from Crest	--	--	2,500
Elimination of net revenue and expenses from Crest	1,337	378	270
Adjustment for share-based compensation	562	1,824	2,270
Adjustment for straight-line rent	(1,613 )	(1,117 )	(1,997 )
Adjustment for an increase (decrease) in prepaid rent	4,223	1,273	(1,226 )
Other adjustments	3,579	(752 )	(321 )
Taxable net income, before our dividends paid deduction	\$ 151,714	\$ 154,391	\$ 157,443

(1) The 2010 information presented is a reconciliation of our net income available to common stockholders to estimated taxable net income.

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

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Absent an election to the contrary, if a REIT acquires property that is or has been owned by a C corporation in a transaction in which the tax basis of the property in the hands of the REIT is determined by reference to the tax basis of the property in the hands of the C corporation, and the REIT recognizes gain on the disposition of such property during the 10 year period beginning on the date on which it acquired the property, then the REIT will be required to pay tax at the highest regular corporate tax rate on this gain to the extent of the excess of the fair market value of the property over the REIT's adjusted basis in the property, in each case determined as of the date the REIT acquired the property. In August 2007, we acquired 100% of the stock of a C corporation that owned real property. At the time of acquisition, the C corporation became a Qualified REIT Subsidiary, was deemed to be liquidated for Federal income tax purposes, and the real property was deemed to be transferred to us with a carryover tax basis. As of December 31, 2010, we have built-in gains of \$60 million with respect to such property. We do not expect that we will be required to pay income tax on the built-in gains in these properties during the ten-year period ending August 28, 2017. It is our intent, and we have the ability, to defer any dispositions of these properties to periods when the related gains would not be subject to the built-in gain income tax or otherwise to defer the recognition of the built-in gain related to these properties. However, our plans could change and it may be necessary to dispose of one or more of these properties in a taxable transaction before August 28, 2017, in which case we would be required to pay corporate level tax with respect to the built-in gains on these properties as described above.

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

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

	2010	2009	2008
Weighted average shares used for the basic net income per share computation	105,869,637	103,577,507	101,178,191
Incremental shares from share-based compensation	73,084	3,546	31,692
Adjusted weighted average shares used for diluted net income per share computation	105,942,721	103,581,053	101,209,883
Unvested shares from share-based compensation that were anti-dilutive	87,600	542,368	614,917

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

December 31,	2010	2009
Value of in-place and above-market leases, net	\$26,221	\$10,928
Notes receivable issued in connection with Crest property sales	22,075	22,214
Deferred bond financing costs, net	14,203	11,899
Prepaid expenses	8,431	7,738
Escrow deposits for Section 1031 tax-deferred exchanges	6,361	4,479
Credit facility organization costs, net	4,619	1,470
Corporate assets, net of accumulated depreciation and amortization	827	1,058
Other items	1,861	491
	\$84,598	\$60,277

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

December 31,	2010	2009
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Common stock distributions	\$17,030	\$14,905
Preferred stock dividends	2,021	2,021
	\$19,051	\$16,926

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

December 31,	2010	2009
Bond interest payable	\$33,240	\$25,972
Other items	13,779	12,473
	\$47,019	\$38,445

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

December 31,	2010	2009
Rent received in advance	\$14,564	\$10,341
Security deposits	4,539	4,334
Value of in-place below-market leases, net	3,452	2,132
	\$22,555	\$16,807

Discontinued Operations. Operations from nine of our investment properties were classified as held for sale at December 31, 2010, plus properties sold in 2010, 2009 and 2008, are reported as discontinued operations. Their respective results of operations have been reclassified to "income from discontinued operations, real estate held for investment" on our consolidated statements of income. We do not depreciate properties that are classified as held for sale.

Crest acquires properties with the intention of reselling them rather than holding them for investment and operating the properties. Consequently, we typically classify Crest's assets as held for sale at the date of acquisition and do not depreciate them. As a result, the operations of Crest's property assets are typically classified as "income from discontinued operations, real estate acquired for resale by Crest" on our consolidated statements of income.

However, if we determine we have no plans to sell a property asset in the near term (i.e. within the next 12 months), and this property was previously classified as held for sale, the property is reclassified as 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.

At December 31, 2010, we determined that three property assets, acquired by Crest in 2006, no longer met the held for sale criteria because we decided to lease rather than sell these properties in the near term. As a result, investment in real estate of \$3.0 million was reclassified from real estate held for sale to real estate held for investment on our consolidated balance sheet at December 31, 2010. At December 31, 2009, Crest's property inventory consisted of three properties valued at \$3.8 million, all of which was held for sale and included on our consolidated balance sheet at December 31, 2009, in "real estate held for sale, net." The results of operations for these properties are included in "income from continuing operations" on our consolidated statements of income. As a result of this reclassification, \$911,000, \$214,000 and \$3.2 million in operating loss was reclassified from discontinued operations to continuing operations for 2010, 2009 and 2008, respectively.

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's properties. The interest expense amounts allocated to the Crest properties held for sale are included in "income from discontinued operations, real estate acquired for resale by Crest" on our consolidated statements of income.





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The following is a summary of Crest's "income from discontinued operations, real estate acquired for resale by Crest" on our consolidated statements of income (dollars in thousands):

Crest's income from discontinued operations, real estate acquired for resale	2010	2009	2008
Rental revenue	\$--	\$157	\$1,595
Interest revenue	1,397	1,403	899
Gain on sales of real estate acquired for resale	--	--	4,642
Interest expense	(557 )	(595 )	(1,797 )
General and administrative expense	(226 )	(336 )	(511 )
Property expenses	(12 )	(24 )	(13 )
Provisions for impairment	--	(78 )	--
Depreciation(1)	--	--	(771 )
Income tax benefit (expense)	344	645	(225 )
Income from discontinued operations, real estate acquired for resale by Crest	\$946	\$1,172	\$3,819

(1) Depreciation was recorded on one property that was classified as held for investment. This property was sold in 2008.

The following is a summary of Realty Income's "income from discontinued operations, from real estate held for investment" on our consolidated statements of income (dollars in thousands):

Realty Income's income from discontinued operations, real estate held for investment	2010	2009	2008
Gain on sales of investment properties	\$8,405	\$8,044	\$13,314
Rental revenue	1,771	3,592	6,813
Other revenue	32	45	96
Depreciation and amortization	(636 )	(1,428 )	(1,929 )
Property expenses	(937 )	(963 )	(573 )
Provisions for impairment	(213 )	(110 )	--
Income from discontinued operations, real estate held for investment	\$8,422	\$9,180	\$17,721

The following is a summary of our total income from discontinued operations (dollars in thousands, except per share data):

Total discontinued operations	2010	2009	2008
Real estate acquired for resale by Crest	\$946	\$1,172	\$3,819
Real estate held for investment	8,422	9,180	17,721
Income from discontinued operations	\$9,368	\$10,352	\$21,540
Per common share, basic and diluted	\$0.09	\$0.10	\$0.21

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

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

We recognize an allowance for doubtful accounts relating to accounts receivable for amounts deemed uncollectible. We consider tenant specific issues, such as financial stability and ability to pay, when determining collectibility of accounts receivable and appropriate allowances to record. Our allowance for doubtful accounts at December 31, 2010 was \$1.1 million and at December 31, 2009 was \$865,000.

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Other revenue includes non-operating interest earned from investments in money market funds and other notes of \$96,000 in 2010, \$51,000 in 2009 and \$1.4 million in 2008.

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

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

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

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

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

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

The fair value of the tangible assets of an acquired property (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 relative fair value of these assets. Our fair value determinations are based on a real estate appraisal for each property, prepared by an independent appraisal firm, and consider estimates of carrying costs during the expected lease-up periods, current market conditions, as well as costs to execute similar leases. In allocating the fair value to identified intangibles for above-market or below-market leases, an amount is recorded based on the present value of the difference between (i) the contractual amount to be paid pursuant to the in-place lease and (ii) our estimate of fair market lease rate for the corresponding in-place lease, measured over a period equal to the remaining term of the lease.

Capitalized above-market lease values are amortized as a reduction of rental income over the remaining terms of the respective leases. Capitalized below-market lease values are amortized as an increase to rental income over the remaining terms of the respective leases and expected below-market renewal option periods.

The aggregate value of other acquired intangible assets consists of the value of in-place leases and tenant relationships. These are measured by the excess of the purchase price paid for a property, after adjusting for above or below-market lease value, less the estimated fair value of the property "as if vacant," determined as set forth above. The value of in-place leases, exclusive of the value of above-market and below-market in-place leases, is amortized to expense over the remaining periods of the respective leases. 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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Depreciation and Amortization. Land, buildings and improvements are recorded and stated at cost. Major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives, while ordinary repairs and maintenance are expensed as incurred. Buildings and improvements that are under redevelopment, or are being developed, are carried at cost and no depreciation is recorded on these assets. Additionally, amounts essential to the development of the property, such as pre-construction, development, construction, interest and any other costs incurred during the period of development are capitalized. We cease capitalization when the property is available for occupancy upon substantial completion of tenant improvements, but in any event no later than one year from the completion of major construction activity.

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

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

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

In 2010, Realty Income recorded total provisions for impairment of \$213,000 on three properties in the restaurant industry and one property in the child care industry. These provisions for impairment are included in "income from discontinued operations, real estate held for investment" on our consolidated statement of income for 2010, as three of the properties were subsequently sold and one is anticipated to be sold in the first quarter of 2011. During 2010, Crest recorded total provisions for impairment of \$807,000 on three properties held for investment at December 31, 2010. These provisions for impairment are included in "income from continuing operations" on our consolidated statement of income for 2010.

In 2009, we recorded a provision for impairment of \$110,000 on one property in the convenience store industry, which was sold during 2010. This provision for impairment is included in "income from discontinued operations, real estate held for investment" on our consolidated statement of income for 2009. Additionally, in 2009, Crest recorded total provisions for impairment of \$199,000 on three properties classified as held for investment at December 31, 2010. These provisions for impairment are included in "income from continuing operations" on our consolidated statement of income for 2009. Additionally, Crest recorded total provisions for impairment of \$78,000 on two properties which were sold in 2009. These provisions for impairment are included in "income from discontinued operations, real estate acquired for resale by Crest" on our consolidated statement of income for 2009.

No provisions for impairment were recorded by Realty Income in 2008. In 2008, Crest recorded total provisions for impairment of \$3.4 million on three properties, which were held for investment at December 31, 2010. These provisions for impairment are included in "income from continuing operations" on our consolidated statement of income for 2008.

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 market 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.

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**Goodwill.** Goodwill is tested for impairment during the second quarter of each year as well as when events or circumstances occur indicating that our goodwill might be impaired. During our tests for impairment of goodwill, during the second quarters of 2010, 2009 and 2008, we determined that the estimated fair values of our reporting units exceeded their carrying values. We did not record any new goodwill or impairment on our existing goodwill during 2010, 2009 or 2008.

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

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

**Impact of Recent Accounting Pronouncements.** In December 2010, the Financial Accounting Standards Board issued Accounting Standards Update, or ASU, No. 2010-29, Business Combinations (Topic 805), Disclosure of Supplementary Pro Forma Information for Business Combinations. Effective for periods beginning after December 15, 2010, ASC No. 2010-29 specifies that if a public entity enters into business combinations that are material on an individual or aggregate basis and presents comparative financial statements, the entity must present pro forma revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. ASU No. 2010-29 only applies to our disclosures in note 3 related to acquisitions and is not expected to have a significant impact on our footnote disclosures.

**Reclassifications.** Certain of the 2009 and 2008 balances have been reclassified to conform to the 2010 presentation.

3. Properties Acquired

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

A. During 2010, Realty Income invested \$713.5 million in 186 new properties with an initial weighted average contractual lease rate of 7.9%. These 186 properties are located in 14 states, contain over 2.2 million leasable square feet, and are 100% leased with an average lease term of 15.7 years. The initial weighted average contractual lease rate is computed by dividing the estimated aggregate base rent for the first year of each lease by the estimated total cost of the properties. In accordance with GAAP, acquisition transaction costs of \$368,000 were recorded to "general and administrative" expense on our consolidated statement of income for 2010.

Included in the \$713.5 million invested during 2010 are the following acquisitions:

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



and tourist buildings. Diageo will continue to operate the wineries and vineyards.

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

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- (3) The acquisition of 135 SuperAmerica convenience stores and one support facility, for approximately \$247.6 million, under long-term, triple-net lease agreements. The stores are located in Minnesota and Wisconsin, and average approximately 3,500 leasable square feet on approximately 1.14 acres.
- (4) The remaining 11 properties acquired totaled approximately \$35.3 million.

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

Total revenues of \$16.0 million and income from continuing operations of \$12.1 million are included in the 2010 consolidated income statement for the aggregate 2010 acquisitions.

The following pro forma total revenue and income from continuing operations of the 2010 acquisitions in aggregate, assumes the acquisitions had taken place on January 1, 2010 for the 2010 pro forma information, and on January 1, 2009 for the 2009 pro forma information (in millions):

	Total revenue	Income from continuing operations
Supplemental pro forma for the year ended December 31, 2010(1)	\$385.4	\$137.7
Supplemental pro forma for the year ended December 31, 2009(1)	\$381.6	\$142.3

(1) This unaudited pro forma supplemental information does not purport to be indicative of what our operating results would have been had the acquisitions occurred on January 1, 2010 or January 1, 2009, and may not be indicative of future operating results.

In comparison, during 2009, Realty Income invested \$57.9 million in 16 new properties with an initial weighted average contractual lease rate of 9.7%. These 16 properties are located in five states, contain over 278,000 leasable square feet, and are 100% leased with an average lease term of 17.9 years. In accordance with GAAP, acquisition transaction costs of \$62,000 were recorded to "general and administrative" expense on our consolidated statement of income for 2009.

B. During 2010 and 2009, Crest did not invest in any new properties.

C. Of the \$713.5 million invested by Realty Income in 2010, approximately \$126.5 million was used to acquire 23 properties with existing leases. Realty Income recorded \$12.6 million as the intangible value of the in-place leases, \$4.4 million as the intangible value of above-market leases and \$1.6 million as the intangible value of below-market leases for 2010. The value of the in-place and above-market leases are recorded to "other assets" on our consolidated balance sheet, as of December 31, 2010, and the value of the below-market leases are recorded to "other liabilities" on our consolidated balance sheet as of December 31, 2010. All of these amounts are amortized over the life of the respective leases.

Of the \$57.9 million invested by Realty Income in 2009, \$10.5 million was used to acquire three properties with existing leases. Realty Income recorded \$1.4 million as the intangible value of the in-place leases, \$150,000 as the intangible value of above-market leases and \$655,000 as the intangible value of below-market leases for 2009. The value of the in-place and above-market leases are recorded to "other assets" on our consolidated balance sheet, as of December 31, 2009, and the value of the below-market leases are recorded to "other liabilities" on our consolidated balance sheet as of December 31, 2009. All of these amounts are amortized over the life of the respective leases.

4. Credit Facility

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

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In December 2010, as a result of entering into our current credit facility, we incurred \$4.2 million of credit facility origination costs that were classified as part of "other assets" on our consolidated balance sheet at December 31, 2010 and are being amortized over the term of the credit facility. The remaining credit facility origination costs that were incurred as a result of entering into our previous \$355 million credit facility, which were \$452,000 at December 31, 2010, are included in "other assets" and are being amortized over the remaining term of our current \$425 million credit facility.

The average borrowing rate on our credit facility was 1.3% during 2010. During 2009, we did not utilize our credit facility until December and, during 2008, we did not utilize our credit facility. Our effective borrowing rate at December 31, 2010 was 2.1% and at December 31, 2009 was 1.2%. Our current and prior credit facilities are and were subject to various leverage and interest coverage ratio limitations. We are and have been in compliance with these covenants.

## 5. Notes Payable

## A. General

Our senior unsecured note obligations consist of the following, sorted by maturity date (dollars in millions):

December 31,	2010	2009
5.375% notes, issued in March 2003 and due in March 2013	\$ 100	\$ 100
5.5% notes, issued in November 2003 and due in November 2015	150	150
5.95% notes, issued in September 2006 and due in September 2016	275	275
5.375% notes, issued in September 2005 and due in September 2017	175	175
6.75% notes, issued in September 2007 and due in August 2019	550	550
5.75% notes, issued in June 2010 and due in January 2021	250	--
5.875% bonds, issued in March 2005 and due in March 2035	100	100
	\$ 1,600	\$ 1,350

The following table summarizes the maturity of our notes payable as of December 31, 2010 (dollars in millions):

Year of Maturity	Notes
2011	\$ --
2012	--
2013	100
2014	--
2015	150
Thereafter	1,350
Totals	\$ 1,600

Interest incurred on all of the notes for 2010 was \$89.7 million, for 2009 was \$82.5 million and for 2008 was \$91.2 million. The interest rate on each of these notes is fixed.

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

All of these notes 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. We have been in compliance with these covenants since each of the notes were issued.

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B. Note Issuance

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

C. Note Redemptions

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

On their maturity date in November 2008, we redeemed, using proceeds from our September 2008 common stock offering and cash on hand, all of our outstanding 8.25% senior notes issued in October 1998, or the 2008 Notes, at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest.

6. Common Stock Offerings

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

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

In September 2008, we issued 2,925,000 shares of common stock at a price of \$26.82 per share. The net proceeds of approximately \$74.4 million were used, along with our available cash on hand, to redeem the \$100 million outstanding principal amount of our 2008 Notes in November 2008.

7. Preferred Stock

A. In 2004, we issued 5.1 million shares of 7.375% Monthly Income Class D cumulative redeemable preferred stock. In May 2009, the Class D preferred shares became redeemable, at our option, for \$25 per share. During 2010, 2009 and 2008, we paid twelve monthly dividends to holders of our Class D preferred stock totaling \$1.8437508 per share, or \$9.4 million, and at December 31, 2010, a monthly dividend of \$0.1536459 per share was payable and was paid in January 2011.

B. In 2006, we issued 8.8 million shares of 6.75% Monthly Income Class E cumulative redeemable preferred stock. Beginning December 7, 2011, the Class E preferred shares are redeemable, at our option, for \$25 per share. During 2010, 2009 and 2008, 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, 2010, a monthly dividend of \$0.140625 per share was payable and was paid in January 2011.

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



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## 8. 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	2010	2009	2008
January	\$0.1430000	\$0.1417500	\$0.136750
February	0.1430000	0.1417500	0.136750
March	0.1430000	0.1417500	0.136750
April	0.1433125	0.1420625	0.137375
May	0.1433125	0.1420625	0.137375
June	0.1433125	0.1420625	0.137375
July	0.1436250	0.1423750	0.138000
August	0.1436250	0.1423750	0.138000
September	0.1436250	0.1423750	0.140500
October	0.1439375	0.1426875	0.141125
November	0.1439375	0.1426875	0.141125
December	0.1439375	0.1426875	0.141125
Total	\$1.7216250	\$1.7066250	\$1.662250

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

	2010	2009	2008
Ordinary income	\$1.2598879	\$1.2739214	\$1.2681285
Nontaxable distributions	0.4617371	0.4113034	0.3121490
Capital gain	--	0.0214002	0.0819725
Totals	\$1.7216250	\$1.7066250	\$1.6622500

At December 31, 2010, a distribution of \$0.14425 per common share was payable and was paid in January 2011. At December 31, 2009, a distribution of \$0.143 per common share was payable and was paid in January 2010.

## B. Class D Preferred Stock

Dividends of \$0.1536459 per share are paid monthly in arrears on the Class D preferred stock. We declared dividends to holders of our Class D preferred stock totaling \$9.4 million in 2010, 2009 and 2008, respectively.

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

	2010	2009	2008
Ordinary income	\$1.8437508	\$1.8206316	\$1.7528280
Capital gain	--	0.0231192	0.0909228
Totals	\$1.8437508	\$1.8437508	\$1.8437508



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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 2010, 2009 and 2008.

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

	2010	2009	2008
Ordinary income	\$1.6875000	\$1.6663392	\$1.6042824
Capital gain	--	0.0211608	0.0832176
Totals	\$1.6875000	\$1.6875000	\$1.6875000

## 9. Operating Leases

A. At December 31, 2010, we owned 2,496 properties in 49 states, plus an additional three properties owned by Crest. Of the 2,496 properties, 2,485, or 99.6%, are single-tenant, properties and the remaining 11 are multi-tenant, distribution and office properties. At December 31, 2010, 84 properties were vacant and available for lease or sale.

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

Rent based on a percentage of a tenants' gross sales (percentage rents) for 2010 was \$1.4 million, for 2009 was \$1.3 million and for 2008 was \$1.3 million, including amounts recorded to discontinued operations of \$56,000 in 2010, \$90,000 in 2009 and \$61,000 in 2008.

At December 31, 2010, minimum future annual rents to be received on the operating leases for the next five years and thereafter are as follows (dollars in thousands):

2011	\$373,787
2012	360,338
2013	346,073
2014	328,318
2015	314,855
Thereafter	2,637,944
Total	\$4,361,315

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, 2010, 2009 or 2008.

## 10. Gain on Sales of Real Estate Acquired for Resale by Crest

During 2010, Crest did not sell any properties. During 2009, Crest sold two properties for \$2.0 million, which resulted in no gain. During 2008, Crest sold 25 properties for \$50.7 million, which resulted in a gain of \$4.6 million. In 2008, as part of two sales, Crest provided buyer financing of \$19.2 million. Crest's gains on sales are reported before income taxes and are included in discontinued operations.



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## 11. Gain on Sales of Investment Properties by Realty Income

During 2010, we sold 28 investment properties for \$26.6 million, which resulted in a gain of \$8.4 million. The results of operations for these properties have been reclassified as discontinued operations. Additionally, we sold excess land from one property for \$600,000, which resulted in a gain of \$271,000. This gain is included in "other revenue" on our consolidated statement of income for 2010 because this excess land was associated with a property that continues to be owned as part of our core operations.

During 2009, we sold 25 investment properties for \$20.3 million, which resulted in a gain of \$8.0 million. The results of operations for these properties have been reclassified as discontinued operations. Additionally, we received proceeds of \$170,000 from the sale of excess land from one property, which resulted in a gain of \$15,000. This gain is included in "other revenue" on our consolidated statement of income for 2009 because this excess land was associated with a property that continues to be owned as part of our core operations.

During 2008, we sold 29 investment properties for \$27.4 million, which resulted in a gain of \$13.3 million. The results of operations for these properties have been reclassified as discontinued operations. Additionally, we received proceeds of \$439,000 from the sale of excess land from one property, which resulted in a gain of \$236,000. This gain is included in "other revenue" on our consolidated statement of income for 2008 because this excess land was associated with a property that continues to be owned as part of our core operations.

## 12. 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, and all liabilities, due to their short-term nature, except for our notes receivable issued in connection with property sales and our notes payable, which are disclosed below (dollars in millions):

	Carrying value per balance sheet	Estimated fair market value
At December 31, 2010		
Notes receivable issued in connection with Crest property sales	\$22.1	\$23.2
Notes payable	\$1,600.0	\$1,707.1
At December 31, 2009		
Notes receivable issued in connection with Crest property sales	\$22.2	\$20.0
Notes payable	\$1,350.0	\$1,276.4

The estimated fair value of our notes receivable, issued in connection with property sales, has been calculated by discounting the future cash flows using an interest rate based upon the current 5-year or 7-year Treasury Yield Curve, plus an applicable credit-adjusted spread. These notes receivable were issued in connection with the sale of three Crest

properties. Payments to us on these notes receivable are current and no allowance for doubtful accounts has been recorded for them.

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

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13. Supplemental Disclosures of Cash Flow Information

Interest paid in 2010 was \$82.6 million, in 2009 was \$83.2 million and in 2008 was \$90.3 million.

Interest capitalized to properties under development in 2010 was \$10,000, in 2009 was \$5,000 and in 2008 was \$92,000.

Income taxes paid by Realty Income and Crest in 2010 were \$907,000, in 2009 were \$1.2 million and in 2008 were \$1.7 million.

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

- A. Share-based compensation expense for 2010 was \$6.2 million, for 2009 was \$4.7 million and for 2008 was \$5.0 million.
- B. See "Provisions for Impairment" in note 2 for a discussion of provisions for impairments recorded by Realty Income and Crest.
- C. At December 31, 2010, Realty Income had escrow deposits of \$6.4 million held for tax-deferred exchanges under Section 1031 of the Code. The \$6.4 million is included in "other assets" on our consolidated balance sheet at December 31, 2010.
- D. At December 31, 2009, Realty Income had escrow deposits of \$4.5 million held for tax-deferred exchanges under Section 1031 of the Code. The \$4.5 million is included in "other assets" on our consolidated balance sheet at December 31, 2009.
- E. At December 31, 2008, Realty Income had escrow deposits of \$3.2 million held for tax-deferred exchanges under Section 1031 of the Code. The \$3.2 million is included in "other assets" on our consolidated balance sheet at December 31, 2008.
- F. In 2010, Realty Income recorded a \$799,000 receivable for the sale of an investment property as a result of an eminent domain action and recorded a \$600,000 receivable for the sale of excess land from an investment property. These receivables are included in "other assets" on our consolidated balance sheet at December 31, 2010.
- G. At December 31, 2009, Realty Income recorded \$1.5 million for a new environmental insurance policy, which supplements its primary insurance policy. The \$1.5 million is included in "other assets" and "accounts payable and accrued expenses" on our consolidated balance sheet at December 31, 2009.
- H. In 2009, Realty Income and Crest amended certain prior year state tax returns and determined that it is more-likely-than-not that we will be collecting refunds in the future as a result of these amendments. As a result of this, in 2009, Realty Income recorded a tax receivable of \$454,000 and Crest recorded a tax receivable of \$303,000.
- I. In 2008, Crest sold two properties for \$23.5 million and received notes totaling \$19.2 million from the buyers, which are included in "other assets" on our consolidated balance sheets.
- J.

In accordance with our policy, we recorded adjustments to our estimated legal obligations related to asset retirement obligations on two land leases in the following amounts: an increase of \$82,000 in 2010, a reduction of \$63,000 in 2009 and an increase of \$335,000 in 2008. These asset retirement obligations account for the difference between our obligations to the landlord under the two land leases and our subtenant's obligations to us under the subleases.

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

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## 14. 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.

## 15. Common Stock Incentive Plan

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

The amount of share-based compensation costs recognized in "general and administrative expense" on our consolidated statements of income during 2010 was \$6.2 million, during 2009 was \$4.7 million and during 2008 was \$5.0 million.

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

	2010		2009		2008	
	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	853,234	\$ 19.14	994,453	\$ 19.70	994,572	\$ 19.46
Shares granted	278,200	28.99	142,860	22.86	249,447	26.63
Shares vested	(206,153 )	23.70	(214,521 )	23.14	(188,215 )	21.96
Shares forfeited	(987 )	26.03	(69,558 )	25.95	(61,351 )	22.13
Outstanding nonvested shares, end of year	924,294	\$ 19.69	853,234	\$ 19.14	994,453	\$ 19.70

(1) Grant date fair value.

During 2010, we issued 278,200 shares of common stock under our Stock Plan. These shares vest over the following service periods: 32,000 vested immediately, 5,000 vest over a service period of two years, 12,000 vest over a service period of three years, 50,000 vest over a service period of four years and 179,200 vest over a service period of five years.

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

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- 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



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–For directors with eight or more years of service at the date of grant, there is immediate vesting as of the date the shares of stock are granted.

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

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

In addition, after they have been employed for six full months, all non-executive employees receive 200 shares of nonvested stock which vests over a five year period.

As of December 31, 2010, the remaining unamortized share-based compensation expense totaled \$18.2 million, which is being amortized on a straight-line basis over the service period of each applicable award. The amount of share-based compensation is based on the fair value of the stock at the grant date. We define the grant date as the date the recipient and Realty Income have a mutual understanding of the key terms and condition of the award, and the recipient of the grant begins to benefit from, or be adversely affected by, subsequent changes in the price of the shares.

Due to a historically low turnover rate, we do not estimate a forfeiture rate for our nonvested shares. Accordingly, unexpected forfeitures will lower share-based compensation expense during the applicable period. Under the terms of our Stock Plan, we pay non-refundable dividends to the holders of our nonvested shares. Applicable accounting guidance requires that the dividends paid to holders of these nonvested shares be charged as compensation expense to the extent that they relate to nonvested shares that do not or are not expected to vest. However, since we do not estimate forfeitures given our historical trends, we did not record any amount to compensation expense related to dividends paid in 2010, 2009 or 2008.

No stock options were granted after January 1, 2002, all outstanding options were fully vested as of December 31, 2006, and 2006 represented the last year for which we recorded expense on our stock option awards. Stock options were granted with an exercise price equal to the underlying stock's fair value at the date of grant. The outstanding stock options expire on December 31, 2011, ten years from the date they were granted and have an exercise price of \$14.70.

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

	2010		2009		2008	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding options, beginning of year	5,846	\$ 14.70	21,294	\$ 13.33	45,007	\$ 12.71
Options exercised	(3,392 )	14.70	(15,448 )	12.81	(23,713 )	12.15

Outstanding and exercisable options, end of year	2,454	\$ 14.70	5,846	\$ 14.70	21,294	\$ 13.33
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The intrinsic value of a stock option is the amount by which the market value of the underlying stock at December 31 of each year exceeds the exercise price of the option. The market value of our stock was \$34.20, \$25.91 and \$23.15 at December 31, 2010, 2009 and 2008, respectively. The total intrinsic value of options exercised during the years ended December 31, 2010, 2009 and 2008 was \$61,000, \$157,000 and \$319,000, respectively. The aggregate intrinsic value of options outstanding and exercisable was \$48,000, \$66,000 and \$209,000 at December 31, 2010, 2009 and 2008, respectively.

## 16. 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 33 industry and activity segments (including properties owned by Crest that are grouped together as a segment). All of the properties are incorporated into one of the applicable segments. Because almost all of our leases require the tenant to pay operating expenses, revenue is the only component of segment profit and loss we measure.

The following tables set forth certain information regarding the properties owned by us, classified according to the business of the respective tenants, as of December 31, 2010 (dollars in thousands):

Assets, as of December 31:	2010	2009
Segment net real estate:		
Automotive service	\$106,669	\$105,085
Automotive tire services	195,064	201,233
Child care	72,827	77,987
Convenience stores	706,173	477,640
Drug stores	143,739	141,057
Health and fitness	220,296	200,316
Restaurants	709,523	730,460
Theaters	281,072	290,386
Wine and spirits	302,159	--
24 non-reportable segments	667,356	592,718
Total segment net real estate	3,404,878	2,816,882
Other intangible assets - Apparel	3,644	--
Other intangible assets - Automotive tire service	588	647
Other intangible assets - Drug stores	5,938	6,066
Other intangible assets - Grocery stores	6,031	860
Other intangible assets - Health and fitness	1,707	845
Other intangible assets - Office supplies	390	--
Other intangible assets - Theaters	1,579	1,885
Other intangible assets - Sporting goods	5,786	--
Other intangible assets - Other	558	625
Goodwill - Automotive service	1,338	1,338
Goodwill - Child care	5,353	5,353
Goodwill - Convenience stores	2,074	2,074
Goodwill - Home furnishings	1,557	1,557
Goodwill - Restaurants	3,779	3,779
Goodwill - non reportable segments	3,105	3,105
Other corporate assets	87,285	69,771
Total assets	\$3,535,590	\$2,914,787



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For the years ended December 31,	Revenue		
	2010	2009	2008
Segment rental revenue:			
Automotive service	\$ 16,123	\$ 15,797	\$ 15,853
Automotive tire services	21,859	22,616	22,040
Child care	22,417	23,408	23,758
Convenience stores	58,883	55,136	51,971
Drug stores	13,962	13,727	13,125
Health and fitness	23,768	18,787	18,419
Restaurants	69,923	69,181	70,763
Theaters	30,634	30,078	29,640
Wine and spirits	10,292	--	--
24 non-reportable segments	76,219	75,089	77,595
Total rental revenue	344,080	323,819	323,164
Other revenue	929	1,426	1,877
Total revenue	\$ 345,009	\$ 325,245	\$ 325,041

## 17. Commitments and Contingencies

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

At December 31, 2010, we have contingent payments of \$4.2 million for tenant improvements and leasing costs. In addition, we have committed \$420,000 under construction contracts, which is expected to be paid in the next three months.

We have certain properties that are subject to ground leases which are accounted for as operating leases. 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. At December 31, 2010, minimum future rental payments for the next five years and thereafter under these ground leases are as follows (dollars in thousands):

2011	\$3,631
2012	3,527
2013	3,385
2014	3,150
2015	3,096
Thereafter	31,933
Total	\$48,722

## 18. Subsequent Events

In January 2011 and February 2011, we declared the following dividends, which will be paid in February 2011 and March 2011, respectively:

- \$0.14425 per share to our common stockholders;
- \$0.1536459 per share to our Class D preferred stockholders; and
- \$0.140625 per share to our Class E preferred stockholders.



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## REALTY INCOME CORPORATION AND SUBSIDIARIES

## Consolidated Quarterly Financial Data

(dollars in thousands, except per share data)

(not covered by Report of Independent Registered Public Accounting Firm)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year(2)
2010(1)					
Total revenue	\$82,725	\$83,047	\$87,018	\$92,219	\$345,009
Depreciation and amortization expense	23,060	23,353	24,045	25,055	95,513
Interest expense	21,395	21,576	25,135	25,131	93,237
Other expenses	8,932	8,615	8,276	9,020	34,843
Income from continuing operations	29,338	29,503	29,562	33,013	121,416
Income from discontinued operations	867	1,545	2,092	4,864	9,368
Net income	30,205	31,048	31,654	37,877	130,784
Net income available to common stockholders	24,142	24,985	25,591	31,814	106,531
Net income per common share:					
Basic and diluted	0.23	0.24	0.25	0.28	1.01
Dividends paid per common share	0.4290000	0.4299375	0.4308750	0.4318125	1.7216250
2009(1)					
Total revenue	\$81,906	\$80,776	\$81,276	\$81,286	\$325,245
Depreciation and amortization expense	22,578	22,611	22,626	22,704	90,519
Interest expense	21,410	21,367	21,374	21,377	85,528
Other expenses	8,428	7,089	6,537	6,369	28,423
Income from continuing operations	29,490	29,709	30,739	30,836	120,775
Income from discontinued operations	594	2,851	2,413	4,495	10,352
Net income	30,084	32,560	33,152	35,331	131,127
Net income available to common stockholders	24,021	26,497	27,089	29,268	106,874
Net income per common share:					
Basic and diluted	0.23	0.26	0.26	0.28	1.03
Dividends paid per common share	0.4252500	0.4261875	0.4271250	0.4280625	1.7066250

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

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

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

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





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Item 9A: Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

As of and for the year ended December 31, 2010, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective and were operating at a reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

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

- (1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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

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

Submitted on February 10, 2011 by,

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



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Changes in Internal Controls

There have not been any significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation in the fourth quarter of 2010. As of December 31, 2010, 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 2011 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 3, 2011.

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 2011 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 2011 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 2011 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 2011 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, 2010 and 2009

c. Consolidated Statements of Income,  
Years ended December 31, 2010, 2009 and 2008

d. Consolidated Statements of Stockholders' Equity,  
Years ended December 31, 2010, 2009 and 2008

e. Consolidated Statements of Cash Flows,  
Years ended December 31, 2010, 2009 and 2008

f. Notes to Consolidated Financial Statements

g. Consolidated Quarterly Financial Data,  
(unaudited) for 2010 and 2009

2. Financial Statement Schedule. Reference is made to page F-1 of this report for Schedule III Real Estate and Accumulated Depreciation.

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

3. Exhibits

Articles of Incorporation and By-Laws

Exhibit No.	Description
-------------	-------------

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

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3.4 Articles Supplementary to the Articles of Incorporation of the Company classifying and designating additional shares of the 7.375% Monthly Income Class D Cumulative Redeemable Preferred Stock (filed as exhibit 3.2 to the Company's Form 8-K, filed on October 19, 2004 and dated October 12, 2004, and incorporated herein by reference).

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

Instruments defining the rights of security holders, including indentures

4.1 Indenture dated as of October 28, 1998 between the Company and The Bank of New York (filed as exhibit 4.1 to the Company's Form 8-K, filed on October 28, 1998 and dated October 27, 1998 and incorporated herein by reference).

4.2 Form of 5.375% Senior Notes due 2013 (filed as exhibit 4.2 to the Company's Form 8-K, filed on March 7, 2003 and dated March 5, 2003 and incorporated herein by reference).

4.3 Officer's Certificate pursuant to sections 201, 301 and 303 of the Indenture dated October 28, 1998 between the Company and The Bank of New York, as Trustee, establishing a series of securities entitled 5.375% Senior Notes due 2013 (filed as exhibit 4.3 to the Company's Form 8-K, filed on March 7, 2003 and dated March 5, 2003 and incorporated herein by reference).

4.4 Form of 5.50% Senior Notes due 2015 (filed as exhibit 4.2 to the Company's Form 8-K, filed on November 24, 2003 and dated November 19, 2003 and incorporated herein by reference).

4.5 Officer's Certificate pursuant to sections 201, 301 and 303 of the Indenture dated October 28, 1998 between the Company and The Bank of New York, as Trustee, establishing a series of securities entitled 5.50% Senior Notes due 2015 (filed as exhibit 4.3 to the Company's Form 8-K, filed on November 24, 2003 and dated November 19, 2003 and incorporated herein by reference).

4.6 Form of 5.875% Senior Notes due 2035 (filed as exhibit 4.2 to the Company's Form 8-K, filed on March 11, 2005 and dated March 8, 2005 and incorporated herein by reference).

4.7 Officer's Certificate pursuant to sections 201, 301 and 303 of the Indenture dated October 28, 1998 between the Company and The Bank of New York, as Trustee, establishing a series of securities entitled 5.875% Senior Debentures due 2035 (filed as exhibit 4.3 to the Company's Form 8-K, filed on March 11, 2005 and dated March 8, 2005 and incorporated herein by reference).

4.8 Form of 5.375% Senior Notes due 2017 (filed as exhibit 4.2 to the Company's Form 8-K, filed on September 16, 2005 and dated September 8, 2005 and incorporated herein by reference).

4.9 Officer's Certificate pursuant to sections 201, 301 and 303 of the Indenture dated October 28, 1998 between the Company and The Bank of New York, as Trustee, establishing a series of securities entitled 5.375% Senior Notes due 2017 (filed as exhibit 4.3 to the Company's Form 8-K, filed on September 16, 2005 and dated September 8, 2005 and incorporated herein by reference).

4.10 Form of 5.95% Senior Notes due 2016 (filed as exhibit 4.2 to the Company's Form 8-K, filed on September 18, 2006 and dated September 6, 2006 and incorporated herein by reference).





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- 4.11 Officer's Certificate pursuant to sections 201, 301 and 303 of the Indenture dated October 28, 1998 between the Company and The Bank of New York, as Trustee, establishing a series of 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 dated September 6, 2006 and incorporated herein by reference).
- 4.12 Form of 6.75% Notes due 2019 (filed as exhibit 4.2 to Company's Form 8-K, filed on September 5, 2007 and dated August 30, 2007 and incorporated herein by reference).
- 4.13 Officer's Certificate pursuant to sections 201, 301 and 303 of the Indenture dated October 28, 1998 between the Company and The Bank of New York Trust Company, N.A., as Trustee, establishing a series of securities entitled 6.75% Senior Notes due 2019 (filed as exhibit 4.3 to the Company's Form 8-K, filed on September 5, 2007 and dated August 30, 2007 and incorporated herein by reference).
- 4.14 Form of 5.750% Notes due 2021 (filed as exhibit 4.2 to Company's Form 8-K, filed on June 29, 2010 and dated June 24, 2010 and incorporated herein by reference).
- 4.15 Officer's Certificate pursuant to sections 201, 301 and 303 of the Indenture dated October 28, 1998 between the Company and The Bank of New York Mellon Trust Company, N.A., as Successor Trustee, establishing a series of securities entitled 5.750% Notes due 2021 (filed as exhibit 4.3 to the Company's Form 8-K, filed on June 29, 2010 and dated June 24, 2010 and incorporated herein by reference).

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 August 26, 2005 and dated August 23, 2005 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 (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).

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- 10.8 2003 Stock Incentive Award Plan of Realty Income Corporation, as amended and restated February 21, 2006 (filed as exhibit 10.10 to the Company's Form 10-K for the year ended December 31, 2005 and incorporated herein by reference).
- 10.9 Amendment dated May 15, 2007 to the Amended and Restated 2003 Stock Incentive Award Plan of Realty Income Corporation (filed as exhibit 10.1 to the Company's Form 10-Q, for the quarter ended June 30, 2007 and incorporated herein by reference).
- 10.10 Form of Restricted Stock Agreement (filed as exhibit 10.2 to the Company's Form 10-Q, for the quarter ended June 30, 2007 and incorporated herein by reference).
- 10.11 Amended and Restated Form of Employment Agreement between the Company and its Executive Officers (filed as exhibit 10.1 to the Company's Form 8-K, filed on January 7, 2010 and dated January 5, 2010 and incorporated herein by reference).
- 10.12 Form of Restricted Stock Agreement for John P. Case (filed as exhibit 10.1 to the Company's Form 10-Q, filed on April 29, 2010 and dated March 31, 2010 and incorporated herein by reference).
- 10.13 Credit Agreement dated December 13, 2010 (filed as exhibit 10.1 to the Company's Form 8-K, filed on and dated December 13, 2010 and incorporated herein by reference).

Statement of Ratios

- \*12.1 Statements re computation of ratios.

Subsidiaries of the Registrant

- \*21.1 Subsidiaries of the Company as of February 10, 2011.

Consents of Experts and Counsel

- \*23.1 Consent of Independent Registered Public Accounting Firm.

Certifications

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

\* Filed herewith.

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SIGNATURES

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

REALTY INCOME CORPORATION

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

Date: February 10, 2011

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

By: /s/DONALD R. CAMERON  
Donald R. Cameron  
Non-Executive Chairman of the Board of Directors

Date: February 10, 2011

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

Date: February 10, 2011

By: /s/KATHLEEN R. ALLEN, Ph.D.  
Kathleen R. Allen, Ph.D.  
Director

Date: February 10, 2011

By: /s/PRIYA CHERIAN HUSKINS  
Priya Cherian Huskins  
Director

Date: February 10, 2011

By: /s/MICHAEL D. MCKEE  
Michael D. McKee  
Director

Date: February 10, 2011

By: /s/GREGORY T. MCLAUGHLIN  
Gregory T. McLaughlin  
Director

Date: February 10, 2011

By: /s/RONALD L. MERRIMAN  
Ronald L. Merriman  
Director

Date: February 10, 2011

By: /s/PAUL M. MEURER  
Paul M. Meurer  
Executive Vice President, Chief Financial Officer and Treasurer

Date: February 10, 2011

(Principal Financial Officer)

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

Date: February 10, 2011

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

Description (Note 1)	Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7)			Accumulated Depreciation (Note 4)	
	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total		
Apparel Stores									
Little Rock	AR	1,079,232	2,594,956	102,839	52,556	1,079,232	2,750,351	3,829,583	1,361,030
Mesa	AZ	619,035	867,013	6,484	43,549	619,035	917,046	1,536,081	450,768
South Lake	CA	3,110,000	3,176,091	None	None	3,110,000	3,176,091	6,286,091	26,467
Tahoe									
Danbury	CT	1,096,861	6,217,688	43,163	None	1,096,861	6,260,851	7,357,712	3,340,644
Manchester	CT	771,660	3,653,539	1,661	161	771,660	3,655,361	4,427,021	1,869,792
Manchester	CT	1,250,464	5,917,037	3,555	None	1,250,464	5,920,592	7,171,056	3,028,541
Deerfield	FL	3,160,000	4,832,848	None	None	3,160,000	4,832,848	7,992,848	40,274
Beach									
Staten Island	NY	4,202,093	3,385,021	None	None	4,202,093	3,385,021	7,587,114	1,731,691
Dallas	TX	1,210,000	2,675,265	None	None	1,210,000	2,675,265	3,885,265	22,294
The Colony	TX	2,580,000	2,214,133	None	None	2,580,000	2,214,133	4,794,133	18,451
Automotive Collision Services									
Highlands	CO	583,289	2,139,057	None	None	583,289	2,139,057	2,722,346	573,270
Ranch									
Littleton	CO	601,388	2,169,898	None	None	601,388	2,169,898	2,771,286	434,767
Parker	CO	678,768	2,100,854	None	None	678,768	2,100,854	2,779,622	569,777
Thornton	CO	693,323	1,896,616	None	128	693,323	1,896,744	2,590,067	456,448
Cumming	GA	661,624	1,822,363	None	None	661,624	1,822,363	2,483,987	526,779
Douglasville	GA	679,868	1,935,515	None	None	679,868	1,935,515	2,615,383	565,231
Morrow	GA	725,948	1,846,315	None	None	725,948	1,846,315	2,572,263	544,597
Peachtree	GA	1,190,380	689,284	None	None	1,190,380	689,284	1,879,664	220,265
City									
Ham Lake	MN	192,610	1,930,958	None	None	192,610	1,930,958	2,123,568	466,860
Olive	MS	350,000	240,216	None	None	350,000	240,216	590,216	9
Branch									
Cary	NC	610,389	1,492,235	None	None	610,389	1,492,235	2,102,624	276,063
Durham	NC	680,969	1,323,140	None	24	680,969	1,323,164	2,004,133	244,794
Wilmington	NC	378,813	1,150,679	None	None	378,813	1,150,679	1,529,492	250,279
Bartlett	TN	648,526	1,960,733	None	None	648,526	1,960,733	2,609,259	474,065

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Automotive

Parts

Millbrook	AL	108,000	518,741	4,157	211	108,000	523,109	631,109	248,569
Montgomery	AL	254,465	502,350	10,819	211	254,465	513,380	767,845	254,289
Wynne	AR	70,000	547,576	26,595	None	70,000	574,171	644,171	286,576
Phoenix	AZ	231,000	513,057	None	None	231,000	513,057	744,057	472,243
Phoenix	AZ	222,950	495,178	None	102	222,950	495,280	718,230	417,500
Tucson	AZ	194,250	431,434	None	None	194,250	431,434	625,684	398,632
Grass Valley	CA	325,000	384,955	None	None	325,000	384,955	709,955	345,966
Sacramento	CA	210,000	466,419	None	127	210,000	466,546	676,546	429,415
Turlock	CA	222,250	493,627	None	None	222,250	493,627	715,877	452,625
Denver	CO	141,400	314,056	None	146	141,400	314,202	455,602	289,213
Denver	CO	315,000	699,623	None	128	315,000	699,751	1,014,751	629,380
Littleton	CO	252,925	561,758	None	312	252,925	562,070	814,995	511,382
Smyrna	DE	232,273	472,855	None	None	232,273	472,855	705,128	234,064
Deerfield Beach	FL	475,000	871,738	2,420	31,798	475,000	905,956	1,380,956	416,958
Atlanta	GA	652,551	763,360	None	45,476	652,551	808,836	1,461,387	372,859
Council Bluffs	IA	194,355	431,668	None	None	194,355	431,668	626,023	388,283
Lewiston	ID	138,950	308,612	None	None	138,950	308,612	447,562	286,237
Moscow	ID	117,250	260,417	None	None	117,250	260,417	377,667	241,536
Peoria	IL	193,868	387,737	19,808	None	193,868	407,545	601,413	223,225
Brazil	IN	183,952	453,831	8,942	173	183,952	462,946	646,898	215,541
Muncie	IN	148,901	645,660	147,678	28,795	148,901	822,133	971,034	412,418
Princeton	IN	134,209	560,113	None	211	134,209	560,324	694,533	264,276
Vincennes	IN	185,312	489,779	None	173	185,312	489,952	675,264	231,115
Kansas City	KS	222,000	455,881	18,738	146	222,000	474,765	696,765	416,247
Alma	MI	155,000	600,282	None	122	155,000	600,404	755,404	279,107
Lansing	MI	265,000	574,931	78,937	209	265,000	654,077	919,077	296,450
Sturgis	MI	109,558	550,274	None	None	109,558	550,274	659,832	265,026
Batesville	MS	190,124	485,670	None	None	190,124	485,670	675,794	242,026

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Description (Note 1)	Initial Cost to Company				Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7)			Accumulated Depreciation (Note 4)	D Cons
	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total				
Horn Lake MS	142,702	514,779	None	211	142,702	514,990	657,692	258,406			
Richland MS	243,565	558,645	None	211	243,565	558,856	802,421	246,910			
Missoula MT	163,100	362,249	None	None	163,100	362,249	525,349	334,708			
Omaha NE	196,000	435,321	None	None	196,000	435,321	631,321	391,569			
Omaha NE	199,100	412,042	None	None	199,100	412,042	611,142	370,338			
Rio Rancho NM	211,577	469,923	None	None	211,577	469,923	681,500	427,600			
Las Vegas NV	161,000	357,585	260,000	None	161,000	617,585	778,585	443,065			
Canton OH	396,560	597,553	None	25,682	396,560	623,235	1,019,795	298,352			
Hamilton OH	183,000	515,727	2,941	122	183,000	518,790	701,790	242,819			
Hubbard OH	147,043	481,217	450	156	147,043	481,823	628,866	236,867			
Albany OR	152,250	338,153	None	215	152,250	338,368	490,618	315,019			
Beaverton OR	210,000	466,419	None	215	210,000	466,634	676,634	434,438			
Portland OR	190,750	423,664	None	215	190,750	423,879	614,629	394,632			
Portland OR	147,000	326,493	None	215	147,000	326,708	473,708	304,163			
Salem OR	136,500	303,170	None	215	136,500	303,385	439,885	282,448			
Butler PA	339,929	633,078	20,558	230	339,929	653,866	993,795	321,718			
Dover PA	265,112	593,341	None	None	265,112	593,341	858,453	297,659			
Enola PA	220,228	546,026	4,699	None	220,228	550,725	770,953	264,848			
Hanover PA	132,500	719,511	None	232	132,500	719,743	852,243	327,641			
Harrisburg PA	327,781	608,291	None	None	327,781	608,291	936,072	305,158			
Harrisburg PA	283,417	352,473	None	None	283,417	352,473	635,890	173,304			
Lancaster PA	199,899	774,838	24,235	None	199,899	799,073	998,972	391,097			
New Castle PA	180,009	525,774	12,134	230	180,009	538,138	718,147	268,768			
Reading PA	379,000	658,722	10,100	232	379,000	669,054	1,048,054	310,757			
Columbia TN	273,120	431,716	None	211	273,120	431,927	705,047	199,402			
Bellevue WA	185,500	411,997	None	117	185,500	412,114	597,614	383,683			
Bellingham WA	168,000	373,133	None	117	168,000	373,250	541,250	347,499			
Hazel Dell WA	168,000	373,135	None	None	168,000	373,135	541,135	334,979			
Kenmore WA	199,500	443,098	None	117	199,500	443,215	642,715	412,639			
Kent WA	199,500	443,091	None	117	199,500	443,208	642,708	412,633			
Lakewood WA	191,800	425,996	None	117	191,800	426,113	617,913	396,717			
Moses Lake WA	138,600	307,831	None	None	138,600	307,831	446,431	286,602			
Renton WA	185,500	412,003	None	117	185,500	412,120	597,620	382,232			
Seattle WA	162,400	360,697	None	117	162,400	360,814	523,214	335,922			
Silverdale WA	183,808	419,777	None	117	183,808	419,894	603,702	389,442			
Tacoma WA	196,000	435,324	None	117	196,000	435,441	631,441	402,326			
Vancouver WA	180,250	400,343	None	215	180,250	400,558	580,808	372,919			
	WA 170,100	377,793	3,790	6,604	170,100	388,187	558,287	355,848			

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Walla

Walla

Wenatchee WA	148,400	329,602	None	None	148,400	329,602	478,002	306,872
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Automotive

Service

Flagstaff AZ	144,821	417,485	None	None	144,821	417,485	562,306	206,240
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Mesa AZ	210,620	475,072	None	None	210,620	475,072	685,692	163,896
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Phoenix AZ	189,341	546,984	None	110	189,341	547,094	736,435	188,772
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Phoenix AZ	384,608	279,824	None	None	384,608	279,824	664,432	96,537
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Sierra Vista AZ	175,114	345,508	None	None	175,114	345,508	520,622	119,198
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Tucson AZ	226,596	437,972	None	None	226,596	437,972	664,568	151,098
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Tucson AZ	287,369	533,684	None	None	287,369	533,684	821,053	16,900
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Bakersfield CA	65,165	206,927	None	None	65,165	206,927	272,092	71,388
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Chula Vista CA	313,293	409,654	None	None	313,293	409,654	722,947	239,647
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Dublin CA	415,620	1,153,928	None	None	415,620	1,153,928	1,569,548	398,103
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Folsom CA	471,813	325,610	None	None	471,813	325,610	797,423	112,333
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Indio CA	264,956	265,509	None	None	264,956	265,509	530,465	91,599
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Los Angeles	580,446	158,876	None	None	580,446	158,876	739,322	54,810
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Angeles

Oxnard CA	186,980	198,236	None	None	186,980	198,236	385,216	68,390
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Simi Valley	213,920	161,012	None	None	213,920	161,012	374,932	55,547
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Valley

Vacaville CA	358,067	284,931	None	None	358,067	284,931	642,998	98,299
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	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total		
Aurora	CO	231,314	430,495	None	115	231,314	430,610	661,924	56,693
Broomfield	CO	154,930	503,626	None	115	154,930	503,741	658,671	289,597
Denver	CO	79,717	369,587	None	148	79,717	369,735	449,452	369,679
Denver	CO	239,024	444,785	None	115	239,024	444,900	683,924	58,575
Lakewood	CO	70,422	132,296	None	None	70,422	132,296	202,718	17,419
Longmont	CO	87,385	163,169	None	115	87,385	163,284	250,669	21,495
Thornton	CO	276,084	415,464	None	115	276,084	415,579	691,663	231,821
Hartford	CT	248,540	482,460	None	161	248,540	482,621	731,161	275,814
Southington	CT	225,882	672,910	None	None	225,882	672,910	898,792	364,382
Vernon	CT	81,529	300,518	None	None	81,529	300,518	382,047	102,677
Jacksonville	FL	76,585	355,066	6,980	420	76,585	362,466	439,051	357,312
Lauderdale Lakes	FL	65,987	305,931	None	79	65,987	306,010	371,997	305,092
Miami Gardens	FL	163,239	262,726	None	None	163,239	262,726	425,965	89,765
Orange City	FL	99,613	139,008	None	None	99,613	139,008	238,621	47,956
Seminole	FL	68,000	315,266	None	None	68,000	315,266	383,266	315,266
Sunrise	FL	80,253	372,070	None	None	80,253	372,070	452,323	371,047
Tampa	FL	70,000	324,538	None	37	70,000	324,575	394,575	324,575
Tampa	FL	67,000	310,629	None	None	67,000	310,629	377,629	310,629
Tampa	FL	86,502	401,041	None	96	86,502	401,137	487,639	394,298
Atlanta	GA	55,840	258,889	None	452	55,840	259,341	315,181	259,091
Atlanta	GA	309,474	574,737	None	None	309,474	574,737	884,211	18,200
Bogart	GA	66,807	309,733	None	None	66,807	309,733	376,540	309,733
Douglasville	GA	214,771	129,519	None	None	214,771	129,519	344,290	44,682
Duluth	GA	222,275	316,925	None	None	222,275	316,925	539,200	164,709
Duluth	GA	290,842	110,056	None	None	290,842	110,056	400,898	37,967
Gainesville	GA	53,589	248,452	None	None	53,589	248,452	302,041	248,452
Kennesaw	GA	266,865	139,425	None	None	266,865	139,425	406,290	48,100
Marietta	GA	60,900	293,461	67,871	446	60,900	361,778	422,678	303,925
Marietta	GA	69,561	346,024	None	386	69,561	346,410	415,971	341,394
Norcross	GA	244,124	151,831	None	None	244,124	151,831	395,955	52,380
Norcross	GA	503,773	937,121	39,032	21,600	503,773	997,753	1,501,526	164,277
Riverdale	GA	58,444	270,961	None	None	58,444	270,961	329,405	270,961
Rome	GA	56,454	261,733	None	None	56,454	261,733	318,187	261,733
Snellville	GA	253,316	132,124	None	None	253,316	132,124	385,440	45,581
Tucker	GA	78,646	364,625	None	9,589	78,646	374,214	452,860	367,060
Arlington Hts	IL	441,437	215,983	None	None	441,437	215,983	657,420	74,512

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Chicago	IL	329,076	255,294	None	None	329,076	255,294	584,370	88,074
Round Lake Beach	IL	472,132	236,585	None	None	472,132	236,585	708,717	81,620
Westchester	IL	421,239	184,812	None	None	421,239	184,812	606,051	63,758
Anderson	IN	232,170	385,661	None	163	232,170	385,824	617,994	201,323
Indianapolis	IN	231,384	428,307	None	116	231,384	428,423	659,807	244,858
Michigan City	IN	392,638	297,650	(3,065)	None	389,573	297,650	687,223	102,688
Warsaw	IN	140,893	228,116	None	None	140,893	228,116	369,009	78,698
Olathe	KS	217,995	367,055	None	16,870	217,995	383,925	601,920	200,052
Topeka	KS	32,022	60,368	None	None	32,022	60,368	92,390	7,948
Louisville	KY	56,054	259,881	None	None	56,054	259,881	315,935	259,881
Newport	KY	323,511	289,017	None	None	323,511	289,017	612,528	153,605
Billerica	MA	399,043	462,240	None	None	399,043	462,240	861,283	253,363
East Falmouth	MA	191,302	340,539	None	None	191,302	340,539	531,841	117,484
East Wareham	MA	149,680	278,669	None	None	149,680	278,669	428,349	96,138
Fairhaven	MA	138,957	289,294	None	None	138,957	289,294	428,251	99,804
Gardner	MA	138,990	289,361	None	None	138,990	289,361	428,351	99,827
Hyannis	MA	180,653	458,522	None	None	180,653	458,522	639,175	156,662
Lenox	MA	287,769	535,273	None	232	287,769	535,505	823,274	252,564
Newburyport	MA	274,698	466,449	None	None	274,698	466,449	741,147	159,370
North Reading	MA	180,546	351,161	None	None	180,546	351,161	531,707	121,148
Orleans	MA	138,212	394,065	None	None	138,212	394,065	532,277	135,950
Aberdeen	MD	223,617	225,605	None	None	223,617	225,605	449,222	77,082

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Description (Note 1)	Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7)			Accumulated Depreciation (Note 4)	Co
	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total		
Bethesda	MD 282,717	525,928	None	None	282,717	525,928	808,645	69,247	
Capital Heights	MD 547,173	219,979	(12,319)	None	534,854	219,979	754,833	75,889	
Clinton	MD 70,880	328,620	11,440	None	70,880	340,060	410,940	331,194	
Lexington Park	MD 111,396	335,288	(7,600)	None	103,796	335,288	439,084	115,671	
Kalamazoo	MI 391,745	296,975	(2,196)	None	389,549	296,975	686,524	102,455	
Portage	MI 402,409	286,441	(2,112)	None	400,297	286,441	686,738	98,820	
Southfield	MI 275,952	350,765	None	None	275,952	350,765	626,717	121,012	
Troy	MI 214,893	199,299	None	None	214,893	199,299	414,192	68,757	
St. Cloud	MN 203,338	258,626	None	None	203,338	258,626	461,964	88,364	
Independence	MO 297,641	233,152	None	None	297,641	233,152	530,793	130,954	
Asheville	NC 441,746	242,565	None	None	441,746	242,565	684,311	83,683	
Charlotte	NC 508,100	457,295	None	None	508,100	457,295	965,395	139,475	
Concord	NC 237,688	357,976	None	None	237,688	357,976	595,664	178,476	
Durham	NC 55,074	255,336	None	878	55,074	256,214	311,288	255,407	
Durham	NC 354,676	361,203	3,400	173	354,676	364,776	719,452	195,446	
Fayetteville	NC 224,326	257,733	None	205	224,326	257,938	482,264	134,577	
Greensboro	NC 286,068	244,606	None	None	286,068	244,606	530,674	84,381	
Matthews	NC 295,580	338,472	10,000	13,703	295,580	362,175	657,755	174,537	
Pineville	NC 254,460	355,630	None	205	254,460	355,835	610,295	189,179	
Raleigh	NC 89,145	413,301	None	None	89,145	413,301	502,446	413,301	
Raleigh	NC 398,694	263,621	None	None	398,694	263,621	662,315	139,245	
Salisbury	NC 235,614	150,592	None	None	235,614	150,592	386,206	51,952	
Fargo	ND 53,973	100,262	None	None	53,973	100,262	154,235	13,201	
Lincoln	NE 337,138	316,958	None	None	337,138	316,958	654,096	109,348	
Scotts Bluff	NE 33,307	63,355	None	None	33,307	63,355	96,662	8,342	
Cherry Hill	NJ 463,808	862,240	None	None	463,808	862,240	1,326,048	113,528	
Edison	NJ 448,936	238,773	None	None	448,936	238,773	687,709	82,373	
Glassboro	NJ 182,013	312,480	None	None	182,013	312,480	494,493	106,764	
Hamilton Square	NJ 422,477	291,555	None	None	422,477	291,555	714,032	100,583	
Hamilton Township	NJ 265,238	298,167	None	None	265,238	298,167	563,405	102,864	
Pleasantville	NJ 77,105	144,693	None	None	77,105	144,693	221,798	19,051	
Randolph	NJ 452,629	390,163	None	None	452,629	390,163	842,792	134,604	
Westfield	NJ 705,337	288,720	None	None	705,337	288,720	994,057	99,604	
Woodbury	NJ 212,788	320,283	None	None	212,788	320,283	533,071	110,494	
Albuquerque	NM 231,553	430,026	None	None	231,553	430,026	661,579	13,618	

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Las Vegas	NV	326,879	359,101	None	None	326,879	359,101	685,980	123,888
Las Vegas	NV	316,441	369,768	None	None	316,441	369,768	686,209	127,568
Las Vegas	NV	252,169	562,715	None	None	252,169	562,715	814,884	194,135
Sparks	NV	326,813	306,311	None	None	326,813	306,311	633,124	105,675
Albion	NY	170,589	317,424	None	None	170,589	317,424	488,013	149,710
Bethpage	NY	334,120	621,391	None	None	334,120	621,391	955,511	81,816
Commack	NY	400,427	744,533	None	None	400,427	744,533	1,144,960	98,030
Dansville	NY	181,664	337,991	None	None	181,664	337,991	519,655	159,411
East Amherst	NY	260,708	484,788	None	156	260,708	484,944	745,652	228,689
East Syracuse	NY	250,609	466,264	None	156	250,609	466,420	717,029	219,949
Freeport	NY	134,828	251,894	None	None	134,828	251,894	386,722	33,166
Johnson City	NY	242,863	451,877	None	156	242,863	452,033	694,896	213,163
Queens Village	NY	242,775	451,749	None	None	242,775	451,749	694,524	59,480
Riverhead	NY	143,929	268,795	None	None	143,929	268,795	412,724	35,391
Wellsville	NY	161,331	300,231	None	None	161,331	300,231	461,562	141,601
West Amherst	NY	268,692	499,619	None	156	268,692	499,775	768,467	235,684
Akron	OH	139,126	460,334	None	None	139,126	460,334	599,460	244,706
Beaver Creek	OH	349,091	251,127	None	None	349,091	251,127	600,218	63,200
Beavercreek	OH	205,000	492,538	None	None	205,000	492,538	697,538	271,716
Canal Winchester	OH	443,751	825,491	None	None	443,751	825,491	1,269,242	263,827
Centerville	OH	305,000	420,448	None	None	305,000	420,448	725,448	243,159
Cincinnati	OH	293,005	201,340	None	None	293,005	201,340	494,345	106,975
Cincinnati	OH	211,185	392,210	None	None	211,185	392,210	603,395	111,780

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	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total		
Cincinnati	OH 305,556	244,662	None	None	305,556	244,662	550,218	61,573	
Cincinnati	OH 589,286	160,932	None	None	589,286	160,932	750,218	40,501	
Cincinnati	OH 159,375	265,842	None	None	159,375	265,842	425,217	66,903	
Cincinnati	OH 350,000	300,217	None	None	350,000	300,217	650,217	72,553	
Cleveland	OH 215,111	216,517	None	None	215,111	216,517	431,628	73,977	
Columbus	OH 71,098	329,627	None	None	71,098	329,627	400,725	329,627	
Columbus	OH 75,761	351,247	None	None	75,761	351,247	427,008	351,247	
Columbus	OH 245,036	470,468	None	122	245,036	470,590	715,626	283,117	
Columbus	OH 432,110	386,553	None	None	432,110	386,553	818,663	117,898	
Columbus	OH 466,696	548,133	None	None	466,696	548,133	1,014,829	167,180	
Columbus	OH 337,679	272,484	None	None	337,679	272,484	610,163	68,575	
Columbus	OH 190,000	260,162	None	None	190,000	260,162	450,162	65,474	
Columbus	OH 371,429	278,734	None	None	371,429	278,734	650,163	70,148	
Columbus	OH 214,737	85,425	24,485	5	214,737	109,915	324,652	23,882	
Cuyahoga Falls	OH 253,750	271,400	None	None	253,750	271,400	525,150	68,302	
Dayton	OH 70,000	324,538	None	286	70,000	324,824	394,824	324,755	
Dublin	OH 437,887	428,046	None	None	437,887	428,046	865,933	130,553	
Eastlake	OH 321,347	459,774	None	209	321,347	459,983	781,330	276,692	
Fairfield	OH 323,408	235,024	None	None	323,408	235,024	558,432	124,896	
Fairlawn	OH 280,000	270,150	None	None	280,000	270,150	550,150	67,987	
Findlay	OH 283,515	397,004	None	None	283,515	397,004	680,519	207,108	
Hamilton	OH 252,608	413,279	None	None	252,608	413,279	665,887	223,856	
Huber Heights	OH 282,000	449,381	None	None	282,000	449,381	731,381	250,904	
Lima	OH 241,132	114,085	None	None	241,132	114,085	355,217	28,711	
Marion	OH 100,000	275,162	None	None	100,000	275,162	375,162	66,498	
Mason	OH 310,990	405,373	None	None	310,990	405,373	716,363	123,638	
Middleburg Hghts	OH 317,308	307,842	None	None	317,308	307,842	625,150	77,473	
Milford	OH 353,324	269,997	None	None	353,324	269,997	623,321	143,507	
Mt. Vernon	OH 216,115	375,357	None	None	216,115	375,357	591,472	195,812	
Northwood	OH 65,978	263,912	36,827	362	65,978	301,101	367,079	268,996	
Norwalk	OH 200,205	366,000	None	None	200,205	366,000	566,205	190,929	
Parma	OH 268,966	381,184	None	None	268,966	381,184	650,150	95,931	
Reynoldsburg	OH 267,750	497,371	None	None	267,750	497,371	765,121	125,172	
Reynoldsburg	OH 374,000	176,162	None	None	374,000	176,162	550,162	44,334	
S. Euclid	OH 337,593	451,944	None	None	337,593	451,944	789,537	137,843	
Sandusky	OH 264,708	404,011	None	230	264,708	404,241	668,949	210,897	

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Solon	OH 794,305	222,797	None	None	794,305	222,797	1,017,102	67,953
Springboro	OH 191,911	522,902	None	None	191,911	522,902	714,813	288,309
Springfield	OH 320,000	280,217	None	None	320,000	280,217	600,217	70,521
Springfield	OH 189,091	136,127	None	None	189,091	136,127	325,218	34,258
Stow	OH 310,000	415,150	None	None	310,000	415,150	725,150	104,479
Toledo	OH 91,655	366,621	36,699	369	91,655	403,689	495,344	371,690
Toledo	OH 120,000	230,217	None	None	120,000	230,217	350,217	57,938
Toledo	OH 250,000	175,217	None	25	250,000	175,242	425,242	44,107
Toledo	OH 320,000	280,217	None	None	320,000	280,217	600,217	70,521
Toledo	OH 250,000	530,217	None	None	250,000	530,217	780,217	133,438
West Chester	OH 446,449	768,644	None	None	446,449	768,644	1,215,093	228,417
Zanesville	OH 125,000	300,162	None	None	125,000	300,162	425,162	75,540
Midwest City	OK 106,312	333,551	None	None	106,312	333,551	439,863	165,189
Oklahoma City	OK 143,655	295,422	None	None	143,655	295,422	439,077	150,188
Tulsa	OK 133,648	249,702	None	None	133,648	249,702	383,350	32,877
Portland	OR 251,499	345,952	None	None	251,499	345,952	597,451	114,163
Salem	OR 337,711	253,855	None	None	337,711	253,855	591,566	87,578
Bethel Park	PA 299,595	331,264	None	None	299,595	331,264	630,859	172,817
Bethlehem	PA 275,328	389,067	None	457	275,328	389,524	664,852	203,302
Bethlehem	PA 229,162	310,526	None	None	229,162	310,526	539,688	161,987
Bridgeville	PA 275,000	375,150	None	None	275,000	375,150	650,150	94,412
Coraopolis	PA 225,000	375,150	None	None	225,000	375,150	600,150	94,412

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Description (Note 1)		Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7)			Accumulated Depreciation (Note 4)
		Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	
Harrisburg	PA	131,529	220,317	(2,515)	None	129,014	220,317	349,331	76,006
Monroeville	PA	275,000	250,150	None	None	275,000	250,150	525,150	62,954
Philadelphia	PA	858,500	877,744	None	1,701	858,500	879,445	1,737,945	597,215
Pittsburgh	PA	378,715	685,374	None	None	378,715	685,374	1,064,089	224,243
Pittsburgh	PA	219,938	408,466	None	None	219,938	408,466	628,404	116,413
Pittsburgh	PA	175,000	300,150	None	None	175,000	300,150	475,150	75,537
Pittsburgh	PA	243,750	406,400	None	None	243,750	406,400	650,150	102,277
Pittsburgh	PA	208,333	416,817	None	None	208,333	416,817	625,150	104,898
Pittsburgh	PA	121,429	303,721	None	None	121,429	303,721	425,150	76,436
Warminster	PA	323,847	216,999	(3,929)	None	319,918	216,999	536,917	74,861
Wexford	PA	284,375	240,775	None	None	284,375	240,775	525,150	60,595
York	PA	249,436	347,424	None	232	249,436	347,656	597,092	181,345
Charleston	SC	217,250	294,079	None	None	217,250	294,079	511,329	157,283
Columbia	SC	267,622	298,594	None	6,970	267,622	305,564	573,186	158,641
Greenville	SC	221,946	315,163	None	8,379	221,946	323,542	545,488	174,739
Lexington	SC	241,534	342,182	None	302	241,534	342,484	584,018	160,618
North Charleston	SC	174,980	341,466	5,875	5,260	174,980	352,601	527,581	172,665
Sioux Falls	SD	48,833	91,572	None	None	48,833	91,572	140,405	12,057
Brentwood	TN	305,546	505,728	None	None	305,546	505,728	811,274	262,128
Hendersonville	TN	175,764	327,096	None	None	175,764	327,096	502,860	104,126
Hermitage	TN	560,443	1,011,799	None	None	560,443	1,011,799	1,572,242	340,435
Hermitage	TN	204,296	172,695	None	None	204,296	172,695	376,991	59,578
Madison	TN	175,769	327,068	None	None	175,769	327,068	502,837	104,117
Memphis	TN	108,094	217,079	None	None	108,094	217,079	325,173	74,889
Memphis	TN	214,110	193,591	None	None	214,110	193,591	407,701	66,786
Memphis	TN	215,017	216,794	None	None	215,017	216,794	431,811	74,071
Murfreesboro	TN	150,411	215,528	None	None	150,411	215,528	365,939	74,355
Nashville	TN	342,960	227,440	None	None	342,960	227,440	570,400	120,872
Carrollton	TX	174,284	98,623	None	None	174,284	98,623	272,907	34,023
Carrollton	TX	177,041	199,088	None	None	177,041	199,088	376,129	68,683
Dallas	TX	234,604	325,951	None	171	234,604	326,122	560,726	187,426
Fort Worth	TX	83,530	111,960	None	None	83,530	111,960	195,490	38,624
Houston	TX	285,000	369,697	None	None	285,000	369,697	654,697	195,284
Humble	TX	257,169	325,652	None	None	257,169	325,652	582,821	112,348
Lake Jackson	TX	197,170	256,376	None	None	197,170	256,376	453,546	88,448
Lewisville	TX	199,942	324,736	None	149	199,942	324,885	524,827	186,726
Lewisville	TX	130,238	207,683	None	None	130,238	207,683	337,921	70,959
Mansfield	TX	420,000	780,000	None	None	420,000	780,000	1,200,000	24,700



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San Antonio	TX	198,828	437,422	7,385	23,232	198,828	468,039	666,867	279,379
Waco	TX	232,105	431,053	None	None	232,105	431,053	663,158	13,650
Wylie	TX	252,000	468,000	None	None	252,000	468,000	720,000	14,820
Richmond	VA	403,549	876,981	None	None	403,549	876,981	1,280,530	243,033
Roanoke	VA	349,628	322,545	None	203	349,628	322,748	672,376	168,460
Warrenton	VA	186,723	241,173	None	None	186,723	241,173	427,896	83,201
Bremerton	WA	261,172	373,080	None	None	261,172	373,080	634,252	210,398
Tacoma	WA	109,127	202,691	None	None	109,127	202,691	311,818	26,688
Milwaukee	WI	173,005	499,244	None	370	173,005	499,614	672,619	300,468
Milwaukee	WI	152,509	475,480	None	197	152,509	475,677	628,186	271,829
New Berlin	WI	188,491	466,268	None	375	188,491	466,643	655,134	280,628
Racine	WI	184,002	114,167	None	None	184,002	114,167	298,169	39,386

Automotive  
Tire Services

Athens	AL	760,031	1,413,494	None	None	760,031	1,413,494	2,173,525	233,222
Auburn	AL	660,210	1,228,112	None	500	660,210	1,228,612	1,888,822	202,810
Birmingham	AL	635,111	1,180,909	None	500	635,111	1,181,409	1,816,520	195,021
Daphne	AL	876,139	1,629,123	None	500	876,139	1,629,623	2,505,762	268,976
Decatur	AL	635,111	1,181,499	None	500	635,111	1,181,999	1,817,110	195,118

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Description (Note 1)		Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7)			Accumulated Depreciation (Note 4)
		Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	
Dothan	AL	455,651	565,343	None	None	455,651	565,343	1,020,994	48,614
Foley	AL	870,031	1,617,357	None	500	870,031	1,617,857	2,487,888	267,031
Gardendale	AL	610,055	1,134,554	None	500	610,055	1,135,054	1,745,109	186,773
Hoover	AL	504,396	938,299	None	None	504,396	938,299	1,442,695	154,811
Hoover	AL	620,270	1,153,493	None	None	620,270	1,153,493	1,773,763	190,321
Huntsville	AL	499,843	929,863	None	500	499,843	930,363	1,430,206	153,591
Huntsville	AL	635,111	1,181,499	None	None	635,111	1,181,499	1,816,610	194,941
Madison	AL	635,111	1,181,532	None	None	635,111	1,181,532	1,816,643	194,941
Mobile	AL	635,111	1,181,499	None	None	635,111	1,181,499	1,816,610	194,941
Mobile	AL	525,750	977,810	None	None	525,750	977,810	1,503,560	161,331
Montgomery	AL	544,181	654,046	None	500	544,181	654,546	1,198,727	67,311
Orange Beach	AL	630,244	1,172,036	None	500	630,244	1,172,536	1,802,780	193,551
Pelham	AL	635,111	1,180,909	None	None	635,111	1,180,909	1,816,020	194,841
Phenix City	AL	630,244	1,172,024	None	500	630,244	1,172,524	1,802,768	193,551
Tucson	AZ	178,297	396,004	None	None	178,297	396,004	574,301	329,271
Arvada	CO	301,489	931,092	None	None	301,489	931,092	1,232,581	377,131
Aurora	CO	221,691	492,382	None	None	221,691	492,382	714,073	409,401
Aurora	CO	353,283	1,135,051	None	None	353,283	1,135,051	1,488,334	444,591
Colorado Springs	CO	280,193	622,317	None	None	280,193	622,317	902,510	517,441
Colorado Springs	CO	192,988	433,542	None	None	192,988	433,542	626,530	313,541
Denver	CO	688,292	1,331,224	None	None	688,292	1,331,224	2,019,516	425,761
Westminster	CO	526,620	1,099,523	None	None	526,620	1,099,523	1,626,143	430,681
Destin	FL	1,034,411	1,922,591	None	None	1,034,411	1,922,591	2,957,002	317,221
Ft. Walton Bch	FL	635,111	1,181,032	None	500	635,111	1,181,532	1,816,643	195,041
Ft. Walton Bch	FL	635,111	1,181,032	None	500	635,111	1,181,532	1,816,643	195,041
Lakeland	FL	500,000	645,402	None	None	500,000	645,402	1,145,402	317,511
Milton	FL	635,111	1,181,145	None	None	635,111	1,181,145	1,816,256	194,881
Niceville	FL	920,803	1,711,621	None	None	920,803	1,711,621	2,632,424	282,411
Orlando	FL	635,111	1,181,076	None	500	635,111	1,181,576	1,816,687	195,041
Orlando	FL	630,244	1,172,023	None	None	630,244	1,172,023	1,802,267	193,381
Oviedo	FL	971,996	1,806,780	None	None	971,996	1,806,780	2,778,776	298,111
Pace	FL	630,244	1,171,993	None	500	630,244	1,172,493	1,802,737	193,551
Panama City	FL	635,111	1,181,076	None	500	635,111	1,181,576	1,816,687	195,041
Pensacola	FL	308,067	573,708	17,850	143	308,067	591,701	899,768	97,851
Pensacola	FL	635,111	1,181,063	None	None	635,111	1,181,063	1,816,174	194,871
Pensacola	FL	588,305	1,094,130	None	None	588,305	1,094,130	1,682,435	180,521

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Sanford	FL	630,244	1,172,023	None	None	630,244	1,172,023	1,802,267	193,388
St. Cloud	FL	525,207	976,968	None	None	525,207	976,968	1,502,175	161,190
Tallahassee	FL	419,902	781,405	None	None	419,902	781,405	1,201,307	128,920
Tallahassee	FL	611,916	1,137,986	None	500	611,916	1,138,486	1,750,402	187,930
Tampa	FL	427,395	472,030	None	None	427,395	472,030	899,425	232,240
Union Park	FL	1,004,103	1,866,287	None	None	1,004,103	1,866,287	2,870,390	307,930
Alpharetta	GA	630,244	1,171,870	None	500	630,244	1,172,370	1,802,614	193,530
Columbus	GA	630,244	1,171,988	None	None	630,244	1,171,988	1,802,232	193,370
Conyers	GA	531,935	1,180,296	None	None	531,935	1,180,296	1,712,231	410,820
Conyers	GA	635,111	1,181,027	None	None	635,111	1,181,027	1,816,138	194,860
Duluth	GA	638,509	1,186,594	None	None	638,509	1,186,594	1,825,103	338,170
Hiram	GA	635,111	1,181,017	None	None	635,111	1,181,017	1,816,128	194,860
Kennesaw	GA	519,903	967,180	None	None	519,903	967,180	1,487,083	159,580
Lawrenceville	GA	635,111	1,181,137	None	500	635,111	1,181,637	1,816,748	195,050
Marietta	GA	500,293	930,657	None	None	500,293	930,657	1,430,950	153,550
McDonough	GA	635,111	1,181,032	None	500	635,111	1,181,532	1,816,643	195,040
Peachtree City	GA	625,316	1,162,827	None	None	625,316	1,162,827	1,788,143	191,860
Roswell	GA	515,617	959,138	None	None	515,617	959,138	1,474,755	158,250
Sandy Springs	GA	586,211	1,090,241	None	None	586,211	1,090,241	1,676,452	179,880
Stockbridge	GA	632,128	1,175,478	None	500	632,128	1,175,978	1,808,106	194,120
Aurora	IL	513,204	953,885	None	None	513,204	953,885	1,467,089	271,850
Joliet	IL	452,267	840,716	None	None	452,267	840,716	1,292,983	239,600

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Description (Note 1)		Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7)			Accumulat Depreciat (Note 4)
		Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	
Lombard	IL	428,170	795,965	None	2,000	428,170	797,965	1,226,135	227,4
Niles	IL	366,969	682,306	None	None	366,969	682,306	1,049,275	194,4
Orland Park	IL	663,087	1,232,240	None	None	663,087	1,232,240	1,895,327	351,1
Vernon Hills	IL	524,948	975,668	None	None	524,948	975,668	1,500,616	278,0
West Dundee	IL	530,835	986,628	None	None	530,835	986,628	1,517,463	281,1
Overland Park	KS	1,101,841	2,047,067	None	None	1,101,841	2,047,067	3,148,908	583,4
Allston	MA	576,505	1,071,520	None	None	576,505	1,071,520	1,648,025	305,3
Shrewsbury	MA	721,065	1,339,913	None	None	721,065	1,339,913	2,060,978	381,8
Waltham	MA	338,955	630,279	None	None	338,955	630,279	969,234	179,6
Weymouth	MA	752,234	1,397,799	None	None	752,234	1,397,799	2,150,033	398,3
Woburn	MA	676,968	1,258,018	None	None	676,968	1,258,018	1,934,986	358,5
Annapolis	MD	780,806	1,450,860	None	None	780,806	1,450,860	2,231,666	413,4
Bowie	MD	734,558	1,364,970	None	None	734,558	1,364,970	2,099,528	389,0
Capital Heights	MD	701,705	1,303,958	None	None	701,705	1,303,958	2,005,663	371,6
Germantown	MD	808,296	1,501,913	None	None	808,296	1,501,913	2,310,209	428,0
Waldorf	MD	427,033	793,854	None	None	427,033	793,854	1,220,887	226,2
Eagan	MN	902,443	845,536	None	None	902,443	845,536	1,747,979	418,5
Ferguson	MO	386,112	717,856	None	None	386,112	717,856	1,103,968	204,5
Grandview	MO	347,150	711,024	None	None	347,150	711,024	1,058,174	349,6
Independence	MO	721,020	1,339,829	None	None	721,020	1,339,829	2,060,849	381,8
Charlotte	NC	181,662	338,164	None	None	181,662	338,164	519,826	96,3
Clemmons	NC	630,000	1,100,160	None	None	630,000	1,100,160	1,730,160	137,5
Jamestown	NC	650,000	857,823	None	None	650,000	857,823	1,507,823	107,2
Matthews	NC	489,063	909,052	None	None	489,063	909,052	1,398,115	259,0
Omaha	NE	253,128	810,922	None	None	253,128	810,922	1,064,050	366,3
Manchester	NH	722,532	1,342,636	None	None	722,532	1,342,636	2,065,168	382,6
Newington	NH	690,753	1,283,624	None	None	690,753	1,283,624	1,974,377	365,8
Salem	NH	597,833	1,111,059	None	None	597,833	1,111,059	1,708,892	316,6
Deptford	NJ	619,376	1,151,062	None	None	619,376	1,151,062	1,770,438	328,0
Maple Shade	NJ	508,285	944,750	None	None	508,285	944,750	1,453,035	269,2
Akron	OH	242,133	450,467	None	None	242,133	450,467	692,600	128,3
Cambridge	OH	103,368	192,760	None	None	103,368	192,760	296,128	54,9
Canton	OH	337,161	626,948	None	None	337,161	626,948	964,109	178,6
Cleveland	OH	582,107	1,081,848	None	None	582,107	1,081,848	1,663,955	308,3
Columbus	OH	385,878	717,422	None	None	385,878	717,422	1,103,300	204,4
Oklahoma City	OK	509,370	752,691	None	None	509,370	752,691	1,262,061	347,6
Oklahoma City	OK	404,815	771,625	None	None	404,815	771,625	1,176,440	356,3
Greensburg	PA	594,891	1,105,589	None	None	594,891	1,105,589	1,700,480	315,0
Lancaster	PA	431,050	801,313	None	None	431,050	801,313	1,232,363	228,3
Mechanicsburg	PA	455,854	847,377	None	None	455,854	847,377	1,303,231	241,4

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Monroeville	PA	723,660	1,344,733	None	None	723,660	1,344,733	2,068,393	383,2
Philadelphia	PA	334,939	622,821	None	None	334,939	622,821	957,760	177,5
Pittsburgh	PA	384,756	715,339	None	None	384,756	715,339	1,100,095	203,8
York	PA	389,291	723,760	None	None	389,291	723,760	1,113,051	206,2
Columbia	SC	343,785	295,001	183,130	None	343,785	478,131	821,916	278,7
Sioux Falls	SD	332,979	498,108	None	None	332,979	498,108	831,087	246,5
Goodlettsville	TN	601,306	1,117,504	None	None	601,306	1,117,504	1,718,810	318,4
Arlington	TX	599,558	1,114,256	None	None	599,558	1,114,256	1,713,814	317,5
Austin	TX	185,454	411,899	None	None	185,454	411,899	597,353	341,1
Austin	TX	710,485	1,320,293	None	None	710,485	1,320,293	2,030,778	376,2
Austin	TX	590,828	1,098,073	None	None	590,828	1,098,073	1,688,901	312,9
Austin	TX	569,909	1,059,195	None	None	569,909	1,059,195	1,629,104	301,8
Austin	TX	532,497	989,715	None	None	532,497	989,715	1,522,212	282,0
Carrollton	TX	568,401	1,056,394	None	None	568,401	1,056,394	1,624,795	301,0
Conroe	TX	396,068	736,346	None	None	396,068	736,346	1,132,414	209,8
Dallas	TX	191,267	424,811	None	15,282	191,267	440,093	631,360	368,4
Fort Worth	TX	543,950	1,010,984	None	None	543,950	1,010,984	1,554,934	288,1
Garland	TX	242,887	539,461	None	None	242,887	539,461	782,348	448,5

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Description (Note 1)	Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7)			Accumulated Depreciation (Note 4)	
	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total		
Harlingen TX	134,599	298,948	None	None	134,599	298,948	433,547	248,570	
Houston TX	151,018	335,417	None	None	151,018	335,417	486,435	278,893	
Houston TX	392,113	729,002	None	None	392,113	729,002	1,121,115	207,761	
Houston TX	1,030,379	1,914,353	None	None	1,030,379	1,914,353	2,944,732	545,586	
Houston TX	619,101	1,150,551	None	None	619,101	1,150,551	1,769,652	327,903	
Houston TX	642,495	1,193,997	None	None	642,495	1,193,997	1,836,492	340,285	
Houston TX	872,866	1,621,829	None	None	872,866	1,621,829	2,494,695	462,217	
Humble TX	612,414	1,138,132	None	None	612,414	1,138,132	1,750,546	324,364	
Leon Valley TX	178,221	395,834	None	None	178,221	395,834	574,055	329,129	
Leon Valley TX	529,967	985,046	None	None	529,967	985,046	1,515,013	280,733	
Mesquite TX	591,538	1,099,363	None	None	591,538	1,099,363	1,690,901	313,314	
N. Richland TX	509,861	947,707	None	95	509,861	947,802	1,457,663	270,093	
Hills									
Pasadena TX	107,391	238,519	None	None	107,391	238,519	345,910	198,324	
Plano TX	187,564	417,157	700	None	187,564	417,857	605,421	346,682	
Plano TX	494,407	918,976	None	None	494,407	918,976	1,413,383	261,904	
Richardson TX	555,188	1,031,855	None	None	555,188	1,031,855	1,587,043	294,075	
San Antonio TX	245,164	544,518	None	None	245,164	544,518	789,682	450,940	
San Antonio TX	688,249	1,278,967	None	None	688,249	1,278,967	1,967,216	364,502	
Stafford TX	706,786	1,313,395	None	None	706,786	1,313,395	2,020,181	374,313	
Waco TX	401,999	747,362	None	None	401,999	747,362	1,149,361	212,994	
Webster TX	600,261	1,115,563	None	None	600,261	1,115,563	1,715,824	317,931	
Bountiful UT	183,750	408,115	None	111	183,750	408,226	591,976	339,375	
Alexandria VA	542,791	1,008,832	None	None	542,791	1,008,832	1,551,623	287,513	
Alexandria VA	592,698	1,101,517	None	None	592,698	1,101,517	1,694,215	313,928	
Chesapeake VA	770,000	1,112,334	None	None	770,000	1,112,334	1,882,334	139,042	
Lynchburg VA	342,751	637,329	None	None	342,751	637,329	980,080	181,635	
Virginia VA	780,000	1,026,384	None	None	780,000	1,026,384	1,806,384	128,298	
Beach									
Woodbridge VA	774,854	1,439,806	None	None	774,854	1,439,806	2,214,660	410,341	
Tacoma WA	187,111	415,579	None	None	187,111	415,579	602,690	345,546	
Brown Deer WI	257,408	802,141	None	None	257,408	802,141	1,059,549	386,427	
Delafield WI	324,574	772,702	None	None	324,574	772,702	1,097,276	348,349	
Madison WI	452,630	811,977	None	None	452,630	811,977	1,264,607	396,572	
Oak Creek WI	420,465	852,408	None	None	420,465	852,408	1,272,873	416,319	
Book Stores									
Tampa FL	998,250	3,696,707	None	79	998,250	3,696,786	4,695,036	2,039,292	

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Business  
Services

Midland	TX	45,500	101,058	None	295	45,500	101,353	146,853	93,585
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Child Care

Birmingham	AL	63,800	295,791	None	None	63,800	295,791	359,591	295,791
Avondale	AZ	242,723	1,129,139	None	None	242,723	1,129,139	1,371,862	521,372
Chandler	AZ	291,720	647,923	None	171	291,720	648,094	939,814	594,173
Chandler	AZ	271,695	603,446	None	20	271,695	603,466	875,161	553,330
Mesa	AZ	308,951	1,025,612	None	None	308,951	1,025,612	1,334,563	463,272
Phoenix	AZ	115,000	285,172	39,971	22,386	115,000	347,529	462,529	312,325
Phoenix	AZ	318,500	707,397	10,725	252	318,500	718,374	1,036,874	626,726
Phoenix	AZ	260,719	516,181	None	32,234	260,719	548,415	809,134	416,849
Scottsdale	AZ	291,993	648,529	None	171	291,993	648,700	940,693	594,735
Scottsdale	AZ	264,504	587,471	None	179	264,504	587,650	852,154	478,729
Tempe	AZ	292,200	648,989	None	16,613	292,200	665,602	957,802	589,612
Tucson	AZ	304,500	676,303	None	168	304,500	676,471	980,971	599,091
Tucson	AZ	283,500	546,878	None	243	283,500	547,121	830,621	484,442
Calabasas	CA	156,430	725,248	100,838	58,993	156,430	885,079	1,041,509	766,549
Carmichael	CA	131,035	607,507	5,528	25,269	131,035	638,304	769,339	603,269
Chino	CA	155,000	634,071	None	22	155,000	634,093	789,093	634,078

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Description (Note 1)	Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7)			Accumulated Depreciation (Note 4)	Co
	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total		
Chula Vista	CA 350,563	778,614	None	21,743	350,563	800,357	1,150,920	720,438	
Corona	CA 144,856	671,584	None	72	144,856	671,656	816,512	671,589	
El Cajon	CA 157,804	731,621	None	107	157,804	731,728	889,532	731,715	
Escondido	CA 276,286	613,638	5,000	44,389	276,286	663,027	939,313	576,596	
Folsom	CA 281,563	625,363	None	46	281,563	625,409	906,972	577,982	
Mission Viejo	CA 353,891	744,367	12,500	None	353,891	756,867	1,110,758	555,313	
Oceanside	CA 145,568	674,889	11,000	None	145,568	685,889	831,457	680,345	
Palmdale	CA 249,490	554,125	9,864	None	249,490	563,989	813,479	498,575	
Rancho Cordova	CA 276,328	613,733	24,967	None	276,328	638,700	915,028	544,378	
Rancho Cucamonga	CA 471,733	1,047,739	49,000	80	471,733	1,096,819	1,568,552	966,475	
Roseville	CA 297,343	660,411	27,496	None	297,343	687,907	985,250	625,255	
Sacramento	CA 290,734	645,732	None	127	290,734	645,859	936,593	596,736	
Santee	CA 248,418	551,748	None	None	248,418	551,748	800,166	515,653	
Simi Valley	CA 208,585	967,055	22,800	75,597	208,585	1,065,452	1,274,037	1,043,430	
Valencia	CA 301,295	669,185	67,995	46	301,295	737,226	1,038,521	613,008	
Walnut	CA 217,365	1,007,753	1,200	51,271	217,365	1,060,224	1,277,589	999,557	
Aurora	CO 287,000	637,440	None	196	287,000	637,636	924,636	584,566	
Broomfield	CO 107,000	403,080	16,438	356	107,000	419,874	526,874	412,325	
Broomfield	CO 155,306	344,941	25,000	128	155,306	370,069	525,375	327,134	
Colorado Springs	CO 58,400	271,217	25,000	128	58,400	296,345	354,745	282,981	
Colorado Springs	CO 115,542	535,700	None	146	115,542	535,846	651,388	519,163	
Fort Collins	CO 55,200	256,356	None	None	55,200	256,356	311,556	256,356	
Fort Collins	CO 137,734	638,593	25,135	22,196	137,734	685,924	823,658	652,194	
Greeley	CO 58,400	270,755	25,000	196	58,400	295,951	354,351	284,963	
Greenwood Village	CO 131,216	608,372	6,862	21,238	131,216	636,472	767,688	594,497	
Littleton	CO 161,617	358,956	None	146	161,617	359,102	520,719	329,281	
Longmont	CO 115,592	535,931	None	146	115,592	536,077	651,669	533,091	
Louisville	CO 58,089	269,313	None	274	58,089	269,587	327,676	269,527	
Parker	CO 153,551	341,042	None	274	153,551	341,316	494,867	315,414	
Westminster	CO 306,387	695,737	None	422	306,387	696,159	1,002,546	602,231	
Bradenton	FL 160,060	355,501	25,000	79	160,060	380,580	540,640	334,940	
Clearwater	FL 42,223	269,380	None	79	42,223	269,459	311,682	269,389	
Jacksonville	FL 48,000	243,060	None	420	48,000	243,480	291,480	243,111	
Jacksonville	FL 184,800	410,447	22,872	189	184,800	433,508	618,308	368,068	

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Margate	FL	66,686	309,183	None	424	66,686	309,607	376,293	299,720
Melbourne	FL	256,439	549,345	None	79	256,439	549,424	805,863	403,583
Niceville	FL	73,696	341,688	None	420	73,696	342,108	415,804	331,101
Orlando	FL	68,001	313,922	None	373	68,001	314,295	382,296	314,190
Orlando	FL	159,177	353,538	None	184	159,177	353,722	512,899	330,582
Orlando	FL	190,050	422,107	5,707	189	190,050	428,003	618,053	362,409
Oviedo	FL	166,409	369,598	None	184	166,409	369,782	536,191	340,369
Panama City	FL	69,500	244,314	14,500	2,400	69,500	261,214	330,714	254,945
Pensacola	FL	147,000	326,492	20,000	240	147,000	346,732	493,732	285,844
Royal Palm Beach	FL	194,193	431,309	25,000	None	194,193	456,309	650,502	388,067
Spring Hill	FL	146,939	326,356	6,789	79	146,939	333,224	480,163	301,322
St. Augustine	FL	44,800	213,040	23,090	189	44,800	236,319	281,119	218,153
Sunrise	FL	245,000	533,280	92,266	28,462	245,000	654,008	899,008	490,070
Tampa	FL	53,385	199,846	None	None	53,385	199,846	253,231	199,846
Duluth	GA	310,000	1,040,008	None	None	310,000	1,040,008	1,350,008	466,320
Ellenwood	GA	119,678	275,414	54,999	395	119,678	330,808	450,486	242,923
Lawrenceville	GA	141,449	314,161	31,266	180	141,449	345,607	487,056	283,825
Lithia Springs	GA	187,444	363,358	None	147	187,444	363,505	550,949	306,003
Lithonia	GA	239,715	524,459	24,410	25,899	239,715	574,768	814,483	438,964
Marietta	GA	148,620	330,090	25,000	205	148,620	355,295	503,915	306,248
Marietta	GA	292,250	649,095	None	655	292,250	649,750	942,000	568,415
Marietta	GA	295,750	596,299	None	17,678	295,750	613,977	909,727	525,793
Marietta	GA	301,000	668,529	36,480	22,986	301,000	727,995	1,028,995	592,022
Smyrna	GA	274,750	610,229	None	415	274,750	610,644	885,394	536,441

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	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total		
Stockbridge	GA	168,700	374,688	24,894	415	168,700	399,997	568,697	336,844
Stone Mountain	GA	65,000	0	None	None	65,000	-	65,000	0
Cedar Rapids	IA	194,950	427,085	None	None	194,950	427,085	622,035	327,063
Iowa City	IA	186,900	408,910	None	None	186,900	408,910	595,810	314,249
Addison	IL	125,780	583,146	None	285	125,780	583,431	709,211	580,059
Algonquin	IL	241,500	509,629	None	20,426	241,500	530,055	771,555	431,967
Aurora	IL	165,679	398,738	27,450	21,087	165,679	447,275	612,954	367,256
Aurora	IL	468,000	1,259,926	None	None	468,000	1,259,926	1,727,926	556,558
Bartlett	IL	120,824	560,166	None	285	120,824	560,451	681,275	557,207
Carol Stream	IL	122,831	586,416	None	285	122,831	586,701	709,532	583,312
Crystal Lake	IL	400,000	1,259,424	None	None	400,000	1,259,424	1,659,424	560,524
Elk Grove Village	IL	126,860	588,175	None	285	126,860	588,460	715,320	585,061
Glendale Heights	IL	318,500	707,399	None	172	318,500	707,571	1,026,071	621,746
Hoffman Estates	IL	318,500	707,399	None	172	318,500	707,571	1,026,071	612,090
Lake in the Hills	IL	375,000	1,127,678	None	None	375,000	1,127,678	1,502,678	501,894
Lockport	IL	189,477	442,018	None	151	189,477	442,169	631,646	408,553
Naperville	IL	425,000	1,230,654	None	None	425,000	1,230,654	1,655,654	543,622
O'Fallon	IL	141,250	313,722	None	None	141,250	313,722	454,972	289,868
Oswego	IL	380,000	1,165,818	None	None	380,000	1,165,818	1,545,818	522,729
Palatine	IL	121,911	565,232	None	285	121,911	565,517	687,428	562,246
Roselle	IL	297,541	561,037	None	172	297,541	561,209	858,750	491,202
Schaumburg	IL	218,798	485,955	20,461	None	218,798	506,416	725,214	451,109
Vernon Hills	IL	132,523	614,430	None	285	132,523	614,715	747,238	611,170
Westmont	IL	124,742	578,330	None	323	124,742	578,653	703,395	575,334
Carmel	IN	217,565	430,742	None	432	217,565	431,174	648,739	342,785
Fishers	IN	60,000	278,175	None	None	60,000	278,175	338,175	278,175
Fishers	IN	212,118	419,958	None	595	212,118	420,553	632,671	334,344
Highland	IN	220,460	436,476	None	314	220,460	436,790	657,250	347,129
Indianapolis	IN	245,000	544,153	None	365	245,000	544,518	789,518	443,659
Lenexa	KS	318,500	707,399	14,200	167	318,500	721,766	1,040,266	619,860
Olathe	KS	304,500	676,308	66,918	9,147	304,500	752,373	1,056,873	618,077
Overland Park	KS	357,500	1,115,171	None	None	357,500	1,115,171	1,472,671	503,722
Shawnee	KS	315,000	699,629	None	356	315,000	699,985	1,014,985	617,386

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Shawnee	KS	288,246	935,875	None	None	288,246	935,875	1,224,121	444,581
Wichita	KS	108,569	352,287	8,286	72	108,569	360,645	469,214	16,350
Wichita	KS	209,890	415,549	26,399	16,270	209,890	458,218	668,108	349,741
Lexington	KY	210,427	420,883	None	187	210,427	421,070	631,497	330,650
Acton	MA	315,533	700,813	None	278	315,533	701,091	1,016,624	620,842
Marlborough	MA	352,765	776,488	None	286	352,765	776,774	1,129,539	682,544
Westborough	MA	359,412	773,877	None	469	359,412	774,346	1,133,758	680,213
Ellicott City	MD	219,368	630,839	26,550	None	219,368	657,389	876,757	563,661
Frederick	MD	203,352	1,017,109	None	None	203,352	1,017,109	1,220,461	506,859
Olney	MD	342,500	760,701	4,400	41,605	342,500	806,706	1,149,206	706,987
Waldorf	MD	130,430	604,702	None	514	130,430	605,216	735,646	605,087
Waldorf	MD	237,207	526,844	None	None	237,207	526,844	764,051	483,082
Canton	MI	55,000	378,848	2,913	10,977	55,000	392,738	447,738	381,293
Apple Valley	MN	113,523	526,319	None	348	113,523	526,667	640,190	523,548
Brooklyn Park	MN	118,111	547,587	None	348	118,111	547,935	666,046	544,698
Eagan	MN	112,127	519,845	None	1,012	112,127	520,857	632,984	517,350
Eden Prairie	MN	124,286	576,243	None	348	124,286	576,591	700,877	573,194
Maple Grove	MN	313,250	660,149	None	278	313,250	660,427	973,677	537,288
Plymouth	MN	134,221	622,350	None	197	134,221	622,547	756,768	602,987
White Bear Lake	MN	242,165	537,856	None	278	242,165	538,134	780,299	434,872
Florissant	MO	318,500	707,399	78,556	319	318,500	786,274	1,104,774	614,910
Florissant	MO	181,300	402,672	34,635	12,499	181,300	449,806	631,106	353,932
Gladstone	MO	294,000	652,987	None	302	294,000	653,289	947,289	578,426
Lee's Summit	MO	239,627	532,220	None	179	239,627	532,399	772,026	449,476
Lee's Summit	MO	330,000	993,787	None	None	330,000	993,787	1,323,787	448,890

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Lee's Summit	MO 313,740	939,367	None	None	313,740	939,367	1,253,107	421,196	
Liberty	MO 65,400	303,211	25,000	123	65,400	328,334	393,734	316,717	
North Kansas City	MO 307,784	910,401	None	None	307,784	910,401	1,218,185	437,989	
Jackson	MS 248,483	572,522	17,627	17,780	248,483	607,929	856,412	256,268	
Pearl	MS 121,801	270,524	18,837	None	121,801	289,361	411,162	246,564	
Cary	NC 75,200	262,973	15,000	187	75,200	278,160	353,360	265,210	
Charlotte	NC 134,582	268,222	24,478	139	134,582	292,839	427,421	248,285	
Concord	NC 32,441	190,859	None	326	32,441	191,185	223,626	190,995	
Durham	NC 175,700	390,234	26,312	187	175,700	416,733	592,433	352,857	
Durham	NC 220,728	429,380	None	176	220,728	429,556	650,284	361,722	
Kernersville	NC 162,216	316,300	None	223	162,216	316,523	478,739	266,661	
Bellevue	NE 60,568	280,819	None	345	60,568	281,164	341,732	272,245	
Omaha	NE 60,500	280,491	None	179	60,500	280,670	341,170	280,572	
Omaha	NE 53,000	245,720	22,027	179	53,000	267,926	320,926	250,232	
Omaha	NE 142,867	317,315	None	312	142,867	317,627	460,494	291,208	
Londonderry	NH 335,467	745,082	None	332	335,467	745,414	1,080,881	632,214	
Clementon	NJ 279,851	554,060	None	343	279,851	554,403	834,254	424,485	
Las Vegas	NV 201,250	446,983	None	126	201,250	447,109	648,359	364,296	
Sparks	NV 244,752	543,605	19,912	330	244,752	563,847	808,599	505,218	
Beavercreek	OH 179,552	398,786	None	273	179,552	399,059	578,611	374,301	
Centerville	OH 174,519	387,613	None	389	174,519	388,002	562,521	362,451	
Dublin	OH 84,000	389,446	None	230	84,000	389,676	473,676	389,580	
Englewood	OH 74,000	343,083	None	327	74,000	343,410	417,410	343,345	
Forest Park	OH 170,778	379,305	None	151	170,778	379,456	550,234	352,060	
Huber Heights	OH 245,000	544,153	None	176	245,000	544,329	789,329	438,127	
Loveland	OH 206,136	457,829	23,656	82	206,136	481,567	687,703	437,998	
Pickerington	OH 87,580	406,055	None	116	87,580	406,171	493,751	393,422	
Westerville	OH 82,000	380,173	None	122	82,000	380,295	462,295	380,225	
Westerville	OH 294,350	646,557	None	176	294,350	646,733	941,083	522,209	
Broken Arrow	OK 78,705	220,434	None	None	78,705	220,434	299,139	220,434	
Midwest City	OK 67,800	314,338	None	124	67,800	314,462	382,262	314,454	
Oklahoma City	OK 50,800	214,474	None	173	50,800	214,647	265,447	214,552	
	OK 79,000	366,261	17,659	173	79,000	384,093	463,093	380,153	

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Oklahoma									
City									
Yukon	OK	61,000	282,812	27,000	173	61,000	309,985	370,985	297,995
Beaverton	OR	135,148	626,647	None	312	135,148	626,959	762,107	607,189
Charleston	SC	125,593	278,947	None	361	125,593	279,308	404,901	251,140
Charleston	SC	140,700	312,498	25,000	223	140,700	337,721	478,421	284,332
Columbia	SC	58,160	269,643	None	139	58,160	269,782	327,942	269,750
Elgin	SC	160,831	313,600	None	223	160,831	313,823	474,654	264,386
Goose Creek	SC	61,635	192,905	None	223	61,635	193,128	254,763	193,027
Summerville	SC	44,400	174,500	None	168	44,400	174,668	219,068	174,545
Sumter	SC	56,010	268,903	None	1,351	56,010	270,254	326,264	270,160
Memphis	TN	238,263	504,897	None	248	238,263	505,145	743,408	447,396
Memphis	TN	238,000	528,608	2,734	354	238,000	531,696	769,696	468,810
Nashville	TN	274,298	609,223	None	494	274,298	609,717	884,015	527,205
Arlington	TX	82,109	380,677	12,321	149	82,109	393,147	475,256	381,045
Arlington	TX	238,000	528,604	(25,353)	605	238,000	503,856	741,856	471,306
Arlington	TX	241,500	550,559	33,725	13,427	241,500	597,711	839,211	524,009
Austin	TX	103,600	230,532	8,750	142	103,600	239,424	343,024	236,966
Austin	TX	88,872	222,684	48,416	14,887	88,872	285,987	374,859	246,579
Austin	TX	134,383	623,103	None	566	134,383	623,669	758,052	604,003
Austin	TX	236,733	640,023	36,746	11,951	236,733	688,720	925,453	517,220
Austin	TX	191,636	425,629	15,530	294	191,636	441,453	633,089	383,626
Austin	TX	217,878	483,913	29,469	None	217,878	513,382	731,260	429,665
Bedford	TX	241,500	550,559	34,949	73	241,500	585,581	827,081	487,376
Carrollton	TX	277,850	617,113	12,086	18,360	277,850	647,559	925,409	577,141
Cedar Park	TX	168,857	375,036	5,200	142	168,857	380,378	549,235	332,578
Colleyville	TX	250,000	1,070,360	None	None	250,000	1,070,360	1,320,360	479,923

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Description (Note 1)	Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7)			Accumulated Depreciation (Note 4)	D
	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total		
Converse TX	217,000	481,963	None	294	217,000	482,257	699,257	426,988	
Corinth TX	285,000	1,041,626	None	None	285,000	1,041,626	1,326,626	473,935	
Denton TX	192,777	428,121	None	290	192,777	428,411	621,188	408,089	
Eules TX	234,111	519,962	None	217	234,111	520,179	754,290	489,789	
Flower Mound TX	202,773	442,845	26,305	8,201	202,773	477,351	680,124	420,717	
Flower Mound TX	281,735	1,099,726	None	None	281,735	1,099,726	1,381,461	507,679	
Fort Worth TX	85,518	396,495	33,279	360	85,518	430,134	515,652	397,008	
Fort Worth TX	238,000	528,608	None	349	238,000	528,957	766,957	468,239	
Fort Worth TX	216,160	427,962	None	149	216,160	428,111	644,271	337,529	
Garland TX	211,050	468,749	19,199	17,516	211,050	505,464	716,514	399,789	
Grand Prairie TX	167,164	371,276	35,657	265	167,164	407,198	574,362	334,808	
Houston TX	60,000	278,175	22,168	469	60,000	300,812	360,812	280,022	
Houston TX	139,125	308,997	19,128	3,036	139,125	331,161	470,286	300,974	
Houston TX	141,296	313,824	12,442	937	141,296	327,203	468,499	298,113	
Houston TX	219,100	486,631	None	256	219,100	486,887	705,987	431,173	
Houston TX	149,109	323,314	None	14,118	149,109	337,432	486,541	293,803	
Houston TX	294,582	919,276	None	None	294,582	919,276	1,213,858	433,641	
Humble TX	278,915	1,034,868	None	None	278,915	1,034,868	1,313,783	467,446	
Katy TX	309,898	983,041	None	None	309,898	983,041	1,292,939	470,247	
Mansfield TX	181,375	402,839	46,878	17,315	181,375	467,032	648,407	351,742	
Mesquite TX	85,000	394,079	9,855	12,885	85,000	416,819	501,819	402,689	
Mesquite TX	139,466	326,525	39,638	13,047	139,466	379,210	518,676	267,468	
Pasadena TX	60,000	278,173	17,845	230	60,000	296,248	356,248	279,889	
Plano TX	261,912	581,658	30,831	18,388	261,912	630,877	892,789	573,829	
Plano TX	250,514	556,399	19,869	472	250,514	576,740	827,254	510,232	
Plano TX	259,000	575,246	None	200	259,000	575,446	834,446	509,600	
Round Rock TX	80,525	373,347	None	19,117	80,525	392,464	472,989	364,831	
Round Rock TX	186,380	413,957	30,800	272	186,380	445,029	631,409	373,959	
San Antonio TX	130,833	606,596	None	115	130,833	606,711	737,544	603,270	
San Antonio TX	102,512	475,288	None	456	102,512	475,744	578,256	460,753	
San Antonio TX	81,530	378,007	None	266	81,530	378,273	459,803	366,321	
San Antonio TX	139,125	308,997	30,885	13,246	139,125	353,128	492,253	302,691	
San Antonio TX	181,412	402,923	None	418	181,412	403,341	584,753	376,840	
San Antonio TX	234,500	520,831	None	304	234,500	521,135	755,635	477,797	
San Antonio TX	217,000	481,967	32,529	276	217,000	514,772	731,772	431,310	
San Antonio TX	182,868	406,155	18,940	None	182,868	425,095	607,963	369,775	

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San Antonio	TX	220,500	447,108	None	276	220,500	447,384	667,884	387,006
Sugar Land	TX	339,310	1,000,876	None	None	339,310	1,000,876	1,340,186	458,733
Layton	UT	136,574	269,008	None	314	136,574	269,322	405,896	225,577
Sandy	UT	168,089	373,330	None	314	168,089	373,644	541,733	309,329
Centreville	VA	371,000	824,003	None	290	371,000	824,293	1,195,293	696,230
Chesapeake	VA	190,050	422,107	24,568	None	190,050	446,675	636,725	378,730
Glen Allen	VA	74,643	346,060	None	129	74,643	346,189	420,832	346,099
Portsmouth	VA	171,575	381,073	24,932	203	171,575	406,208	577,783	346,756
Richmond	VA	71,001	327,771	None	129	71,001	327,900	398,901	327,810
Richmond	VA	269,500	598,567	None	199	269,500	598,766	868,266	517,921
Virginia Beach	VA	69,080	320,270	29,024	13,825	69,080	363,119	432,199	325,568
Woodbridge	VA	358,050	795,239	2,500	525	358,050	798,264	1,156,314	704,540
Federal Way	WA	150,785	699,101	None	117	150,785	699,218	850,003	677,269
Federal Way	WA	261,943	581,782	27,500	None	261,943	609,282	871,225	523,559
Kent	WA	128,300	539,141	None	None	128,300	539,141	667,441	539,141
Kent	WA	140,763	678,809	36,500	117	140,763	715,426	856,189	662,234
Kirkland	WA	301,000	668,534	None	None	301,000	668,534	969,534	605,992
Puyallup	WA	195,552	434,327	27,000	None	195,552	461,327	656,879	394,632
Redmond	WA	279,830	621,513	None	117	279,830	621,630	901,460	580,954
Renton	WA	111,183	515,490	None	None	111,183	515,490	626,673	512,623
Appleton	WI	196,000	424,038	None	370	196,000	424,408	620,408	345,308
Waukesha	WI	233,100	461,500	None	370	233,100	461,870	694,970	367,029

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		Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	
Waukesha	WI	215,950	427,546	None	370	215,950	427,916	643,866	340,032
<b>Consumer Electronics</b>									
Mary Esther	FL	149,696	363,263	60,014	None	149,696	423,277	572,973	207,036
Melbourne	FL	269,697	522,414	None	716	269,697	523,130	792,827	295,305
Merritt	FL	309,652	482,459	None	79	309,652	482,538	792,190	272,598
<b>Island</b>									
Smyrna	GA	1,094,058	3,090,236	None	None	1,094,058	3,090,236	4,184,294	1,673,763
Richmond	IN	93,999	193,753	None	None	93,999	193,753	287,752	109,470
Jackson	MI	550,162	571,590	None	None	550,162	571,590	1,121,752	271,629
Tupelo	MS	121,697	637,691	9,887	61	121,697	647,639	769,336	360,831
Pineville	NC	567,864	840,284	37,249	39,064	567,864	916,597	1,484,461	416,916
Westbury	NY	6,333,590	3,952,773	20,493	None	6,333,590	3,973,266	10,306,856	2,104,090
<b>Convenience Stores</b>									
Daphne	AL	140,000	391,637	None	None	140,000	391,637	531,637	106,392
Mobile	AL	190,000	301,637	None	None	190,000	301,637	491,637	81,942
Mobile	AL	180,000	421,637	None	None	180,000	421,637	601,637	114,542
Florence	AZ	150,000	371,637	None	None	150,000	371,637	521,637	100,959
Gilbert	AZ	680,000	1,111,637	None	None	680,000	1,111,637	1,791,637	301,992
Litchfield	AZ	610,000	531,637	None	None	610,000	531,637	1,141,637	144,425
<b>Park</b>									
Marana	AZ	180,000	331,637	None	None	180,000	331,637	511,637	90,092
Marana	AZ	330,000	911,637	None	None	330,000	911,637	1,241,637	247,659
Maricopa	AZ	170,000	361,637	None	None	170,000	361,637	531,637	98,242
Mesa	AZ	560,000	821,637	None	None	560,000	821,637	1,381,637	223,209
Mesa	AZ	750,000	1,071,637	None	None	750,000	1,071,637	1,821,637	291,125
Mesa	AZ	810,000	1,061,637	None	None	810,000	1,061,637	1,871,637	288,409
Mesa	AZ	890,000	1,081,637	None	None	890,000	1,081,637	1,971,637	293,842
Mesa	AZ	780,000	1,071,637	None	None	780,000	1,071,637	1,851,637	291,125
Mesa	AZ	900,000	1,191,637	None	None	900,000	1,191,637	2,091,637	323,725
Payson	AZ	210,000	351,637	None	None	210,000	351,637	561,637	95,525
Payson	AZ	260,000	311,637	None	None	260,000	311,637	571,637	84,659
Peoria	AZ	520,000	751,637	None	None	520,000	751,637	1,271,637	204,192
Phoenix	AZ	440,000	511,637	None	None	440,000	511,637	951,637	138,992
Phoenix	AZ	360,000	421,637	None	None	360,000	421,637	781,637	114,542
Phoenix	AZ	710,000	591,637	None	None	710,000	591,637	1,301,637	160,725
Phoenix	AZ	320,000	661,637	None	None	320,000	661,637	981,637	179,742



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Phoenix	AZ	450,000	651,637	None	None	450,000	651,637	1,101,637	177,025
Phoenix	AZ	430,000	711,637	None	None	430,000	711,637	1,141,637	193,325
Phoenix	AZ	730,000	931,637	None	None	730,000	931,637	1,661,637	253,092
Phoenix	AZ	400,000	931,637	None	None	400,000	931,637	1,331,637	253,092
Phoenix	AZ	790,000	1,051,637	None	None	790,000	1,051,637	1,841,637	285,692
Pinetop	AZ	170,000	311,637	None	None	170,000	311,637	481,637	84,659
Queen Creek	AZ	520,000	891,637	None	None	520,000	891,637	1,411,637	242,225
Scottsdale	AZ	210,000	201,637	None	None	210,000	201,637	411,637	54,775
Scottsdale	AZ	660,000	1,031,637	None	None	660,000	1,031,637	1,691,637	280,259
Sierra Vista	AZ	110,000	301,637	None	None	110,000	301,637	411,637	81,942
Tempe	AZ	620,000	1,071,637	None	None	620,000	1,071,637	1,691,637	291,125
Tempe	AZ	270,000	461,637	None	None	270,000	461,637	731,637	125,409
Tolleson	AZ	460,000	1,231,637	None	None	460,000	1,231,637	1,691,637	334,592
Tombstone	AZ	110,000	381,637	None	None	110,000	381,637	491,637	103,675
Tucson	AZ	220,000	311,637	None	None	220,000	311,637	531,637	84,659
Tucson	AZ	240,000	341,637	None	None	240,000	341,637	581,637	92,809
Tucson	AZ	550,000	511,637	None	None	550,000	511,637	1,061,637	138,992
Tucson	AZ	126,000	234,565	None	None	126,000	234,565	360,565	62,942
Wellton	AZ	120,000	291,637	None	None	120,000	291,637	411,637	79,225
Wickenburg	AZ	150,000	291,637	None	None	150,000	291,637	441,637	79,225
Manchester	CT	118,262	305,510	None	None	118,262	305,510	423,772	192,980



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Description (Note 1)	Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7)			Accumulated Depreciation (Note 4)	Da Cons
	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total		
Vernon	CT 179,646	319,372	None	None	179,646	319,372	499,018	201,736	
Westbrook	CT 98,247	373,340	None	None	98,247	373,340	471,587	235,826	
Camden	DE 113,811	174,435	None	None	113,811	174,435	288,246	54,358	
Camden	DE 250,528	379,165	None	None	250,528	379,165	629,693	118,166	
Dewey	DE 147,465	224,665	None	None	147,465	224,665	372,130	70,013	
Dover	DE 278,804	421,707	None	None	278,804	421,707	700,511	131,425	
Dover	DE 367,137	554,207	None	None	367,137	554,207	921,344	172,721	
Dover	DE 367,425	554,884	None	None	367,425	554,884	922,309	172,932	
Felton	DE 307,260	464,391	None	None	307,260	464,391	771,651	144,728	
Greenwood	DE 632,303	1,176,711	None	None	632,303	1,176,711	1,809,014	147,087	
Harrington	DE 563,812	849,220	None	None	563,812	849,220	1,413,032	264,666	
Milford	DE 310,049	468,575	None	None	310,049	468,575	778,624	146,032	
Newcastle	DE 589,325	887,488	None	None	589,325	887,488	1,476,813	276,593	
Smyrna	DE 121,774	186,436	None	None	121,774	186,436	308,210	58,099	
Smyrna	DE 401,135	605,332	None	None	401,135	605,332	1,006,467	188,655	
Townsend	DE 241,416	365,749	None	None	241,416	365,749	607,165	113,985	
Wilmington	DE 280,682	424,525	None	None	280,682	424,525	705,207	132,303	
Archer	FL 296,238	578,145	None	None	296,238	578,145	874,383	268,836	
Bushnell	FL 130,000	291,637	None	None	130,000	291,637	421,637	79,225	
Clearwater	FL 359,792	311,845	None	None	359,792	311,845	671,637	84,715	
Cocoa	FL 323,827	287,810	None	None	323,827	287,810	611,637	78,186	
Deltona	FL 140,000	321,637	None	None	140,000	321,637	461,637	87,375	
Ellenton	FL 250,000	261,637	None	None	250,000	261,637	511,637	71,075	
Englewood	FL 270,000	331,637	None	None	270,000	331,637	601,637	90,092	
Gainesville	FL 515,834	873,187	None	None	515,834	873,187	1,389,021	406,031	
Gainesville	FL 480,318	600,633	None	None	480,318	600,633	1,080,951	279,293	
Gainesville	FL 347,310	694,859	None	None	347,310	694,859	1,042,169	323,108	
Gainesville	FL 339,263	658,807	None	None	339,263	658,807	998,070	306,344	
Gainesville	FL 351,921	552,557	None	None	351,921	552,557	904,478	256,938	
Gainesville	FL 500,032	850,291	None	None	500,032	850,291	1,350,323	395,384	
Homosassa Springs	FL 740,000	621,637	None	None	740,000	621,637	1,361,637	168,875	
Hudson	FL 300,000	351,637	None	None	300,000	351,637	651,637	95,525	
Intercession City	FL 161,776	319,861	None	None	161,776	319,861	481,637	86,893	
Jacksonville	FL 522,188	371,885	None	None	522,188	371,885	894,073	172,925	
Jacksonville	FL 266,111	494,206	None	None	266,111	494,206	760,317	132,612	
Key West	FL 873,700	627,937	None	None	873,700	627,937	1,501,637	170,587	
Key West	FL 492,785	208,852	None	None	492,785	208,852	701,637	56,735	

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Lakeland	FL 527,076	464,561	None	None	527,076	464,561	991,637	126,203
Lakeland	FL 300,000	321,637	None	None	300,000	321,637	621,637	87,375
Lakeport	FL 180,342	331,295	None	None	180,342	331,295	511,637	89,999
Land O' Lakes	FL 120,000	361,637	None	None	120,000	361,637	481,637	98,242
Lutz	FL 480,000	421,637	None	None	480,000	421,637	901,637	114,542
Naples	FL 150,000	301,637	None	None	150,000	301,637	451,637	81,942
Naples	FL 620,000	381,637	None	None	620,000	381,637	1,001,637	103,675
New Port Richey	FL 190,000	601,637	None	None	190,000	601,637	791,637	163,442
North Fort Meyers	FL 140,000	281,637	None	None	140,000	281,637	421,637	76,509
Okeechobee	FL 195,075	346,562	None	None	195,075	346,562	541,637	94,147
Orlando	FL 240,000	301,637	None	None	240,000	301,637	541,637	81,942
Palm Bay	FL 230,880	300,757	None	None	230,880	300,757	531,637	81,703
Palm Harbor	FL 510,000	381,637	None	None	510,000	381,637	891,637	103,675
Panama City	FL 210,000	431,637	None	None	210,000	431,637	641,637	117,259
Pensacola	FL 168,000	312,727	None	None	168,000	312,727	480,727	83,912
Port Charlotte	FL 170,000	311,637	None	None	170,000	311,637	481,637	84,659
Port Charlotte	FL 200,000	356,637	None	None	200,000	356,637	556,637	96,884
Port Orange	FL 609,438	512,199	None	None	609,438	512,199	1,121,637	139,145
Punta Gorda	FL 400,000	511,637	None	None	400,000	511,637	911,637	138,992
Tallahassee	FL 600,000	341,637	None	None	600,000	341,637	941,637	92,809
Tampa	FL 300,000	301,637	None	None	300,000	301,637	601,637	81,942

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Description (Note 1)	Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7)			Accumulated Depreciation (Note 4)	Cor
	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total		
Tampa	FL	380,000	361,637	None	None	380,000	361,637	741,637	98,242
Tampa	FL	320,000	591,637	None	None	320,000	591,637	911,637	160,725
Webster	FL	640,000	1,071,637	None	None	640,000	1,071,637	1,711,637	291,125
Winter Springs	FL	150,000	291,637	None	None	150,000	291,637	441,637	79,225
Augusta	GA	620,000	383,232	None	None	620,000	383,232	1,003,232	175,643
Augusta	GA	540,000	337,853	None	None	540,000	337,853	877,853	154,845
Augusta	GA	510,000	392,929	None	None	510,000	392,929	902,929	180,088
Augusta	GA	180,000	422,020	None	None	180,000	422,020	602,020	193,423
Augusta	GA	260,000	392,171	None	None	260,000	392,171	652,171	179,742
Augusta	GA	240,000	451,637	None	None	240,000	451,637	691,637	122,692
Cahutta	GA	437,500	813,742	None	None	437,500	813,742	1,251,242	234,623
Calhoun	GA	122,500	228,742	None	None	122,500	228,742	351,242	65,948
Calhoun	GA	262,500	488,742	None	None	262,500	488,742	751,242	140,914
Cartersville	GA	262,500	488,742	None	None	262,500	488,742	751,242	140,914
Chatsworth	GA	140,000	261,242	None	47	140,000	261,289	401,289	75,336
Chatsworth	GA	140,000	261,242	None	47	140,000	261,289	401,289	75,336
Chatsworth	GA	140,000	261,242	None	47	140,000	261,289	401,289	75,336
Chickamauga	GA	181,731	338,742	None	None	181,731	338,742	520,473	97,664
Dalton	GA	171,500	319,742	None	None	171,500	319,742	491,242	92,186
Dalton	GA	87,500	163,742	None	None	87,500	163,742	251,242	47,206
Dalton	GA	485,650	903,162	None	None	485,650	903,162	1,388,812	260,406
Dalton	GA	146,000	272,385	None	None	146,000	272,385	418,385	78,531
Dalton	GA	420,000	781,242	None	None	420,000	781,242	1,201,242	225,252
Dalton	GA	210,000	391,242	None	None	210,000	391,242	601,242	112,802
Dalton	GA	332,500	618,742	None	None	332,500	618,742	951,242	178,398
Decatur	GA	529,383	532,429	None	None	529,383	532,429	1,061,812	288,338
Dunwoody	GA	545,462	724,254	None	None	545,462	724,254	1,269,716	392,235
Flintstone	GA	157,500	293,742	None	None	157,500	293,742	451,242	84,689
Lafayette	GA	122,500	228,742	None	None	122,500	228,742	351,242	65,948
Lithonia	GA	386,784	776,436	None	None	386,784	776,436	1,163,220	420,512
Mableton	GA	491,069	355,957	None	None	491,069	355,957	847,026	192,762
Martinez	GA	450,000	402,777	None	None	450,000	402,777	852,777	184,602
Martinez	GA	830,000	871,637	None	None	830,000	871,637	1,701,637	236,792
Norcross	GA	384,162	651,273	None	None	384,162	651,273	1,035,435	352,713
Ringgold	GA	350,000	651,242	None	None	350,000	651,242	1,001,242	187,768
Ringgold	GA	234,500	1,168,914	None	None	234,500	1,168,914	1,403,414	285,807
Ringgold	GA	385,000	716,242	(21,175)	None	363,825	716,242	1,080,067	206,510
Ringgold	GA	482,251	896,851	None	None	482,251	896,851	1,379,102	258,586

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Rocky Face	GA	164,231	306,241	None	None	164,231	306,241	470,472	88,293
Rome	GA	210,000	391,242	None	None	210,000	391,242	601,242	112,802
Rome	GA	199,199	371,183	None	None	199,199	371,183	570,382	107,018
Rome	GA	201,791	375,997	None	None	201,791	375,997	577,788	108,406
Rome	GA	315,000	586,242	None	None	315,000	586,242	901,242	169,027
Rossville	GA	157,500	293,742	None	None	157,500	293,742	451,242	84,689
Summerville	GA	66,231	124,242	None	None	66,231	124,242	190,473	35,817
Trenton	GA	129,231	241,242	None	None	129,231	241,242	370,473	69,552
Belvidere	IL	768,748	1,426,176	1,500	None	768,748	1,427,676	2,196,424	59,574
Dekalb	IL	661,500	1,226,500	2,000	None	661,500	1,228,500	1,890,000	51,304
Godfrey	IL	374,586	733,190	None	314	374,586	733,504	1,108,090	397,167
Granite City	IL	362,287	737,255	None	314	362,287	737,569	1,099,856	399,370
Harford	IL	599,172	1,110,747	2,000	None	599,172	1,112,747	1,711,919	46,481
Loves Park	IL	547,582	1,016,523	1,500	None	547,582	1,018,023	1,565,605	124,126
Loves Park	IL	760,725	1,410,775	2,000	None	760,725	1,412,775	2,173,500	58,982
Machesney Park	IL	562,275	1,043,225	1,000	None	562,275	1,044,225	1,606,500	43,568
Madison	IL	173,812	625,030	None	314	173,812	625,344	799,156	338,600
Marengo	IL	501,948	930,688	1,500	None	501,948	932,188	1,434,136	38,929
Rochelle	IL	607,418	1,128,145	1,000	None	607,418	1,129,145	1,736,563	137,556
Rockford	IL	463,050	858,450	1,500	None	463,050	859,950	1,323,000	35,919

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Description (Note 1)	Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 2, 3, 5, 6 and 7)			Accumulated Depreciation (Note 4)	Da Const
	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total		
Rockford	IL 388,631	720,244	1,500	None	388,631	721,744	1,110,375	30,160	
Tuscola	IL 752,456	1,394,419	3,000	None	752,456	1,397,419	2,149,875	58,401	
Albany	IN 427,437	794,632	2,000	None	427,437	796,632	1,224,069	115,935	
Alexandria	IN 139,219	259,369	None	None	139,219	259,369	398,588	37,605	
Anderson	IN 147,263	274,307	None	None	147,263	274,307	421,570	39,771	
Anderson	IN 283,430	527,190	2,000	None	283,430	529,190	812,620	77,156	
Elkhart	IN 495,914	922,471	1,500	None	495,914	923,971	1,419,885	134,292	
Frankfort	IN 208,666	388,345	2,000	None	208,666	390,345	599,011	57,023	
Greenwood	IN 173,250	323,022	None	None	173,250	323,022	496,272	46,835	
Hartford	IN 250,310	465,702	2,000	None	250,310	467,702	718,012	68,240	
City									
Indianapolis	IN 129,938	242,134	None	None	129,938	242,134	372,072	35,106	
Indianapolis	IN 269,294	500,939	1,500	None	269,294	502,439	771,733	73,170	
Indianapolis	IN 318,432	592,193	1,500	None	318,432	593,693	912,125	86,402	
Knox	IN 341,250	633,499	1,500	None	341,250	634,999	976,249	81,786	
Lafayette	IN 147,263	274,309	None	None	147,263	274,309	421,572	39,771	
Lafayette	IN 112,613	209,959	None	None	112,613	209,959	322,572	30,441	
Marion	IN 209,196	389,995	1,500	None	209,196	391,495	600,691	57,083	
Michigan	IN 227,500	422,249	1,500	None	227,500	423,749	651,249	54,676	
City									
Mishawaka	IN 123,983	231,743	2,000	None	123,983	233,743	357,726	34,316	
Morristown	IN 366,590	682,082	2,000	None	366,590	684,082	1,050,672	99,615	
Muncie	IN 103,950	193,870	None	None	103,950	193,870	297,820	28,108	
Muncie	IN 184,237	342,974	2,000	None	184,237	344,974	529,211	50,445	
New	IN 181,459	289,353	None	211	181,459	289,564	471,023	182,870	
Albany									
New	IN 262,465	331,796	None	211	262,465	332,007	594,472	209,679	
Albany									
New Castle	IN 138,600	258,672	None	None	138,600	258,672	397,272	37,504	
New Castle	IN 79,854	149,572	1,000	None	79,854	150,572	230,426	22,043	
New Castle	IN 203,941	380,019	1,500	None	203,941	381,519	585,460	55,637	
Richmond	IN 281,248	523,589	1,500	None	281,248	525,089	806,337	76,455	
Richmond	IN 255,908	476,528	2,000	None	255,908	478,528	734,436	69,810	
Rushville	IN 138,600	258,672	None	None	138,600	258,672	397,272	37,504	
Rushville	IN 121,275	226,497	None	None	121,275	226,497	347,772	32,839	
South Bend	IN 372,387	693,064	2,000	None	372,387	695,064	1,067,451	101,208	
Wabash	IN								