REALTY INCOME CORP
Form DEF 14A
March 27, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o	Preliminary Proxy Statement
o	Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Under Rule 14a-12

Realty Income Corporation
(Name of the Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x	No fee required.	
o	Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.	
	(1)	Title of each class of securities to which transaction applies:
	(2)	Aggregate number of securities to which transaction applies:
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	(4)	Proposed maximum aggregate value of transaction:
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o	Fee paid previously with preliminary materials.	
o	Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by	

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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March 27, 2015

Dear Stockholder:

You are cordially invited to attend the 2015 Annual Meeting of Stockholders (the Annual Meeting) of Realty Income Corporation, a Maryland corporation, to be held at 9:00 AM, local time, on May 12, 2015 at the San Diego Marriott Del Mar, 11966 El Camino Real, San Diego, California 92130.

At the Annual Meeting, you will be asked to consider and vote upon:

(1) The election of the eight directors named in the accompanying Proxy Statement to serve until the 2016 annual meeting of stockholders and until their respective successors are duly elected and qualify.

(2) The ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2015.

(3) A non-binding advisory proposal to approve the compensation of our named executive officers, as described in the accompanying Proxy Statement (the say on pay vote).

(4) The transaction of such other business as may properly come before the Annual Meeting or any postponements or adjournments of the Annual Meeting.

These proposals are more fully described in the accompanying Proxy Statement. We urge you to carefully review the Proxy Statement.

Our Board of Directors recommends a vote FOR the election of the eight director nominees to serve until the next annual meeting and until their respective successors are duly elected and qualify; a vote FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2015; and a vote FOR the say on pay vote.

Your vote is important to us, whether you own few or many shares.

Whether or not you plan to attend our Annual Meeting, we urge you to authorize your proxy via the internet, or if you are receiving a paper copy of the Proxy Statement, by telephone or by completing and mailing a proxy card, to ensure your shares are represented and voted at our Annual Meeting. If you attend the Annual Meeting, you may, if you wish, withdraw your proxy and vote in person.

Sincerely,

/s/ JOHN P. CASE
JOHN P. CASE

Chief Executive Officer, President and
Director, Board of Directors,

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REALTY INCOME CORPORATION

A Maryland corporation

11995 El Camino Real

San Diego, CA 92130

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TIME AND DATE	9:00 AM, Pacific Daylight Time, on Tuesday, May 12, 2015.
PLACE	San Diego Marriott Del Mar 11966 El Camino Real San Diego, California 92130
ITEMS OF BUSINESS	PROPOSAL 1 The election of the following eight nominees to serve until the 2016 annual meeting of stockholders and until their respective successors are duly elected and qualify: (1) Kathleen R. Allen, Ph.D., (2) John P. Case, (3) A. Larry Chapman, (4) Priya Cherian Huskins, (5) Michael D. McKee, (6) Gregory T. McLaughlin, (7) Ronald L. Merriman and (8) Stephen E. Sterrett. PROPOSAL 2 The ratification of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2015. PROPOSAL 3 A non-binding advisory proposal to approve the compensation of our named executive officers as described in this Proxy Statement. Additionally, the transaction of such other business as may properly come before the Annual Meeting or any postponements or adjournments of the Annual Meeting. The above items of business are more fully described in the accompanying Proxy Statement, which forms a part of this Notice. Management will report on the current activities of Realty Income and comment on its future plans. A discussion period is planned so that stockholders will have an opportunity to ask questions and make appropriate comments.
RECORD DATE	You may vote if you were a holder of record of our common stock at the close of business on March 5, 2015.
PROXY VOTING	**Your vote is important.** If you plan to be present, please notify Michael R. Pfeiffer, Executive Vice President, General Counsel and Secretary, so that identification can be prepared for you. Whether or not you plan to attend our Annual Meeting, we urge you to submit your proxy to ensure your shares are represented and voted at our Annual Meeting. If you attend the Annual Meeting, you may, if you wish, withdraw your proxy and vote in person. Registered stockholders may authorize their Proxies:

By Internet: Go to the website address shown on your proxy or the Notice of Internet Availability of Proxy Materials.

By Toll-Free Telephone: If you received a printed set of the proxy materials by mail, you may call the number shown on your proxy.

By Mail: If you received a printed set of the proxy materials by mail, you may mark, sign, date and promptly return the enclosed proxy in the postage-paid envelope.

Beneficial stockholders: If your shares of common stock are held by a bank, broker or other nominee, please follow the instructions you receive from your bank, broker or other nominee to instruct how your shares of common stock are to be voted at our Annual Meeting.

March 27, 2015

By Order of the Board of Directors,

/s/ MICHAEL R. PFEIFFER

Michael R. Pfeiffer

Executive Vice President, General Counsel and Secretary

Only holders of record of our common stock at the close of business on the Record Date will be entitled to notice of and to vote at the Annual Meeting or any postponements or adjournments thereof.

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REALTY INCOME CORPORATION

11995 El Camino Real

San Diego, California 92130

PROXY STATEMENT

FOR THE

ANNUAL MEETING OF STOCKHOLDERS

May 12, 2015

Beginning at 9:00 A.M. Pacific Daylight Time

and at any postponements or adjournments of the Annual Meeting

Our Board of Directors is soliciting proxies for the 2015 Annual Meeting of Stockholders (the Annual Meeting). This Proxy Statement contains important information for you to consider when deciding how to vote on the matters brought before the Annual Meeting. In this Proxy Statement, Realty Income, the company, we and our refer to Realty Income Corporation, a Maryland corporation. On or about April 2, 2015, we will mail or e-mail a copy of our Proxy Statement and 2014 Annual Report to our stockholders according to their previously indicated preference. A portion of our stockholders will be mailed a Notice of Availability of Proxy Materials which contained instructions on how to request and receive a paper or e-mailed copy of our Proxy Statement and 2014 Annual Report and how to view these materials online. All methods of correspondence will provide stockholders with instructions on how to vote using various methods.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on May 12, 2015:

The Notice of Annual Meeting, this Proxy Statement, a form of proxy card and our 2014 Annual Report to stockholders are available on our website at http://investors.realtyincome.com/annual-reports-meetings. You are encouraged to access and review all of the information contained in the proxy materials before voting.

FREQUENTLY ASKED QUESTIONS

This year, we are using the Securities and Exchange Commission or "SEC" notice and access rule that allows us to give a portion of our stockholders the ability to request and receive a paper or e-mailed copy of our Proxy Statement and 2014 Annual Report, or view these materials online. This allows us to provide our stockholders with the information they need to vote through various delivery options, while lowering the costs of print and delivery and reducing the environmental impact. Beginning on or about April 2, 2015, we will mail a Notice of Availability of Proxy Materials ("Notice") to

a portion of our stockholders. The Notice will contain instructions on how to request and receive a paper or e-mailed copy of our Proxy Statement and 2014 Annual Report and how to view these materials online. The Notice is not a proxy and cannot be used to vote your shares. If you receive a Notice this year, you will not receive paper copies of the proxy materials unless you request the materials by following the instructions on the Notice or by accessing the website identified on the Notice. Paper copies of the proxy materials will be mailed or emailed to stockholders that had previously indicated their delivery preference and/or participated in the prior year s vote.

When is our Annual Meeting?

You are invited to attend our Annual Meeting, which will be held on May 12, 2015, at the San Diego Marriott Del Mar, 11966 El Camino Real, San Diego, California 92130. Stockholders will be admitted to the Annual Meeting at 8:30 AM.

Do I need a ticket to attend the Annual Meeting?

No, you do not need a ticket, but you will need to register and identify yourself as a stockholder in order to receive certain Annual Meeting materials when you arrive. Complimentary parking will be available.

What is the purpose of the Annual Meeting?

At the Annual Meeting, stockholders will consider and vote upon:

- The election of eight directors to serve until the 2016 annual meeting of stockholders and until their respective successors are duly elected and qualify;
- The ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2015;
- A non-binding advisory proposal to approve the compensation of our named executive officers as described in this Proxy Statement (the say on pay vote);

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- The transaction of such other business as may properly come before the Annual Meeting or any postponements or adjournments of the Annual Meeting.

Who is entitled to vote at the Annual Meeting?

Holders of our common stock at the close of business on March 5, 2015 are entitled to receive notice of and to vote their shares at the Annual Meeting. As of that date, there were 227,024,420 shares of common stock outstanding and entitled to vote. Each outstanding share of our common stock is entitled to one vote on each matter properly brought before the Annual Meeting.

What is the difference between holding shares as a stockholder of record or as a beneficial owner?

If your shares are registered directly in your name with our transfer agent, Wells Fargo Shareowner Services, you are considered the stockholder of record. In this case, you receive your dividend check from Wells Fargo Shareowner Services. This year we have engaged the services of Broadridge Financial Solutions (Broadridge) to mail our proxy materials or Notice to our registered holders.

If your shares are held in a brokerage account, or by a bank or other holder of record, you are considered the beneficial owner of shares held in street name. The proxy materials or Notice have been forwarded to you by your broker, bank, or other holder of record. As the beneficial owner, you have the right to direct your broker, bank, or other holder of record on how to vote your shares by using the voting instruction form or the notice of internet availability included in the mailing or by following their instructions for authorizing your proxy by telephone or on the internet.

Is it necessary to vote if my shares are held in my brokerage account?

It is important to vote your shares even if your shares are held in a brokerage account. Otherwise, your shares may not be voted on certain matters unless you have a Legal Proxy in place authorizing them to vote your shares on your behalf, or you provide voting instructions to your broker, bank or other holder of record. If you are unsure, then please vote your Realty Income shares using the voting information provided.

How do I vote?

You may vote using any of the following methods:

By Internet

You may authorize your proxy over the Internet. The website for Internet authorization is provided in the Notice or on your proxy if you received a printed set of the proxy materials. Internet authorization is available 24 hours per day until 11:59 p.m., Eastern Daylight Time, the day before our Annual Meeting. In order to authorize your proxy, you will need to have the control number that appears on the Notice or proxy you received.

By Telephone

If you received a printed set of the proxy materials, you may authorize your proxy by telephone by calling the toll-free number listed on your proxy. Telephone authorization is available 24 hours per day until 11:59 p.m., Eastern Daylight Time, the day before our Annual Meeting. When you call, please have your proxy in hand, and you will receive a series of voice instructions which will allow you to instruct your proxy how to vote your shares of Common Stock. To authorize your proxy by telephone, you will also need your control number referred to above. If you authorize your proxy by telephone, you do not have to return your proxy or voting instruction form.

By Mail

If you received a printed set of the Proxy materials, be sure to complete, sign and date the proxy card or voting instruction form and return it in the prepaid envelope. If the prepaid envelope is missing, please mail your completed proxy to: Realty Income Corporation, Vote Processing, c/o Broadridge Financial Solutions, Inc., 51 Mercedes Way, Edgewood, NY 11717.

In person at the Annual Meeting

All stockholders of record may vote in person at the Annual Meeting. You may also be represented by another person at the meeting by executing a proper proxy designating that person as your representative. If you are a beneficial owner of shares, you must obtain a Legal Proxy from your broker, bank or other holder of record and present it to the inspector of election at the Annual Meeting to be able to vote at the Annual Meeting.

What happens if I do not indicate my voting preferences?

If you are a stockholder of record and you submit your proxy card or authorize your proxy by telephone or internet, but do not indicate your voting preferences, the persons named in the proxy will vote the shares represented by that proxy FOR the election to the Board of Directors of the eight nominees listed in this Proxy Statement, FOR the ratification of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2015, FOR the say on pay vote, and in the discretion of the proxy holders on any other matter that may properly come before the Annual Meeting.

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If you hold your shares through a broker and do not instruct your broker on how to vote your shares, your broker cannot vote your shares on the election of directors or the say on pay vote, but can vote your shares on the proposal regarding ratification of the appointment of our auditor.

Can I change my vote after I submit my proxy?

If you are a stockholder of record, you may revoke your proxy at any time before it is voted at the Annual Meeting by doing any one of the following:

- delivering to our Corporate Secretary a written notice of revocation prior to or at the Annual Meeting;
- signing and returning to our Corporate Secretary a proxy bearing a later date;
- authorizing another proxy by telephone or on the internet (your most recent telephone or internet authorization is used); or
- voting in person at the Annual Meeting.

If your shares are held in the name of a broker, bank, trust or other nominee, you may change your voting instructions by following the instructions provided by your broker, bank or other record holder in the voting instruction form.

Your attendance at the Annual Meeting will not by itself be sufficient to revoke a proxy unless you vote in person or give written notice of revocation to our Corporate Secretary before the polls are closed. Any written notice revoking a proxy should be sent to Michael R. Pfeiffer, our Corporate Secretary, at our corporate offices at 11995 El Camino Real, San Diego, California 92130.

How does our Board of Directors recommend you vote on the proposals?

Our Board of Directors recommends a vote FOR the election of the eight director nominees listed in this proxy to serve until the 2016 annual meeting and until their respective successors are duly elected and qualify. Our Board of Directors recommends a vote FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2015 and FOR the say on pay vote.

What are the quorum and voting requirements on our three proposals mentioned in this Proxy Statement?

The presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast at the Annual Meeting on any matter will constitute a quorum. Abstentions and broker non-votes are counted as present for purposes of determining a quorum. A broker non-vote occurs when a bank, broker or other holder of record of shares for a beneficial owner properly executes and returns a proxy card, but does not vote on a matter because the bank, broker or other holder does not have discretionary authority to vote the shares and has not received voting instructions from the beneficial owner.

Proposal 1 Election of Directors. Our Bylaws include a majority voting standard for the election of directors in uncontested elections, which are generally defined as elections in which the number of nominees does not exceed the number of directors to be elected at the meeting. In the election of directors, you may either vote FOR, AGAINST or ABSTAIN as to each nominee. Cumulative voting is not permitted. Under the majority voting standard, in uncontested elections of directors, such as this election, each director must be elected by the affirmative vote of a majority of the votes cast by the holders of shares present in person or represented by proxy and entitled to vote. A majority of the votes cast means that the number of votes cast FOR a candidate for director exceeds the number of votes cast AGAINST that candidate for director. Brokers do not have discretionary authority to vote for directors. Abstentions and broker non-votes will not count as a vote cast FOR or AGAINST a nominee s election and thus will have no effect in determining whether a director nominee has received a majority of the votes cast.

In accordance with the policy adopted by our Board of Directors, in this election, an incumbent candidate for director who does not receive the required votes for re-election is expected to offer his or her resignation to the Board of Directors. The Nominating/Corporate Governance Committee of the Board of Directors, or a committee of independent directors in the event the incumbent is a member of the Nominating/Corporate Governance Committee, will then make a determination as to whether to accept or reject the tendered resignation, generally within 90 days after certification of the election results of the stockholder vote. Following such determination, we will publicly disclose the decision regarding any tendered resignation and the rationale behind such decision in a filing of a Current Report on Form 8-K with the Securities and Exchange Commission (SEC). If a director s offer to resign is not accepted by the Board of Directors (or properly constituted committee) or such director does not otherwise submit his or her resignation to the Board of Directors, such director shall continue to serve until his or her successor is duly elected, or his or her earlier resignation or removal.

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Proposal 2 Ratification of Appointment of Independent Registered Public Accounting Firm. The affirmative vote of a majority of all the votes cast is necessary for the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2015. Accordingly, abstentions will have no effect on the outcome of the vote with respect to ratification of the independent registered public accounting firm for the year ending December 31, 2015. If you are a beneficial owner, your bank, broker or other holder of record is permitted to vote your shares on the ratification of accountants if the broker does not receive voting instructions from you, and thus broker non-votes are not expected to result from this proposal.

Proposal 3 Say on Pay Vote. The affirmative vote of a majority of all the votes cast is necessary for the approval of the say on pay vote. Brokers do not have discretionary authority to vote your shares on the say on pay vote. Abstentions and broker non-votes will not be counted as votes cast and will have no effect on the outcome of the vote.

Will any other business be conducted at the Annual Meeting?

Our Board of Directors does not know of any matters to be presented at the meeting other than those mentioned in this Proxy Statement. If any other matters are properly brought before the meeting, it is intended that the proxies will be voted in accordance with the discretion of the person or persons voting the proxies. Under the New York Stock Exchange rules, if you are a beneficial owner, your bank, broker or other holder of record may not vote your shares on any contested stockholder proposal without instructions from you.

If the Annual Meeting is postponed or adjourned for any reason, at any subsequent convening or resumption of the Annual Meeting, all proxies will be voted in the same manner as such proxies would have been voted at the Annual Meeting as originally convened (except for any proxies that have effectively been revoked or withdrawn).

Who will count the vote?

Representatives of Broadridge will tabulate the votes and act as inspector of election.

Can I access the Notice of Annual Meeting, Proxy Statement and 2014 Annual Report on the internet?

These materials are available on our website and can be accessed at **http://investors.realtyincome.com/annual-reports-meetings**.

Who bears the cost of soliciting proxies?

We will bear the cost of soliciting proxies from our stockholders. In addition to solicitation by mail, our directors, officers, employees and agents may solicit proxies by telephone, telegram, internet or otherwise. These directors, officers and employees will not be additionally compensated for the solicitation, but may be reimbursed for out-of-pocket expenses incurred in connection with the solicitation. Copies of solicitation material will be furnished to brokerage firms, fiduciaries and other custodians who hold shares of our common stock of record for beneficial owners for forwarding to such beneficial owners. We may also reimburse persons representing beneficial owners for their reasonable expenses incurred in forwarding such material.

Stockholders who authorize their proxies through the internet should be aware that they may incur costs to access the internet, such as usage charges from telephone companies or internet service providers and these costs must be borne by the stockholder.

Our common stock is traded on the New York Stock Exchange (NYSE), under the ticker symbol O . On March 5, 2015, the last reported sale price for our common stock on the NYSE was $50.80 per share.

No person is authorized to make any representation with respect to the matters described in this Proxy Statement other than those contained herein and, if given or made, such information or representation must not be relied upon as having been authorized by us or any other person.

You are encouraged to read this Proxy Statement in its entirety.

* * * *

The date of this Proxy Statement is

March 27, 2015.

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PROPOSAL 1

ELECTION OF DIRECTORS

Director Nominees

Our Board of Directors currently consists of eight directors. Stephen E. Sterrett was appointed to our Board of Directors on October 27, 2014. Mr. Sterrett was Senior Executive Vice President and Chief Financial Officer of Simon Property Group, Inc. Mr. Sterrett had served as Senior Executive Vice President at Simon Property Group, Inc. since 2011, and Chief Financial Officer since 2000 and has recently retired. Mr. Sterrett is a graduate of Indiana University with a Bachelor of Science degree in Accounting and a Master of Business Administration degree in Finance. John Case, our Chief Executive Officer, President and Director, recommended that Mr. Sterrett serve on our Board of Directors and submitted his name to our Nominating/Corporate Governance Committee for their review.

Based upon the recommendation of our Nominating/Corporate Governance Committee, our Board of Directors has nominated our current eight directors for election at the Annual Meeting to serve for a one-year term expiring at the annual meeting in 2016 and until their respective successors have been duly elected and qualify:

1. Kathleen R. Allen, Ph.D.
2. John P. Case
3. A. Larry Chapman
4. Priya Cherian Huskins
5. Michael D. McKee
6. Gregory T. McLaughlin
7. Ronald L. Merriman
8. Stephen E. Sterrett

For more information regarding our nominees, please see Board of Directors below.

OUR BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR EACH OF THE NOMINEES LISTED ABOVE.

PROPOSAL 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of our Board of Directors has appointed KPMG LLP as the independent registered public accounting firm to audit our consolidated financial statements and internal control over financial reporting for the year ending December 31, 2015. Representatives of KPMG LLP are expected to be present at the Annual Meeting and will be provided an opportunity to make a statement if the representatives desire to do so. The representatives are also expected to be available to respond to appropriate questions.

Although ratification by our stockholders is not a prerequisite to the power of the Audit Committee to appoint KPMG LLP as our independent registered public accounting firm, our Board and the Audit Committee believes such ratification to be advisable and in the best interests of the company. Accordingly, stockholders are being requested to ratify, confirm and approve the appointment of KPMG LLP as our independent registered public accounting firm to conduct the annual audit of our consolidated financial statements and internal control over financial reporting for the year ending December 31, 2015. If the stockholders do not ratify the appointment of KPMG LLP, the appointment of an independent registered public accounting firm will be reconsidered by the Audit Committee; however, the Audit Committee has appointed KPMG LLP notwithstanding any failure of the stockholders to ratify its appointment. If the appointment of KPMG LLP is ratified, the Audit Committee will continue to conduct an ongoing review of KPMG LLP s scope of engagement, pricing and work quality, among other factors, and will retain the right to replace KPMG LLP at any time.

OUR BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2015.

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PROPOSAL 3

ADVISORY VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

Our Board of Directors has determined to hold an annual say on pay advisory vote. In accordance with our Board of Director s determination and Section 14A of the Securities Exchange Act of 1934, as amended (Exchange Act), and as a matter of good corporate governance, we are asking our stockholders to approve on a non-binding, advisory basis the compensation of our named executive officers (which consist of our Chief Executive Officer, Chief Financial Officer, our next three highest paid executives, and our former President and Chief Operating Officer), as such compensation is described in the Compensation Discussion and Analysis section beginning on page 22, the tabular disclosure regarding such compensation beginning on page 41 and the accompanying narrative disclosure set forth in this Proxy Statement.

We believe that our compensation policies and procedures are competitive, are focused on pay-for-performance principles and are strongly aligned with the long-term interests of our stockholders. The following is a summary of the key highlights of our executive compensation program:

- **We emphasize pay for performance**. In determining compensation, we focus on both short- and long-term performance based on company financial and operational metrics as well as stockholder returns. 100% of compensation awarded under our new short term incentive compensation program (STIP) is at-risk, and for 2014, was payable based on the following objective performance goals and weightings (totaling 70%):

- Adjusted Funds from Operations (AFFO) per share; weighted 20%
- Property acquisitions levels, in dollars; weighted 20%
- Portfolio occupancy percentage; weighted 10%
- Fixed charge coverage ratio; weighted 10%
- Common dividends per share; weighted 10%

Based on our strong operational performance for 2014, we achieved a weighted 139% of target performance under the objective performance goals.

Individual performance results received the remaining 30% weighting under the STIP, which could result in payouts ranging from 0% to 150% of target. During 2014, the named executive officers earned percentages ranging from 75% to 150% of their targets based on achievement of goals during the year as well as competitive market data that the Compensation Committee deemed important in making the individual assessments, resulting in total earned incentive payouts for our named executive officers under our 2014 STIP ranging from 120% to 142% of target incentive opportunity (141% for our CEO).

- **Alignment of executive compensation with the creation of value for our stockholders.** Our new long-term incentive program (LTIP) is an equity program wherein long-term performance shares are awarded each year and earned based on our performance over a three year period, with the initial performance period running from January 1, 2014 through December 31, 2016. This program was designed to motivate executives to achieve long term financial goals, and favorable absolute and relative Total Stockholder Return (TSR). 100% of compensation awarded under the LTIP is at-risk.

The performance measure and weighting for the 2014-2016 Performance Shares are based on the following objective performance measures, each of which are measured over or at the end of the three year performance period:

- TSR positioning within the MSCI US REIT Index; weighted 60%
- TSR compared to TSR of National Association of Real Estate Investment Trusts (NAREIT) Freestanding Index; weighted 20%
- Debt-to-Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) ratio; weighted 20%

We achieved strong absolute and relative TSR as of December 31, 2014 with a stock price of $47.71, which grew from our stock price at December 31, 2013 of $37.33.

	Absolute TSR	Ranking within RMS Index	TSR Relative to NAREIT Freestanding Index
One-year TSR	33.7%	66th percentile	+33.1%

Additionally, our Debt-to-EBITDA has remained strong at 5.8x as of December 31, 2014.

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Our Board of Directors believes that the information provided above and within the Executive Compensation section of this Proxy Statement demonstrates that the executive compensation program was designed appropriately and is working to ensure that management s interests are aligned with our stockholders interests to support long-term value creation.

OUR BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR APPROVAL, ON A NON-BINDING ADVISORY BASIS, OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS, AS DESCRIBED IN THE COMPENSATION DISCUSSION AND ANALYSIS SECTION AND THE RELATED TABULAR AND NARRATIVE DISCLOSURE SET FORTH IN THIS PROXY STATEMENT.

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BOARD OF DIRECTORS

The following table sets forth certain information as of March 5, 2015 concerning our current directors. Each person listed below is a director nominee for re-election at the Annual Meeting. On October 27, 2014, the Board appointed Stephen E. Sterrett to the Board of Directors as an independent director.

Name	Title	Age
Kathleen R. Allen, Ph.D.	Director	69
John P. Case	Chief Executive Officer, President and Director	51
A. Larry Chapman	Director	68
Priya Cherian Huskins	Director	42
Michael D. McKee	Chairman	69
Gregory T. McLaughlin	Director	55
Ronald L. Merriman	Director	70
Stephen E. Sterrett	Director	59

Board of Director Biographies

The information presented below highlights each director nominee s specific experience, qualifications, attributes and skills that led our Board of Directors to the conclusion that he/she should serve as a director. We believe that all of our director nominees have a reputation for integrity, honesty and adherence to high ethical standards. They each have demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment of service to Realty Income and our Board of Directors. Finally, we value their significant experience on other company boards of directors and board committees.

Kathleen R. Allen, Ph.D.

Kathleen R. Allen, Ph.D. has been our director since February 2000. She is a professor at the Marshall School of Business and the director of the Center for Technology Commercialization at the University of Southern California (1991-present). She was the co-founder and chairwoman of Gentech Corporation (1994-2004) and in 2006 co-founded and became the Chief Executive Officer and served on the board of directors of N2TEC Institute, a nonprofit company focused on technology commercialization in rural America, until it completed its mission in 2013. Dr. Allen has co-founded four private companies, is currently a principal and on the board of directors of a real estate investment and development company, and serves on the board of advisors for two life science companies as well as the Children's Hospital/Saban Institute s Center for Innovation in Pediatrics. She is a Visiting Scholar at the Department of Homeland Security where she advises on issues related to technology deployment, including cyber security. She is the author of 15 books in the field of entrepreneurship and technology commercialization, a field in which she is considered an expert. Dr. Allen is chairwoman of our Strategic Planning Committee and is a member of our Audit Committee and our Compensation Committee.

As a distinguished businesswoman, entrepreneur and consultant, Dr. Allen has helped our Board of Directors identify and assess the risks associated with new endeavours. She has also worked with many early-growth and established companies to develop effective leadership and team-building skills, which she has implemented during her participation on various board committees. With her years of experience in risk management in the areas of business models, investment opportunities, and markets, Dr. Allen brings to the Board of Directors achievement in strategic business planning, which is a key part of our growth strategy.

John P. Case

Mr. Case was promoted to Chief Executive Officer in September 2013 and reassumed the title of President in September 2014. He joined Realty Income in 2010 as Executive Vice President, Chief Investment Officer and served in this capacity until March 2013, when he was promoted to President, Chief Investment Officer. Prior to joining Realty Income, Mr. Case served for 19 years as a New York-based real estate investment banker. Most recently he served as the co-head of Real Estate Investment Banking for RBC Capital Markets, where he also served on the firm s Global Investment Banking Management Committee. Prior to joining RBC, he was co-head of America s Real Estate Investment Banking at UBS. He began his career in real estate investment banking at Merrill Lynch, where he worked for 13 years, and was named a managing director in 2000. During Mr. Case s career, he was responsible for more than $100 billion in real estate capital markets and advisory transactions. In addition, Mr. Case has been extensively involved in the broader real estate industry. He currently serves on the National Association of Real Estate Investment Trusts (NAREIT) Board of Governors and is a member of The President s Council of the Real Estate Roundtable and the International Council of Shopping Centers (ICSC). He was a member of the Board of Directors of the National Multi-Housing Council (NMHC) from 2001 to 2009, serving on the Executive Committee from 2002 to 2004, the Real Estate Roundtable from 2009 to 2010, and the Urban Land Institute from 2003 to 2010.

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As the Chief Executive Officer, Mr. Case s primary responsibility is fulfilling our mission to provide monthly dividends that increase over time. This responsibility involves overseeing all of our operations, as well as creating and executing on the company s strategy. The implementation of our strategy involves constant monitoring of the economic environment, analyzing factors that can impact our operations, and doing what is required to generate investor returns, while mitigating the risks that are taken to achieve those returns.

Mr. Case has demonstrated extensive knowledge of the financial and operating issues facing real estate organizations. His vast understanding of real estate investment trusts and financial strategy has helped guide the company in recent years. In addition, Mr. Case s knowledge of all aspects of the company s business positions him as a valuable member of, and contributor to, our Board of Directors. Mr. Case is a member of our Strategic Planning Committee.

A. Larry Chapman

A. Larry Chapman has been our director since February 2012. He is a retired 37-year veteran of Wells Fargo, having served most recently as Executive Vice President and the Head of Commercial Real Estate from 2006 until his retirement in June 2011, and as a member of the Wells Fargo Management Committee. Mr. Chapman joined Wells Fargo in 1974 in its Houston Real Estate office. In 1987, he was promoted to President of Wells Fargo Realty Advisors, a wholly-owned subsidiary of Wells Fargo & Co. The subsidiary s primary responsibility was managing Wells Fargo Mortgage and Equity Trust, which was formed in 1970 and sold in 1989. He remained President of Wells Fargo Realty Advisors until 1990, and was promoted to Group Head of the Wells Fargo Real Estate Group in 1993. Mr. Chapman managed the Wells Fargo Real Estate Group until his 2006 promotion to Executive Vice President and Head of Commercial Real Estate for Wells Fargo on a nationwide basis. Mr. Chapman is a former board member of the Fisher Center for Real Estate and Urban Economics at the University of California, Berkeley; past governor and trustee of the Urban Land Institute; former member of the National Association of Real Estate Investment Trusts; and member and past trustee of the International Council of Shopping Centers. Mr. Chapman is a member of our Audit and Compensation Committees. He currently serves on the board of directors of CBL & Associates Properties, Inc. (NYSE: CBL) (August 2013-present).

Mr. Chapman s extensive commercial real estate experience, across many industries and tenant types, provides valuable insight and expertise to the Board and our senior management team as we continue to expand our real estate portfolio. In addition, his background as a leader of a Fortune 500 company, and as a member of its management team, further enhances the quality of leadership and oversight provided by our Board of Directors.

Priya Cherian Huskins

Priya Cherian Huskins has been our director since December 2007. She is Senior Vice President and partner at Woodruff-Sawyer & Co., a commercial insurance brokerage firm (2003-present). Prior to joining Woodruff-Sawyer & Co., Ms. Huskins served as a corporate and securities attorney at the law firm of Wilson Sonsini Goodrich & Rosati (1997-2003). She has served on the advisory board of the Stanford Rock Center for Corporate Governance since 2012, the board of directors of the Silicon Valley Directors Exchange (SVDX) since 2013, and served on the board of directors of the National Association of Corporate Directors, Silicon Valley Chapter (2006 2013). Ms. Huskins is Chairwoman of our Nominating/Corporate Governance Committee and is a member of our Strategic Planning Committee.

With her background in law, insurance and risk management, Ms. Huskins brings a focus on these areas to our Board of Directors. As a recognized expert in directors and officers liability risk and its mitigation, Ms. Huskins provides valuable insight into our risk management strategy. In addition, she brings experience regarding corporate governance matters, including ways that corporate governance can enhance stockholder value. Ms. Huskins's experience makes her a valuable component of a well-rounded Board of Directors and a key member of both committees on which she serves.

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Michael D. McKee

Michael D. McKee has been a director since August 1994 and Chairman of the Board since February 2012. He is the Chief Executive Officer of Bentall Kennedy (U.S.), a registered real estate investment advisor (February 2010-present). He was the Vice Chairman (1999-2008) and Chief Executive Officer (2007-2008) of The Irvine Company, a privately-held real estate investment company, as well as Chief Operating Officer (2001-2007), Chief Financial Officer (1997-2001) and Executive Vice President (1994-1999) of The Irvine Company. Prior to joining The Irvine Company, Mr. McKee was a partner in the law firm of Latham & Watkins (1986-1994). Through each of these positions Mr. McKee has obtained extensive real estate experience and provides valuable insight and expertise to the Board and our senior management team. He has served on the board of directors of HCP, Inc. (NYSE: HCP) (1987-present) where he serves as Non-Executive Chairman, Bentall Kennedy (U.S.) (2008-2012), First American Financial Corporation (NYSE: FAF) (2011-present), the Tiger Woods Foundation (2006-present), The Irvine Company (1998-2008) and Hoag Hospital Foundation (1999-2008). In addition to being the chairman of our Board of Directors, Mr. McKee is a member of our Compensation Committee and our Nominating/Corporate Governance Committee.

Mr. McKee's business and legal experience includes numerous acquisition and disposition transactions, as well as a variety of public and private offerings of equity and debt securities. Additionally, he has been exposed to various compliance issues as they relate to real estate investment trusts. With his knowledge of the complex issues facing real estate companies today and his understanding of what makes businesses work effectively and efficiently, Mr. McKee provides valuable insight to our Board of Directors.

Gregory T. McLaughlin

Gregory T. McLaughlin has been our director since June 2007. Mr. McLaughlin is currently the President, PGA TOUR - Champions Tour and a Senior Vice President with the PGA TOUR in Ponte Vedra, Florida (2014-present). Prior to joining the PGA TOUR, Mr. McLaughlin was President and Chief Executive Officer of the Tiger Woods Event Corporation and Tiger Woods Foundation in Irvine, California (1999-2014); Vice President of Business Development of the Western Golf Association / Evans Scholars Foundation (1993-1999); and Vice President of Business Development of the Los Angeles Junior Chamber of Commerce (1988-1993). He is currently a member of the Board of Directors of Repucom (2014 - present). Mr. McLaughlin is Chairman of the Compensation Committee and is a member of the Audit Committee and the Strategic Planning Committee.

With his diverse background, Mr. McLaughlin offers a unique perspective to the Board of Directors on a variety of business and legal matters. His business and legal experience includes tax-exempt status and financing as well as business development, capital raising and program development. Additionally, his leadership skills in managing not-for-profit organizations brings financial reporting expertise, especially as it relates to audit and tax matters. His proven effectiveness working with complex issues makes him a valuable member of our Board of Directors and the committees on which he serves.

Ronald L. Merriman

Ronald L. Merriman has been our director since July 2005. He is a retired Vice Chairman and partner of KPMG LLP, a global accounting and consulting firm (1967-1997). At KPMG LLP, Mr. Merriman served as Vice Chairman of the Executive Management Committee. More recently, Mr. Merriman was the managing director of Merriman Partners, a management advisory firm (2003-2011). Prior to founding Merriman Partners, Mr. Merriman served as a managing director of O Melveny & Myers law firm (2000-2003), Executive Vice President of Carlson Wagonlit Travel (1999-2000) and President of Ambassador Performance Group, Inc. (1997-1999). Mr. Merriman has served on the board of directors and is the chairman of the audit committee of the following public companies: Aircastle Limited (NYSE: AYR) (2006-present), and Pentair, Plc, formerly Pentair, Ltd. (NYSE: PNR) (2005-present). Additionally, he serves on the compensation committee of Aircastle Limited (2012 Present) and on the audit committee of Haemonetics Corporation (NYSE: HAE) (2005 Present). Mr. Merriman is Chairman of our Audit Committee and is a member of our Nominating/Corporate Governance Committee and our Strategic Planning Committee.

Mr. Merriman is an experienced financial leader with the skills necessary to lead our Audit Committee. Throughout his career, he has been exposed to various issues involving accounting and auditing standards, business law and corporate ethics. His professional background and experience on other audit committees make him a valuable asset, both on our Board of Directors and as the Chairman of our Audit Committee. Mr. Merriman's positions have provided him with a wealth of knowledge in addressing financial and accounting matters. The depth and breadth of his exposure to complex financial issues makes him a skilled advisor to the Board of Directors.

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Stephen E. Sterrett

Stephen E. Sterrett has been our director since October 2014. He retired as the Senior Executive Vice President and Chief Financial Officer of Indianapolis-based Simon Property Group, Inc., an S&P 100 company, in December 2014. Mr. Sterrett joined the Simon organization in 1988, was named Treasurer in 1993, and was the Chief Financial Officer from 2000 until his retirement. Prior to joining Simon Property Group, Inc., he was a Senior Manager with the international accounting firm of Price Waterhouse. Mr. Sterrett serves on the boards of Berry Plastics Group, Inc. (NYSE: BERY) and Equity Residential (NYSE: EQR). Mr. Sterrett is active in several professional organizations, including the National Association of Real Estate Investment Trusts, the International Council of Shopping Centers and is a past member of the Indiana CPA Society.

As the former Chief Financial Officer of Simon Property Group, Inc., Mr. Sterrett had direct experience with matters arising from the business and financial issues pertaining to the company, particularly in the areas of corporate finance and capital markets. His experience as a Chief Financial Officer in the REIT industry brings to our Board a comprehensive understanding of matters unique to REITs and enables him to make significant contributions to our Board.

Corporate Governance

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

- Our Board of Directors is currently comprised of eight directors, seven of which are independent, non-employee directors;
- Our Board of Directors is elected on an annual basis;
- We employ a majority vote standard for director elections;
- Our Compensation Committee works with independent consultants, in conducting annual compensation reviews for our key executives, and compensates each individual based on reaching certain performance metrics that determine the success of the company;
- We adhere to all other corporate governance principles outlined in our Corporate Governance Guidelines document;
- We have established an anti-hedging and anti-pledging policy;
- We have a stock ownership program for our directors and executive officers; and
- We have adopted a clawback policy that enables us to recover incentive compensation awards in the event of negligence or misconduct directly related to a material restatement of our financial or operating results, or miscalculated performance metrics that, if calculated correctly, would have resulted in a lower payment.

The Charters of each of our standing committees, our Code of Business Ethics and our Corporate Governance Guidelines are posted on our website at www.realtyincome.com and will be provided without charge upon request to the Corporate Secretary, Realty Income Corporation, 11995 El Camino Real, San Diego, CA 92130. During 2014, in accordance with the terms of each of our Committee Charters, each of our respective committees reviewed its charter. Our Audit Committee, Nominating/Corporate Governance Committee, and Compensation Committee made minor updates to their charters in February 2014. The Strategic Planning Committee determined that no updates to its charter were needed in 2014.

Code of Business Ethics. We have adopted a Code of Business Ethics that applies to our employees, officers and directors. The Board of Directors adopted the Code of Business Ethics to codify and formalize certain of our long-standing policies and principles that help ensure our business is conducted in accordance with the highest standards of moral and ethical behavior. Our Code of Business Ethics covers all areas of professional conduct, including conflicts of interest, insider trading and confidentiality, as well as requiring strict adherence to all laws and regulations applicable to our business and industry. We conduct annual training of employees regarding ethical behavior and require all employees to acknowledge the terms of, and abide by, our Code of Business Ethics. We intend to disclose any future amendments to or waivers of certain provisions of our Code of Business Ethics applicable to our principal executive officer, principal financial officer, principal accounting officer, controller and individuals performing similar functions on our website at www.realtyincome.com within five business days following such waiver or as otherwise required by the SEC or the NYSE.

Our Board of Directors has adopted a whistleblower policy, which outlines a procedure for all interested parties, including employees, to submit confidential complaints, concerns, unethical business practices, violations or suspected violations for any and all matters pertaining to accounting, internal control or auditing.

Anti-Hedging and Anti-Pledging Policy. We have established policies that prohibit our directors, officers, other employees and their family members from engaging in any transaction that might allow them to realize gains from declines in our securities. Specifically, we prohibit transactions using derivative securities, or otherwise participating in hedging, stop loss, or other speculative transactions involving our securities by officers, directors, other employees and their family members. Short selling our securities, trading in any puts, calls, covered calls or other derivative products involving our securities, or the writing of purchase or call options, short sales and other similar transactions are also prohibited for our officers, directors, other employees and family members.

In addition, margin purchases of our securities and pledging any of our securities as collateral to secure loans is also prohibited. This prohibition means that directors, officers, other employees and their family members cannot hold our securities in a margin account nor can they pledge any of our securities for any loans or indebtedness.

Adoption of Compensation Recoupment (Clawback) Policy. Although the SEC still has not issued regulations regarding clawback policies, as required by the Dodd-Frank Act, we have recently voluntarily adopted our own formal clawback policy which applies to outstanding awards and will apply to future awards. Our clawback policy provides that we may recoup all cash or equity-based incentive compensation paid or granted to an executive officer as defined pursuant to Rule 3b-7 under the Exchange Act, during the three year period preceding the triggering event that was in excess of what would have been paid or granted to such executive officer after giving effect, as applicable, to the accounting restatement that resulted from the triggering event or to what would have been the correct calculation of the performance metric(s) used in determining that a triggering event had occurred. A triggering event includes: i) a decision by the Audit Committee to effect an accounting restatement of previously published financial statements caused by material non-compliance by the company with any financial reporting requirement under the federal securities laws due to fraud, misconduct, negligence, or lack of sufficient oversight on the part of any executive officer; and ii) a decision by the Compensation Committee that one or more performance metrics used for determining previously paid compensation was incorrectly calculated and, if calculated, correctly would have resulted in a lower payment to one or more executive officers. However, the requirement to repay the incentive compensation that is recoverable under this policy shall only exist if the Board has actively taken steps to evaluate restating the financials or operating results or recalculating other associated metrics prior to the end of the fifth year following the year in question. The company will not be bound by the three year recoupment period or this five year limitation in cases involving fraud or intentional misconduct. Once applicable SEC regulations are adopted, we will reassess our clawback policy in light of the new rules and will implement appropriate changes to ensure that our policy is fully compliant with SEC regulations.

Stock Ownership Program. We have adopted a stock ownership program for our directors, and executive vice presidents and above, with our CEO required to own a fixed number of shares based on five times his base salary. A detailed description of each of these programs and the minimum share ownership requirements is included on page 21 and page 37 for directors and executives, respectively.

Committee Charters. Our Board of Directors has adopted a charter for each of the Audit Committee, the Compensation Committee, the Nominating/Corporate Governance Committee and the Strategic Planning Committee. Each of our charters is reviewed annually. Our Board of Directors may, from time to time, establish certain other committees to facilitate our management. We have also adopted Corporate Governance Guidelines that promote the functioning of the Board of Directors and its committees and sets forth expectations as to how the Board of Directors should perform its functions. The guidelines include information about the composition of the Board of Directors, orientation and continuing education, director compensation, Board of Directors meetings, Board of Directors committees, management succession, evaluation and compensation of senior officers, expectations of directors and information regarding the annual performance evaluation of the Board of Directors.

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

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

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

- Powering down office equipment at the end of the day;
- Setting copier machines to energy saver mode;
- Encouraging employees to reduce paper usage whenever possible by storing documents electronically, using file-sharing technology to communicate edits to documents, and using duplex copy mode;
- Adopting policies such as an electronic invoice approval system to reduce the transfer of hard copies; and
- Encouraging employees to carpool to our headquarters.

In addition, our headquarters was constructed according to the State of California energy efficiency standards (specifically following California Green Building Standards Code and Title 24 of the California Code of Regulations) with the following features:

- Lighting control system with automatic occupancy sensors and light harvesting where applicable;
- LED lighting throughout the building;
- High efficiency heating and cooling system with high SEER rating;
- Plenum window shades to help capture and dispense heat;
- Energy efficient insulated PVC roofing system;
- Building Management System that monitors and controls energy use, specifically programmed for systems to operate during normal business operating hours only;
- Energy Star appliances;
- Low gallon per flush toilets and motion sensor faucets in restrooms; and
- Drought-tolerant landscaping with recycled materials used for ground covering.

With respect to recycling and reuse practices, we encourage the use of recycled products and the recycling of materials during our operations. Recycling bins are placed in all areas where materials are regularly disposed of and at the individual desks of our employees. Cell phones, wireless devices and office equipment are recycled or donated whenever possible.

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

More information on our corporate responsibility efforts can be found at http://www.realtyincome.com/invest/investing-resources/corporate-responsibility.shtml.

Board Independence

Our Board of Directors has determined that each of our current directors, except for Mr. Case, has no material relationship with us (either directly or indirectly through an immediate family member or as a partner, stockholder or officer of an organization that has a relationship with us) and is independent within the meaning of our director independence standards and NYSE director independence standards. Our Board of Directors established and employed categorical standards in determining whether a relationship is material and thus would disqualify such director from being independent. Our categorical standards of independence mirror NYSE independence requirements, except that our categorical standards additionally consider a director to be not independent if:

- The director (or an immediate family member of the director) received more than $100,000 per year in direct compensation from the company or any of its subsidiaries, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

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• The director (or an immediate family member of the director) was, within the last three years, an affiliate or executive officer of another company which was indebted to us, or to which we were indebted, where the total amount of either company s indebtedness to the other was five percent (5%) or more of our total consolidated assets or the total consolidated assets of such other company; and

• The director (or an immediate family member of the director) was, within the last three years, an officer, director or trustee of a charitable organization where our (or an affiliated charitable foundation s) annual discretionary charitable contributions to the charitable organization exceeded the greater of $1 million, or five percent (5%) of that organization s consolidated gross revenues.

Affiliate includes any person beneficially owning in excess of 10% of the voting power of, or a general partner or managing member of, a company.

COMMITTEES OF THE BOARD OF DIRECTORS (as of the record date)

Name	Audit	Compensation	Nominating/ Corporate Governance	Strategic Planning
Kathleen R. Allen, Ph.D.	•	•		+
John P. Case				•
A. Larry Chapman	•	•		
Priya Cherian Huskins			+	•
Michael D. McKee		•	•	
Gregory T. McLaughlin	•	+		•
Ronald L. Merriman	+		•	•
Stephen E. Sterrett				
• Member + Chairperson				

Audit Committee

The Audit Committee of our Board of Directors was established in accordance with Section 10A-3 of the Exchange Act and is comprised of Dr. Allen and Messrs. Chapman, McLaughlin and Merriman (Chairman). Our Board of Directors has determined that Messrs. Merriman and McLaughlin qualify as audit committee financial experts, as defined in Item 407(d) of Regulation S-K and that all members of the Audit Committee are financially literate under the current listing standards of the NYSE. All of the members of the Audit Committee are independent within the meaning of our director independence standards, which reflect the NYSE director independence standards, as discussed above, and the audit committee requirements of the SEC. Additionally, our Board of Directors has considered Mr. Merriman s concurrent service on the audit committees of four public companies and has determined that such simultaneous service does not impair his ability to effectively serve as Chairman of our Audit Committee.

The Audit Committee s principal responsibilities include:

- Compliance with legal and regulatory requirements;

- The integrity of our financial statements;

- The appointment, approval and engagement of our independent registered public accounting firm, approval of any special assignments given to the independent registered public accounting firm and review of:

  - The scope and results of the audit engagement with the independent registered public accounting firm, including the independent registered public accounting firm s letters to the Audit Committee;
  - The independence and qualifications of the independent registered public accounting firm;
  - The effectiveness and efficiency of our internal accounting function; and
  - Any proposed significant accounting changes.

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Compensation Committee

The Compensation Committee of our Board of Directors is comprised of Dr. Allen and Messrs. Chapman, McKee and McLaughlin (Chairman). All of the members of the Compensation Committee are independent within the meaning of our director independence standards, which reflect the NYSE director independence standards as discussed above, are non-employee directors within the meaning of Rule 16b-3 of the Exchange Act, and are outside directors under the regulations promulgated under Section 162(m) of the Internal Revenue Code of 1986, as amended (Code).

The Compensation Committee s principal responsibilities include:

- Establishing remuneration levels for our senior officers;

- Reviewing significant employee benefits programs; and

- Establishing and administering executive compensation programs, including bonus plans, stock option and other equity-based programs, deferred compensation plans and any other cash or stock incentive programs.

The Compensation Committee regularly reviews and approves our executive compensation strategies and principles to ensure that they (i) are aligned with our business strategies and objectives, (ii) encourage high performance, (iii) promote accountability and (iv) assure that employee interests are aligned with the interests of our stockholders. In addition, the Compensation Committee:

- Conducts an annual review of our compensation philosophy, including a review of our company-wide incentive programs to assess whether the incentive programs encourage desirable behavior as it relates to our long-term growth and reflect our risk management philosophies, policies and processes;

- Conducts an annual review of and approves the goals and objectives relating to the compensation of the Chief Executive Officer, evaluates the performance of the Chief Executive Officer in light of our business strategies and performance and determines and approves the compensation of the Chief Executive Officer based on such evaluation;

- Conducts an annual review of and approves all compensation for all other senior officers (as such term is defined in Rule 16a-1 promulgated under the Exchange Act), and all of our employees who are a vice president or above;

- Reviews and approves all officers employment agreements and severance arrangements;

- Manages and annually reviews executive short-term and long-term incentive compensation;

- Manages and annually reviews employee pension and welfare benefit plans (including 401(k) and other plans); and

- Sets performance metrics under all short-term and long-term incentive compensation plans as appropriate.

The Compensation Committee s charter reflects these various responsibilities, and the Compensation Committee periodically reviews and revises its charter. To assist in carrying out its responsibilities, the Compensation Committee regularly receives reports and recommendations from the Chief Executive Officer and management, from outside independent compensation consultants it selects and retains and, as appropriate, in consultation with its own legal or other advisors, all in accordance with the authority granted to the Compensation Committee in its charter.

To assist in its efforts to meet the objectives outlined above, the Compensation Committee has retained FPL Associates, LP (FPL), a nationally-known executive compensation and benefits consulting firm specializing in real estate companies, to advise it on a regular basis on the amount and form of our executive compensation and benefit programs. During 2014, the Compensation Committee engaged the consultant to provide peer group compensation data, compensation and benchmarking analysis, general executive compensation consulting services, and to respond to any Compensation Committee member s questions as further described in the Compensation Discussion and Analysis section.

After review and consultation with FPL, the Compensation Committee assessed the independence of FPL in light of, among other factors, the independence factors established by the NYSE. As a result of this assessment, the Compensation Committee has determined that FPL s work raised no conflict of interest currently or during the year ended December 31, 2014. Additionally, during 2014, advisory services were obtained from Latham & Watkins LLP. After review of the services to be performed and consultation with this law firm, the Compensation Committee assessed the independence of this firm in light of, among other factors, the independence factors established by the NYSE, and determined to continue to directly or indirectly receive advice from this firm.

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The Chief Executive Officer, as well as the Chief Operating Officer, annually assists in the review of the compensation of the other officers and members of senior management. The Chief Executive Officer makes recommendations with respect to salary adjustments, and short-term and long-term incentive compensation awards to the Compensation Committee based on his review of each executive s performance in relation to the guidelines and metrics established at the commencement of the year, compensation for similar positions at peer companies and the company s performance for that year.

Nominating/Corporate Governance Committee

The Nominating/Corporate Governance Committee of our Board of Directors is comprised of Ms. Huskins (Chairwoman) and Messrs. McKee and Merriman. All of the members of the Nominating/Corporate Governance Committee are independent within the meaning of our director independence standards, which reflect the NYSE director independence standards, as previously discussed. The Nominating/Corporate Governance Committee s principal purpose is to provide counsel to our Board of Directors on the broad range of issues surrounding the composition and operation of the Board of Directors, including:

- Development and review of the qualifications and competencies required for membership on our Board of Directors;
- Reviewing and interviewing qualified candidates to serve on our Board of Directors;
- Structure and membership of the committees of our Board of Directors; and
- Succession planning for our executive management.

The Nominating/Corporate Governance Committee also provides recommendations to the Board of Directors in the areas of committee selection and rotation practices, evaluation of the overall effectiveness of the Board of Directors and management, review of Board of Director compensation, and review and consideration of developments in corporate governance practices. The Nominating/Corporate Governance Committee retains the sole authority to retain and terminate any search firm to be used to identify director candidates, including sole authority to approve the search firm s fees and other retention terms. On an annual basis, the Nominating/Corporate Governance Committee solicits input from the full Board of Directors and conducts a review of the effectiveness of the operation of the Board of Directors and all committees thereof, including reviewing governance and operating practices and the Corporate Governance Guidelines for operation of the Board of Directors.

Strategic Planning Committee

The Strategic Planning Committee of our Board of Directors is comprised of Dr. Allen (Chairwoman), Ms. Huskins and Messrs. Case, McLaughlin and Merriman. With the exception of Mr. Case, our Chief Executive Officer, all of the other members of the Strategic Planning Committee are independent within the meaning of our director independence standards, which reflect the NYSE director independence standards as previously discussed. The Strategic Planning Committee works with management to review initiatives designed to achieve continued growth and to enhance stockholder value. The Strategic Planning Committee also assists management in looking beyond traditional quarterly and annual perspectives in considering our longer-term goals.

Director Qualifications

The director qualifications developed to date focus on what the Nominating/Corporate Governance Committee believes to be the essential competencies required to effectively serve on the Board of Directors. In reviewing and considering potential nominees for the Board of Directors, the Nominating/Corporate Governance Committee looks at the following qualities, skills and attributes:

- Personal and professional integrity, ethics, values and absence of conflicts of interest;
- Experience in corporate governance, for example as an officer or former officer of a publicly-held company;
- Experience in our industry and a general business understanding of major issues facing public companies;
- Experience as a member of the board of directors of another publicly-held company;
- Ability to fairly and equally represent all stockholders of the company and time to devote to being a director;
- Practical and mature business judgment, including the ability to make independent analytical inquiries and function effectively in an oversight role;
- Academic expertise in an area of our operations and achievement in one or more applicable fields;
- Background in financial and accounting matters; and
- Diversity in terms of background, expertise, perspective, age, gender and ethnicity.

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Identifying and Evaluating Nominees for Directors

The Nominating/Corporate Governance Committee identifies nominees for directors by first evaluating the current members of our Board of Directors willing to continue in service. Current members with qualifications and skills that are consistent with the Nominating/Corporate Governance Committee s criteria for Board of Directors service are re-nominated. As to new candidates, the Nominating/Corporate Governance Committee will generally poll members of our Board of Directors and members of management for their recommendations. The Nominating/Corporate Governance Committee has in the past retained a search firm to assist with identifying new candidates for membership on our Board of Directors, and in the future may hire a search firm if deemed appropriate. An initial slate of candidates will be presented to the chairwoman of the Nominating/Corporate Governance Committee, who will then make an initial determination as to the qualification and fit of each candidate. Final candidates will be interviewed by one or more members of the Nominating/Corporate Governance Committee. The Nominating/Corporate Governance Committee will then approve final director candidates and, after review and deliberation of all feedback and data, will make its recommendation to our Board of Directors. Recommendations received from stockholders will be considered and processed and are subject to the same criteria as are candidates nominated by the Nominating/Corporate Governance Committee.

Stockholder Recommendations

The Nominating/Corporate Governance Committee s policy is to consider candidates recommended by stockholders. The stockholder must submit a detailed resume of the candidate and an explanation of the reasons why the stockholder believes the candidate is qualified for service on our Board of Directors and how the candidate satisfies our Board of Directors criteria. The stockholder must also provide such other information about the candidate as would be required by the SEC rules to be included in a proxy statement. In addition, the stockholder must include the consent of the candidate and describe any arrangements or undertakings between the stockholder and the candidate regarding the recommendation. The stockholder must submit proof of Realty Income stockholdings. All communications are to be directed to the chairwoman of the Nominating/Corporate Governance Committee, c/o Corporate Secretary, Realty Income Corporation, 11995 El Camino Real, San Diego, CA 92130. Recommendations received before October 29, 2015 or after November 28, 2015 (more than 150 days or less than 120 days prior to the first anniversary of the date of the Proxy Statement for the previous year s annual meeting of stockholders) will not be considered timely for consideration at next year s annual meeting of stockholders. See Stockholder Proposals for 2016 Annual Meeting in this Proxy Statement. Properly submitted stockholder recommendations will be evaluated by the Nominating/Corporate Governance Committee using the same criteria used to evaluate other director candidates.

Board Leadership/Independent Chairman of the Board

The Nominating/Corporate Governance Committee also evaluates the Board of Directors leadership structure. Since 1997, the positions of Chairman of the Board of Directors and Chief Executive Officer have been separated in recognition of the differences between the two roles. Mr. McKee serves as our Chairman of the Board of Directors and presides as lead Independent Director, while Mr. Case serves as our Chief Executive Officer. The Board of Directors believes this is the most appropriate structure at this time because it enables the independent directors to participate meaningfully in the leadership of our Board of Directors while utilizing most efficiently the leadership skills of both Mr. McKee and Mr. Case. In addition, separating the roles of Chairman and Chief Executive Officer allows our Chairman to serve as a liaison between the Board of Directors and management, while providing our Chief Executive Officer with the flexibility and focus needed to oversee our operations.

Board Risk Oversight

Our Board of Directors has overall responsibility for risk oversight with a focus on the more significant risks facing us. The Board of Directors reviews and oversees our enterprise risk management (ERM) program, which is a company-wide program designed to enable effective and efficient identification of, and management visibility into, critical company risks and to facilitate the incorporation of risk considerations into decision making. The ERM program was established to clearly define risk management roles and responsibilities, bring together senior management to discuss risk, promote visibility and constructive dialogue around risk at the senior management and Board of Director levels, and facilitate appropriate risk response strategies. During the year, as part of the ERM program, management and the Board of Directors jointly discuss major risks that they feel face our business. Throughout the year, the Board of Directors, and the committees to which it has delegated responsibility, dedicates a portion of their meetings to review and discuss specific risk topics in greater detail. Strategic and operational risks are presented and discussed in the context of the Chief Executive Officer s report on operations to the Board of Directors at regularly scheduled Board of Directors meetings and at presentations to the Board of Directors and its committees by senior management. The Board of Directors has delegated responsibility for the oversight of specific risks to Board of Directors committees as follows:

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- The Audit Committee oversees our risk policies and processes relating to the financial statements and financial reporting processes, as well as key credit risks, liquidity risks, market risks and compliance, and the guidelines, internal controls, policies and processes for monitoring and mitigating those risks;

- The Strategic Planning Committee monitors the risks associated with meeting long-term goals, including evaluating the impact that future initiatives may have on risk decisions;

- The Nominating/Corporate Governance Committee oversees the risk related to our governance structure and processes and risks arising from related party transactions; and

- The Compensation Committee monitors the risks associated with management resources and structure, including evaluating the effect the compensation structure may have on risk decisions.

Compensation Risk Assessment

The Compensation Committee reviews our company-wide incentive programs to assess whether the incentive programs encourage desirable behavior as it relates to our long-term growth and reflect our risk management philosophies, policies and processes. The total compensation of our executive officers is established after consideration of performance metrics and is compared to the company s peer group by the Compensation Committee. The short-term incentive program metrics are based on financial and portfolio goals. The long-term incentive program metrics are primarily based on our TSR performance relative to our peers, a value creation goal.

In addition to the compensation awarded to management, which is authorized by the Compensation Committee, management monitors incentive awards made to our staff and reviews those awards in light of the risks to which we may be subject and each respective staff member s responsibilities with regards to policies and procedures and control environmentFor example, our portfolio management team receives bonuses based on the re-leasing and sales of properties in our portfolio. All of these transactions are approved by the Executive Vice President, Portfolio Management.

We do not believe that the compensation programs give rise to any risks that are reasonably likely to have a material adverse effect on us. Non-management employees are largely compensated on a fixed salary basis. Any additional bonuses or other compensation awards are unlikely to encourage the taking of unnecessary or excessive risks that threaten our long-term value. The Compensation Committee has sought to align the interests of our employees with that of our stockholders through grants of restricted stock awards, thereby giving employees additional incentives to protect and align with our long-term value. In addition, as discussed above, we have adopted a clawback policy that enables us to recover incentive compensation awards in the event of negligence or misconduct directly related to a material restatement of our financial or operating results or miscalculated performance metrics that, if calculated correctly, would have resulted in a lower payment.

Meetings and Attendance

Our Board of Directors met seventeen times during 2014, the Audit Committee met seven times, the Compensation Committee met thirteen times, the Nominating/Corporate Governance Committee met four times and the Strategic Planning Committee met three times. All directors attended at least 75% of the aggregate of (i) the total number of meetings of our Board of Directors while they were on our Board of Directors and (ii) the total number of meetings of the committees of our Board of Directors on which such directors served. Although we have no policy with regard to Board of Director members attendance at our annual meeting of stockholders, it is customary for, and we expect, all Board of Director members to attend. All of our directors, with the exception of Mr. Chapman and Mr. Sterrett, who joined our Board of Directors in October 2014, attended the 2014 annual meeting of stockholders.

To ensure free and open discussion among the independent directors, only independent directors attend executive sessions of our Board of Directors and Committee meetings. As the non-executive Independent Chairman of our Board of Directors, Mr. McKee presided at each of the five executive sessions held during 2014.

Communications with the Board

Stockholders and other interested parties may communicate with the chairman of our Board of Directors or with the non-employee directors, as a group, by sending an email to mpfeiffer@realtyincome.com or by regular mail addressed to the Chairman of the Board of Directors, c/o the Corporate Secretary, Realty Income Corporation, 11995 El Camino Real, San Diego, CA 92130. All appropriate correspondence will be promptly forwarded by the Corporate Secretary to the chairman of our Board of Directors.

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Compensation of the Company s Directors for 2014

Compensation for our Independent Directors during 2014 consisted of an annual retainer, an additional retainer for acting as Chair of one of our Board s committees, committee meeting fees, and an annual equity award. With regards to Mr. Sterrett, his annual retainer was prorated based on his service during 2014. 2014 fees included (i) an annual retainer of $15,000 for each Board of Director member, other than the chairman of our Board of Directors, who receives a $35,000 annual retainer, (ii) an Audit Committee chair retainer of $18,000, (iii) a Compensation Committee chair retainer of $15,000, (iv) a Nominating/Corporate Governance Committee chair retainer of $10,000 and (v) a Strategic Planning Committee chair retainer of $10,000. Board of Director and committee meeting fees are $1,000 per meeting attended in person and $500 for telephonic attendance.

Mr. Case is a director who was also a member of management during 2014, and as a non-independent employee director, he does not receive any compensation for serving as a member of our Board of Directors or any of its committees. Our non-employee directors received the following aggregate amounts of compensation for the year ended December 31, 2014:

Name	Fees earned or paid in cash	Stock awards(1)	All other compensation(2)	Total
Kathleen R. Allen, Ph.D.(3)	$ 51,500	$ 173,160	$ -	$ 224,660
John P. Case(4)	-	-	-	-
A. Larry Chapman(3)	35,500	173,160	-	208,660
Priya Cherian Huskins(3)	41,500	173,160	-	214,660
Michael D. McKee(3)	71,500	173,160	-	244,660
Gregory T. McLaughlin(3)	56,500	173,160	10,000	239,660
Ronald L. Merriman(3)	54,500	173,160	-	227,660
Stephen E. Sterrett(3)	4,149	181,040	-	185,189

(1) On May 6, 2014, the date of our 2014 Annual Meeting of Stockholders, each non-employee director, with the exception of Mr. Sterrett, received 4,000 shares of restricted stock with a grant date fair value of $173,160, which is calculated by multiplying the 4,000 shares by the closing market price of our common stock on May 6, 2014 of $43.29, as prescribed by Accounting Standards Codification Topic 718. On October 27, 2014, upon being appointed to the Board of Directors, Mr. Sterrett received 4,000 shares of restricted stock with a grant date fair value of $181,040, which is calculated by multiplying the 4,000 shares by the closing market price of our common stock on October 27, 2014 of $45.26, as prescribed by Accounting Standards Codification Topic 718. All of these stock grants vest according to the vesting schedule described below under Stock Awards for Directors and all shares, including shares of restricted stock, are paid dividends from the date of grant.

(2) Amounts represent the annual retainer of $10,000 for serving as the director of Crest Net Lease, Inc. (Crest), a wholly owned subsidiary of Realty Income.

(3) As of December 31, 2014, the non-employee directors did not hold any stock options, but held the following number of shares of unvested restricted stock:

Name	Shares of unvested restricted stock held at

		December 31, 2014
Kathleen R. Allen, Ph.D.		-
Priya Cherian Huskins		8,001
Michael D. McKee		-
Gregory T. McLaughlin		8,001
Ronald L. Merriman		-
A. Larry Chapman		9,335
Stephen E. Sterrett		4,000

(4) Mr. Case, our Chief Executive Officer, President and Director, did not receive any compensation for his services on our Board of Directors or as a director of Crest during 2014. His compensation is reflected as part of the Summary Compensation Table on page 41.

Stock Awards for Directors

The 2012 Incentive Award Plan provides that typically, upon the initial election to our Board of Directors, and at each annual meeting of stockholders thereafter, if the director continues to serve as a director after the meeting, each non-employee director is automatically granted 4,000 shares of restricted stock. The vesting schedule for restricted shares granted to non-employee directors is as follows:

- For directors with less than six years of service at the date of grant, shares vest in 33.33% increments on each of the first three anniversaries of the date the shares of stock are granted;

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- For directors with six years of service at the date of grant, shares vest in 50% increments on each of the first two anniversaries of the date the shares of stock are granted;

- For directors with seven years of service at the date of grant, shares are 100% vested on the first anniversary of the date the shares of stock are granted; and

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

Other Payments for Directors

The members of our Board of Directors are also entitled to reimbursement of their travel expenses incurred in connection with attendance at Board of Director and committee meetings and conferences, in accordance with our travel policy. Additionally, our Board of Director members are reimbursed for expenses incurred in connection with attending continuing education programs to assist them in remaining abreast of developments in corporate governance and other critical issues relating to the operation of public company boards.

Director Stock Ownership Guidelines

Our non-employee directors are subject to stock ownership guidelines. Under these guidelines, each non-employee director will be required, within five years of January 1, 2013, to hold stock valued at no less than five times the amount of the annual cash retainer paid to such director for service as a member of the Board of Directors, without reference to committee service. For each of our non-employee directors, the stock ownership goal is determined using five times their annual cash retainers as of January 1, 2015 of $15,000, or $75,000, divided by the closing price of our common stock as of December 31, 2014 of $47.71, which equals a minimum share ownership requirement of 1,572 shares.

All vested and unvested restricted stock awards qualify towards satisfaction of the requirement. For any new director, compliance with the guidelines will be required within five years after being elected to the Board of Directors. As of January 1, 2015, each director subject to the guidelines met or exceeded the stock ownership requirements.

Stock ownership guidelines for our executive officers, including Messrs. Case, are described below under Executive Compensation Compensation Discussion and Analysis Executive Stock Ownership Requirements.

EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth certain information as of the record date of March 5, 2015 concerning our executive officers:

Name	Title	Age
John P. Case	Chief Executive Officer and President	51
Sumit Roy	Executive Vice President, Chief Operating Officer and Chief Investment Officer	45
Paul M. Meurer	Executive Vice President, Chief Financial Officer and Treasurer	49
Michael R. Pfeiffer	Executive Vice President, General Counsel and Secretary	54
Richard G. Collins	Executive Vice President, Portfolio Management	66
Robert J. Israel	Senior Vice President, Research	55
Laura S. King	Senior Vice President, Assistant General Counsel and Assistant Secretary	53
Debra M. Bonebrake	Senior Vice President, Industrial and Office Properties	55

Executive Officer Biographies

John Case s biographical information is set forth above under Board of Director Biographies.

Sumit Roy is our Executive Vice President, Chief Operating Officer, and Chief Investment Officer, positions he has held since October 2014. Prior to that, he was Executive Vice President, Chief Investment Officer, a position he has held since October 2013. Prior to that, he was Executive Vice President, Acquisitions, a position he held from March 2013 to October 2013. From September 2011 to February 2013, he was our Senior Vice President, Acquisitions. Prior to joining us, Mr. Roy was an Executive Director, Global Real Estate, Lodging & Leisure, for UBS Investment Bank in New York (UBS). Prior to UBS, Mr. Roy worked at Meadwestvaco (2003-2004), Merrill Lynch (2001-2003), and as a Principal at Cap Gemini Ernst & Young LLP (1994-1999). Mr. Roy has a Bachelors and Masters in Computer Science, and a MBA from the University of Chicago.

Paul M. Meurer is our Executive Vice President, Chief Financial Officer and Treasurer, positions he has held since joining us in 2001. Prior to joining us, he was a director in Merrill Lynch & Co. s Real Estate Investment Banking Group (1992-2001), a real estate consultant with General Atlantic Partners (1991) and worked in the Real Estate Investment Banking Department at Goldman Sachs & Co. (1987-1990).

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Michael R. Pfeiffer is our Executive Vice President, General Counsel and Secretary, positions he has held since May 2002. He joined us in 1990 and served as Corporate Counsel until 1995, when he was named General Counsel and Secretary. Mr. Pfeiffer left us in September 2001 and served as Executive Vice President and General Counsel for Westfield Corporation, Inc., a retail shopping mall owner, until May 2002, at which time he returned to us as Executive Vice President, General Counsel and Secretary. Prior to 1990, Mr. Pfeiffer was in private practice with a law firm specializing in real estate transactional law and served as associate counsel with First American Title Insurance Company. He is a licensed attorney and member of the State Bar of California and Florida. Mr. Pfeiffer is a licensed Real Estate Broker in California and holds the real estate officer license for us.

Richard G. Collins is our Executive Vice President, Portfolio Management, a position he has held since August 2005. Prior to becoming Executive Vice President, Portfolio Management, Mr. Collins served as the President of our subsidiary, Crest. He joined us in 1990 and has served in a variety of positions, including Vice President, Portfolio Management and Senior Vice President, Portfolio Acquisitions. Prior to joining us, he was involved as a principal in the acquisition and sale of land and commercial real estate, as a general partner for land and commercial real estate partnerships (1979-1990) and as a leasing and sales specialist in the Office Properties Division for Grubb & Ellis Commercial Real Estate Services (1974-1979).

Robert J. Israel is our Senior Vice President, Research, a position he has held since 2006. He joined us in 1997 and served as Senior Research Director, Associate Vice President and Vice President of Research prior to being promoted to his current position. Prior to joining us, Mr. Israel was a Vice President of corporate banking for First National Bank and a Corporate Banker for City National Bank.

Laura S. King is our Senior Vice President, Assistant General Counsel and Assistant Secretary, positions she has held since December 2008. From November 1998 to December 2008, she was our Vice President, Assistant General Counsel and Assistant Secretary. She joined us in 1985 and held various investor services and legal positions until her promotion to Vice President, Assistant General Counsel in 1998. Prior to joining us, Ms. King held various accounting positions with Southern California Savings and Loan Associations. She is a licensed attorney and member of the State Bar of California.

Debra M. Bonebrake is our Senior Vice President, Industrial and Office Properties, a position she has held since March 2014. Prior to joining us, Ms. Bonebrake was a Managing Director with Prologis. She was responsible for global property management and managed property management and customer service through all regions of the company. Prior to that, Ms. Bonebrake had overall responsibility for property management in North America. She joined Prologis in September 1995 as Vice President of Customer Service. From 1989 through 1995, Ms. Bonebrake was with Paragon Group, Inc., where she was responsible for property management operations in St. Louis, Missouri.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis section discusses the compensation policies and programs for the following executive officers of the company (the named executive officers):

John P. Case	Chief Executive Officer and President
Sumit Roy	Executive Vice President, Chief Operating Officer and Chief Investment Officer
Paul M. Meurer	Executive Vice President, Chief Financial Officer and Treasurer
Michael R. Pfeiffer	Executive Vice President, General Counsel and Secretary
Richard G. Collins	Executive Vice President, Portfolio Management
Gary M. Malino	Former President and Chief Operating Officer

Mr. Malino served as President and Chief Operating Officer through September 30, 2014, at which point, Mr. Roy took on the role of Chief Operating Officer, and Mr. Case took on the title of President. Mr. Malino served as a consultant until January 31, 2015 to assist with the transition.

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Executive Summary

The primary objectives of our compensation program are to:

- Align the interests of management with those of the stockholders;
- Link executive compensation to the company s short-term and long-term performance; and
- Attract, motivate and retain highly qualified executive officers through competitive compensation arrangements.

Realty Income delivered strong performance results during 2014, as further described under 2014 Performance. At the same time, the Compensation Committee fully implemented its new, more stockholder-friendly, compensation program at the start of 2014 that objectively measures performance across key performance goals that help to drive stockholder value creation under our new short-term incentive compensation program (STIP) and directly ties into stockholder value creation over a long-term period under a fully performance-based long-term incentive compensation program (LTIP) (refer to the section titled *New Pay-for-Performance Incentive Compensation Programs*). We continue to adhere to best in class compensation and corporate governance practices set forth in the table below.

What we do:	***What we do NOT do:***
ü DO align pay and performance by linking a substantial portion of compensation to the achievement of predefined performance metrics that drive stockholder value creation	**X** Do NOT target pay above the median of our peer group
ü DO cap payouts for awards under our STIP and LTIP programs	**X** Do NOT provide any guarantees or allow for uncapped award opportunities
ü DO set meaningful and measurable performance goals at the beginning of the performance period and evaluate such performance over both an annual and multi-year period as well as on an absolute and relative basis	**X** Do NOT provide any perquisites to our executive officers
ü DO maintain stock ownership requirements for our CEO, other executive officers and directors	**X** Do NOT permit executives officers or directors to pledge or hedge our securities
ü DO perform an annual compensation risk assessment to ensure our compensation programs and policies do not encourage excessive risk taking behavior	**X** Do NOT pay dividends on unearned performance shares
ü DO allow for the Board to clawback incentive compensation in the event of certain financial	**X** Do NOT provide our executive officers with tax gross-ups

restatements

ü DO employ the services of an independent compensation consultant

X Do NOT provide supplemental or other retirement plans, other than a 401(k) plan

2014 Performance

Realty Income delivered strong operating results during 2014, as set forth in the table below, which also compares our 2014 results to our 2013 results. During 2014, we achieved a 6.6% increase in AFFO per share. We increased monthly dividends paid per common share four times, for a year-over-year increase of 2.1%. During the year, we completed $1.4 billion in acquisitions, which made 2014 our second most acquisitive year in the company s history. These positive earnings results and acquisition levels were achieved while maintaining a healthy balance sheet. We funded the 2014 investments by issuing $1.3 billion in permanent and long-term capital, of which more than half was equity, and ended the year with Debt-to-EBITDA and fixed charge coverage ratios of 5.8x and 3.4x, respectively. Lastly, through active portfolio management, we achieved a high occupancy rate of 98.4%.

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Measure	2014	2013
AFFO per share	$2.57	$2.41
Monthly dividends per share	$2.192	$2.147
Acquisitions (1)	$1.4 billion	$1.5 billion
Debt-to-EBITDA ratio	5.8x	5.6x
Fixed charge coverage ratio	3.4x	3.0x
Portfolio occupancy rate	98.4%	98.2%

(1) 2013 acquisitions exclude the $3.2 billion acquisition of American Realty Capital Trust, Inc, (ARCT)

We also achieved strong absolute and relative total stockholder returns (TSR), with a stock price of $47.71 as of December 31, 2014, which grew from our stock price of $37.33 as of December 31, 2013. These absolute and relative returns are shown in the table below.

	Absolute TSR	***Ranking within RMS Index***	***TSR relative to NAREIT Freestanding Index***
One-Year TSR	*33.7%*	*66th percentile*	*+33.1%*

New Pay for Performance Incentive Compensation Programs

In 2014, the Compensation Committee implemented new short-term and long-term incentive compensation programs that (i) provide clear objectives and targets, (ii) improve alignment with measurable company performance and stockholder returns, and (iii) recognize and adjust for individual contributions to our success.

In general, the Compensation Committee believes that the pay for performance programs are more representative of best market practices. They put a significant portion of our compensation at risk based on our performance, with our CEO s salary representing approximately 15% of his total target direct compensation. They also provide for extended vesting of earned short-term and long-term compensation to promote retention and long-term dedication to our success. The key features of our new pay for performance incentive programs are described below.

New Short-Term Incentive Compensation Program Cash and Equity

100% of compensation awarded under our new STIP is at-risk. For 2014, 70% of the STIP was payable based on the following objective performance goals and weightings:

- AFFO per share; weighted 20%
- Property acquisitions levels, in dollars; weighted 20%

- Portfolio occupancy percentage; weighted 10%
- Fixed charge coverage ratio; weighted 10%
- Dividends per share; weighted 10%

The Compensation Committee believes these annual targeted operating and financial goals align with our strategy to attain long-term financial stability that will support sustained cash flows beneficial to our stockholders. Our STIP also reserves 30% of the short-term incentive compensation to be awarded based upon individual performance and such other factors as the Compensation Committee deems relevant. No compensation will be awarded for below-threshold performance and performance in excess of maximum goals is capped at 150% of target payout. Please refer to the section titled *Annual Short-Term Incentive Program Cash and Equity* on page 28 for a detailed description of these awards.

The amounts earned under our STIP are paid two-thirds in cash and one-third in restricted shares. The equity portion of the STIP does not result in full payout of the annual incentive until an additional five years after the annual performance period ends, and is subject to continued employment through such vesting dates.

Based on our strong operating results during 2014, we achieved a weighted 139% of target performance under the objective performance goals. Individual performance earned percentages for our named executive officers ranged from 75% to 150%. Overall our named executive officer s performance resulted in total earned incentive payouts under our 2014 STIP ranging from 120% to 142% of target incentive opportunity (141% for our CEO).

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New Long-Term Incentive Compensation Program - Equity

Our new LTIP is an equity program wherein long-term performance shares are awarded each year and earned based on our performance over a three year period. Our 2014 LTIP program has an initial performance period running from January 1, 2014 through December 31, 2016. 100% of compensation awarded under the LTIP is at-risk. The 2014-2016 performance shares include metrics with 80% based on our relative TSR performance under two different measures, which align our executives with the interests of our stockholders and focus their efforts on long-term stockholder value creation, and 20% is based on our debt-to-EBITDA ratio, which measures our financial health. Specifically, the performance measures and weighting for the 2014-2016 performance shares are based on the following objective performance measures, each of which are measured over the three year performance period.

Three year Performance Measure	**Weighting**
TSR positioning within the MSCI US REIT Index	60%
TSR compared to TSR of NAREIT Freestanding Index	20%
Debt/EBITDA ratio	20%

No performance shares are earned for below-threshold performance and performance in excess of maximum goals is capped at 150% of target payout. Please refer to the section titled *Equity Based Long-Term Incentive Awards 2014-2016 Long-Term Performance Shares* on page 32 for a detailed description of these awards.

Balancing Cash and Equity Using Market Median of Total Target Direct Compensation as a Guide

The Compensation Committee, with the assistance of its independent compensation consultant, annually reviews the executive compensation program to ensure that it provides competitive pay opportunities. The Compensation Committee believes it is important to provide aggregate total target direct compensation to named executive officers as a group that is generally within a range of median aggregate total target direct compensation paid by the company s peer group during the same time frame.

In determining the type and amount of compensation that could be earned under our new incentive compensation programs for 2014, the Compensation Committee sought to achieve balance between cash and equity compensation. After achieving this balance, they sought to place more compensation at risk by tying more compensation to our performance. At risk compensation is awarded in the form of performance shares earned under the LTIP and cash and restricted share awards earned under the STIP.

To help determine total target direct compensation, the Compensation Committee, in consultation with FPL, approximated the median of our peer group for aggregate total target direct compensation for named executive officers as a group, and for each position. The Compensation Committee used this data along with historical pay, personal contributions, and promotions to determine total target direct compensation. In aggregate, the 2014 total target direct compensation established for the named executive officers was approximately 95% of the market median of our peers (please refer to the section titled *Total Target Direct Compensation* on page 27 for further information).

Favorable Say on Pay Vote

We provide our stockholders an annual advisory say on pay vote on the compensation of named executive officers. At our 2014 Annual Meeting of Stockholders, our stockholders expressed substantial support for the compensation of named executive officers, with approximately 95% of the votes cast approving the advisory say on pay vote. The Compensation Committee considers many factors in evaluating our executive compensation programs, including the say on pay vote, the Compensation Committee s assessment of the interaction of our compensation programs with our financial and operational objectives, evaluations of our programs and recommendation by its independent consultant, and review of peer data, each of which is evaluated in the context of the Compensation Committee s responsibility to act in the company s best interests. While significant changes were made to our compensation program in 2014 to better align with market practices and stockholder interests, the changes were not in response to the advisory say on pay vote in 2014, but were designed to incorporate best-in-class stockholder compensation philosophies. The Compensation Committee will continue to consider the outcome of say on pay proposals when making future compensation decisions for the named executive officers.

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Elements of Compensation

In structuring executive compensation, the Compensation Committee considers how each component of compensation motivates performance, promotes retention and creates long-term stockholder value. Base salaries, severance and other termination benefits are primarily intended to attract and retain highly qualified executives. We believe that in order to attract and retain top executives, we need to provide them with compensation levels that reward their continued service. Annual incentive cash payments and equity awards, and long-term performance shares are designed to (i) directly reward performance, (ii) achieve specific strategies and operating objectives and (iii) provide incentives to create long-term stockholder value. All of our equity incentives are primarily intended to align named executive officers long-term interests with stockholders long-term interests, although we believe they also play a role in helping us reward performance and to attract and retain top executives.

Element	Objective Served
Base Salary	Fixed base pay that rewards performance of core job duties, and recognizes individual achievements, contributions and tenure.
Annual Incentive Bonus	Variable cash and equity compensation motivates each executive to achieve our short-term corporate operating and financial goals, rewards personal performance, ties the interests of executives with stockholders and facilitates executive retention.
Equity-Based Long-term Incentive Awards Performance Shares	Long-term equity compensation designed to motivate executives to achieve long-term financial goals, stock price appreciation and strength relative to market.
Equity Based Long-term Incentive Awards Restricted Shares	Based on performance and responsibility levels, and designed to foster retention and align the executive officers interests with the long-term interests of our stockholders.
Severance and Change in Control Payments and Benefits	Promotes executive recruitment and retention, and ensures best efforts for the benefit of our stockholders in the event of an actual or threatened change of control.

Base Salaries

Base salaries provide our executive officers with a degree of financial certainty and stability, reward them for performing their core job duties and responsibilities, and are used to attract and retain highly qualified individuals. The Compensation Committee annually reviews and determines the base salaries of our executive officers at the commencement of each year, after review of performance over the prior year and comparative market data. Base salaries are also evaluated at the time of a promotion or other significant changes in responsibilities. Increases in base salaries are based on the Compensation Committee s evaluation of such factors as an executive officer s level of responsibility and development potential, the results previously achieved by the executive officer, and the level of pay for the executive officer relative to other similarly situated executive officers at our peer companies.

In connection with its review of fiscal 2013 performance and setting of compensation in January 2014, the Compensation Committee decided to increase the base salaries paid to all of our named executive officers commencing on January 1, 2014. The Compensation Committee s decision to increase 2014 salaries was based, in part, on its review of peer compensation data, which illustrated that base salaries of our named executive officers were around the median of their peers. The increases in 2014 base salaries also reflected the named executive officers increased responsibilities due to the significant growth and outstanding 2013 operating performance of the company. The base salaries, including any 2014 mid-year promotional salary increases, are reflected in the table below. Also shown below are the salary increases approved for 2015:

Executive Officer	Title in January 2014	Ending 2013	Ending 2014	2015 Salary

		Salary	Salary	
John P. Case	Chief Executive Officer and President	$ 750,000	$ 800,000	$ 825,000
Sumit Roy	Executive Vice President, Chief Investment Officer (1)	350,000	425,000	475,000
Paul M. Meurer	Executive Vice President, Chief Financial Officer and Treasurer	350,000	400,000	425,000
Michael R. Pfeiffer	Executive Vice President, General Counsel and Secretary	350,000	375,000	400,000
Richard G. Collins	Executive Vice President, Portfolio Management	300,000	325,000	340,000
Gary M. Malino	Former President and Chief Operating Officer (2)	425,000	450,000	-

(1) Mr. Roy was appointed Chief Operating Officer of the company, effective October 1, 2014, and also retained his title of Chief Investment Officer. In connection with his appointment to Chief Operating Officer, the Compensation Committee increased Mr. Roy s salary from $400,000 to $425,000, effective October 1, 2014.

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(2) Mr. Malino departed from the company on September 30, 2014. Mr. Malino continued to serve as a consultant to the company until January 31, 2015, pursuant to a consulting agreement entered into between the company and Mr. Malino on September 3, 2014. Under the consulting agreement, which was effective as of October 1, 2014, Mr. Malino received a $20,000 monthly consulting fee and a bonus of $220,000, which was paid in full in February 2015.

Incentive Compensation Programs and Performance Objectives

In early 2014, the Compensation Committee, with the assistance of its independent compensation consultant, FPL, undertook a thorough examination and deliberation regarding market practices and effective designs for incentive compensation programs. In April 2014, after much consideration and review, the Compensation Committee implemented new short-term and long-term incentive compensation programs that (i) provide clear objectives and targets, (ii) improve alignment with measurable company performance and stockholder returns, and (iii) recognize and adjust for individual contributions to our success in the short-term program. The Compensation Committee sought to transition from an annual program, that was based on review of historical performance at fiscal year-end, to two distinct incentive programs, short-term and long-term, that were based largely on forward-looking objective performance metrics.

The STIP employs objective performance goals for five metrics, weighted 70% in total, that measure our operating success and reflect our strategies. The Compensation Committee believes these annual targeted operating and financial goals align with our strategy to attain long-term financial stability that will support sustained cash flows beneficial to our stockholders. Our STIP also reserves 30% of the short-term incentive compensation opportunity to be awarded based upon individual performance and such other factors as the Compensation Committee deems relevant. This preserves a degree of discretion at year-end to ensure proper incentives and alignment of compensation with performance and market practices.

Amounts are earned under the STIP based on our annual performance relative to threshold, target and maximum performance goals for these objective measures, with 50%, 100% and 150% of target incentive opportunity payable based on threshold, target and maximum performance achieved, respectively, with linear interpolation between threshold and maximum. The remaining 30% of incentive opportunity is earned based on an evaluation of individual performance, median peer compensation for similar positions, market conditions, and other factors deemed relevant by the Compensation Committee. The earned payout is expressed as a percentage of target incentive opportunity and the target incentive opportunity is set by the Compensation Committee when establishing the performance goals. No compensation will be awarded for below-threshold performance and performance in excess of maximum goals is capped at 150% of target payout. Thus, the STIP payout ranges from zero to a capped amount of 150% of target for our named executive officers.

The amounts earned under our STIP are paid two-thirds in cash and one-third in restricted shares. The equity portion of the STIP does not result in full payout of the annual incentive until an additional five years after the annual performance period ends, and is subject to continued employment through such vesting dates.

The LTIP is comprised of annual grants of long-term performance shares that are earned based on our performance over a three year performance period against objective goals. The 2014-2016 performance shares include metrics with 80% based on our relative TSR performance under two different measures, which align our executives with the interests of our stockholders and focus their efforts on long-term stockholder value creation, and 20% is based on our debt-to-EBITDA ratio, which measures our financial health.

Threshold, target and maximum performance result in earning 50%, 100% and 150%, respectively, of the target awarded performance shares, with linear interpolation between threshold and maximum. No performance shares are earned for below-threshold performance and performance in excess of maximum goals is capped at 150% of target payout.

The performance shares earned based on our performance then vest 50% on the first and second January 1 after the end of the three year performance period, subject to continued service. This vesting schedule delays full payout for an additional year after the performance period is over, which promotes retention.

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Total Target Direct Compensation

The Compensation Committee worked with FPL to determine appropriate levels of total target direct compensation and guidelines to employ to achieve balance between (i) cash and equity compensation, (ii) long-term and short-term compensation and (iii) performance-based and time-based equity. The Compensation Committee also considered market median total target direct compensation within our peer group, based on market data provided in December 2013. In adopting the new compensation programs in April 2014, the Compensation Committee was also guided by market data prepared by FPL regarding the aggregate total target direct compensation awarded by our peer group. The Compensation Committee sought to achieve aggregate total target direct compensation for our executive group at or around the median of our peer group. After review and consideration, the Compensation Committee approved the following total target direct compensation and guidelines for 2014 compensation. Total target direct compensation is composed of (i) base salary, (ii) annual incentive opportunity (two-thirds cash and one-third equity), (iii) performance shares and (iv) annual grant of restricted shares. In aggregate, the 2014 total target direct compensation established for the named executive officers was approximately 95% of the market median.

Total Target Direct Compensation		
Executive	**2014**	**Market Median**
John P. Case	$5,250,000	$4,855,000
Sumit Roy	$1,825,000	$2,025,000
Paul M. Meurer	$1,800,000	$2,215,000
Michael R. Pfeiffer	$1,500,000	$1,280,000
Richard G. Collins	$1,220,000	$1,575,000
Gary M. Malino	$2,020,000	$2,400,000
Total	**$13,615,000**	**$14,350,000**

Guidelines. The Compensation Committee used the following guidelines for determining the various elements of direct compensation payable for 2014 for our CEO.

Total Target Direct Compensation to be approximately 50% annual cash and 50% annual equity, where:

- Annual cash equals base salary plus the STIP portion payable in cash (two-thirds of the total annual opportunity under the STIP) and

- Annual equity grants value consists of the one-third equity portion of the STIP, and the remaining value is 50% performance shares and 50% time-based restricted shares.

As a result, approximately two-thirds of target annual equity for our CEO is earned based on our performance, with one-third earned as performance shares and the remaining amount in the form of time-based restricted shares earned under the STIP. Similar guiding principles were used for our other named executive officers, except that the remaining value of equity after the one-third equity portion of the STIP, was allocated 75% performance shares and 25% time-based restricted shares.

Annual Short-Term Incentive Program   Cash and Equity

As discussed above, the Compensation Committee adopted a new pay for performance annual STIP for 2014, which employs objective performance goals for five metrics weighted 70% in total. The remaining 30% of incentive opportunity is awarded based upon individual performance and other factors as the Compensation Committee deems appropriate based on its discretion. The amount earned can range from 0% of incentive opportunity for below-threshold performance to 150% of incentive opportunity for maximum performance. The amounts earned under the STIP are paid two-thirds in cash and one-third in restricted shares that vest 20% per year thereafter. The STIP is used as an important tool in determining proper equity grants consistent with our actual performance. 100% of compensation awarded under this program is at-risk, and is tied not only to our objective performance, but is also aligned with the interests of our stockholders.

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The performance criteria, weightings and amounts that can be earned, in addition to our actual performance and amounts earned for 2014 performance, under our STIP, are set forth in the table below.

STIP Objective Performance Criteria 70% Weighting

Performance Goals	Weighting	Threshold 50%	Target 100%	Maximum 150%	2014 Actual	2014 % earned
AFFO per share						