REALTY INCOME CORP
Form 424B5
June 25, 2010

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Filed pursuant to Rule 424(b)(5)
Registration No. 333-158169

PROSPECTUS SUPPLEMENT
(To prospectus dated March 24, 2009)

$250,000,000

5.750% Notes due 2021

The notes will mature on January 15, 2021. We will pay interest on the notes on January 15 and July 15 of each year. The first interest payment on the notes will be made on January 15, 2011. We may redeem the notes at any time in whole, or from time to time in part, at the redemption prices described in this prospectus supplement under the caption "Description of Notes Optional Redemption." The notes will be our senior unsecured obligations.

Realty Income Corporation, The Monthly Dividend Company®, is a Maryland corporation organized to operate as an equity real estate investment trust, or REIT. We are a fully integrated, self-administered real estate company with in-house acquisition, leasing, legal, credit research, real estate research, portfolio management and capital markets expertise. As of March 31, 2010, we owned a diversified portfolio of 2,344 retail properties located in 49 states with over 19.2 million square feet of leasable space leased to 118 different retail chains doing business in 30 separate retail industries.

Investing in the notes involves risks. See "Risk Factors" beginning on page S-7 of this prospectus supplement.

	Per Note	Total
Public offering price(1)	99.404%	$ 248,510,000
Underwriting discount	0.650%	$ 1,625,000
Proceeds, before expenses, to Realty Income Corporation(1)	98.754%	$ 246,885,000

(1) Plus accrued interest, if any, from June 29, 2010 if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

Delivery of the notes will be made only in book-entry form through the facilities of The Depository Trust Company on or about June 29, 2010.

Joint Book-Running Managers

Citi | **BofA Merrill Lynch** | **Wells Fargo Securities**

BNY Mellon Capital Markets, LLC | **Morgan Keegan & Company, Inc.** | **Raymond James**

Baird	**BB&T Capital Markets**	**Credit Suisse**
J.P. Morgan	**RBC Capital Markets**	**Stifel Nicolaus**

The date of this prospectus supplement is June 24, 2010.

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CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to Be Registered	Proposed Maximum Offering Price Per Security	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(1)
5.750% Notes due 2021	$250,000,000	99.404%	$248,510,000	$17,719

(1) Calculated in accordance with Rules 456(b) and 457(r) of the Securities Act of 1933, as amended.

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Prospectus Supplement

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus and, if applicable, any other offering materials we may provide you in connection with this offering. We have not, and the underwriters have not, authorized any person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities or soliciting an offer to buy these securities in any jurisdiction where the offer or sale of these securities is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus, the documents incorporated by reference herein or therein and, if applicable, any free writing prospectus we may provide you in connection with this offering, is accurate only as of those documents' respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

This document is in two parts. The first part is this prospectus supplement, which adds to and updates information contained in the accompanying prospectus. The second part, the prospectus, provides more general information, some of which may not apply to this offering. Generally, when we refer to this prospectus, we are referring to both parts of this document combined. To the extent there is a conflict between the information contained in this prospectus supplement and the information

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contained in the accompanying prospectus, you should rely on the information in this prospectus supplement.

Before purchasing any securities, you should carefully read both this prospectus supplement and the accompanying prospectus, together with the additional documents described under the heading "Incorporation by Reference" in this prospectus supplement and the accompanying prospectus, and any free writing prospectus we may provide to you in connection with this offering.

No action has been or will be taken in any jurisdiction by us or by any underwriter that would permit a public offering of these securities or possession or distribution of this prospectus supplement, the accompanying prospectus or any related free writing prospectus where action for that purpose is required, other than in the United States. Unless otherwise expressly stated or the context otherwise requires, references to "dollars" and "$" in this prospectus supplement, the accompanying prospectus and any related free writing prospectus are to United States dollars.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary does not contain all the information that may be important to you. You should read the entire prospectus supplement and the accompanying prospectus and the documents incorporated and deemed to be incorporated by reference herein and therein, including the financial statements and related notes, and, if applicable, any free writing prospectus we may provide you in connection with this offering before making an investment decision. Unless this prospectus supplement otherwise indicates or the context otherwise requires, the terms "Realty Income," "our," "us" and "we" as used in this prospectus supplement refer to Realty Income Corporation and its subsidiaries on a consolidated basis. Unless otherwise expressly stated or the context otherwise requires, all information in this prospectus supplement relating to our properties excludes properties owned by our wholly-owned subsidiary Crest Net Lease, Inc., which we refer to as Crest.

In this prospectus supplement, we sometimes refer to our 7.375% Monthly Income Class D Cumulative Redeemable Preferred Stock and our 6.75% Monthly Income Class E Cumulative Redeemable Preferred Stock as the Class D preferred stock and the Class E preferred stock, respectively.

Realty Income

We are The Monthly Dividend Company®. We are organized to operate as an equity real estate investment trust, commonly referred to as a 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. Additionally, we seek to increase distributions to common stockholders and FFO per share through both active portfolio management and the acquisition of additional properties.

We are a fully integrated, self-administered real estate company with in-house acquisition, leasing, legal, credit research, real estate research, portfolio management and capital markets expertise. As of March 31, 2010, we owned a diversified portfolio of 2,344 retail properties located in 49 states, with over 19.2 million square feet of leasable space leased to 118 different retail chains doing business in 30 separate retail industries. The portfolio consists primarily of single-tenant retail properties with a weighted average remaining lease term (excluding extension options), at March 31, 2010, of approximately 11.0 years.

Our principal executive offices are located at 600 La Terraza Boulevard, Escondido, California 92025-3873 and our telephone number is (760) 741-2111.

Recent Developments

Pending Acquisition of Diageo Napa Valley Winery Properties for $269 Million

On June 23, 2010, Realty Income entered into a definitive purchase agreement to acquire two wineries and eleven related vineyard properties for a total purchase price of approximately $269 million and concurrently to lease the properties back to the seller, Diageo Chateau & Estate Wines Company (the "Seller"), under 20-year triple-net lease agreements. The acquisition of a majority of the properties to be acquired is expected to close during the second quarter of 2010. The Seller's obligations under the lease agreements will be guaranteed by the Seller's parent company, Diageo plc (together with its subsidiaries, "Diageo"). The properties are all located in California's Napa Valley and include the wineries that produce wines for Diageo's Sterling Vineyards ("Sterling") and Beaulieu Vineyards ("BV") brands and eleven vineyards producing grapes for their Sterling, BV and other brands. The properties include approximately 2,000 acres and 400,000 square feet of winery, production, storage, shipping and tourist buildings. Diageo will continue to operate the wineries and vineyards and own the vines and certain equipment. We estimate that, upon our acquisition of all of these properties, Diageo will be our second largest tenant based on our 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's ordinary shares trade on the London Stock Exchange under the symbol "DGE.L" and

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the New York Stock Exchange (the "NYSE") under the symbol "DEO," and its debt has investment grade debt ratings of A- from Fitch Ratings, A3 from Moody's Investors Service and A- from Standard & Poor's Ratings Group. These ratings are subject to change or withdrawal by the credit rating agencies. This acquisition is subject to various customary conditions to closing, which, if not satisfied, could delay the closing or result in the acquisition not closing.

Acquisitions During the First Three Months of 2010

During the first three months of 2010, Realty Income invested $27.7 million in eight new properties with an initial weighted average contractual lease rate of 9.0%. These eight properties are located in six states, contain over 104,000 leasable square feet, and are 100% leased with an average lease term of 18.2 years.

The initial weighted average contractual lease rate is computed as estimated contractual net operating income (in a net-leased property that is equal to the aggregate base rent or, in the case of properties under development, the estimated aggregate base rent under the lease) 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 percentage listed above.

We made fewer portfolio acquisitions in 2008 and 2009 than in previous years because we felt that preserving our capital resources and maintaining a high level of liquidity until property prices adjusted and the general economy improved, was the prudent course of action. In late 2009, we felt that market conditions had become more attractive for acquisitions, and we believe that our solid financial position, strong balance sheet and access to capital should allow us to expand our acquisition activities in 2010 and invest in new properties that we believe could position us to grow our earnings.

Net Income Available to Common Stockholders

Net income available to common stockholders was $24.1 million in the first three months of 2010 versus $24.0 million in same period of 2009, an increase of $121,000. On a diluted per common share basis, net income was $0.23 in the first three months of 2010 and 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 the first three months of 2010 was $703,000, as compared to $198,000 during the first three months of 2009.

Funds from Operations Available to Common Stockholders (FFO)

In the first three months of 2010 and 2009, our FFO was $46.7 million. On a diluted per common share basis, FFO was $0.45 in the first three months of 2010 and 2009.

For information on how we define FFO, as well as a reconciliation of net income available to common stockholders to FFO, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Funds From Operations Available to Common Stockholders (FFO)" in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, which is incorporated by reference in the accompanying prospectus.

Adjusted Funds from Operations Available to Common Stockholders (AFFO)

In the first three months of 2010, our AFFO was $47.6 million versus $47.7 million in the first three months of 2009. On a diluted per common share basis, AFFO was $0.46 in the first three months of 2010 and 2009.

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For information on how we define AFFO, as well as a reconciliation of net income available to common stockholders to AFFO, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Adjusted Funds From Operations Available to Common Stockholders (AFFO)" in our Quarterly Report on Form 10-Q for the three months ended March 31, 2010.

Increases in Monthly Cash Distributions to Common Stockholders

We have continued our 41-year policy of paying distributions monthly. Monthly distributions per share of common stock increased in April 2010 by $0.0003125 to $0.1433125 and in July by $0.0003125 to $0.143625. The increase in July 2010 was our 51st consecutive quarterly increase, which was the 58th increase in the amount of our dividend since our listing on the NYSE in 1994. In the first six months of 2010, we paid three monthly cash distributions per share of common stock in the amount of $0.143 and three in the amount of $0.1433125, totaling $0.8589375. In June 2010 we declared a monthly distribution of $0.143625 per share of common stock, which will be paid on July 15, 2010.

The current monthly distribution of $0.143625 per share represents an annualized distribution of $1.7235 per share, and an annualized distribution yield of approximately 5.6% based on the last reported sale price of our common stock on the NYSE of $31.01 on June 23, 2010. Although we expect to continue our policy of paying monthly common stock distributions in cash, we cannot guarantee that we will maintain our current level of cash distributions, that we will continue our pattern of increasing cash distributions per share, or what our actual cash distribution yield will be in any future period.

Key Financial Covenants

The notes will require that we comply with certain financial covenants described in this prospectus supplement under " The Offering Limitations on Incurrence of Debt" and "Description of Notes Additional Covenants of Realty Income." In general and subject to exceptions, these covenants provide: (i) that we may not incur any Debt (as defined) if, on a pro forma basis, our total Debt would exceed 60% of our Adjusted Total Assets (as defined), (ii) that we may not incur any Debt if, on a pro forma basis, our debt service coverage ratio (calculated as provided in the indenture relating to the notes) would be less than 1.5 to 1.0, (iii) that we may not incur any Secured Debt (as defined) if, on a pro forma basis, our total Secured Debt would exceed 40% of our Adjusted Total Assets, and (iv) that we must maintain at all times Total Unencumbered Assets (as defined) of not less than 150% of our total outstanding Unsecured Debt (as defined). The following table shows the foregoing percentages and ratio as required by those covenants as well as our actual percentages and ratio calculated on an historical basis as of March 31, 2010. These calculations, which are not based on generally accepted accounting principles, are presented to show our ability to incur additional debt under those covenants and do not purport to reflect our liquidity, actual ability to incur or service debt or our future performance. Moreover, the foregoing is a very general overview of some of the terms of those covenants and you should carefully review the information, including the definitions of some of the capitalized terms used above, appearing under "Description of Notes Additional Covenants of Realty Income," as well as the indenture under which the notes will be issued, for more information.

Note Covenants	Required	Actual
Limitation on incurrence of total Debt	≤ 60% of Adjusted Total Assets	39.5%
Debt service coverage	≥ 1.5x	3.6x(1)
Limitation on incurrence of Secured Debt	≤ 40% of Adjusted Total Assets	0.0%
Maintenance of Total Unencumbered Assets	≥ 150% of Unsecured Debt	253.3%

(1) Four quarters ended March 31, 2010

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The Offering

For a more complete description of the terms of the notes specified in the following summary, see "Description of Notes" in this prospectus supplement and "Description of Debt Securities" in the accompanying prospectus.

Issuer	Realty Income Corporation
Securities We Are Offering	$250,000,000 aggregate principal amount of 5.750% Notes due 2021
Maturity	January 15, 2021
Interest Payment Dates	Semi-annually in arrears on January 15 and July 15, commencing January 15, 2011.
Ranking	The notes will be our senior unsecured obligations. The notes are not obligations of any of our subsidiaries and none of our subsidiaries has guaranteed the notes. The notes will be effectively subordinated to all indebtedness, guarantees and other liabilities of our subsidiaries from time to time outstanding and will be subordinated to any secured indebtedness we incur to the extent of the value of the assets securing that indebtedness. In addition, our subsidiaries (other than Crest) have guaranteed our borrowings under our unsecured $355 million acquisition credit facility and the notes will also be effectively subordinated to our borrowings under our $355 million acquisition credit facility to the extent that those borrowings are guaranteed by those subsidiaries. See "Risk Factors Although these notes are referred to as "senior notes," they will be effectively subordinated to all liabilities of our subsidiaries and to our indebtedness that has been guaranteed by our subsidiaries, and will be subordinated to our secured indebtedness to the extent of the assets securing that indebtedness."
Ratings	The notes are expected to be rated "BBB+" by Fitch Ratings, "Baa1" by Moody's Investors Service and "BBB" by Standard & Poor's Ratings Group. See "Description of Notes Ratings." These ratings are subject to change or withdrawal by the credit rating agencies at any time and a rating is not a recommendation to buy, sell or hold the notes.

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Use of Proceeds	We intend to use all of the net proceeds from this offering of notes to fund a portion of the purchase price of the Diageo properties we intend to purchase as described under "Prospectus Supplement Summary Recent Developments Pending Acquisition of Diageo Napa Valley Winery Properties for $269 Million." Although the acquisition of the majority of the properties to be acquired is expected to close during the second quarter of 2010, the acquisition is subject to various customary conditions to closing, which, if not satisfied, could delay the closing or result in the acquisition not closing. To the extent that this acquisition is completed prior to the closing of this offering, we intend to initially finance the acquisition primarily with borrowings under our acquisition credit facility (with the remainder of the purchase price to be financed with cash on hand), in which case we will use all of the net proceeds from this offering to repay a portion of the borrowings under our acquisition credit facility incurred to finance the acquisition. If this acquisition is completed after the closing of this offering, we intend to use all of the net proceeds from this offering to fund a portion of the purchase price and to finance the rest of the purchase price primarily with borrowings under our credit facility (with the remainder of the purchase price to be financed with cash on hand). If the acquisition does not close, we will use all of the net proceeds for working capital or other general corporate purposes, which may include other acquisitions.
Limitations on Incurrence of Debt	The notes will require that we comply with various covenants, including the following:
	We will not incur any Debt (other than Intercompany Debt) if, immediately after giving effect to the incurrence of such Debt and the application of the proceeds therefrom on a pro forma basis, the aggregate principal amount of all of our Debt on a consolidated basis is greater than 60% of the sum of (1) our Total Assets as of the end of the fiscal quarter covered by our most recent report on Form 10-K or Form 10-Q, as the case may be, and (2) the increase in our Total Assets from the end of that quarter including any increase in Total Assets caused by the application of the proceeds of that additional Debt (that increase together with our Total Assets are referred to as "Adjusted Total Assets").
	We will not incur any Secured Debt (other than Intercompany Debt) if, immediately after giving effect to the incurrence of such Secured Debt and the application of the proceeds therefrom on a pro forma basis, the aggregate principal amount of all of our Secured Debt on a consolidated basis is greater than 40% of our Adjusted Total Assets.

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	We will not incur any Debt (other than Intercompany Debt) if the ratio of our Consolidated Income Available for Debt Service to our Annual Debt Service Charge for the four consecutive fiscal quarters most recently ended prior to the date on which the additional Debt is to be incurred is less than 1.5 to 1.0, calculated on a pro forma basis after giving effect to the incurrence of that additional Debt and the application of the proceeds from that Debt, computed on a consolidated basis and subject to certain additional adjustments.
	We will maintain Total Unencumbered Assets of not less than 150% of the aggregate outstanding principal amount of our Unsecured Debt, computed on a consolidated basis.
	The foregoing summary of certain covenants applicable to the notes is not complete and you should carefully review the information, including the definitions of some of the capitalized terms used above, appearing in this prospectus supplement under "Description of Notes" and in the accompanying prospectus under "Description of Debt Securities," as well as the indenture under which the notes will be issued, for more information.
Sinking Fund	The notes are not entitled to the benefit of any sinking fund payments.
Optional Redemption	We may redeem the notes at any time in whole, or from time to time in part, at the redemption prices calculated as described in this prospectus supplement in the first paragraph under the caption "Description of Notes Optional Redemption" or, in the case of notes redeemed on or after October 15, 2020, at a redemption price equal to 100% of the principal amount, in each case plus (subject to exceptions) accrued interest to the redemption date.
Risk Factors	An investment in the notes involves various risks and prospective investors should carefully consider the matters discussed under "Risk Factors" in this prospectus supplement, as well as the other risks described in this prospectus supplement, the accompanying prospectus and the documents incorporated and deemed to be incorporated by reference herein and therein, before making a decision to invest in the notes.

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RISK FACTORS

In evaluating an investment in the notes, you should carefully consider the following risk factors and the risk factors described under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2009, which is incorporated by reference in the accompanying prospectus, in addition to the other risks and uncertainties described in this prospectus supplement, the accompanying prospectus, the documents incorporated by reference therein and, if applicable, any free writing prospectus we may provide you in connection with this offering. As used under the captions "Risk Factors" in this prospectus supplement and in our Annual Report on Form 10-K for the year ended December 31, 2009, references to our capital stock include both our common stock, and any class or series of our preferred stock, references to our stockholders include holders of our common stock and any class or series of our preferred stock and references to our debt securities include the notes, in each case unless otherwise expressly stated or the context otherwise requires.

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, including these notes, 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, including these notes, or to fund our other liquidity needs.

We are subject to risks associated with debt financing.

We intend to incur additional indebtedness in the future, including borrowings under our $355 million acquisition credit facility. At June 23, 2010, we had $20.2 million of borrowings outstanding under our $355 million acquisition credit facility and we had a total of $1.35 billion of outstanding unsecured senior debt securities. To the extent that new indebtedness, including the notes, 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, including these notes. We also face variable interest rate risk as the interest rate on our $355 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, including the notes, 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 $355 million credit facility contains provisions that could limit the amount of distributions payable by us on our common stock and preferred stock. In particular, our $355 million acquisition credit facility provides that the aggregate amount of cash distributions paid on, plus any payments made to repurchase our common stock and preferred stock may not exceed the sum of (a) 95% of our funds from operations (as defined in the credit facility) plus (b) cash distributions on our preferred stock, determined as of the end of each fiscal quarter for the four fiscal quarters then ending, except that we may repurchase preferred stock with the net proceeds from the issuance of our common stock or preferred stock. The 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 any of our subsidiaries, we and our subsidiaries may not pay any distributions on, or repurchase, any shares of our capital stock, including our common stock and preferred stock. In addition, the credit facility provides that, if any other event of default (as defined in the credit facility) thereunder exists, we and our subsidiaries

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may not pay any distributions on, or repurchase, any shares of our capital stock, including our common stock and preferred stock, except that we may pay cash distributions to stockholders in the minimum amount necessary to maintain our status as a REIT. If any of the foregoing 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 value of our debt securities, including the notes offered hereby, and may adversely affect our ability to qualify as a REIT or our tax treatment as a REIT.

Our indebtedness could also have other important consequences to holders of the notes, 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.

Although these notes are referred to as "senior notes," they will be effectively subordinated to all liabilities of our subsidiaries and to our indebtedness that has been guaranteed by our subsidiaries, and will be subordinated to our secured indebtedness to the extent of the assets securing that indebtedness.

These notes will be our obligations exclusively and will not be the obligations of any of our subsidiaries. In that regard, while our subsidiaries (other than Crest) have guaranteed our indebtedness under our unsecured $355 million acquisition credit facility, none of our subsidiaries has guaranteed the notes. As a result, the notes will be effectively subordinated to all existing and future indebtedness and other liabilities, including guarantees, of our subsidiaries. In the event of a bankruptcy, liquidation or similar proceedings involving any of our subsidiaries, the creditors of that subsidiary (including, in the case of any subsidiary that has guaranteed any indebtedness outstanding under our $355 million acquisition credit facility, the lenders under that facility) will generally be entitled to payment of their claims from the assets of that subsidiary before any assets are made available for distribution to us, except to the extent that we may also have a claim as a creditor of that subsidiary, in which case our claims would still be subordinated to any security interests or mortgages on the assets of that subsidiary and would be subordinate to any indebtedness of the subsidiary senior to that held by us. The notes will also be effectively subordinated to all of our existing and future indebtedness (including indebtedness under our $355 million acquisition credit facility) that is guaranteed by our subsidiaries to the extent of those guarantees. In the event of a bankruptcy, liquidation or similar proceeding involving us, the holders of any such guaranteed indebtedness (including the lenders under our $355 million acquisition credit facility) would be entitled to require the subsidiary guarantors to pay that indebtedness, while holders of the notes would not have any similar rights against those subsidiary guarantors. As of March 31, 2010, our subsidiaries had approximately $84,000 of total liabilities (excluding liabilities owed to us and other intercompany liabilities and subsidiary guarantees of borrowings outstanding under our $355 million acquisition credit facility). At June 23, 2010, we had $20.2 million of borrowings under our $355 million acquisition credit facility; borrowings under that credit facility are guaranteed by our subsidiaries (other than Crest). Although the indenture under which the notes will be issued and other debt instruments to which we are a party limit our ability and the ability of our subsidiaries to incur additional indebtedness, both we and our subsidiaries have the right to incur substantial additional secured and unsecured indebtedness.

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The notes are unsecured and therefore will be subordinated to any secured indebtedness we may incur to the extent of the value of the assets securing such indebtedness. In the event of a bankruptcy, liquidation or similar proceeding involving us, our assets which serve as collateral will be available to satisfy the obligations under any secured indebtedness before any payments are made on the notes. As of June 23, 2010, we (including our subsidiaries) had no secured indebtedness outstanding.

An active trading market may not develop for the notes.

Prior to the offering, there was no existing trading market for the notes. Although the underwriters may make a market for the notes after we complete the offering, they have no obligation to do so and may discontinue making a market at any time without notice. We do not intend to apply for listing of the notes on any securities exchange.

The liquidity of any market for the notes that may develop will depend on a number of factors, including prevailing interest rates, our financial condition and operating results, the number of holders of the notes, the market for similar securities and the interest of securities dealers in making a market in the notes. We cannot assure you that a trading market for the notes will develop or, if developed, that it will continue, or as to the liquidity of any trading market for the notes that may develop.

The market value of the notes could be substantially affected by various factors.

The market value of the notes 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 value of the notes;
- 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 two years, prices of common stock and debt securities in the U.S. trading markets have been experiencing extreme price fluctuations, and the market values of our common stock and debt securities have also fluctuated significantly during this period. As a result of these and other factors, investors who purchase the notes in this offering may experience a decrease, which could be substantial and rapid, in the market value of those notes, including decreases unrelated to our operating performance or prospects.

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;

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- Oversupply of space and changes in market rental rates;
- 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, including the notes. A significant portion of the costs of owning property, such as real estate taxes, insurance and maintenance, are not necessarily reduced when circumstances cause a decrease in rental revenue from the properties. In a weakened financial condition, tenants may not be able to pay these costs of ownership and we may be unable to recover these operating expenses from them.

Further, the occurrence of a tenant bankruptcy or insolvency could diminish the income we receive from the tenant's lease or leases. In addition, a bankruptcy court might authorize the tenant to terminate its leases with us. If that happens, our claim against the bankrupt tenant for unpaid future rent would be subject to statutory limitations that most likely would 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.

Seventy-seven of our properties were available for lease or sale at March 31, 2010, of which all but one were single-tenant properties. As of April 21, 2010, transactions to lease or sell 13 of the 77 properties were underway or completed. At March 31, 2010, 39 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.

For the first three months of 2010, our tenants in the restaurant and convenience store industries accounted for approximately 21.9% and 17.1%, respectively, of our rental revenue. A downturn in any 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 effect on our financial position, results of operations and our ability to pay the principal of and interest on our debt securities and other indebtedness, including the notes, 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 first three months of 2010. Nevertheless, downturns in these other industries could also adversely affect our tenants, which in turn could also have a material adverse effect on our financial position, results of operations and our ability to pay the principal of and interest on our debt securities and other indebtedness, including the notes, and distributions on our common and preferred stock.

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

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 and debt securities, including the notes.

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

RATIOS OF EARNINGS FROM CONTINUING OPERATIONS TO FIXED CHARGES AND COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

The following table sets forth the ratios of earnings from continuing operations to fixed charges and the ratios of earnings from continuing operations to combined fixed charges and preferred stock dividends for the periods shown. The ratios of earnings from continuing operations to fixed charges were computed by dividing our earnings from continuing operations by our fixed charges. For this purpose, earnings from continuing operations consist of income from continuing operations before interest expense. Fixed charges consist of interest costs (including capitalized interest) and the amortization of debt issuance costs. In computing the ratios of earnings from continuing operations to combined fixed charges and preferred stock dividends, preferred stock dividends consist of dividends on our outstanding Class D and Class E preferred stock, as applicable. On May 27, 2004 and October 19, 2004 we issued 4,000,000 shares and 1,100,000 shares, respectively, of our Class D preferred stock. On December 7, 2006, we issued 8,800,000 shares of our Class E preferred stock.

	Three Months Ended	Year Ended December 31,				
	March 31, 2010	2009	2008	2007	2006	2005
Ratio of Earnings from Continuing Operations to Fixed Charges	2.4x	2.4x	2.2x	2.9x	2.9x	2.9x
Ratio of Earnings from Continuing Operations to Combined Fixed Charges and Preferred Stock Dividends	1.9x	1.9x	1.8x	2.1x	2.4x	2.4x

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USE OF PROCEEDS

We estimate the net proceeds from the sale of the notes offered by this prospectus supplement, after deducting the underwriting discount and other estimated expenses payable by us, will be approximately $246.3 million.

We intend to use all of the net proceeds from this offering of notes to fund a portion of the purchase price of the Diageo properties we intend to purchase as described under "Prospectus Supplement Summary Recent Developments Pending Acquisition of Diageo Napa Valley Winery Properties for $269 Million." Although the acquisition of the majority of the properties to be acquired is expected to close during the second quarter of 2010, the acquisition is subject to various customary conditions to closing, which, if not satisfied, could delay the closing or result in the acquisition not closing. To the extent that this acquisition is completed prior to the closing of this offering, we intend to initially finance the acquisition primarily with borrowings under our acquisition credit facility (with the remainder of the purchase price to be financed with cash on hand), in which case we will use all of the net proceeds from this offering to repay a portion of the borrowings under our acquisition credit facility incurred to finance the acquisition. If this acquisition is completed after the closing of this offering, we intend to use all of the net proceeds from this offering to fund a portion of the purchase price and to finance the rest of the purchase price primarily with borrowings under our credit facility (with the remainder of the purchase price to be financed with cash on hand). If the acquisition does not close, we will use all of the net proceeds for working capital or other general corporate purposes, which may include other acquisitions.

Pending application of the net proceeds for the purposes described above, we may temporarily invest the net proceeds in short-term government securities, short-term money market funds and/or bank certificates of deposit.

DESCRIPTION OF NOTES

A general description of some of the terms of the notes offered hereby appears in the accompanying prospectus. The following description of some of the particular terms of the notes offered by this prospectus supplement supplements and, to the extent inconsistent with the accompanying prospectus, replaces the description of the general terms and provisions of the debt securities set forth in the accompanying prospectus. The following statements relating to the notes and the Indenture (as defined below) are summaries of provisions contained in the notes and the Indenture and do not purport to be complete. These statements are qualified in their entirety by reference to the provisions of the notes and the Indenture, including the definitions in the notes and Indenture of certain terms. Unless otherwise expressly stated or the context otherwise requires, all references to the "Company," "Realty Income," "our," "we," and "us" appearing under this caption and under the caption "Description of Debt Securities" in the accompanying prospectus mean Realty Income Corporation excluding its subsidiaries. Other capitalized terms used under this caption, but not otherwise defined, shall have the meanings given to them in the accompanying prospectus or, if not defined in the accompanying prospectus, in the Indenture.

The notes constitute debt securities (which are more fully described in the accompanying prospectus) to be issued pursuant to an indenture dated as of October 28, 1998 (the "Indenture"), between Realty Income and The Bank of New York Mellon Trust Company, N.A. (successor trustee to The Bank of New York), as trustee (the "Trustee"). The terms of the notes include those provisions contained in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the "TIA"). The notes are subject to all those terms, and investors are referred to the Indenture and the TIA for a statement of those terms.

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General

The notes will be a separate series of debt securities under the Indenture, limited initially in aggregate principal amount to $250 million. The Indenture does not limit the amount of debt securities that we may issue under the Indenture, and we may issue debt securities in one or more series up to the aggregate amount authorized by us for each series. We may, without the consent of the holders of the notes, re-open this series of notes and issue additional notes of this series under the Indenture in addition to the $250 million of notes authorized as of the date of this prospectus supplement. Any such additional notes shall be part of the same series of debt securities issued under the Indenture as the notes offered by this prospectus supplement.

The notes will be issued only in fully registered form, without interest coupons, in denominations of $1,000 and integral multiples of $1,000. The principal of, and premium, if any, and interest on, the notes will be payable in U.S. dollars. The notes will be evidenced by a global note (the "Global Note") in book-entry form, except under the limited circumstances described below under " Book-Entry System." Notices or demands to or upon Realty Income in respect of the notes and the Indenture may be served and, if notes are issued in definitive certificated form, notes may be surrendered for payment, registration of transfer or exchange, at the office or agency of Realty Income maintained for such purpose in the Borough of Manhattan, The City of New York, which shall initially be the office of the Trustee, which on the date of this prospectus supplement is located at The Bank of New York Mellon Trust Company, N.A., Attention: Corporate Trust Administration, 101 Barclay Street, New York, New York 10286.

Reference is made to the section titled "Description of Debt Securities Certain Covenants" in the accompanying prospectus and " Additional Covenants of Realty Income" below for a description of certain covenants applicable to the notes. Compliance with these covenants generally may be waived if the holders of a majority in principal amount of the outstanding notes consent to such waiver. In addition, the defeasance and covenant defeasance provisions of the Indenture described under "Description of Debt Securities Discharge, Defeasance and Covenant Defeasance" in the accompanying prospectus will apply to the notes; covenant defeasance will be applicable with respect to the covenants described in the accompanying prospectus under "Description of Debt Securities Certain Covenants" (except the covenant requiring Realty Income to preserve and keep in full force and effect its corporate existence) and the covenants described below under " Additional Covenants of Realty Income."

Except to the limited extent described under "Description of Debt Securities Merger, Consolidation or Sale of Assets" in the accompanying prospectus or " Additional Covenants of Realty Income" below, the Indenture does not contain any provisions that would afford holders of the notes protection in the event of (1) a highly leveraged or similar transaction involving Realty Income, (2) a change of control or management of Realty Income, or (3) a reorganization, restructuring, merger or similar transaction involving Realty Income that may adversely affect the holders of the notes. In addition, subject to the limitations set forth under "Description of Debt Securities Merger, Consolidation or Sale of Assets" in the accompanying prospectus, Realty Income may, in the future, enter into certain transactions such as the sale of all or substantially all of its assets or the merger or consolidation of Realty Income with another entity that would increase the amount of Realty Income's indebtedness or substantially reduce Realty Income's assets, which may have an adverse effect on Realty Income's ability to service its indebtedness, including the notes.

Realty Income has no present intention of engaging in a highly leveraged or similar transaction involving Realty Income. In addition, certain restrictions on ownership and transfers of Realty Income's stock designed to preserve its status as a REIT may act to prevent or hinder any such transaction or change of control.

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Ranking

The notes will be our senior unsecured obligations and will rank equally with all of our other existing and future senior unsecured indebtedness, except that, as described below, the notes will be effectively subordinated to any of our indebtedness and other liabilities that are guaranteed by our subsidiaries to the extent of those guarantees.

The notes will be effectively subordinated to all indebtedness and other liabilities (including guarantees) of our subsidiaries from time to time outstanding, will be effectively subordinated to all of our existing and future indebtedness (including borrowings under our $355 million acquisition credit facility) that is guaranteed by our subsidiaries to the extent of those guarantees, and will also be subordinated to any secured indebtedness we may issue to the extent of any collateral pledged as security therefor. As of March 31, 2010, our subsidiaries had outstanding indebtedness and other liabilities (excluding liabilities owed to us and other intercompany liabilities and subsidiary guarantees of borrowings outstanding under our $355 million credit facility) aggregating approximately $84,000. At June 23, 2010, there were $20.2 million of borrowings under our $355 million credit facility; borrowings under that credit facility are guaranteed by our subsidiaries (other than Crest). See "Risk Factors   Although these notes are referred to as "senior notes," they will be effectively subordinated to all liabilities of our subsidiaries and to our indebtedness that has been guaranteed by our subsidiaries, and will be subordinated to our secured indebtedness to the extent of the assets securing that indebtedness." Although the Indenture and other debt instruments to which we are a party limit our ability and the ability of our subsidiaries to incur additional indebtedness, both we and our subsidiaries have the right to incur substantial additional secured and unsecured indebtedness.

Interest and Maturity

The notes will mature on January 15, 2021 (the "Maturity Date"). The notes are not entitled to the benefit of any sinking fund payments. The notes are subject to redemption at Realty Income's option and are not subject to repayment or repurchase by Realty Income at the option of the Holders (as defined below). See "   Optional Redemption" below.

The notes will bear interest at the rate per year set forth on the cover page of this prospectus supplement from June 29, 2010 or from the most recent Interest Payment Date (as defined below) to which interest has been paid, payable semi-annually in arrears on January 15 and July 15 of each year (the "Interest Payment Dates"), commencing January 15, 2011 to the persons in whose names the notes are registered in the security register applicable to the notes (the "Holders") at the close of business on January 1 or July 1 (the "Regular Record Dates"), as the case may be, immediately before the Interest Payment Dates, regardless of whether such Regular Record Date is a Business Day. Interest on the notes will be computed on the basis of a 360-day year of twelve 30-day months.

If any Interest Payment Date, the Maturity Date, any date fixed for redemption or any other day on which the principal of, premium, if any, or interest on a note becomes due and payable falls on a day that is not a Business Day, the required payment shall be made on the next Business Day as if it were made on the date the payment was due and no interest will accrue on the amount so payable for the period from and after such Interest Payment Date, Maturity Date, redemption date or other date, as the case may be.

Ratings

The notes are expected to be rated "BBB+" by Fitch Ratings, "Baa1" by Moody's Investors Service and "BBB" by Standard & Poor's Ratings Group. The rating of the notes should be evaluated independently from similar ratings on other types of securities. In addition, the credit ratings on the notes are subject to ongoing evaluation by credit rating agencies, and we cannot assure you that any such rating 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 the notes, inasmuch as, among other things, such rating does not comment as to offering price or suitability for a particular investor.

Additional Covenants of Realty Income

Reference is made to the section titled "Description of Debt Securities Certain Covenants" in the accompanying prospectus for a description of certain covenants applicable to the notes. In addition to the foregoing, the following covenants of Realty Income will apply to the notes for the benefit of the Holders of the notes:

Limitation on Incurrence of Total Debt. Realty Income will not, and will not permit any Subsidiary to, incur any Debt, other than Intercompany Debt, if, immediately after giving effect to the incurrence of such additional Debt and the application of the proceeds therefrom on a pro forma basis, the aggregate principal amount of all outstanding Debt of Realty Income and its Subsidiaries on a consolidated basis determined in accordance with GAAP is greater than 60% of the sum of (1) Realty Income's Total Assets as of the end of the latest fiscal quarter covered in Realty Income's Annual Report on Form 10-K or Quarterly Report on Form 10-Q, as the case may be, most recently filed with the Securities and Exchange Commission (or, if such filing is not required under the Secu