

REALTY INCOME CORP
Form S-4/A
November 29, 2012
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As filed with the Securities and Exchange Commission on November 29, 2012

Registration No. [333-184201](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 4
to
Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

REALTY INCOME CORPORATION

(Exact name of registrant as specified in its charter)

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Maryland
(State or other jurisdiction of incorporation or organization)

6798
(Primary Standard Industrial Classification Code Number)
600 La Terraza Boulevard

33-0580106
(I.R.S. Employer Identification Number)

Escondido, California 92025-3873

(760) 741-2111

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Michael R. Pfeiffer, Esq.

Realty Income Corporation

600 La Terraza Boulevard

Escondido, California 92025-3873

(760) 741-2111

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effectiveness of this registration statement and the satisfaction or waiver of all other conditions to the closing of the merger described herein.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ☐

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐ q

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

Large accelerated filer	<input type="checkbox"/> p	Accelerated filer	<input type="checkbox"/> q
Non-accelerated filer	<input type="checkbox"/> q (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/> q

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If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) q

Exchange Act Rule 14d-1(d) (Cross-Border Issuer Third Party Tender Offer) q

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this joint proxy statement/prospectus is not complete and may be changed. Realty Income Corporation may not sell the securities offered by this joint proxy statement/prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This joint proxy statement/prospectus is not an offer to sell these securities nor should it be considered a solicitation of an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED NOVEMBER 29, 2012

JOINT PROXY STATEMENT/PROSPECTUS

To the Stockholders of Realty Income Corporation and the Stockholders of American Realty Capital Trust, Inc.:

Realty Income Corporation, which we refer to as Realty Income, and American Realty Capital Trust, Inc., which we refer to as ARCT, have entered into an agreement and plan of merger dated as of September 6, 2012, as it may be amended from time to time, which we refer to as the merger agreement and which is attached as Annex A to this joint proxy statement/prospectus and incorporated herein by reference. Pursuant to the merger agreement, ARCT will merge with and into a direct wholly owned subsidiary of Realty Income, which we refer to as Merger Sub, at which time the separate existence of ARCT will cease, and Realty Income will be the parent company of Merger Sub and ARCT's subsidiaries. The obligations of Realty Income and ARCT to effect the merger are subject to the satisfaction or waiver of several conditions set forth in the merger agreement. If the merger is completed pursuant to the merger agreement, each ARCT stockholder will receive 0.2874 of a share of Realty Income common stock for each share of ARCT common stock held immediately prior to the effective time. The exchange ratio is fixed and will not be adjusted to reflect changes in the stock price of Realty Income common stock or ARCT common stock. Realty Income common stock is listed on the New York Stock Exchange under the symbol **O** and ARCT common stock is listed on the NASDAQ Global Select Market under the symbol **ARCT**.

In connection with the proposed merger, Realty Income and ARCT will each hold a special meeting of their respective stockholders. At Realty Income's special meeting, Realty Income stockholders will be asked to vote on (i) a proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement, and (ii) a proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement. At ARCT's special meeting, ARCT stockholders will be asked to vote on (i) a proposal to approve the merger and the other transactions contemplated by the merger agreement, (ii) on a non-binding, advisory basis, the compensation that may be paid or become payable to ARCT's named executive officers in connection with the merger and (iii) a proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement.

The record date for determining the stockholders entitled to receive notice of, and to vote at, the Realty Income special meeting and the ARCT special meeting is []. The merger cannot be completed unless (i) Realty Income stockholders approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement by the affirmative vote of the holders of at least a majority of the votes cast on the proposal, provided that the total votes cast on the proposal represent at least a majority of the outstanding shares of Realty Income common stock, and (ii) ARCT stockholders approve the merger and the other transactions contemplated by the merger agreement by the affirmative vote of the holders of at least a majority of the outstanding shares of ARCT common stock entitled to vote.

Realty Income's board of directors has unanimously (i) determined that the merger agreement and the merger, including the issuance of Realty Income common stock in connection with the merger, are advisable and in the best interests of Realty Income and its stockholders, (ii) approved the merger agreement, the merger and the other transactions contemplated thereby, and (iii) approved the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement. Realty Income's board of directors unanimously recommends that Realty Income stockholders vote **FOR** the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement and **FOR** the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement.

ARCT's board of directors has unanimously (i) determined that the merger agreement, the merger and the other transactions contemplated thereby are advisable, fair to, and in the best interests of ARCT and its stockholders, and (ii) approved the merger agreement, the merger and the other transactions contemplated thereby. ARCT's board of directors unanimously recommends that ARCT stockholders vote **FOR** the proposal to approve the merger and the other transactions contemplated by the merger agreement, **FOR** the proposal to approve, on a non-binding, advisory basis, the compensation that may be paid or become payable to ARCT's named executive officers in connection with the merger, and **FOR** the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement.

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This joint proxy statement/prospectus contains important information about Realty Income, ARCT, the merger, the merger agreement and the special meetings. This document is also a prospectus for the shares of Realty Income common stock that will be issued to ARCT stockholders pursuant to the merger agreement. **We encourage you to read this joint proxy statement/prospectus carefully before voting, including the section entitled Risk Factors beginning on page 23.**

Your vote is important. Whether or not you plan to attend Realty Income's special meeting or ARCT's special meeting, as applicable, please submit a proxy to vote your shares as promptly as possible. To submit a proxy, complete, sign, date and mail your proxy card in the preaddressed postage-paid envelope provided or submit your proxy by one of the other methods specified in this joint proxy statement/prospectus or the accompanying notices. Submitting a proxy will ensure that your vote is counted at the applicable special meeting if you do not attend in person. If your shares of common stock are held in street name by your broker or other nominee, only your broker or other nominee can vote your shares and the vote cannot be cast unless you provide instructions to your broker or other nominee on how to vote or you obtain a legal proxy from your broker or other nominee. You should follow the directions provided by your broker or other nominee regarding how to instruct your broker or other nominee to vote your shares. You may revoke your proxy at any time before it is voted. Please review this joint proxy statement/prospectus for more complete information regarding the merger and Realty Income's special meeting and ARCT's special meeting, as applicable.

Thomas A. Lewis

William M. Kahane

Vice Chairman of the Board of Directors,

Chief Executive Officer, President and Director American Realty Capital Trust, Inc.

Chief Executive Officer Realty Income Corporation

Neither the Securities and Exchange Commission, which we refer to as the SEC, nor any state securities regulatory authority has approved or disapproved of the merger or the securities to be issued under this joint proxy statement/prospectus or has passed upon the adequacy or accuracy of the disclosure in this joint proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This joint proxy statement/prospectus is dated [], 2012, and is first being mailed to Realty Income and ARCT stockholders on or about [], 2012.

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Realty Income Corporation

600 La Terraza Boulevard

Escondido, California 92025-3873

(760) 741-2111

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON []

To the Stockholders of Realty Income Corporation:

A special meeting of the stockholders of Realty Income Corporation, a Maryland corporation, which we refer to as Realty Income, will be held at [] on [], commencing at [], local time, for the following purposes:

1. to consider and vote on a proposal to approve the issuance of shares of Realty Income common stock to the stockholders of American Realty Capital Trust, Inc., a Maryland corporation, which we refer to as ARCT, pursuant to the Agreement and Plan of Merger, dated as of September 6, 2012, as it may be amended from time to time, which we refer to as the merger agreement, by and among Realty Income, Tau Acquisition LLC, a Delaware limited liability company and a direct wholly owned subsidiary of Realty Income, and ARCT (a copy of the merger agreement is attached as Annex A to the joint proxy statement/prospectus accompanying this notice); and
2. to consider and vote on a proposal to adjourn the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement.

We do not expect to transact any other business at the special meeting. Realty Income's board of directors has fixed the close of business on [] as the record date for determination of Realty Income stockholders entitled to receive notice of, and to vote at, Realty Income's special meeting and any adjournments of the special meeting. Only holders of record of Realty Income common stock at the close of business on the record date are entitled to receive notice of, and to vote at, the Realty Income special meeting.

Approval of the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement requires the affirmative vote of at least a majority of the votes cast on the proposal, provided that the total votes cast on the proposal represent at least a majority of the outstanding shares of Realty Income common stock. Approval of the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement requires the affirmative vote of a majority of the votes cast on such proposal.

Realty Income's board of directors has unanimously (i) determined that the merger agreement and the merger, including the issuance of Realty Income common stock in connection with the merger, are advisable and in the best interests of Realty Income and its stockholders; (ii) approved the merger agreement, the merger and the other transactions contemplated thereby; and (iii) approved the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement. Realty Income's board of directors unanimously recommends that Realty Income stockholders vote FOR the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement and FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement.

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YOUR VOTE IS IMPORTANT

Whether or not you plan to attend the special meeting, please submit a proxy to vote your shares as promptly as possible. To submit a proxy, complete, sign, date and mail your proxy card in the preaddressed postage-paid envelope provided or, if the option is available to you, call the toll free telephone number listed on your proxy card or use the Internet as described in the instructions on the enclosed proxy card to submit your proxy. Submitting a proxy will assure that your vote is counted at the special meeting if you do not attend in person. If your shares of Realty Income common stock are held in street name by your broker or other nominee, only your broker or other nominee can vote your shares of Realty Income common stock and the vote cannot be cast unless you provide instructions to your broker or other nominee on how to vote or obtain a legal proxy from your broker or other nominee. You should follow the directions provided by your broker or other nominee regarding how to instruct your broker or other nominee to vote your shares of Realty Income common stock. You may revoke your proxy at any time before it is voted. Please review the joint proxy statement/prospectus accompanying this notice for more complete information regarding the merger and Realty Income's special meeting.

By Order of the Board of Directors

Michael R. Pfeiffer
*Executive Vice President, General Counsel and
Secretary*

Escondido, California

[], 2012

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American Realty Capital Trust, Inc.

405 Park Avenue, 14th Floor

New York, New York 10022

(646) 937-6900

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON []

To the Stockholders of American Realty Capital Trust, Inc.:

A special meeting of the stockholders of American Realty Capital Trust, Inc., a Maryland corporation, which we refer to as ARCT, will be held at [] on [], commencing at [], local time, for the following purposes:

1. to consider and vote on a proposal to approve the merger of ARCT with and into Tau Acquisition LLC, a Delaware limited liability company and a direct wholly owned subsidiary of Realty Income Corporation, a Maryland corporation, which we refer to as Realty Income, pursuant to the Agreement and Plan of Merger, dated as of September 6, 2012, as it may be amended from time to time, which we refer to as the merger agreement, by and among Realty Income, Tau Acquisition LLC and ARCT (a copy of the merger agreement is attached as Annex A to the joint proxy statement/prospectus accompanying this notice), and the other transactions contemplated by the merger agreement;
2. to consider and vote, on a non-binding, advisory basis, on the compensation that may be paid or become payable to ARCT's named executive officers in connection with the merger; and
3. to consider and vote on a proposal to adjourn the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement.

We do not expect to transact any other business at the special meeting. ARCT's board of directors has fixed the close of business on [] as the record date for determination of ARCT stockholders entitled to receive notice of, and to vote at, ARCT's special meeting and any adjournments of the special meeting. Only holders of record of ARCT common stock at the close of business on the record date are entitled to receive notice of, and to vote at, the ARCT special meeting.

Approval of the proposal to approve the merger and the other transactions contemplated by the merger agreement requires the affirmative vote of the holders of at least a majority of the outstanding shares of ARCT common stock entitled to vote on such proposal. Approval of (i) the non-binding, advisory proposal to approve the compensation that may be paid or become payable to ARCT's named executive officers in connection with the merger and (ii) the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement each requires the affirmative vote of a majority of the votes cast on such proposal.

ARCT's board of directors has unanimously (i) determined that the merger agreement, the merger and the other transactions contemplated thereby are advisable, fair to, and in the best interests of ARCT and its stockholders, and (ii) approved the merger agreement, the merger and the other transactions contemplated thereby. ARCT's board of directors unanimously recommends that ARCT stockholders vote FOR the proposal to approve the merger and the other transactions contemplated by the merger agreement, FOR the proposal to approve, on a non-binding, advisory basis, the compensation that may be paid or become payable to ARCT's named executive officers in connection with the merger, and FOR the

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proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement.

YOUR VOTE IS IMPORTANT

Whether or not you plan to attend the special meeting, please submit a proxy to vote your shares as promptly as possible. To submit a proxy, complete, sign, date and mail your proxy card in the preaddressed postage-paid envelope provided or, if the option is available to you, call the toll-free telephone number listed on your proxy card or use the Internet as described in the instructions on the enclosed proxy card to submit your proxy. Submitting a proxy will assure that your vote is counted at the special meeting if you do not attend in person. If your shares of ARCT common stock are held in street name by your broker or other nominee, only your broker or other nominee can vote your shares of ARCT common stock and the vote cannot be cast unless you provide instructions to your broker or other nominee on how to vote or obtain a legal proxy from your broker or other nominee. You should follow the directions provided by your broker or other nominee regarding how to instruct your broker or other nominee to vote your shares of ARCT common stock. You may revoke your proxy at any time before it is voted. Please review the joint proxy statement/prospectus accompanying this notice for more complete information regarding the merger and ARCT's special meeting.

By Order of the Board of Directors of American Realty

Capital Trust, Inc.

Susan E. Manning

Chief Accounting Officer and Secretary

New York, New York

[], 2012

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ADDITIONAL INFORMATION

This joint proxy statement/prospectus incorporates by reference important business and financial information about Realty Income and ARCT from other documents filed with the SEC that are not included or delivered with this joint proxy statement/prospectus. See **Where You Can Find More Information; Incorporation by Reference** beginning on page 156.

Documents incorporated by reference are also available to Realty Income stockholders and ARCT stockholders without charge upon written or oral request. You can obtain any of these documents by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers.

Realty Income Corporation

Attention: Corporate Secretary

600 La Terraza Boulevard

Escondido, California 92025-3873

(760) 741-2111

www.realtyincome.com

To receive timely delivery of the requested documents in advance of the applicable special meeting, you should make your request no later than [].

American Realty Capital Trust, Inc.

Attention: Corporate Secretary

405 Park Avenue, 14th Floor

New York, New York 10022

(646) 937-6900

www.arctreit.com

ABOUT THIS DOCUMENT

This joint proxy statement/prospectus, which forms part of a registration statement on Form S-4 filed by Realty Income with the SEC, constitutes a prospectus of Realty Income for purposes of the Securities Act of 1933, as amended, with respect to the shares of Realty Income common stock to be issued to ARCT stockholders in exchange for shares of ARCT common stock pursuant to the merger agreement. This joint proxy statement/prospectus also constitutes a proxy statement for each of Realty Income and ARCT for purposes of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. In addition, it constitutes a notice of meeting with respect to the special meeting of Realty Income stockholders and a notice of meeting with respect to the special meeting of ARCT stockholders.

You should rely only on the information contained or incorporated by reference into this document. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this document. This document is dated []. You should not assume that the information contained in this document is accurate as of any date other than that date. You should not assume that the information incorporated by reference into this document is accurate as of any date other than the date of such incorporated document. Neither our mailing of this document to Realty Income stockholders or ARCT stockholders nor the issuance by Realty Income of shares of its common stock to ARCT stockholders pursuant to the merger agreement will create any implication to the contrary.

This joint proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction in which or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Information contained in this joint proxy statement/prospectus regarding Realty Income has been provided by Realty Income and information contained in this joint proxy statement/prospectus regarding ARCT has been provided by ARCT.

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QUESTIONS AND ANSWERS

The following are some questions that Realty Income stockholders and ARCT stockholders may have regarding the proposals being considered at Realty Income's special meeting and ARCT's special meeting and brief answers to those questions. Realty Income and ARCT urge you to read carefully this entire joint proxy statement/prospectus, including the Annexes, and the other documents to which this joint proxy statement/prospectus refers or incorporates by reference because the information in this section does not provide all the information that might be important to you. Unless stated otherwise, all references in this joint proxy statement/prospectus to Realty Income are to Realty Income Corporation, a Maryland corporation; all references to ARCT are to American Realty Capital Trust, Inc., a Maryland corporation; all references to Merger Sub or the surviving company are to Tau Acquisition LLC, a Delaware limited liability company and a direct wholly owned subsidiary of Realty Income; all references to the merger agreement are to the Agreement and Plan of Merger, dated as of September 6, 2012, by and among Realty Income, Merger Sub and ARCT, as it may be amended from time to time, a copy of which is attached as Annex A to this joint proxy statement/prospectus and is incorporated herein by reference; and all references to the merger are to the merger of ARCT with and into Merger Sub pursuant to the terms of the merger agreement.

Q: What is the proposed transaction?

A: Realty Income and ARCT have entered into a merger agreement pursuant to which ARCT will merge with and into Merger Sub, with Merger Sub surviving the merger as a direct wholly owned subsidiary of Realty Income. At the effective time of the merger, each issued and outstanding share of ARCT common stock will be converted automatically into the right to receive 0.2874 of a share of Realty Income common stock, par value \$0.01 per share, as described under "The Merger Agreement Merger Consideration; Conversion or Cancellation of Shares in the Merger" beginning on page 132.

Q: Why are Realty Income and ARCT proposing the merger?

A: Among other reasons, the board of directors of Realty Income believes that the merger will enhance the credit quality of Realty Income's real estate portfolio, immediately increase and be accretive to Realty Income's funds from operations and further diversify Realty Income's real estate portfolio generally. Similarly, the board of directors of ARCT believes that the merger will provide a premium over the current implied value of ARCT's common stock and permit ARCT's stockholders to benefit from a combined company of increased size and scale, with access to multiple forms of capital and an investment grade balance sheet, as well a more diversified portfolio by asset class. To review the reasons of the boards of directors of Realty Income and ARCT for the merger in greater detail, see "The Merger Recommendation of Realty Income's Board of Directors and Its Reasons for the Merger" beginning on page 64 and "The Merger Recommendation of ARCT's Board of Directors and Its Reasons for the Merger" beginning on page 66.

Q: Why am I receiving this joint proxy statement/prospectus?

A: Realty Income's and ARCT's boards of directors are using this joint proxy statement/prospectus to solicit proxies of Realty Income and ARCT stockholders in connection with the merger agreement and the merger. In addition, Realty Income is using this joint proxy statement/prospectus as a prospectus for ARCT stockholders because Realty Income is offering shares of its common stock to be issued in exchange for shares of ARCT common stock in the merger.

In order to complete the merger, Realty Income stockholders must vote to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement, and ARCT stockholders must vote to approve the merger and the other transactions contemplated by the merger agreement. ARCT stockholders will also vote on a non-binding, advisory proposal to approve the compensation that may be paid or become payable to ARCT's named executive officers in connection with the merger.

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Realty Income and ARCT will hold separate special meetings of their respective stockholders to obtain these approvals. This joint proxy statement/prospectus contains important information about the merger and the special meetings of the stockholders of Realty Income and ARCT, and you should read it carefully. The enclosed voting materials allow you to vote your shares of Realty Income common stock and/or ARCT common stock, as applicable, without attending the applicable special meeting.

We encourage you to submit your proxy as promptly as possible.

Q: When and where is the special meeting of Realty Income stockholders?

A: Realty Income's special meeting will be held at [] on [], commencing at [], local time.

Q: When and where is the special meeting of ARCT stockholders?

A: ARCT's special meeting will be held at [] located at [] on [], commencing at [], local time.

Q: Who can vote at the special meetings?

A: All Realty Income stockholders of record as of the close of business on [], the record date for determining stockholders entitled to notice of and to vote at Realty Income's special meeting, are entitled to receive notice of and to vote at Realty Income's special meeting. As of the record date, there were [] shares of Realty Income common stock outstanding and entitled to vote at the Realty Income special meeting, held by approximately [] holders of record. Each share of Realty Income common stock is entitled to one vote on each proposal presented at Realty Income's special meeting.

All ARCT stockholders of record as of the close of business on [], the record date for determining stockholders entitled to notice of and to vote at ARCT's special meeting, are entitled to receive notice of and to vote at ARCT's special meeting. As of the record date, there were [] shares of ARCT common stock outstanding and entitled to vote at the ARCT special meeting, held by approximately [] holders of record. Each share of ARCT common stock is entitled to one vote on each proposal presented at ARCT's special meeting.

Q: What constitutes a quorum?

A: Realty Income's bylaws provide that the presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast at such meeting shall constitute a quorum.

ARCT's bylaws provide that the presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast constitutes a quorum at a meeting of its stockholders.

Shares that are voted and shares abstaining from voting are treated as being present at each of the Realty Income special meeting and the ARCT special meeting, as applicable, for purposes of determining whether a quorum is present.

Q: What vote is required to approve the proposals at Realty Income's special meeting and ARCT's special meeting?

A:

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Approval of the proposal of Realty Income to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement requires the affirmative vote of the holders of at least a majority of the votes cast on such proposal, provided that the total votes cast on the proposal represent at least a majority of the outstanding shares of Realty Income common stock entitled to vote on such proposal. Approval of the proposal of Realty Income to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the issuance of shares of Realty

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Income common stock pursuant to the merger agreement requires the affirmative vote of a majority of the votes cast on such proposal. Approval of the proposal of ARCT to approve the merger and the other transactions contemplated by the merger agreement requires the affirmative vote of the holders of at least a majority of the outstanding shares of ARCT common stock entitled to vote on such proposal. Approval of (i) the non-binding, advisory proposal to approve the compensation that may be paid or become payable to ARCT's named executive officers in connection with the merger and (ii) the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement each requires the affirmative vote of a majority of the votes cast on such proposal.

Your vote is important. We encourage you to submit your proxy as promptly as possible.

Q: If my shares of Realty Income common stock or ARCT common stock are held in street name by my broker or other nominee, will my broker or other nominee vote my shares of Realty Income common stock or ARCT common stock for me? What happens if I do not vote for a proposal?

A: Unless you instruct your broker or other nominee how to vote your shares of Realty Income common stock or ARCT common stock, as applicable, held in street name, your shares will **NOT** be voted. This is referred to as a broker non-vote. If you hold your shares in a stock brokerage account or if your shares are held by a bank or other nominee (that is, in street name), you must provide your broker or other nominee with instructions on how to vote your shares. Please follow the voting instructions provided by your broker or other nominee on the enclosed voting instruction card. You should also be aware that you may not vote shares of Realty Income common stock or ARCT common stock held in street name by returning a proxy card directly to Realty Income or ARCT or by voting in person at Realty Income or ARCT's special meetings unless you provide a legal proxy, which you must obtain from your broker or other nominee.

If you are a Realty Income stockholder, abstentions will be counted in determining the presence of a quorum, but broker non-votes will not be counted in determining the presence of a quorum. Abstentions will have the same effect as a vote cast **AGAINST** the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement. Broker non-votes will not be counted as votes cast on such proposal, and as such, broker non-votes could result in there not being sufficient votes cast on such proposal. Abstentions will have no effect on the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement. Broker non-votes will also have no effect on such proposal as long as a quorum is present at the meeting.

If you are an ARCT stockholder, abstentions will be counted in determining the presence of a quorum, but broker non-votes will not be counted in determining the presence of a quorum. Abstentions will have the same effect as votes cast **AGAINST** the proposal to approve the merger and the other transactions contemplated by the merger agreement but will have no effect on the non-binding, advisory proposal to approve the compensation that may be paid or become payable to ARCT's named executive officers in connection with the merger or the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement. Broker non-votes will have the same effect as votes cast **AGAINST** the approval of the merger and the other transactions contemplated by the merger agreement, but will have no effect on the non-binding, advisory proposal to approve the compensation that may be paid or become payable to ARCT's named executive officers in connection with the merger or the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement as long as a quorum is present at the meeting.

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Q: If I am an ARCT stockholder, should I send in my stock certificates with my proxy card?

A: **NO.** Please **DO NOT** send your ARCT stock certificates with your proxy card. If the merger and the other transactions contemplated by the merger agreement are approved, you will be sent written instructions for exchanging your stock certificates.

Q: What are the anticipated U.S. federal income tax consequences to me of the proposed merger?

A: It is expected that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, and the completion of the merger is conditioned on the receipt by each of ARCT and Realty Income of an opinion from its outside counsel to the effect that the merger will qualify as a reorganization. If the merger qualifies as a reorganization, ARCT stockholders generally will not recognize gain or loss for U.S. federal income tax purposes upon the receipt of Realty Income common stock in exchange for ARCT common stock in connection with the merger, except with respect to cash received in lieu of fractional shares of Realty Income common stock. ARCT stockholders should read the discussion under the heading **The Merger Material U.S. Federal Income Tax Consequences of the Merger** beginning on page 111 of this joint proxy statement/prospectus and consult their tax advisors as to the U.S. federal income tax consequences of the merger, as well as the effects of state, local and non-U.S. tax laws.

Q: Are ARCT stockholders entitled to appraisal rights?

A: No. Under Section 3-202 of the Maryland General Corporation Law, ARCT stockholders are not entitled to exercise the right of objecting stockholders to receive fair value of their shares because, among other things, shares of ARCT common stock are listed on the NASDAQ Global Select Market.

Q: How does Realty Income's board of directors recommend that Realty Income stockholders vote?

A: Realty Income's board of directors has unanimously (i) determined that the merger agreement and the merger, including the issuance of Realty Income common stock in connection with the merger, are advisable and in the best interests of Realty Income and its stockholders; (ii) approved the merger agreement, the merger and the other transactions contemplated thereby; and (iii) approved the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement.

Realty Income's board of directors unanimously recommends that Realty Income stockholders vote FOR the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement and FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement. For a more complete description of the recommendation of Realty Income's board of directors, see **The Merger Recommendation of Realty Income's Board of Directors and Its Reasons for the Merger** beginning on page 64.

Q: How does ARCT's board of directors recommend that ARCT stockholders vote?

A: ARCT's board of directors has unanimously (i) determined that the merger agreement, the merger and the other transactions contemplated thereby are advisable, fair to, and in the best interests of ARCT and its stockholders, and (ii) approved the merger agreement, the merger and the other transactions contemplated by the merger agreement.

ARCT's board of directors unanimously recommends that ARCT stockholders vote FOR the proposal to approve the merger and the other transactions contemplated by the merger agreement, FOR the proposal to approve, on a non-binding, advisory basis, the compensation that may be paid or become payable to ARCT's named executive officers in connection with the merger, and FOR the

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proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement. For a more complete description of the recommendation of ARCT's board of directors, see The Merger Recommendation of ARCT's Board of Directors and Its Reasons for the Merger beginning on page 66.

Q: Do any of ARCT's executive officers or directors have interests in the merger that may differ from those of ARCT stockholders?

A: ARCT's executive officers and directors have interests in the merger that are different from, or in addition to, their interests as ARCT stockholders. The members of the ARCT board of directors were aware of and considered these interests, among other matters, in evaluating the merger agreement and the merger, and in recommending that ARCT stockholders vote FOR the proposal to approve the merger and the other transactions contemplated by the merger agreement. For a description of these interests, refer to the section entitled The Merger Interests of ARCT's Directors and Executive Officers in the Merger beginning on page 100.

Q: How will Realty Income stockholders be affected by the merger and share issuance?

A: After the merger, each Realty Income stockholder will continue to own the shares of Realty Income common stock that the stockholder held immediately prior to the merger. As a result of the merger, each Realty Income stockholder will own shares in a larger company with more assets. However, because Realty Income will be issuing new shares of Realty Income common stock to ARCT stockholders in the merger, each outstanding share of Realty Income common stock immediately prior to the merger will represent a smaller percentage of the aggregate number of shares of Realty Income common stock outstanding after the merger.

Q: What do I need to do now?

A: After you have carefully read this joint proxy statement/prospectus, please respond by completing, signing and dating your proxy card or voting instruction card and returning it in the enclosed preaddressed postage-paid envelope or, if available, by submitting your proxy by one of the other methods specified in your proxy card or voting instruction card as promptly as possible so that your shares of Realty Income common stock or ARCT common stock will be represented and voted at Realty Income's special meeting or ARCT's special meeting, as applicable.

Please refer to your proxy card or voting instruction card forwarded by your broker or other nominee to see which voting options are available to you.

The method by which you submit a proxy will in no way limit your right to vote at Realty Income's special meeting or ARCT's special meeting if you later decide to attend the meeting in person. However, if your shares of Realty Income common stock or ARCT common stock are held in the name of a broker or other nominee, you must obtain a legal proxy, executed in your favor, from your broker or other nominee, to be able to vote in person at Realty Income's special meeting or ARCT's special meeting.

Q: How will my proxy be voted?

A: All shares of Realty Income common stock entitled to vote and represented by properly completed proxies received prior to Realty Income's special meeting, and not revoked, will be voted at Realty Income's special meeting as instructed on the proxies. If you properly sign, date and return a proxy card, but do not indicate how your shares of Realty Income common stock should be voted on a matter, the shares of Realty Income common stock represented by your proxy will be voted as Realty Income's board of directors recommends and therefore FOR the approval of the issuance of shares of Realty Income common stock to ARCT.

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stockholders pursuant to the merger agreement and FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement. If you do not provide voting instructions to your broker or other nominee, your shares of Realty Income common stock will NOT be voted at the meeting and will be considered broker non-votes.

All shares of ARCT common stock entitled to vote and represented by properly completed proxies received prior to ARCT's special meeting, and not revoked, will be voted at ARCT's special meeting as instructed on the proxies. If you properly sign, date and return a proxy card, but do not indicate how your shares of ARCT common stock should be voted on a matter, the shares of ARCT common stock represented by your proxy will be voted as ARCT's board of directors recommends and therefore FOR the proposal to approve the merger and the other transactions contemplated by the merger agreement, FOR the proposal to approve, on a non-binding, advisory basis, the compensation that may be paid or become payable to ARCT's named executive officers in connection with the merger and FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement. If you do not provide voting instructions to your broker or other nominee, your shares of ARCT common stock will NOT be voted at the meeting and will be considered broker non-votes.

Q: Can I revoke my proxy or change my vote after I have delivered my proxy?

A: Yes. You may revoke your proxy or change your vote at any time before your proxy is voted at Realty Income's special meeting or ARCT's special meeting, as applicable. If you are a holder of record, you can do this in any of the three following ways:

by sending a written notice to the Secretary of Realty Income or the Secretary of ARCT, as applicable, at the address set forth below, in time to be received before Realty Income's special meeting or ARCT's special meeting, as applicable, stating that you would like to revoke your proxy;

by completing, signing and dating another proxy card and returning it by mail in time to be received before Realty Income's special meeting or ARCT's special meeting, as applicable, or by submitting a later dated proxy by the Internet or telephone in which case your later-submitted proxy will be recorded and your earlier proxy revoked; or

by attending the Realty Income special meeting or the ARCT special meeting, as applicable, and voting in person. Simply attending Realty Income's special meeting or ARCT's special meeting without voting will not revoke your proxy or change your vote.

If your shares of Realty Income common stock or ARCT common stock are held in an account at a broker or other nominee and you desire to change your vote or vote in person, you should contact your broker or other nominee for instructions on how to do so.

Q: What should I do if I receive more than one set of voting materials for Realty Income's special meeting or ARCT's special meeting?

A: You may receive more than one set of voting materials for Realty Income's special meeting or ARCT's special meeting, including multiple copies of this joint proxy statement/prospectus and multiple proxy cards or voting instruction cards. For example, if you hold your shares of Realty Income common stock or ARCT common stock in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares of Realty Income common stock or ARCT common stock. If you are a holder of record and your shares of Realty Income common stock or ARCT common stock are registered in more than one name, you may receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive or, if available, please submit your proxy by telephone or over the Internet.

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Q: What happens if I am a stockholder of both Realty Income and ARCT?

A: You will receive separate proxy cards for each company and must complete, sign and date each proxy card and return each proxy card in the appropriate preaddressed postage-paid envelope or, if available, by submitting a proxy by one of the other methods specified in your proxy card or voting instruction card for each company.

Q: Who can answer my questions?

A: If you have any questions about the merger or how to submit your proxy or need additional copies of this joint proxy statement/prospectus, the enclosed proxy card or voting instructions, you should contact:

If you are a Realty Income stockholder:
Realty Income Corporation
Attention: Corporate Secretary
600 La Terraza Boulevard
Escondido, California 92025-3873
(760) 741-2111
www.realtyincome.com

Proxy Solicitor:
Georgeson Inc.

199 Water Street, 26th Floor

New York, NY 10038-3560

Banks and Brokers Call (212) 440-9800

All Others Call Toll-Free (800) 314-4549

E-mail: realtyincome@georgeson.com

If you are an ARCT stockholder:
American Realty Capital Trust, Inc.
Attention: Corporate Secretary
405 Park Avenue, 14th Floor

New York, New York 10022

(646) 937-6900
www.arctreit.com

Proxy Solicitor:
D.F. King

48 Wall Street

New York, NY 10005

Call Toll-Free (800) 314-4549

E-mail: americanrealty@dfking.com

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SUMMARY

The following summary highlights some of the information contained in this joint proxy statement/prospectus. This summary may not contain all of the information that is important to you. For a more complete description of the merger agreement, the merger and the other transactions contemplated thereby, Realty Income and ARCT encourage you to read carefully this entire joint proxy statement/prospectus, including the attached Annexes. In addition, Realty Income and ARCT encourage you to read the information incorporated by reference into this joint proxy statement/prospectus, which includes important business and financial information about Realty Income and ARCT that has been filed with the Securities and Exchange Commission, which we refer to as the SEC. You may obtain the information incorporated by reference into this joint proxy statement/prospectus without charge by following the instructions in the section entitled "Where You Can Find More Information; Incorporation by Reference."

The Companies

Realty Income Corporation

Realty Income is The Monthly Dividend Company®. Realty Income is a Maryland corporation which is organized to operate as an equity real estate investment trust, commonly referred to as a REIT. Realty Income's primary business objective is to generate dependable monthly cash distributions from a consistent and predictable level of funds from operations, which we refer to as FFO, per share. Additionally, Realty Income seeks to increase distributions to common stockholders and FFO per share through both active portfolio management and the acquisition of additional properties.

Realty Income is a fully integrated, self-administered real estate company with in-house acquisition, leasing, legal, credit research, real estate research, portfolio management and capital markets expertise. As of September 30, 2012, Realty Income owned a diversified portfolio of 2,838 properties located in 49 states, with over 34.3 million square feet of leasable space leased to 144 different retail and other commercial enterprises doing business in 44 separate industries. Of the 2,838 properties in the portfolio at that date, 2,822, or 99.4%, were single-tenant properties, and the remaining 16 were multi-tenant properties. At September 30, 2012, of the 2,822 single-tenant properties, 2,739, or 97.1%, were leased with a weighted average remaining lease term (excluding rights to extend a lease at the option of the tenant) of approximately 11.0 years.

Realty Income common stock is listed on the New York Stock Exchange, which we refer to as the NYSE, and trades under the symbol "O".

Realty Income's principal executive offices are located at 600 La Terraza Boulevard, Escondido, California 92025-3873, and its telephone number is (760) 741-2111.

Tau Acquisition LLC, which we refer to as Merger Sub, is a Delaware limited liability company and a direct wholly owned subsidiary of Realty Income that was formed for the purpose of entering into the merger agreement.

American Realty Capital Trust, Inc.

ARCT is a Maryland corporation incorporated in August 2007 that qualifies as a REIT for federal income tax purposes. ARCT was formed to acquire a diversified portfolio of commercial real estate, which consists primarily of freestanding single tenant properties net leased to credit worthy tenants on a long-term basis. In January 2008, ARCT commenced an initial public offering on a "best efforts" basis to sell up to 150.0 million shares of common stock, excluding 25.0 million shares issuable pursuant to a distribution reinvestment plan, offered at a price of \$10.00 per share, subject to certain volume and other discounts, which we refer to as the ARCT IPO. In March 2008, ARCT commenced real estate operations. The ARCT IPO closed in July 2011 and ARCT operated as a non-traded REIT through February 29, 2012.

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Effective as of March 1, 2012, ARCT internalized the management services previously provided by American Realty Capital Advisors, LLC and its affiliates, which we refer to as the Internalization, as a result of which ARCT became a self-administered REIT managed full-time by its own management team.

Concurrent with the Internalization, ARCT listed its common stock on the NASDAQ Global Select Market, which we refer to as NASDAQ, and commenced trading under the symbol ARCT, which we refer to as the Listing, and ARCT's common stock continues to be so listed and trades under such symbol.

Substantially all of ARCT's business is conducted through American Realty Capital Operating Partnership, L.P., a Delaware limited partnership, which we refer to as the ARCT OP, of which ARCT is the sole general partner.

As of September 30, 2012, ARCT owned 507 properties with 15.8 million square feet of leasable area, 100% leased with a weighted average remaining lease term of 12.7 years. In constructing the portfolio, ARCT has been committed to diversification by industry, tenant and geography.

ARCT's principal executive offices are located at 405 Park Avenue, 14th Floor, New York, New York 10022, and its telephone number is (646) 937-6900.

The Merger and the Merger Agreement

Subject to the terms and conditions of the merger agreement, at the effective time of the merger, ARCT will merge with and into Merger Sub, with Merger Sub surviving the merger as a direct wholly owned subsidiary of Realty Income. In the merger, each share of ARCT common stock issued and outstanding immediately prior to the effective time of the merger will be converted into the right to receive 0.2874 of a share of Realty Income common stock, which we refer to as the merger consideration, as described under The Merger Agreement Merger Consideration; Conversion or Cancellation of Shares in the Merger. Cash will be paid in lieu of any fractional shares.

Based on the closing price of Realty Income common stock on November 27, 2012, the aggregate value of the merger consideration to be received by ARCT stockholders is expected to be approximately \$1.8 billion, based on the number of shares of outstanding ARCT common stock on November 27, 2012. The market value of the merger consideration ultimately received by ARCT stockholders will depend on the closing price of Realty Income common stock on the day that the merger is consummated. See Risk Factors Risk Factors Relating to the Merger beginning on page 23. Because the merger consideration is fixed and the market price of shares of Realty Income common stock may fluctuate, ARCT stockholders cannot be sure of the value of the merger consideration they will receive.

A copy of the merger agreement is attached as Annex A to this joint proxy statement/prospectus and is incorporated herein by reference. Realty Income and ARCT encourage you to carefully read the merger agreement in its entirety because it is the principal document governing the merger.

Voting Agreement

Realty Income and ARCT have entered into a voting agreement with Nicholas S. Schorsch and William M. Kahane, which we refer to as the voting agreement. In the voting agreement, each of Messrs. Schorsch and Kahane has agreed to vote all of his shares of ARCT common stock in favor of approval of the merger and the other transactions contemplated by the merger agreement, subject to certain limitations, and to vote against certain actions that would reasonably be expected to impede the merger.

A copy of the voting agreement is attached as Annex B to this joint proxy statement/prospectus and is incorporated herein by reference.

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Side Letter

Realty Income has entered into a side letter agreement, which we refer to as the side letter, with AR Capital, LLC, which we refer to as AR Capital, and Mr. Schorsch. In the side letter, each of AR Capital and Mr. Schorsch has agreed, among other things, to (i) reimburse Realty Income for certain transaction expenses of ARCT in excess of \$15 million, (ii) indemnify Realty Income and the surviving entity against costs and expenses resulting from the termination of ARCT employees and certain leases and personal property of ARCT and (iii) not purchase certain real properties that are currently contemplated to be purchased by ARCT. AR Capital has also agreed to use commercially reasonable efforts to unwind all joint ventures of ARCT and to waive all fees in connection with the unwinding of certain joint ventures to which ARCT is a party.

A copy of the side letter is attached as Annex C to this joint proxy statement/prospectus and is incorporated herein by reference.

Recommendation of Realty Income's Board of Directors

Realty Income's board of directors has unanimously (i) determined that the merger agreement and the merger, including the issuance of Realty Income common stock in connection with the merger, are advisable and in the best interests of Realty Income and its stockholders; (ii) approved the merger agreement, the merger and the other transactions contemplated thereby and (iii) approved the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement.

Realty Income's board of directors unanimously recommends that Realty Income stockholders vote FOR the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement.

Recommendation of ARCT's Board of Directors

ARCT's board of directors has unanimously (i) determined that the merger agreement, the merger and the other transactions contemplated thereby are advisable, fair to, and in the best interests of ARCT and its stockholders, and (ii) approved the merger agreement, the merger and the other transactions contemplated thereby.

ARCT's board of directors unanimously recommends that ARCT stockholders vote FOR the proposal to approve the merger and the other transactions contemplated by the merger agreement, FOR the proposal to approve, on a non-binding, advisory basis, the compensation that may be paid or become payable to ARCT's named executive officers in connection with the merger, which we at times refer to as merger-related compensation, and FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement.

Summary of Risk Factors Related to the Merger

You should consider carefully all the risk factors together with all of the other information included in this joint proxy statement/prospectus before deciding how to vote. The risks related to the merger and the related transactions are described under the caption "Risk Factors" "Risks Relating to the Merger" beginning on page 23.

The exchange ratio is fixed and will not be adjusted in the event of any change in either Realty Income's or ARCT's stock price.

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The merger and related transactions are subject to approval by stockholders of both Realty Income and ARCT.

Realty Income and ARCT stockholders will be diluted by the merger.

If the merger does not occur, one of the companies may incur payment obligations to the other.

Failure to complete the merger could negatively impact the stock prices and the future business and financial results of Realty Income and ARCT.

The pendency of the merger could adversely affect the business and operations of Realty Income and ARCT.

Some of the directors and executive officers of ARCT have interests in seeing the merger completed that are different from, or in addition to, those of the other ARCT stockholders.

The merger agreement contains provisions that could discourage a potential competing acquirer of ARCT or could result in any competing proposal being at a lower price than it might otherwise be.

If the merger is not consummated by March 6, 2013 (unless extended), either Realty Income or ARCT may terminate the merger agreement.

The merger will likely result in a reduction in per share equivalent dividend payments for holders of ARCT common stock after the merger.

Stockholders Entitled to Vote; Vote Required

Realty Income

Realty Income stockholders who owned shares of Realty Income common stock at the close of business on [], which is referred to as Realty Income's record date, are entitled to notice of and to vote at Realty Income's special meeting. On Realty Income's record date, there were [] shares of Realty Income common stock outstanding and entitled to vote at Realty Income's special meeting, held by approximately [] holders of record. Each share of Realty Income common stock is entitled to one vote on each proposal to be voted on at Realty Income's special meeting.

At Realty Income's special meeting, the presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast at such meeting shall constitute a quorum. Abstentions will be counted in determining whether a quorum is present at Realty Income's special meeting.

Approval of the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement requires the affirmative vote of at least a majority of the votes cast on the proposal, provided that the total votes cast on the proposal represent at least a majority of the outstanding shares of Realty Income common stock entitled to vote on the proposal. Approval of the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement requires the affirmative vote of a majority of the votes cast on such proposal.

See page 43 for a description of the effect of abstentions and broker non-votes with respect to the above proposals.

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Your vote is very important. You are encouraged to submit your proxy as promptly as possible. If you do not indicate how your shares of Realty Income common stock should be voted on a matter, the shares of Realty Income common stock represented by your properly executed proxy will be voted as Realty Income's board of directors recommends and therefore **FOR** the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement and **FOR** the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement. If

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you do not provide voting instructions to your broker or other nominee, your shares of Realty Income common stock will NOT be voted at the meeting and will be considered broker non-votes.

ARCT

ARCT stockholders who owned shares of ARCT common stock at the close of business on [], which is referred to as ARCT's record date, are entitled to notice of and to vote at ARCT's special meeting. On ARCT's record date, there were [] shares of ARCT common stock outstanding and entitled to vote at ARCT's special meeting, held by approximately [] holders of record. Each share of ARCT common stock is entitled to one vote on each proposal to be voted on at ARCT's special meeting.

At ARCT's special meeting, the presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast at such meeting shall constitute a quorum. Abstentions will be counted in determining whether a quorum is present at ARCT's special meeting.

Approval of the proposal to approve the merger and the other transactions contemplated by the merger agreement requires the affirmative vote of the holders of at least a majority of the outstanding shares of ARCT common stock entitled to vote on such proposal. The approval of (i) the proposal to approve, on a non-binding, advisory basis, the compensation that may be paid or become payable to ARCT's named executive officers in connection with the merger and (ii) the proposal to adjourn ARCT's special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement in each case the affirmative vote of a majority of the votes cast on such proposal.

See page 47 for a description of the effect of abstentions and broker non-votes with respect to the above proposals.

Your vote is very important. You are encouraged to submit your proxy as promptly as possible. If you do not indicate how your shares of ARCT common stock should be voted on a matter, the shares of ARCT common stock represented by your properly executed proxy will be voted as ARCT's board of directors recommends and therefore **FOR** the proposal to approve the merger and the other transactions contemplated by the merger agreement, **FOR** the proposal to approve, on a non-binding advisory basis, the compensation that may be paid or become payable to ARCT's named executive officers in connection with the merger, and **FOR** the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement. If you do not provide voting instructions to your broker or other nominee, your shares of ARCT common stock will NOT be voted at the meeting and will be considered broker non-votes.

Opinions of Financial Advisors

Opinions of Realty Income's Financial Advisors

BofA Merrill Lynch. In connection with the merger, Merrill Lynch, Pierce, Fenner & Smith Incorporated, which we refer to as BofA Merrill Lynch, one of Realty Income's financial advisors, delivered to Realty Income's board of directors a written opinion, dated September 5, 2012, as to the fairness, from a financial point of view and as of the date of the opinion, to Realty Income of the exchange ratio provided for in the merger. The full text of the written opinion, dated September 5, 2012, of BofA Merrill Lynch, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Annex D to this document and is incorporated by reference herein in its entirety. **BofA Merrill Lynch provided its opinion to Realty Income's board of directors (in its capacity as such) for the benefit and use of Realty Income's board of directors in connection with and for purposes of its evaluation of the**

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exchange ratio from a financial point of view. BofA Merrill Lynch's opinion does not address any other aspect of the merger and no opinion or view was expressed as to the relative merits of the merger in comparison to other strategies or transactions that might be available to Realty Income or in which Realty Income might engage or as to the underlying business decision of Realty Income to proceed with or effect the merger. BofA Merrill Lynch's opinion does not address any other aspect of the merger and does not constitute a recommendation to any stockholder as to how to vote or act in connection with the proposed merger or any related matter.

Wells Fargo Securities, LLC. In connection with the merger, Realty Income's board of directors received an opinion, dated September 5, 2012, of Wells Fargo Securities, LLC, one of Realty Income's financial advisors, which we refer to as Wells Fargo Securities, as to the fairness, from a financial point of view and as of the date of such opinion, to Realty Income of the exchange ratio provided for in the merger pursuant to the merger agreement. The full text of the written opinion is attached as Annex E to this joint proxy statement/prospectus and is incorporated herein by reference. The written opinion sets forth, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken by Wells Fargo Securities in rendering its opinion. **The opinion was addressed to Realty Income's board of directors (in its capacity as such) for its information and use in connection with its evaluation of the exchange ratio from a financial point of view to Realty Income and Wells Fargo Securities expressed no opinion or view with regard to any other terms, aspects or implications of the merger. Wells Fargo Securities' opinion did not address the merits of the underlying decision by Realty Income to enter into the merger agreement or the relative merits of the merger compared with other business strategies or transactions available or that have been or might be considered by Realty Income's management or board of directors or in which Realty Income might engage. The opinion does not constitute a recommendation to Realty Income's board of directors or any other person or entity in respect of the merger, including as to how any stockholder should vote or act in connection with the merger or any other matters.**

See The Merger Opinions of Realty Income's Financial Advisors beginning on page 71.

Opinion of ARCT's Financial Advisor

On September 6, 2012, at a meeting of the ARCT board of directors, Goldman, Sachs & Co., which we refer to as Goldman Sachs, rendered to the board of directors of ARCT its oral opinion, subsequently confirmed in writing, that, as of September 6, 2012, and based upon and subject to the limitations and assumptions set forth therein, the exchange ratio of 0.2874 shares of Realty Income common stock to be paid for each share of ARCT common stock pursuant to the merger agreement was fair from a financial point of view to the holders (other than Realty Income and its affiliates) of shares of ARCT common stock.

The full text of the written opinion of Goldman Sachs, dated September 6, 2012, which sets forth the assumptions made, procedures followed, matters considered, qualifications and limitations on the review undertaken in connection with the opinion, is attached to this joint proxy statement/prospectus as Annex F. The summary of the Goldman Sachs opinion provided in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of the written opinion. Goldman Sachs' advisory services and opinion were provided for the information and assistance of the board of directors of ARCT in connection with its consideration of the proposed merger and the opinion does not constitute a recommendation as to how any holder of shares of ARCT common stock should vote with respect to the proposed merger or any other matter.

See The Merger Opinion of ARCT's Financial Advisor beginning on page 88.

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Treatment of ARCT Stock Options, Restricted Shares and LTIP Units

Treatment of Stock Options. Pursuant to, and as further described in the merger agreement, each option to purchase ARCT common stock that is outstanding and unexercised at the effective time of the merger will be deemed subject to a cashless exercise and the holder of such option will be deemed to receive a number of shares of ARCT common stock equal to (i) the number of shares of ARCT common stock subject to such option, less (ii) the number of shares of ARCT common stock equal in value to the aggregate exercise price of such option, assuming a fair market value of a share of ARCT common stock equal to the closing price of ARCT common stock on the last completed trading day immediately prior to the consummation of the merger, which shares of ARCT common stock will be converted into the right to receive the merger consideration.

Treatment of Restricted Shares. Pursuant to, and as further described in the merger agreement, each share of ARCT restricted stock outstanding as of immediately prior to the effective time of the merger will become fully vested and will convert into the right to receive the merger consideration.

Treatment of LTIP Units. Pursuant to, and as further described in the merger agreement, each award of long term incentive plan units in ARCT OP, which we refer to as LTIP Units, that is outstanding at the effective time of the merger will become fully vested immediately prior to the merger and will be adjusted as set forth in the merger agreement.

See The Merger Agreement Merger Consideration; Conversion or Cancellation of Shares in the Merger Treatment of ARCT Stock Options, Restricted Shares and LTIP Units beginning on page 132.

Directors and Management of Realty Income After the Merger

Realty Income currently anticipates that the directors and officers of Realty Income prior to the merger will continue as directors and officers of Realty Income after the merger.

Share Ownership of Directors and Executive Officers of Realty Income

At the close of business on [], the directors and executive officers of Realty Income and their affiliates held and were entitled to vote [] shares of Realty Income common stock, collectively representing approximately []% of the shares of Realty Income common stock outstanding and entitled to vote on that date. The directors and executive officers of Realty Income have each indicated that they expect to vote **FOR** the proposal to approve the issuance of Realty Income common stock to ARCT stockholders pursuant to the merger agreement and **FOR** the proposal to adjourn the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement.

Share Ownership of Directors and Executive Officers of ARCT

At the close of business on [], the directors and executive officers of ARCT and their affiliates held and were entitled to vote [] shares of ARCT common stock (including shares held by AR Capital), collectively representing approximately []% of the shares of ARCT common stock outstanding and entitled to vote on that date. The directors and executive officers of ARCT have each indicated that they expect to vote **FOR** the proposal to approve the merger and the other transactions contemplated by the merger agreement, **FOR** the proposal to approve, on a non-binding, advisory basis, the compensation that may be paid or become payable to ARCT's named executive officers in connection with the merger, and **FOR** the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement. In addition, under the terms of the voting agreement, each of Messrs. Schorsch and Kahane has agreed to vote all of his shares of ARCT common stock in

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favor of approval of the merger and the other transactions contemplated by the merger agreement, subject to certain limitations.

Interests of ARCT's Directors and Executive Officers in the Merger

In considering the recommendation of ARCT's board of directors to approve the merger and the other transactions contemplated by the merger agreement, ARCT stockholders should be aware that ARCT's directors and executive officers have certain interests in the merger that may be different from, or in addition to, the interests of ARCT stockholders generally. These interests include those discussed below.

In connection with the Listing, and prior to any revisions made as a result of ARCT's negotiations with Realty Income in connection with the merger, AR Capital, an entity majority-owned and controlled by Nicholas S. Schorsch, chairman of the board of directors of ARCT, and William M. Kahane, ARCT's chief executive officer, president and a director, was entitled to a subordinated incentive listing fee, payable in the form of a promissory note, equal to 15% of the amount, if any, by which (a) the market value of ARCT's outstanding common stock plus distributions paid by ARCT prior to the Listing exceeded (b) the sum of the total amount of capital raised from stockholders during the ARCT IPO and the amount of cash flow necessary to generate a 6% annual cumulative, non-compounded return to such stockholders. For this purpose, (i) the market value of ARCT's common stock was to be calculated based on the average market value of the shares issued and outstanding at Listing over the 30 trading days beginning 180 days after the shares are first listed or included for quotation, and (ii) the promissory note would be non-transferrable with a maturity of three years, bearing interest at the applicable federal rate established by the Internal Revenue Service on the date the note is issued, and subject to mandatory amortization payments from any sale proceeds (except for the interest imputed for tax purposes). Further, the promissory note was to be convertible by AR Capital, at its option, into shares of ARCT common stock and, if AR Capital elected to convert any unpaid portion of the note into shares of ARCT common stock, the number of shares of ARCT common stock that would be issued upon such conversion would be valued for this purpose at the average market value of ARCT's shares over the 30 trading days beginning 180 days after ARCT's shares were first listed. We refer herein to such promissory note as the Subordinated Incentive Listing Fee Note.

In connection with the merger, ARCT and the ARCT OP (acting through and at the direction of ARCT's independent directors) and AR Capital, entered into an Incentive Listing Fee Note Agreement, dated as of September 6, 2012, by and among ARCT, ARCT OP, and AR Capital, as amended by a First Amendment to Incentive Listing Fee Note Agreement on September 10, 2012 which, as amended, we refer to as the Incentive Listing Fee Note Agreement, and a letter agreement, dated September 6, 2012, between Realty Income and AR Capital, pursuant to which the parties agreed to modify the terms of the Subordinated Incentive Listing Fee Note, if and to the extent issued, to (i) add a cap of \$76,000,000 on its principal amount, (ii) add a floor of \$58,600,000 on its principal amount, (iii) provide that, until October 31, 2012, such note shall be due and payable upon demand on not less than five (5) business days' prior written notice by AR Capital, (iv) eliminate AR Capital's right to convert the principal amount of the Subordinated Incentive Listing Fee Note into shares of ARCT's common stock at maturity and (v) clarify that the average market value of ARCT's common stock for purposes of the calculation of the amount of the Subordinated Incentive Listing Fee Note would be based on the volume-weighted average of the daily volume-weighted average price, as reported by Bloomberg Financial, increased by the cumulative ARCT dividends paid during the measurement period for each day following the ex-dividend date of each respective dividend on September 5, 2012 and October 3, 2012, as declared by NASDAQ, of the shares issued and outstanding at the Listing over the 30 trading days beginning 180 days after the Listing (which measurement period commenced August 28, 2012 and ended on October 9, 2012). Other than the modifications listed above, the Incentive Listing Fee Note Agreement did not modify the terms of the Subordinated Incentive Listing Fee Note.

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Pursuant to the terms of the Incentive Listing Fee Note Agreement, the Subordinated Incentive Listing Fee Note was issued to AR Capital on October 9, 2012, the end of the calculation period, with a principal amount of \$63,189,091. On October 12, 2012, the outstanding principal amount, plus \$1,201.25 in accrued interest, was paid to AR Capital in full satisfaction of the Subordinated Incentive Listing Fee Note. Messrs. Schorsch and Kahane own 63.6% and 13.5%, respectively, of the equity interests in AR Capital and, accordingly, indirectly received \$40.2 million and \$8.5 million, respectively, of such payment. Such payment represented gross income to AR Capital, not net income distributable to the equity holders of AR Capital.

In connection with the merger, on September 5, 2012, ARCT entered into a letter agreement, which we refer to as the letter agreement, with Realty Capital Securities, LLC, which we refer to as RC Securities, and ARC Advisory Services, LLC, which we refer to as ARC Advisory Services, to act as non-exclusive financial advisor and information agent, respectively, to ARCT in connection with the merger and the related proxy solicitation seeking approval of the merger by ARCT's stockholders and to pay an aggregate amount of \$1,500,000 in consideration for the services provided under the letter agreement and such fee will be payable upon the closing of the merger; provided that if the merger is not consummated, ARCT will be responsible for the payment of such fee. The letter agreement is subject to the expense cap under the terms of the side letter. See Side Letter on page 150 and The Merger Interests of ARCT's Directors and Executive Officers in the Merger Letter Agreement on page 102.

In connection with the merger, on September 5, 2012, ARCT and the ARCT OP entered into a certain Legal Services Agreement, which we refer to as the Legal Services Agreement, with ARC Advisory Services, pursuant to which ARCT, on its own behalf and, as general partner of the ARCT OP, on behalf of the ARCT OP, retained ARC Advisory Services to perform legal support services in connection with the merger agreement. ARCT and the ARCT OP will pay to ARC Advisory Services an aggregate amount of \$350,000 in consideration for the services provided under the Legal Services Agreement; provided that if the merger does not occur, ARCT will be responsible for the payment of such fee. The Legal Services Agreement is subject to the expense cap under the terms of the side letter. See Side Letter on page 150 and The Merger Interests of ARCT's Directors and Executive Officers in the Merger Legal Services Agreement on page 102.

In connection with the merger, on September 5, 2012, ARCT and the ARCT OP entered into a certain Legal Services Reimbursement Agreement, which we refer to as the Legal Services Reimbursement Agreement, with ARC Advisory Services, pursuant to which ARCT, on its own behalf and, as general partner of the ARCT OP, on behalf of the ARCT OP, reaffirmed the retention of ARC Advisory Services for the performance of legal support services in connection with the merger agreement rendered prior to the date of the Legal Services Reimbursement Agreement. ARCT and the ARCT OP will pay to ARC Advisory Services an aggregate amount of \$1,200,000 in consideration for the services provided under the Legal Services Reimbursement Agreement. The Legal Services Reimbursement Agreement is subject to the expense cap under the terms of the side letter. See Side Letter on page 150 and The Merger Interests of ARCT's Directors and Executive Officers in the Merger Legal Services Reimbursement Agreement on page 103.

In connection with the merger, on September 5, 2012, ARCT and the ARCT OP entered into a certain Transition Services Agreement, which we refer to as the Transition Services Agreement, with ARC Advisory Services, pursuant to which ARC Advisory Services and ARCT, on its own behalf and, as general partner of the ARCT OP, on behalf of the ARCT OP, memorialized ARC Advisory Services' obligation to perform the following services, which it has historically performed for, and for which it has historically been compensated by, ARCT and the ARCT OP: legal support, accounting support, marketing support, acquisition support, investor relations support, public relations support, event coordination, human resources and administration, general human resources duties, payroll services, benefits services, insurance and risk management, information technology services, telecom and internet services and services relating to office supplies. The Transition Services Agreement does not govern any legal support services rendered in connection with the merger

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agreement and its related transactions, which will be governed by the Legal Services Agreement and the Legal Services Reimbursement Agreement. ARCT and the ARCT OP will pay to ARC Advisory Services the actual costs and expenses incurred by ARC Advisory Services in connection with providing the services contemplated by the Transition Services Agreement. See The Merger Interests of ARCT's Directors and Executive Officers in the Merger Transition Services Agreement on page 103.

RC Securities and ARC Advisory Services are each wholly owned by AR Capital, and Messrs. Schorsch and Kahane own 63.6% and 13.5%, respectively, of the equity interests in AR Capital. Payments under the letter agreement, the Legal Services Agreement, the Legal Services Reimbursement Agreement and the Transition Services Agreement represent gross income to the applicable affiliate of AR Capital, not net income distributable to the equity holders of such affiliate of AR Capital.

Some of the directors and executive officers of ARCT are entitled to certain contractual change of control payments, benefits and incentive awards in connection with the merger, as described below.

Summary of Accelerated Vesting of Incentive Compensation

OPP Agreements

Messrs. Schorsch and Kahane were each granted LTIP Units in ARCT OP under 2012 Outperformance Award Agreements between them, ARCT and ARCT OP made as of March 1, 2012 and August 29, 2012, which we collectively refer to as the OPP Agreements. Under the terms of the OPP Agreements, the LTIP Units may be earned at the end of a three-year performance period ending on February 28, 2015, and thereafter vest as to 25% of the earned LTIP Units on each of February 28, 2015 and February 28, 2016, and as to 50% of the earned LTIP Units on February 28, 2017, based on continued service. Under the OPP Agreements, Messrs. Schorsch and Kahane will be eligible to earn and vest in LTIP Units in connection with a change in control (as defined in the OPP Agreements) under certain circumstances. The consummation of the transactions contemplated by the merger agreement will constitute a change in control under the OPP Agreements.

In connection with entering into the merger agreement, ARCT and Messrs. Schorsch and Kahane agreed, subject to the consummation of the merger, that the value of the awards under the OPP Agreements and the ARCT Annual Incentive Compensation Plan (as discussed below, which we refer to as the ARCT Annual Plan, and together with the OPP Agreements as the ARCT Incentive Plans) will be capped and reduced to an aggregate value not to exceed \$22,000,000 (which we refer to as the Incentive Cap). Accordingly, in connection with the Incentive Cap and as required under the merger agreement, on September 6, 2012, ARCT and ARCT OP entered into amendments to the OPP Agreements with Messrs. Schorsch and Kahane (which we refer to as the OPP Amendments) pursuant to which, subject to the consummation of the transactions contemplated by the merger agreement, effective as of immediately prior to the effective time of the merger the number of vested and earned LTIP Units under the OPP Agreements in connection with the change in control would be based on a reduced aggregate value of \$19,000,000, allocated \$14,825,000 for Mr. Schorsch and \$4,175,000 for Mr. Kahane, divided by \$11.506 (the average closing trading price of ARCT's common stock during the ten-day trading period ending August 31, 2012). As a result, under the OPP Amendments, Messrs. Schorsch and Kahane would have earned an aggregate of 1,288,458 and 362,854 fully vested LTIP Units, respectively, in connection with the consummation of the merger. Subsequent to the execution of the merger agreement, the amounts that will be earned by Messrs. Schorsch and Kahane under the OPP Agreements in connection with the consummation of the merger were further reduced to an aggregate of 1,255,080 and 353,454 fully vested LTIP Units, respectively, and the remainder of their LTIP Units granted under the OPP Agreements will be automatically cancelled and forfeited without payment of any consideration. Messrs. Schorsch and Kahane have acknowledged and agreed to these further reductions.

Table of Contents***Annual Incentive Compensation Plan***

Under the ARCT Annual Plan Messrs. Schorsch and Kahane have the opportunity to earn annual awards from a bonus pool that is funded through both a discretionary component and a formulaic performance component. Upon a change in control of ARCT under the ARCT Annual Plan, they will be eligible to receive cash bonus awards as equitably adjusted in accordance with the ARCT Annual Plan to reflect the shortened plan year (ending on the date of the change in control), paid in one lump-sum within 45 days following the change in control. The consummation of the transactions contemplated by the merger agreement will constitute a change in control under the ARCT Annual Plan. In connection with the Incentive Cap and as required under the merger agreement, under the OPP Amendments, on the date on which the effective time of the merger occurs, ARCT will pay a reduced lump-sum cash payment in the amount of \$1,500,000 to each of Messrs. Schorsch and Kahane in full satisfaction of any rights they may have under the ARCT Annual Plan, less any applicable tax withholdings.

Summary of Change in Control Payments

Set forth below is a summary of the estimated payments that ARCT executives will be entitled to receive in connection with the change in control that will occur as a result of the consummation of the transactions contemplated under the merger agreement:

i. Nicholas S. Schorsch:

Payment	Amount (\$)
Reduced payment under the ARCT Annual Plan	1,500,000
Cash value of reduced number of earned and vested LTIP Units under the OPP Agreements assuming the conversion into shares of ARCT common stock at a price per share of ARCT common stock of \$12.18 (the average closing price of ARCT common stock over the first five business days following September 6, 2012)	15,286,874
Total	16,786,874

ii. William M. Kahane:

Payment	Amount (\$)
Reduced payment under the ARCT Annual Plan	1,500,000
Cash value of reduced number of earned and vested LTIP Units under the OPP Agreements assuming the conversion into shares of ARCT common stock at a price per share of ARCT common stock of \$12.18	4,305,070
ARCT's estimated costs for continued health and welfare benefits for a period of 18 months following a termination without cause, for good reason or due to Mr. Kahane's death or disability.	33,839
Total	5,838,909

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iii. Brian Jones

Payment	Amount (\$)
Severance payment equal to Mr. Jones' annual base salary if he does not accept employment with AR Capital, LLC or its affiliates within six months following the consummation of the merger	325,000
Value of the acceleration of 13,502 unvested shares of ARCT restricted stock as of the effective time of the merger assuming a price per share of ARCT common stock of \$12.18	164,454
ARCT's estimated costs for continued health and welfare benefits for a period of 18 months following a termination without cause, for good reason or due to Mr. Jones' death or disability.	26,596
Total	516,050

See The Merger Recommendation of ARCT's Board of Directors and Its Reasons for the Merger and The Merger Interests of ARCT's Directors and Executive Officers in the Merger.

Listing of Shares of Realty Income Common Stock; Delisting and Deregistration of Shares of ARCT Common Stock

Approval of the listing on the NYSE of the shares of Realty Income common stock to be issued to ARCT stockholders pursuant to the merger agreement, subject to official notice of issuance, is a condition to each party's obligation to complete the merger. Realty Income has agreed to use its reasonable best efforts to cause the shares of Realty Income common stock to be issued to ARCT stockholders pursuant to the merger agreement to be approved for listing on the NYSE prior to the effective time of the merger, subject to official notice of issuance. If the merger is completed, shares of ARCT common stock will be delisted from NASDAQ and deregistered under the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act.

No Stockholder Appraisal Rights in the Merger

Under the Maryland General Corporation Law, neither Realty Income stockholders nor ARCT stockholders are entitled to exercise appraisal rights in connection with the merger. See No Appraisal Rights beginning on page 150.

Conditions to Completion of the Merger

A number of conditions must be satisfied or waived, where legally permissible, before the merger can be consummated. These include, among others:

the approval by Realty Income's stockholders of the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement;

the approval by ARCT's stockholders of the merger and the other transactions contemplated by the merger agreement;

the absence of injunction or law prohibiting the merger;

the effectiveness of the Form S-4 registration statement, of which this joint proxy statement/prospectus is a part;

the approval for listing on the NYSE of the shares of Realty Income common stock to be issued to ARCT stockholders pursuant to the merger agreement, subject to official notice of issuance;

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the accuracy of all representations and warranties made by the parties in the merger agreement and performance by the parties of their obligations under the merger agreement (subject in each case to certain materiality standards);

the absence of any material adverse effect being experienced by either party;

the receipt of a legal opinion from each party's legal counsel regarding such party's qualification as a REIT;

the receipt by each party of an opinion from such party's legal counsel to the effect that the merger will be treated as a reorganization within the meaning of section 368(a) of the Internal Revenue Code of 1986, as amended, which we refer to as the Code; and

receipt by ARCT of certain debt consents.

Neither Realty Income nor ARCT can give any assurance as to when or if all of the conditions to the consummation of the merger will be satisfied or waived or that the merger will occur.

For more information regarding the conditions to the consummation of the merger and a complete list of such conditions, see "The Merger Agreement—Conditions to Completion of the Merger" beginning on page 136.

Regulatory Approvals Required for the Merger

The merger may be subject to the regulatory requirements of municipal, state and federal, domestic or foreign, governmental agencies and authorities. Nevertheless, neither Realty Income nor ARCT is aware of any regulatory approvals that are expected to prevent the consummation of the merger. See "The Merger—Regulatory Approvals Required for the Merger" beginning on page 111.

No Solicitation and Change in Recommendation

Under the merger agreement, ARCT has agreed not to, and to cause its subsidiaries not to (and not authorize and use reasonable best efforts to cause its officers, directors, managers and other representatives not to), directly or indirectly, (i) solicit, initiate, knowingly encourage or facilitate any inquiry, discussion, offer or request that constitutes, or could reasonably be expected to lead to, a competing acquisition proposal, (ii) engage in any discussions or negotiations regarding, or furnish to any third party any nonpublic information in connection with, or knowingly facilitate in any way any effort by, any third party in furtherance of any competing acquisition proposal or inquiry, (iii) approve or recommend a competing acquisition proposal, or enter into any letter of intent, memorandum of understanding, agreement in principle, acquisition agreement, merger agreement, share purchase agreement, asset purchase agreement, share exchange agreement, option agreement or other similar definitive agreement providing for or relating to a competing acquisition proposal, or (iv) propose or agree to do any of the foregoing.

However, prior to the approval of the merger and the other transactions contemplated by the merger agreement by ARCT stockholders, ARCT may, under certain specified circumstances, engage in discussions or negotiations with and provide nonpublic information regarding itself to a third party making an unsolicited, bona fide written competing acquisition proposal. Under the merger agreement, ARCT is required to notify Realty Income promptly if it receives any competing acquisition proposal or inquiry or any request for nonpublic information in connection with a competing acquisition proposal.

Before the approval of the merger and the other transactions contemplated by the merger agreement by ARCT stockholders, ARCT's board of directors may, under certain specified circumstances, withdraw its recommendation of the merger if ARCT's board of directors determines in good faith, after consultation with

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outside legal counsel, that failure to take such action would be inconsistent with the directors' duties under applicable law. For more information regarding the limitations on ARCT and its board of directors to consider other proposals, see [The Merger Agreement Covenants and Agreements No Solicitation of Transactions by ARCT](#) beginning on page 140.

Termination of the Merger Agreement

Realty Income and ARCT may mutually agree to terminate the merger agreement before completing the merger, even after approval of the Realty Income stockholders or approval of the ARCT stockholders.

In addition, either Realty Income or ARCT (so long as it is not at fault) may decide to terminate the merger agreement if:

the merger is not consummated by March 6, 2013, unless as of March 6, 2013, all conditions to closing have been satisfied or waived other than the obligation of ARCT to obtain certain debt consents, in which case this date will be extended to April 8, 2013;

there is a final, non-appealable order or injunction prohibiting the merger;

ARCT stockholders fail to approve the merger and the other transactions contemplated by the merger agreement;

Realty Income stockholders fail to approve the issuance of shares of Realty Income common stock to ARCT stockholders in connection with the merger; or

the other party materially breaches the merger agreement and does not cure such breach within a specified period. ARCT may also terminate the merger agreement prior to the ARCT stockholder approval in order to enter into an alternative acquisition agreement with respect to a superior proposal provided that ARCT concurrently pays the termination fee. Realty Income may also terminate the merger agreement if (i) the ARCT board of directors has made an adverse recommendation change, (ii) ARCT materially breaches its obligations regarding the preparation of the Form S-4 and the joint proxy statement/prospectus and the holding of ARCT's stockholder meeting, or (iii) ARCT enters into a definitive agreement with respect to an alternative acquisition proposal. For more information regarding the rights of Realty Income and ARCT to terminate the merger agreement, see [The Merger Agreement Termination of the Merger Agreement](#) beginning on page 146.

Expenses and Termination Fees

Generally, all fees and expenses incurred in connection with the merger and the transactions contemplated by the merger agreement will be paid by the party incurring those expenses. However, under the side letter, AR Capital and Mr. Schorsch have agreed to reimburse Realty Income for certain transaction expenses of ARCT in excess of \$15 million. In addition, the merger agreement provides that if the merger agreement is terminated under certain circumstances, ARCT may be obligated to pay Realty Income a termination fee of \$51 million plus \$4 million in expense reimbursement. In certain other circumstances, Realty Income or ARCT may be required to pay \$4 million in expense reimbursement to the other party, even if, in the case of payment by ARCT, the termination fee is not payable.

For more information regarding the termination fee and expense reimbursement, see [The Merger Agreement Termination of the Merger Agreement Termination Fee and Expenses Payable by ARCT to Realty Income](#) beginning on page 147 and [The Merger Agreement Termination of the Agreement Expenses Payable by Realty Income to ARCT](#) beginning on page 148.

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Material U.S. Federal Income Tax Consequences of the Merger

It is expected that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code, and it is a condition to the completion of the merger that Realty Income and ARCT receive written opinions from their respective counsel to the effect that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code. Assuming the merger qualifies as such a reorganization, U.S. holders of ARCT common stock generally will not recognize gain or loss for U.S. federal income tax purposes upon the exchange of their ARCT common stock for Realty Income common stock pursuant to the merger, except with respect to cash received in lieu of fractional shares of Realty Income common stock.

For further discussion of the material U.S. federal income tax consequences of the merger, see *The Merger* *Material U.S. Federal Income Tax Consequences of the Merger* beginning on page 111.

Holders of ARCT common stock should consult their tax advisors to determine the tax consequences to them (including the application and effect of any state, local or non-U.S. income and other tax laws) of the merger.

Accounting Treatment of the Merger

Realty Income will account for the merger using the purchase method of accounting under U.S. generally accepted accounting principles, which we refer to as GAAP. The merger will be accounted for by applying the purchase method, with Realty Income treated as the acquiror.

Comparison of Rights of Realty Income Stockholders and ARCT Stockholders

At the effective time of the merger, ARCT stockholders will become Realty Income stockholders. Realty Income's charter and bylaws contain provisions that are different from ARCT's charter and bylaws as currently in effect.

For a summary of certain differences between the rights of Realty Income stockholders and ARCT stockholders, see *Comparison of Rights of Realty Income Stockholders and ARCT Stockholders* beginning on page 151.

Recent Developments

During the first nine months of 2012, Realty Income acquired properties with an aggregate purchase price of approximately \$717.6 million. Moreover, in addition to the transactions contemplated by the merger agreement, Realty Income has entered into agreements to acquire additional properties with an aggregate purchase price of approximately \$283 million. The total acquired properties and contracted property acquisitions for the second half of 2012 consist of approximately 145 single-tenant properties net leased to 26 different tenants, and all are of property types that Realty Income already has in its portfolio. In aggregate, during all of 2012, Realty Income anticipates acquiring in excess of \$1.0 billion of new properties. On an aggregate basis, no single tenant of the properties that Realty Income has acquired or anticipates acquiring during 2012 will account for more than 10% of Realty Income's assets as of December 31, 2011, which is the date of the last audited balance sheet.

Similarly, ARCT has acquired or entered into agreements to acquire properties with an aggregate purchase price of approximately \$78 million during the second half of 2012 and first half of 2013. These acquisitions consist of approximately 40 single-tenant properties net leased to 12 different tenants, and all are in industries and of property types that ARCT already has in its portfolio. On an aggregate basis, no single tenant of the properties that ARCT has acquired or anticipates acquiring during 2012 and the first half of 2013 will account for more than 10% of ARCT's assets as of December 31, 2011, which is the date of ARCT's last audited balance sheet.

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The acquisitions that have not closed yet are subject to various customary conditions to closing, the failure of which could delay the closing of one or more of these proposed acquisitions or result in one or more of these proposed transactions not closing or closing on terms that are different from those currently contemplated. Realty Income expects to fund any of these acquisitions that close in the future (including any ARCT acquisitions that close after the merger) with borrowings under its acquisition credit facility or possible issuances of additional securities. ARCT is expected to fund any of its acquisitions that are to close before the merger closes with borrowings under its credit facility.

On October 2, 2012, Realty Income issued \$350 million in aggregate principal amount of 2.00% senior unsecured notes due January 2018, or the 2018 Notes, and \$450 million in aggregate principal amount of 3.25% senior unsecured notes due October 2022, or the 2022 Notes. The price to the investors for the 2018 Notes was 99.910% of the principal amount for an effective yield of 2.017% per annum. The price to the investors for the 2022 Notes was 99.382% of the principal amount for an effective yield of 3.323% per annum. The total net proceeds of approximately \$790.7 million from these offerings were used to repay all outstanding borrowings under Realty Income's acquisition credit facility, and the remaining proceeds will be used for general corporate purposes, which may include additional property acquisitions.

Selected Historical Financial Information of Realty Income

Presented below is the selected consolidated financial data of Realty Income as of and for the periods indicated. The selected historical consolidated financial data as of December 31, 2011 and 2010 and for each of the fiscal years ended December 31, 2011, 2010 and 2009 have been derived from Realty Income's historical audited consolidated financial statements, which were adjusted for discontinued operations and are incorporated by reference herein. The selected historical consolidated financial data as of December 31, 2009, 2008 and 2007 and for each of the fiscal years ended December 31, 2008 and 2007 were derived from Realty Income's historical audited consolidated financial statements, which were adjusted for discontinued operations but not included in this joint proxy statement/prospectus or incorporated by reference herein.

The historical financial data as of September 30, 2012 and 2011 and for the nine-month periods ended September 30, 2012 and 2011 were derived from Realty Income's historical unaudited condensed consolidated financial statements, which are incorporated by reference herein. In Realty Income's opinion, such unaudited financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the interim September 30, 2012 financial information. Interim results for the nine months ended and as of September 30, 2012 are not necessarily indicative of, and are not projections for, the results to be expected for the fiscal year ending December 31, 2012.

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You should read this selected historical financial information together with the financial statements included in reports that are incorporated by reference in this document and their accompanying notes and management's discussion and analysis of operations and financial condition of Realty Income contained in such reports.

	Historical as of or for the nine months ended September 30,		Historical as of or for the years ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
	(In thousands, except per share data)						
Total assets (book value)	\$ 5,036,326	\$ 4,274,774	\$ 4,419,389	\$ 3,535,590	\$ 2,914,787	\$ 2,994,179	\$ 3,077,352
Cash and cash equivalents	2,794	5,543	4,165	17,607	10,026	46,815	193,101
Total debt	2,492,394	1,914,750	2,055,181	1,600,000	1,354,600	1,370,000	1,470,000
Total liabilities	2,593,623	1,999,232	2,164,535	1,688,625	1,426,778	1,439,518	1,539,260
Total stockholders' equity	2,442,703	2,275,542	2,254,854	1,846,965	1,488,009	1,554,661	1,538,092
Net cash provided by operating activities	208,528	199,247	298,952	243,368	226,707	246,155	318,169
Net change in cash and cash equivalents	(1,371)	12,064	(13,442)	7,581	(36,789)	(146,286)	182,528
Total revenue	349,932	303,486	416,730	339,642	318,589	318,371	284,002
Income from continuing operations	113,188	108,518	148,079	118,128	116,083	105,514	118,549
Income from discontinued operations	6,941	7,509	8,953	12,656	15,044	26,327	21,860
Net income	120,129	116,027	157,032	130,784	131,127	131,841	140,409
Preferred stock cash dividends	(30,435)	(18,190)	(24,253)	(24,253)	(24,253)	(24,253)	(24,253)
Excess of redemption value over carrying value of preferred shares redeemed	(3,696)						
Net income available to common stockholders	85,998	97,837	132,779	106,531	106,874	107,588	116,156
Cash distributions paid to common stockholders	175,719	161,276	219,297	182,500	178,008	169,655	157,659
Net income per common share, basic and diluted	0.65	0.79	1.05	1.01	1.03	1.06	1.16
Cash distributions paid per common share	1.3173125	1.3010625	1.736625	1.721625	1.706625	1.662250	1.560250
Cash distributions declared per common share	1.3232500	1.3020000	1.737875	1.722875	1.707875	1.667250	1.570500
Basic weighted average number of common shares outstanding	132,731,984	123,921,317	126,142,696	105,869,637	103,577,507	101,178,191	100,195,031
Diluted weighted average number of common shares outstanding	132,845,970	124,013,142	126,189,399	105,942,721	103,581,053	101,209,883	100,333,966

Selected Historical Financial Information of ARCT

The following selected historical financial information for each of the years during the three-year period ended December 31, 2011 and the selected balance sheet data as of December 31, 2011 and 2010 have been derived from ARCT's audited consolidated financial statements contained in its Annual Report on Form 10-K/A filed with the SEC on May 11, 2012, which has been incorporated into this document by reference. The selected historical financial information for each of the years ended December 31, 2008 and 2007 and as of December 31, 2009, 2008 and 2007 has been derived from ARCT's audited consolidated financial statements for such years, which have not been incorporated into this document by reference.

The selected historical financial information for each of the nine-month periods ended September 30, 2012 and 2011, and as of September 30, 2012 has been derived from ARCT's unaudited consolidated financial statements contained in ARCT's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012, which has been incorporated into this joint proxy statement/prospectus by reference. The selected historical financial information as of September 30, 2011 has been derived from ARCT's unaudited consolidated financial statements contained in ARCT's Quarterly Report on Form 10-Q for the quarterly period ended September 30,

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2011, which has not been incorporated into this joint proxy statement/prospectus by reference. In ARCT's opinion, such unaudited financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the interim September 30, 2012 financial information. Interim results for the nine months ended and as of September 30, 2012 are not necessarily indicative of, and are not projections for, the results to be expected for the fiscal year ending December 31, 2012.

You should read this selected historical financial information together with the financial statements included in reports that are incorporated by reference in this document and their accompanying notes and management's discussion and analysis of operations and financial condition of ARCT contained in such reports.

	Historical as of September 30,		Historical as of December 31,				
	2012	2011	2011	2010	2009	2008	2007
	(In thousands, except per share data)						
Total real estate investments, at cost	\$ 2,169,394	\$ 1,843,115	\$ 2,126,171	\$ 882,593	\$ 338,556	\$ 164,770	\$
Total assets	2,059,501	2,133,164	2,130,575	914,054	339,277	164,942	938
Short-term borrowings					15,878	30,926	
Mortgage notes payable	511,144	649,068	673,978	372,755	183,811	112,742	
Mortgage discount and premium, net	756	716	679	1,163			
Long-term notes payable				12,790	13,000	1,090	
Note payable	235,000						
Revolving credit facilities	202,307		10,000				
Total liabilities	1,039,524	718,307	730,371	411,390	228,721	163,183	738
Total equity	1,019,977	1,424,857	1,400,204	502,664	110,556	1,759	200

	Historical Results For the Nine Months Ended September 30,		Historical Results For the Years Ended December 31,					Historical Results for the Period from August 17, 2007 (date of inception) to December 31, 2007
	2012	2011	2011	2010	2009	2008		
	(In thousands, except per share data)							
Total revenue	\$ 137,324	\$ 86,029	\$ 129,120	\$ 44,773	\$ 14,964	\$ 5,546	\$	
Expenses:								
Acquisition and transaction related costs	1,233	23,377	30,005	12,471	506			
Property operating	7,488	2,666	5,297					
Fees to affiliate	4,143	2,572	5,572	1,350	145	4		
General and administrative	6,600	1,104	2,691	1,013	507	380		1
Equity-based compensation	1,955	1,099	1,477	431				
Depreciation and amortization	78,521	45,015	68,939	21,654	8,315	3,056		
Listing and internalization	85,766							
Total operating expenses	185,706	75,833	113,981	36,919	9,473	3,440		1
Operating income (loss)	(48,382)	10,196	15,139	7,854	5,491	2,106		(1)
Other income (expenses):								
Interest expense (includes extinguishment of debt)	(30,447)	(25,879)	(35,950)	(18,109)	(10,352)	(4,774)		
Extinguishment of debt	(6,902)	(720)	(1,423)					
Equity in income of unconsolidated joint venture	36	71	96					
Other income (loss), net	1,980	(473)	766	765	51	3		
Gains (losses) on derivative instruments						(1,618)		
	(4,055)	(2,967)	(2,539)	(305)	495			
Gains (losses) on disposition of property		(44)	(44)	143				

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Total other expenses	(39,388)	(29,066)	(39,094)	(17,506)	(9,806)	(6,389)
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	Historical Results For the Nine Months Ended September 30,			Historical Results For the Years Ended December 31,			Historical Results for the Period from August 17, 2007 (date of inception) to December 31, 2007
	2012	2011	2011	2010	2009	2008	2007
	(In thousands, except per share data)						
Net loss	(87,770)	(18,870)	(23,955)	(9,652)	(4,315)	(4,283)	(1)
Net income (loss) attributable to non-controlling interests	(526)	(830)	(1,121)	(181)	49		
Net loss attributable to American Realty Capital Trust, Inc.	\$ (88,296)	\$ (19,700)	\$ (25,076)	\$ (9,833)	\$ (4,266)	\$ (4,283)	\$ (1)
Other data							
Net loss per common share basic and diluted	\$ (0.54)	\$ (0.17)	\$ (0.20)	\$ (0.31)	\$ (0.74)	\$ (6.02)	
Distributions declared	\$ 0.70	\$ 0.70	\$ 0.70	\$ 0.70	\$ 0.67	\$ 0.65	\$
Weighted-average number of common shares outstanding, basic and diluted	165,271,199	119,235,958	133,730,159	32,539,393	5,768,761	711,524	

Selected Unaudited Pro Forma Consolidated Financial Information

The following tables set forth selected unaudited pro forma consolidated financial information. The pro forma consolidated financial information combines the historical financial statements of Realty Income and ARCT after giving effect to the merger using the purchase method of accounting and Realty Income's preliminary estimates, assumptions and pro forma adjustments as described below and in the accompanying notes to the unaudited pro forma consolidated financial information.

The unaudited pro forma consolidated financial information should be read in conjunction with Realty Income's historical consolidated financial statements and ARCT's historical consolidated financial statements, including the notes thereto, which are incorporated by reference into this proxy statement/prospectus. The selected unaudited pro forma consolidated financial information has been derived from and should be read in conjunction with the unaudited pro forma consolidated financial information and accompanying notes included in this joint proxy statement/prospectus beginning on page F-1.

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The unaudited pro forma consolidated financial information is presented for illustrative purposes only and does not purport to be indicative of the results that would actually have occurred if the transactions described above had occurred as presented in such statements or that may be obtained in the future. In addition, future results may vary significantly from the results reflected in such statements.

	Nine months ended September 30, 2012 (in thousands, except for per share data)	Year ended December 31, 2011
Statement of operations data:		
Total revenue	\$ 486,878	\$ 597,453
Income (loss) from continuing operations attributable to common stockholders	\$ (6,457)	\$ 89,679
Income (loss) from continuing operations attributable to common stockholders per common share:		
Basic	\$ (0.04)	\$ 0.52
Diluted	\$ (0.04)	\$ 0.52
As of September 30, 2012		
Balance sheet data:		
Total real estate, at costs	\$ 8,078,779	
Total assets	\$ 7,957,666	
Line of credit payable	\$ 305,100	
Mortgages payable, net	\$ 660,538	
Notes payable	\$ 2,550,000	
Total liabilities	\$ 3,718,140	
Total stockholders' equity	\$ 4,215,484	
Total equity	\$ 4,239,526	

Unaudited Comparative Per Share Information

The following tables set forth, for the nine months ended September 30, 2012 and for the year ended December 31, 2011, selected per share information for Realty Income common stock on a historical and pro forma combined basis and for ARCT common stock on a historical and pro forma equivalent basis, each on an unaudited basis after giving effect to the merger using the purchase method of accounting. The data is derived from and should be read in conjunction with the Realty Income and ARCT audited consolidated financial statements and related notes, the unaudited condensed consolidated interim financial statements of Realty Income and ARCT and related notes, and the unaudited pro forma condensed consolidated financial information and related notes, which are included elsewhere in this joint proxy statement/prospectus.

The pro forma consolidated ARCT equivalent information shows the effect of the merger from the perspective of an owner of ARCT common stock. The information was computed by multiplying the Realty Income pro forma combined information by the exchange ratio of 0.2874.

The unaudited pro forma consolidated per share data is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the transactions had been consummated at the beginning of the earliest period presented, nor is it necessarily indicative of future operating results or financial position. The pro forma adjustments are estimates based upon information and assumptions available at the time of the filing of this joint proxy statement/prospectus.

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The pro forma income from continuing operations per share includes the combined income (loss) from continuing operations of Realty Income and ARCT on a pro forma basis as if the transactions were consummated on January 1, 2011.

	Realty Income		ARCT	
	Historical	Pro Forma Combined	Historical	Pro Forma Equivalent
For the Nine Months Ended September 30, 2012				
Income (loss) from continuing operations attributable to common stockholders per common share:				
Basic	\$ 0.60	\$ (0.04)	\$ (0.54)	\$ (0.01)
Diluted	\$ 0.60	\$ (0.04)	\$ (0.54)	\$ (0.01)
Dividends declared per common share	\$ 1.32	\$ 1.32	\$ 0.53	\$ 0.38
Book value per common share	\$ 13.74	\$ 20.14	\$ 6.36	\$ 5.79

For the Year Ended December 31, 2011

Income (loss) from continuing operations attributable to common stockholders per common share:				
Basic	\$ 0.98	\$ 0.52	\$ (0.20)	\$ 0.15
Diluted	\$ 0.98	\$ 0.52	\$ (0.20)	\$ 0.15
Dividends declared per common share	\$ 1.74	\$ 1.74	\$ 0.70	\$ 0.50
Book value per common share	\$ 14.39	\$ 20.64	\$ 7.75	\$ 5.93

Comparative Realty Income and ARCT Market Price and Dividend Information**Realty Income's Market Price Data**

Realty Income's common stock is listed on the NYSE under the symbol **O**. This table sets forth, for the periods indicated, the high and low sales prices per share of Realty Income's common stock, as reported by the NYSE, and distributions declared per share of Realty Income common stock.

	Price Per Share of Common Stock		Distributions Declared Per Share(1)
	High	Low	
2010			
First Quarter	31.18	25.30	0.429313
Second Quarter	34.53	28.42	0.430250
Third Quarter	34.79	29.12	0.431188
Fourth Quarter	35.97	32.92	0.432125
2011			
First Quarter	36.12	33.40	0.433063
Second Quarter	36.35	32.19	0.434000
Third Quarter	35.03	27.95	0.4349375
Fourth Quarter	35.76	29.78	0.4358750
2012			
First Quarter	39.03	34.30	0.4368125
Second Quarter	41.98	36.87	0.4377500
Third Quarter	44.22	40.35	0.4486875

(1) Common stock cash distributions currently are declared monthly by Realty Income, based on financial results for the prior months.

Table of Contents**ARCT's Market Price Data**

ARCT's common stock is listed on NASDAQ under the symbol ARCT. This table sets forth, for the periods indicated, the range of high and low sales prices for ARCT's common stock as reported on NASDAQ. ARCT's fiscal year ends on December 31 of each year.

	Price Per Share of Common Stock		Distributions Declared Per Share
	High	Low	
2012			
First Quarter	10.58	5.54	0.17499
Second Quarter	11.25	9.76	0.17499
Third Quarter	12.74	10.62	0.17624

If Realty Income continues to pay monthly cash dividends at the rate of \$0.1514375 per share after the merger, this dividend, from the perspective of a holder of ARCT common stock, would be equivalent to a monthly dividend of approximately \$0.04352 per share of ARCT common stock, based on the exchange ratio of 0.2874, which is approximately 27% less than ARCT's most recent monthly dividend of \$0.05958 per share of ARCT common stock.

Recent Closing Prices

The following table sets forth the closing per share sales prices of Realty Income's common stock and ARCT's common stock as reported on the NYSE and NASDAQ, respectively, on September 5, 2012, the last full trading day before the public announcement of the execution of the merger agreement by Realty Income and ARCT, and on November 27, 2012, the latest practicable trading day before the date of this joint proxy statement/prospectus:

	Realty Income Common Stock	ARCT Common Stock
September 5, 2012	\$ 42.48	\$ 11.96
November 27, 2012	\$ 39.45	\$ 11.43

The market price of Realty Income common stock and ARCT common stock will fluctuate between the date of this joint proxy statement/prospectus and the effective time of the merger. Because the number of shares of Realty Income common stock to be issued in connection with the merger for each share of ARCT common stock is fixed in the merger agreement, the market value of Realty Income common stock to be received by ARCT stockholders at the effective time of the merger may vary significantly from the prices shown in the table above.

Following the transaction, Realty Income common stock will continue to be listed on the NYSE and, until the completion of the merger, ARCT's common stock will continue to be listed on NASDAQ.

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RISK FACTORS

*In addition to the other information included and incorporated by reference into this joint proxy statement/prospectus, including the matters addressed in the section entitled **Cautionary Statement Concerning Forward-Looking Statements**, you should carefully consider the following risks before deciding whether to vote for (i) if you are a Realty Income stockholder, the issuance of shares of Realty Income common stock to ARCT stockholders in connection with the merger, or (ii) if you are an ARCT stockholder, the approval of the merger and other transactions contemplated by the merger agreement, the approval of the compensation that may be paid or become payable to ARCT's named executive officers in connection with the merger and the approval of the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement. In addition, you should read and consider the risks associated with each of the businesses of Realty Income and ARCT because these risks will also affect the combined company. These risks can be found in Realty Income's and ARCT's respective Annual Reports on Form 10-K for the year ended December 31, 2011 and other reports filed by Realty Income and ARCT with the SEC, which are incorporated by reference into this joint proxy statement/prospectus. You should also read and consider the other information in this joint proxy statement/prospectus and the other documents incorporated by reference into this joint proxy statement/prospectus. See **Where You Can Find More Information; Incorporation by Reference** beginning on page 156.*

Risk Factors Relating to the Merger

The exchange ratio is fixed and will not be adjusted in the event of any change in either Realty Income's or ARCT's stock price.

Upon the consummation of the merger, each share of ARCT common stock will be converted into the right to receive 0.2874 of a share of Realty Income common stock, with cash paid in lieu of fractional shares. This exchange ratio was fixed in the merger agreement and will not be adjusted for changes in the market price of either Realty Income common stock or ARCT common stock. Changes in the price of Realty Income common stock prior to the merger will affect the market value of the merger consideration that ARCT stockholders will receive on the date of the merger. Stock price changes may result from a variety of factors (many of which are beyond our control), including the following factors:

market reaction to the announcement of the merger and the prospects of the combined company;

changes in our respective businesses, operations, assets, liabilities and prospects;

changes in market assessments of the business, operations, financial position and prospects of either company;

market assessments of the likelihood that the merger will be completed;

interest rates, general market and economic conditions and other factors generally affecting the price of Realty Income's and ARCT's common stock;

federal, state and local legislation, governmental regulation and legal developments in the businesses in which ARCT and Realty Income operate; and

other factors beyond the control of Realty Income and ARCT, including those described or referred to elsewhere in this **Risk Factors** section.

The price of Realty Income common stock at the closing of the merger may vary from its price on the date the merger agreement was executed, on the date of this joint proxy statement/prospectus and on the date of the special meetings of Realty Income and ARCT. As a result, the market value of the merger consideration represented by the exchange ratio will also vary. For example, based on the range of closing prices of Realty Income common stock during the period from September 5, 2012, the last trading day before public announcement of the merger, through

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November 27, 2012, the latest practicable date before the date of this joint

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proxy statement/prospectus, the exchange ratio of 0.2874 shares of Realty Income common stock represented a market value ranging from a low of \$10.77 to a high of \$12.29.

Because the merger will be completed after the date of the special meetings, at the time of your special meeting, you will not know the exact market value of the Realty Income common stock that ARCT stockholders will receive upon completion of the merger. You should consider the following two risks:

If the price of Realty Income common stock increases between the date the merger agreement was signed or the date of the Realty Income special meeting and the effective time of the merger, ARCT stockholders will receive shares of Realty Income common stock that have a market value upon completion of the merger that is greater than the market value of such shares calculated pursuant to the exchange ratio when the merger agreement was signed or the date of the Realty Income special meeting, respectively. Therefore, while the number of shares of Realty Income common stock to be issued per share of ARCT common stock is fixed, Realty Income stockholders cannot be sure of the market value of the consideration that will be paid to ARCT stockholders upon completion of the merger.

If the price of Realty Income common stock declines between the date the merger agreement was signed or the date of the ARCT special meeting and the effective time of the merger, including for any of the reasons described above, ARCT stockholders will receive shares of Realty Income common stock that have a market value upon completion of the merger that is less than the market value of such shares calculated pursuant to the exchange ratio on the date the merger agreement was signed or on the date of the ARCT special meeting, respectively. Therefore, while the number of shares of Realty Income common stock to be issued per share of ARCT common stock is fixed, ARCT stockholders cannot be sure of the market value of the Realty Income common stock they will receive upon completion of the merger or the market value of Realty Income common stock at any time after the completion of the merger.

The merger and related transactions are subject to approval by stockholders of both Realty Income and ARCT.

In order for the merger to be completed, ARCT stockholders must approve the merger and the other transactions contemplated by the merger agreement, which requires the affirmative vote of the holders of at least a majority of the outstanding shares of ARCT common stock entitled to vote on such proposal. In addition, while a vote of Realty Income stockholders is not required to approve the merger, Realty Income stockholders' approval is required under applicable NYSE rules in order for Realty Income to be authorized to issue the shares of Realty Income common stock to ARCT stockholders as part of the merger consideration. Approval of the issuance of shares of Realty Income common stock to ARCT stockholders under NYSE rules requires approval by holders of at least a majority of the total votes cast, provided that the total votes cast represent at least a majority of the outstanding shares of Realty Income common stock entitled to vote on such proposal.

Realty Income and ARCT stockholders will be diluted by the merger.

The merger will dilute the ownership position of the current Realty Income stockholders, and result in ARCT stockholders having an ownership stake in Realty Income that is smaller than their current stake in ARCT. Following the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement, Realty Income stockholders and the former ARCT stockholders are expected to hold approximately 74.4% and 25.6%, respectively, of the combined company's common stock outstanding immediately after the merger, based on the number of shares of common stock of each of Realty Income and ARCT currently outstanding and various assumptions regarding share issuances by each of Realty Income and ARCT prior to the effective time of the merger. Consequently, Realty Income stockholders and ARCT stockholders, as a general matter, will have less influence over the management and policies of Realty Income after the merger than each currently exercise over the management and policies of Realty Income and ARCT, as applicable.

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If the merger does not occur, one of the companies may incur payment obligations to the other.

If the merger agreement is terminated under certain circumstances, ARCT may be obligated to pay Realty Income a termination fee of \$51 million plus \$4 million in expense reimbursement, or Realty Income may be required to pay ARCT \$4 million in expense reimbursement. See

The Merger Agreement Termination of the Merger Agreement Termination Fee and Expenses Payable by ARCT to Realty Income beginning on page 147 and The Merger Agreement Termination of the Agreement Expenses Payable by Realty Income to ARCT beginning on page 148.

Failure to complete the merger could negatively impact the stock prices and the future business and financial results of Realty Income and ARCT.

If the merger is not completed, the ongoing businesses of Realty Income and ARCT could be adversely affected and each of Realty Income and ARCT will be subject to several risks, including the following:

ARCT being required, under certain circumstances, to pay to Realty Income a termination fee of \$51 million and/or \$4 million in expense reimbursement or Realty Income being required, under certain circumstances, to pay to ARCT \$4 million in expense reimbursement;

having to pay certain costs relating to the proposed merger, such as legal, accounting, financial advisor, filing, printing and mailing fees; and

diversion of management focus and resources from operational matters and other strategic opportunities while working to implement the merger.

If the merger is not completed, these risks could materially affect the business, financial results and stock prices of Realty Income or ARCT.

The pendency of the merger could adversely affect the business and operations of Realty Income and ARCT.

In connection with the pending merger, some customers or vendors of each of Realty Income and ARCT may delay or defer decisions, which could negatively impact the revenues, earnings, cash flows and expenses of Realty Income and ARCT, regardless of whether the merger is completed. In addition, due to operating covenants in the merger agreement, each of Realty Income and ARCT may be unable, during the pendency of the merger, to pursue certain strategic transactions, undertake certain significant capital projects, undertake certain significant financing transactions and otherwise pursue other actions that are not in the ordinary course of business, even if such actions would prove beneficial.

Some of the directors and executive officers of ARCT have interests in seeing the merger completed that are different from, or in addition to, those of the other ARCT stockholders.

Some of the directors and executive officers of ARCT have arrangements that provide them with interests in the merger that are different from, or in addition to, those of the stockholders of ARCT. These interests include, among other things, an incentive listing fee note agreement, a financial advisory and information letter agent agreement, a legal services agreement, a legal services reimbursement agreement, a transition services agreement, a facilities license agreement, certain change of control payments, benefits and certain incentive awards. These interests, among other things, may influence the directors and executive officers of ARCT to support or approve the merger. See The Merger Interests of ARCT's Directors and Executive Officers in the Merger beginning on page 100.

In addition, Realty Income and ARCT have entered into a voting agreement with Nicholas S. Schorsch, the chairman of the board of directors of ARCT, and William M. Kahane, the chief executive officer, president and a director of ARCT, in their capacities as stockholders of ARCT. The voting agreement requires Messrs. Schorsch and Kahane to vote in favor of the proposals to be voted on at the ARCT special meeting of stockholders and to vote against certain actions. The voting agreement specifically does not limit or restrict the rights and obligations of Mr. Schorsch as a director of ARCT or Mr. Kahane as a director and officer of ARCT, and it in no way

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restricts Messrs. Schorsch and Kahane from exercising their fiduciary duties to ARCT. However, the voting agreement does limit the rights of Messrs. Schorsch and Kahane, solely in their capacity as stockholders, to vote against the proposals to be voted on at ARCT's special meeting of stockholders and for certain other actions. A copy of the voting agreement can be found attached to this joint proxy statement/prospectus as Annex B and is incorporated herein by reference.

The merger agreement contains provisions that could discourage a potential competing acquirer of ARCT or could result in any competing proposal being at a lower price than it might otherwise be.

The merger agreement contains no shop provisions that, subject to limited exceptions, restrict ARCT's ability to solicit, encourage, facilitate or discuss competing third-party proposals to acquire all or a significant part of ARCT. In addition, Realty Income generally has an opportunity to offer to modify the terms of the proposed merger in response to any competing acquisition proposals that may be made before the ARCT board of directors may withdraw or qualify its recommendation. Upon termination of the merger agreement in certain circumstances, ARCT may be required to pay a termination fee and/or expense reimbursement to Realty Income, and in certain other circumstances, Realty Income may be required to pay an expense reimbursement to ARCT. See The Merger Agreement Covenants and Agreements No Solicitation of Transactions by ARCT beginning on page 140, The Merger Agreement Termination of the Merger Agreement Termination Fee and Expenses Payable by ARCT to Realty Income beginning on page 147, and The Merger Agreement Termination of the Merger Agreement Expenses Payable by Realty Income to ARCT beginning on page 148.

These provisions could discourage a potential competing acquirer that might have an interest in acquiring all or a significant part of ARCT from considering or proposing that acquisition, even if it were prepared to pay consideration with a higher per share cash or market value than the market value proposed to be received or realized in the merger, or might result in a potential competing acquirer proposing to pay a lower price than it might otherwise have proposed to pay because of the added expense of the termination fee and/or expense reimbursement that may become payable in certain circumstances.

If the merger is not consummated by March 6, 2013 (unless extended), either Realty Income or ARCT may terminate the merger agreement.

Either Realty Income or ARCT may terminate the merger agreement if the merger has not been consummated by March 6, 2013, unless as of March 6, 2013, all conditions to closing have been satisfied or waived other than the obligation of ARCT to obtain certain debt consents, in which case this date will be extended to April 8, 2013. However, this termination right will not be available to a party if that party failed to fulfill its obligations under the merger agreement and that failure was a principle cause of, or resulted in, the failure to consummate the merger. For more information, please see the section titled The Merger Agreement Termination of the Merger Agreement beginning on page 146.

Risk Factors Relating to Realty Income Following the Merger

Realty Income expects to incur substantial expenses related to the merger.

Realty Income expects to incur substantial expenses in connection with completing the merger and integrating the business, operations, networks, systems, technologies, policies and procedures of ARCT with those of Realty Income. There are several systems that must be integrated, including accounting and finance and asset management. While Realty Income has assumed that a certain level of transaction and integration expenses would be incurred, there are a number of factors beyond its control that could affect the total amount or the timing of its integration expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. As a result, the transaction and integration expenses associated with the merger could, particularly in the near term, exceed the savings that Realty Income expects to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings related to the integration of the businesses following the completion of the merger.

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Following the merger, the combined company may be unable to integrate successfully the businesses of Realty Income and ARCT and realize the anticipated benefits of the merger or do so within the anticipated timeframe.

The merger involves the combination of two companies which currently operate as independent public companies. Even though the companies are operationally similar, the combined company will be required to devote significant management attention and resources to integrating the business practices and operations of Realty Income and ARCT. In addition, ARCT's real estate portfolio includes a number of U.S. General Services Administration assets, among others, and Realty Income has less experience with this type of property than with its historical property base. It is possible that the integration process could result in the distraction of the combined company's management, the disruption of the combined company's ongoing business or inconsistencies in the combined company's operations, services, standards, controls, procedures and policies, any of which could adversely affect the ability of the combined company to maintain relationships with customers, vendors and employees or to fully achieve the anticipated benefits of the merger.

The future results of the combined company will suffer if the combined company does not effectively manage its expanded operations following the merger.

Following the merger, the combined company may continue to expand its operations through additional acquisitions and other strategic transactions, some of which may involve complex challenges. The future success of the combined company will depend, in part, upon its ability to manage its expansion opportunities, integrate new operations into its existing business in an efficient and timely manner, successfully monitor its operations, costs, regulatory compliance and service quality, and maintain other necessary internal controls. The combined company cannot assure you that its expansion or acquisition opportunities will be successful, or that the combined company will realize its expected operating efficiencies, cost savings, revenue enhancements, synergies or other benefits.

The market price of Realty Income common stock may decline as a result of the merger.

The market price of Realty Income common stock may decline as a result of the merger if the combined company does not achieve the perceived benefits of the merger as rapidly or to the extent anticipated by financial or industry analysts, or the effect of the merger on Realty Income's financial results is not consistent with the expectations of financial or industry analysts.

In addition, following the effective time of the merger, Realty Income stockholders and former ARCT stockholders will own interests in a combined company operating an expanded business with a different mix of properties, risks and liabilities. Current stockholders of Realty Income and ARCT may not wish to continue to invest in the combined company, or for other reasons may wish to dispose of some or all of their shares of Realty Income common stock. If, following the effective time of the merger, large amounts of Realty Income common stock are sold, the price of Realty Income common stock could decline.

After the merger is completed, ARCT stockholders who receive Realty Income common stock in the merger will have different rights that may be less favorable than their current rights as ARCT stockholders.

After the closing of the merger, ARCT stockholders who receive Realty Income common stock in the merger will have different rights than they currently have as ARCT stockholders. For a detailed discussion of the significant differences between your rights as a stockholder of ARCT and your rights as a stockholder of Realty Income, see "Comparison of Rights of Realty Income Stockholders and ARCT Stockholders" beginning on page 151.

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Realty Income cannot assure you that it will be able to continue paying dividends at the current rate.

As noted elsewhere in this joint proxy statement/prospectus, Realty Income plans to continue its current monthly dividend practices following the merger. However, Realty Income stockholders may not receive the same dividends following the merger for various reasons, including the following:

as a result of the merger and the issuance of shares of Realty Income common stock in connection with the merger, the total amount of cash required for Realty Income to pay dividends at its current rate will increase;

Realty Income may not have enough cash to pay such dividends due to changes in Realty Income's cash requirements, capital spending plans, cash flow or financial position;

decisions on whether, when and in which amounts to make any future distributions will remain at all times entirely at the discretion of the Realty Income board of directors, which reserves the right to change Realty Income's dividend practices at any time and for any reason;

Realty Income may desire to retain cash to maintain or improve its credit ratings; and

the amount of dividends that Realty Income's subsidiaries may distribute to Realty Income may be subject to restrictions imposed by state law, restrictions that may be imposed by state regulators, and restrictions imposed by the terms of any current or future indebtedness that these subsidiaries may incur.

Realty Income's stockholders have no contractual or other legal right to dividends that have not been declared.

The merger will likely result in a reduction in per share equivalent dividend payments for holders of ARCT common stock after the merger.

If Realty Income continues to pay monthly cash dividends at the rate of \$0.1514375 per share after the merger, this dividend, from the perspective of a holder of ARCT common stock, would be equivalent to a monthly dividend of approximately \$0.04352 per share of ARCT common stock, based on the exchange ratio of 0.2874, which is approximately 27% less than ARCT's most recent monthly dividend of \$0.05958 per share of ARCT common stock.

In connection with the announcement of the merger agreement, eight lawsuits have been filed and are pending, as of November 27, 2012, seeking, among other things, to enjoin the merger and rescind the merger agreement, and an adverse judgment in any of the lawsuits may prevent the merger from becoming effective within the expected timeframe (if at all).

As of November 27, 2012, purported stockholders of ARCT have filed eight lawsuits against ARCT, its directors, Realty Income and Merger Sub, challenging the merger. The complaints allege that ARCT's directors breached their fiduciary duties to ARCT stockholders and/or to ARCT itself in connection with the merger, and further claim that Realty Income and Merger Sub aided and abetted those alleged breaches of fiduciary duty. The various amended complaints add allegations that disclosures regarding the proposed merger in the joint proxy statement/prospectus filed on October 1, 2012 are inadequate. The complaints seek injunctive relief, including enjoining or rescinding the merger, and an award of unspecified attorneys' and other fees and costs, in addition to other relief (including damages). We may also be the target of similar litigation in the future.

While Realty Income and ARCT management believe that the allegations in the complaints are without merit and intend to defend vigorously against these allegations, we cannot assure you as to the outcome of these, or any similar future lawsuits, including the costs associated with defending these claims or any other liabilities that may be incurred in connection with the litigation or settlement of these claims. If plaintiffs are successful in obtaining an injunction prohibiting the parties from completing the merger on the agreed-upon terms, such an injunction may prevent the completion of the merger in the expected time frame, or may prevent it from being

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completed altogether. Whether or not the plaintiffs' claims are successful, this type of litigation is often expensive and diverts management's attention and resources, which could adversely affect the operation of our businesses. For more information about litigation related to the merger, see "The Merger—Litigation Relating to the Merger" beginning on page 130.

Counterparties to certain significant agreements with ARCT may have consent rights in connection with the merger.

ARCT is party to certain agreements that give the counterparty certain rights, including consent rights, in connection with a change in control transactions. Under certain of these agreements, the merger will constitute a change in control and, therefore, the counterparty may assert its rights in connection with the merger. Any such counterparty may request modifications of its agreements as a condition to granting a waiver or consent under those agreements and there can be no assurance that such counterparties will not exercise their rights under the agreements, including termination rights where available.

Realty Income may incur adverse tax consequences if ARCT has failed or fails to qualify as a REIT for U.S. federal income tax purposes.

If ARCT has failed or fails to qualify as a REIT for U.S. federal income tax purposes and the merger is completed, Realty Income may inherit significant tax liabilities, and Realty Income could lose its REIT status should disqualifying activities continue after the merger.

REITs are subject to a range of complex organizational and operational requirements.

In order to qualify as a REIT, each of Realty Income and ARCT must distribute with respect to each taxable year at least 90% of its net income (excluding capital gains) to its stockholders. A REIT must also meet certain requirements with respect to the nature of its income and assets, and the ownership of its stock. For any taxable year that Realty Income or ARCT fails to qualify as a REIT, it will not be allowed a deduction for dividends paid to its stockholders in computing taxable income and thus would become subject to U.S. federal income tax as if it were a regular taxable corporation. In such an event, Realty Income or ARCT, as the case may be, could be subject to potentially significant tax liabilities. Unless entitled to relief under certain statutory provisions, Realty Income or ARCT, as the case may be, would also be disqualified from treatment as a REIT for the four taxable years following the year in which it lost its qualification. If Realty Income or ARCT failed to qualify as a REIT, the market price of Realty Income common stock may decline, and Realty Income may need to reduce substantially the amount of distributions to its stockholders because of its increased tax liability.

Realty Income's anticipated level of indebtedness will increase upon completion of the merger and will increase the related risks Realty Income now faces.

In connection with the merger, Realty Income will assume certain indebtedness of ARCT and will be subject to increased risks associated with debt financing, including an increased risk that the combined company's cash flow could be insufficient to meet required payments on its debt. At September 30, 2012, Realty Income had indebtedness of \$2.5 billion, including \$609.0 million of outstanding borrowings under its acquisition credit facility, a total of \$1.75 billion of outstanding unsecured senior debt securities and \$133.4 million of outstanding mortgage debt. Taking into account Realty Income's existing indebtedness and the assumption of indebtedness in the merger, Realty Income's pro forma consolidated indebtedness as of September 30, 2012, after giving effect to the merger, would be approximately \$3.5 billion, including \$660.5 million of mortgage debt and \$800 million of notes issued by Realty Income in October 2012, the proceeds of which were used to pay down the line of credit.

Realty Income's increased indebtedness could have important consequences to holders of its common stock and preferred stock, including ARCT stockholders who receive Realty Income common stock in the merger, including:

increasing Realty Income's vulnerability to general adverse economic and industry conditions;

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limiting Realty Income's ability to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements;

requiring the use of a substantial portion of Realty Income's cash flow from operations for the payment of principal and interest on its indebtedness, thereby reducing its ability to use its cash flow to fund working capital, acquisitions, capital expenditures and general corporate requirements;

limiting Realty Income's flexibility in planning for, or reacting to, changes in its business and its industry; and

putting Realty Income at a disadvantage compared to its competitors with less indebtedness.

If Realty Income defaults under a mortgage loan, it will automatically be in default under any other loan that has cross-default provisions, and it may lose the properties securing these loans. Although Realty Income anticipates that it will pay off its mortgage payables as soon as prepayment penalties and other costs make it economically feasible to do so, Realty Income cannot anticipate when such payment will occur.

Realty Income and ARCT Face Other Risks.

The risks listed above are not exhaustive, and you should be aware that following the merger, Realty Income and ARCT will face various other risks, including those discussed in reports filed by Realty Income and ARCT with the SEC. See [Where You Can Find More Information; Incorporation by Reference](#) beginning on page 156.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This joint proxy statement/prospectus, including information included or incorporated by reference in this joint proxy statement/prospectus, may contain certain forecasts and other forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Generally, the words expects, anticipates, targets, goals, projects, intends, plans, believes, seeks, estimates, variations, and similar expressions identify forward-looking statements and any statements regarding the benefits of the merger, or Realty Income's or ARCT's future financial condition, results of operations and business are also forward-looking statements. Without limiting the generality of the preceding sentence, certain statements contained in the sections The Merger Background of the Merger, The Merger Recommendation of Realty Income's Board of Directors and Its Reasons for the Merger, The Merger Recommendation of ARCT's Board of Directors and Its Reasons for the Merger, The Merger Certain Prospective Financial Information Reviewed by Realty Income and The Merger Certain Prospective Financial Information Reviewed by ARCT constitute forward-looking statements.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, most of which are difficult to predict and many of which are beyond Realty Income's and ARCT's control. These include the factors described above in Risk Factors and under the caption Risk Factors in Realty Income's Annual Report on Form 10-K for the year ended December 31, 2011 and in ARCT's Annual Report on Form 10-K for the year ended December 31, 2011 as well as:

each company's success in implementing its business strategy and its ability to identify, underwrite, finance, consummate and integrate diversifying acquisitions or investments;

the nature and extent of future competition;

increases in each company's cost of borrowing as a result of changes in interest rates and other factors;

each company's ability to pay down, refinance, restructure and/or extend its indebtedness as it becomes due;

the ability and willingness of each company's tenants to renew their leases upon expiration of the leases and each company's ability to reposition its properties on the same or better terms in the event such leases expire and are not renewed by the tenants or in the event either company exercises its right to replace an existing tenant upon default;

the impact of any financial, accounting, legal or regulatory issues or litigation that may affect either company or its major tenants;

risks associated with the ability to consummate the merger and the timing of the closing of the merger;

the risk that the anticipated benefits from the merger may not be realized or may take longer to realize than expected;

unexpected costs or unexpected liabilities that may arise from the transaction, whether or not consummated; and

each company's ability and willingness to maintain its qualification as a REIT due to economic, market, legal, tax or other considerations.

Should one or more of the risks or uncertainties described above or elsewhere in reports incorporated by reference herein occur, or should underlying assumptions prove incorrect, actual results and plans could differ materially from those expressed in any forward-looking statements.

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You are cautioned not to place undue reliance on these statements, which speak only as of the date of this joint proxy statement/prospectus or the date of any document incorporated by reference in this joint proxy statement/prospectus, as applicable.

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All forward-looking statements, expressed or implied, included in this joint proxy statement/prospectus are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that Realty Income, ARCT or persons acting on their behalf may issue.

Except as otherwise required by applicable law, Realty Income and ARCT disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section. See also [Where You Can Find More Information; Incorporation by Reference](#).

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THE COMPANIES

Realty Income Corporation and Tau Acquisition LLC

Realty Income is The Monthly Dividend Company®. Realty Income is a Maryland corporation organized to operate as an equity real estate investment trust, commonly referred to as a REIT. Realty Income's primary business objective is to generate dependable monthly cash distributions from a consistent and predictable level of FFO per share. Additionally, Realty Income seeks to increase distributions to common stockholders and FFO per share through both active portfolio management and the acquisition of additional properties.

Realty Income is a fully integrated, self-administered real estate company with in-house acquisition, leasing, legal, credit research, real estate research, portfolio management and capital markets expertise. As of September 30, 2012, Realty Income owned a diversified portfolio of 2,838 properties located in 49 states, with over 34.3 million square feet of leasable space leased to 144 different retail and other commercial enterprises doing business in 44 separate industries. Of the 2,838 properties in the portfolio at that date, 2,822, or 99.4%, were single-tenant properties, and the remaining 16 were multi-tenant properties. At September 30, 2012, of the 2,822 single-tenant properties, 2,739, or 97.1%, were leased with a weighted average remaining lease term (excluding rights to extend a lease at the option of the tenant) of approximately 11.0 years.

Realty Income common stock is listed on the NYSE and trades under the symbol **O**.

Realty Income's principal executive offices are located at 600 La Terraza Boulevard, Escondido, California 92025-3873, and its telephone number is (760) 741-2111.

Tau Acquisition LLC, referred to as Merger Sub, is a Delaware limited liability company and a direct wholly owned subsidiary of Realty Income that was formed for the purpose of entering into the merger agreement.

Additional information about Realty Income and its subsidiaries is included in documents incorporated by reference into this joint proxy statement/prospectus. See **Where You Can Find More Information; Incorporation by Reference** on page 156.

American Realty Capital Trust, Inc.

ARCT is a Maryland corporation incorporated in August 2007 that qualifies as a REIT for federal income tax purposes. ARCT was formed to acquire a diversified portfolio of commercial real estate, which consists primarily of freestanding single tenant properties net leased to credit worthy tenants on a long-term basis. In January 2008, ARCT commenced an initial public offering on a **best efforts** basis to sell up to 150.0 million shares of common stock, excluding 25.0 million shares issuable pursuant to a distribution reinvestment plan, offered at a price of \$10.00 per share, subject to certain volume and other discounts. In March 2008, ARCT commenced real estate operations. The ARCT IPO closed in July 2011 and ARCT operated as a non-traded REIT through February 29, 2012.

Effective as of March 1, 2012, ARCT internalized the management services previously provided by American Realty Capital Advisors, LLC and its affiliates, as a result of which ARCT became a self-administered REIT managed full-time by its own management team.

Substantially all of ARCT's business is conducted through ARCT OP, of which ARCT is the sole general partner.

As of September 30, 2012, ARCT owned 507 properties with 15.8 million square feet of leasable area, 100% leased with a weighted average remaining lease term of 12.7 years. In constructing the portfolio, ARCT has been committed to diversification by industry, tenant and geography.

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Concurrent with the Internalization, ARCT listed its common stock on NASDAQ, and commenced trading under the symbol ARCT, and ARCT's common stock continues to be so listed and trades under such symbol.

ARCT's principal executive offices are located at 405 Park Avenue, 14th Floor, New York, New York 10022, and its telephone number is (646) 937-6900.

Additional information about ARCT and its subsidiaries is included in documents incorporated by reference into this joint proxy statement/prospectus. See Where You Can Find More Information; Incorporation by Reference on page 156.

Property Portfolio Information

At September 30, 2012, Realty Income owned a diversified portfolio:

Of 2,838 properties;

With an occupancy rate of 97.0%, or 2,754 properties leased and only 84 properties available for lease;

Leased to 144 different retail and other commercial enterprises doing business in 44 separate industries;

Located in 49 states;

With over 34.3 million square feet of leasable space; and

With an average leasable space per property of approximately 12,100 square feet.

At September 30, 2012, of Realty Income's 2,838 properties, 2,739 were leased under net-lease agreements. A net lease typically requires the tenant to be responsible for minimum monthly rent and property operating expenses including property taxes, insurance and maintenance. In addition, Realty Income's tenants are typically subject to future rent increases based on increases in the consumer price index (typically subject to ceilings), additional rent calculated as a percentage of the tenants' gross sales above a specified level, or fixed increases.

At September 30, 2012, ARCT owned a diversified portfolio:

Of 507 properties;

With an occupancy rate of 100%;

Leased to 63 different retail and other commercial enterprises doing business in 20 separate industries;

Located in 43 states and in Puerto Rico;

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With over 15.8 million square feet of leasable space; and

With an average leasable space per property of approximately 31,000 square feet.

The following tables present the pro-forma combination of the Realty Income and ARCT portfolios:

Of 3,345 properties, including 2,838 Realty Income properties at September 30, 2012 and 507 ARCT properties at September 30, 2012;

With an occupancy rate of 97.5%;

Leased to 188 different retail and other commercial enterprises doing business in 48 separate industries;

Located in 49 states and in Puerto Rico;

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With over 50.1 million square feet of leasable space; and

With an average leasable space per property of approximately 15,000 square feet.

Combined Property Portfolio

All of the following property portfolio information is provided to illustrate the combined property portfolio of Realty Income and ARCT post-merger. This information includes an illustration of the combined portfolio by industry, property type and geography, as well as a combined lease expiration schedule. The Realty Income information is for the quarter ended September 30, 2012. The ARCT information represents quarterly information for the 507 properties owned at September 30, 2012.

Industry Diversification

The following table sets forth certain information regarding the property portfolios classified according to the business of the respective tenants, expressed as a percentage of total rental revenue:

Percentage of Rental Revenue

Industries	Realty Income⁽¹⁾⁽²⁾	ARCT⁽³⁾	Combined Total
<u>Retail Industries</u>			
Apparel stores	1.4%	%	1.1%
Automotive collision services	1.2		0.9
Automotive parts	1.0	1.6	1.2
Automotive service	3.1	4.0	3.3
Automotive tire services	4.7		3.4
Book stores	0.1		0.1
Business services	*		*
Child care	4.5		3.3
Consumer electronics	0.5		0.4
Convenience stores	16.3	2.4	12.6
Crafts and novelties	0.3	0.5	0.3
Dollar stores	3.0	3.9	3.2
Drug stores	3.5	17.2	7.2
Education	0.7		0.5
Entertainment	1.0		0.7
Equipment services	0.1		0.1
Financial services	0.2	7.6	2.2
General merchandise	0.5	3.7	1.4
Grocery stores	3.7	2.5	3.3
Health and fitness	6.7		4.9
Home furnishings	1.0	1.2	1.1
Home improvement	1.5	2.6	1.8
Jewelry		0.4	0.1
Motor vehicle dealerships	2.0		1.5
Office supplies	0.8		0.6
Pet supplies and services	0.6	2.1	1.0
Restaurants casual dining	7.3	2.6	6.0
Restaurants quick service	5.9	2.6	5.0
Shoe stores	0.1	3.7	1.1
Sporting goods	2.4		1.8

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Industries	Realty Income⁽¹⁾⁽²⁾	ARCT⁽³⁾	Combined Total
Theaters	9.5		6.9
Transportation services	0.2		0.1
Video rental	0.0		0.0
Wholesale clubs	2.8	0.5	2.2
Other	0.1		0.1
	86.7	59.1	79.4
<u>Other Industries</u>			
Aerospace	1.0	0.6	0.9
Beverages	5.1		3.8
Consumer appliance	0.2	1.9	0.6
Consumer goods	*	3.8	1.0
Diversified industrial	*		*
Equipment services	0.2		0.2
Financial services	0.4		0.3
Food processing	1.2	1.1	1.1
Government services		4.5	1.2
Healthcare		8.8	2.4
Home furnishings		0.9	0.2
Insurance	0.1		*
Machinery	0.2		0.1
Other manufacturing		2.2	0.6
Packaging	0.6		0.4
Paper	0.1		0.1
Telecommunications	0.8	0.6	0.8
Transportation services	2.3	16.5	6.1
Other	1.1		0.8
	13.3%	40.9%	20.6%
Totals	100.0%	100.0%	100.0%

* Less than 0.1%

(1) The Realty Income information is for the quarter ended September 30, 2012.

(2) Realty Income's percentages exclude revenue from properties owned by Crest Net Lease, Inc., which we refer to as Crest.

(3) The ARCT information represents quarterly rental revenue for the properties owned at September 30, 2012.

Property Type Diversification

The following table sets forth certain property type information regarding the property portfolios (dollars in thousands):

Realty Income

Property Type	Number of Properties	Approximate Leasable Square Feet	Rental Revenue for the Quarter Ended	Percentage of Rental Revenue
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			Sept. 30, 2012 ⁽¹⁾	
Retail	2,771	25,697,200	\$ 102,959	85.8%
Agriculture	15	184,500	5,138	4.3
Distribution	20	4,741,500	4,578	3.8
Office	9	824,000	3,000	2.5
Manufacturing	8	2,030,300	2,745	2.3
Industrial	15	850,500	1,570	1.3
Totals	2,838	34,328,000	\$ 119,990	100.0%

Table of Contents**ARCT**

Property Type	Number of Properties ⁽²⁾	Approximate Leasable Square Feet	Quarterly Rental Revenue ⁽²⁾	Percentage of Rental Revenue
Retail	438	5,325,200	\$ 23,636	53.6%
Distribution	38	9,007,900	13,820	31.4
Office	31	1,421,100	6,569	15.0
Totals	507	15,754,200	\$ 44,025	100.0%

Combined

Property Type	Number of Properties ⁽²⁾	Approximate Leasable Square Feet	Total Rental Revenue ^{(1) (2)}	Percentage of Total Rental Revenue
Retail	3,209	31,022,400	\$ 126,595	77.2%
Distribution	58	13,749,400	18,398	11.2
Office	40	2,245,100	9,569	5.8
Agriculture	15	184,500	5,138	3.1
Manufacturing	8	2,030,300	2,745	1.7
Industrial	15	850,500	1,570	1.0
Totals	3,345	50,082,200	\$ 164,015	100.0%

(1) Includes rental revenue for all properties owned by Realty Income at September 30, 2012, including revenue from properties reclassified as discontinued operations of \$168. Excludes revenue of \$23 from three properties owned by Crest.

(2) The ARCT information represents quarterly rental revenue for the properties owned at September 30, 2012.

Geographic Diversification

The following table sets forth certain state-by-state information regarding the property portfolios (dollars in thousands):

Realty Income

State	Number of Properties	Percent Leased	Approximate Leasable Square Feet	Rental Revenue for the Quarter Ended Sept. 30, 2012 ⁽¹⁾	Percentage of Rental Revenue
Alabama	65	94%	450,500	\$ 1,799	1.5%
Alaska	2	100	128,500	307	0.3
Arizona	97	98	713,300	3,417	2.8
Arkansas	17	100	105,100	320	0.3
California	137	100	3,670,500	15,729	13.1
Colorado	59	95	507,400	1,961	1.6

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Connecticut	25	96	456,500	1,283	1.1
Delaware	16	100	29,500	391	0.3
Florida	188	97	2,088,900	7,917	6.6
Georgia	144	93	1,274,900	4,993	4.2
Hawaii					
Idaho	12	100	80,700	332	0.3
Illinois	104	99	1,367,400	6,156	5.1

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State	Number of Properties	Percent Leased	Approximate Leasable Square Feet	Rental Revenue for the Quarter Ended Sept. 30, 2012 ⁽¹⁾	Percentage of Rental Revenue
Indiana	84	96	830,600	3,750	3.1
Iowa	28	89	1,876,600	1,211	1.0
Kansas	53	94	790,500	1,512	1.3
Kentucky	23	96	138,900	629	0.5
Louisiana	39	100	384,600	1,419	1.2
Maine	3	100	22,500	139	0.1
Maryland	30	100	492,500	2,255	1.9
Massachusetts	64	92	575,400	2,280	1.9
Michigan	64	100	374,700	1,492	1.2
Minnesota	150	100	1,003,600	6,756	5.6
Mississippi	77	95	775,300	1,817	1.5
Missouri	77	99	1,047,300	3,857	3.2
Montana	2	100	30,000	89	0.1
Nebraska	20	100	204,100	561	0.5
Nevada	16	100	333,700	1,054	0.9
New Hampshire	15	93	217,200	944	0.8
New Jersey	32	94	258,000	1,934	1.6
New Mexico	17	100	139,000	401	0.3
New York	44	98	899,800	4,271	3.6
North Carolina	94	97	851,800	2,878	2.4
North Dakota	6	100	36,600	59	*
Ohio	143	97	1,678,100	4,584	3.8
Oklahoma	42	95	813,400	1,458	1.2
Oregon	20	100	384,200	1,240	1.0
Pennsylvania	105	98	1,092,500	4,173	3.5
Rhode Island	3	100	11,000	37	*
South Carolina	99	98	426,700	2,469	2.1
South Dakota	10	100	89,800	186	0.2
Tennessee	133	97	1,076,000	2,992	2.5
Texas	284	96	3,759,900	11,149	9.3
Utah	9	100	159,300	413	0.3
Vermont	4	100	12,700	130	0.1
Virginia	110	97	1,680,800	4,707	3.9
Washington	35	94	298,100	1,086	0.9
West Virginia	2	100	23,000	125	0.1
Wisconsin	32	94	645,500	1,265	1.1
Wyoming	3	100	21,100	63	0.1
Totals/Average	2,838	97%	34,328,000	\$ 119,990	100.0%

ARCT

State	Number of Properties	Percent Leased	Approximate Leasable Square Feet	Quarterly Rental Revenue ⁽²⁾	Percentage of Rental Revenue
Alabama	16	100%	158,400	\$ 599	1.4%
Alaska					
Arizona	5	100	368,800	1,333	3.0
Arkansas	6	100	397,500	657	1.5
California	10	100	727,000	2,279	5.2

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State	Number of Properties	Percent Leased	Approximate Leasable Square Feet	Quarterly Rental Revenue ⁽²⁾	Percentage of Rental Revenue
Colorado	5	100	97,000	282	0.6
Connecticut	1	100	19,100	89	0.2
Delaware					
Florida	22	100	204,100	1,337	3.0
Georgia	24	100	984,400	1,985	4.5
Hawaii					
Idaho	2	100	16,800	112	0.3
Illinois	20	100	1,948,400	2,896	6.6
Indiana	4	100	50,900	348	0.8
Iowa	7	100	801,600	677	1.5
Kansas	9	100	636,700	1,012	2.3
Kentucky	10	100	329,300	1,308	3.0
Louisiana	21	100	191,300	714	1.6
Maine	2	100	45,100	253	0.6
Maryland	2	100	165,500	1,034	2.3
Massachusetts	19	100	127,200	685	1.6
Michigan	27	100	450,000	1,226	2.8
Minnesota	5	100	122,900	407	0.9
Mississippi	6	100	59,600	293	0.7
Missouri	30	100	686,500	2,446	5.6
Montana					
Nebraska	4	100	157,300	632	1.4
Nevada	2	100	32,300	159	0.4
New Hampshire	1	100	46,000	149	0.3
New Jersey	33	100	181,800	737	1.7
New Mexico	2	100	12,200	79	0.2
New York	33	100	1,046,500	5,218	11.9
North Carolina	14	100	119,200	804	1.8
North Dakota	1	100	29,400	58	0.1
Ohio	26	100	2,013,600	3,147	7.1
Oklahoma	7	100	70,100	359	0.8
Oregon	3	100	10,700	97	0.2
Pennsylvania	42	100	610,200	2,253	5.1
Rhode Island					
South Carolina	16	100	171,300	1,131	2.6
South Dakota	1	100	43,800	74	0.2
Tennessee	8	100	213,300	592	1.3
Texas	40	100	1,032,000	4,045	9.2
Utah	2	100	578,300	712	1.6
Vermont					
Virginia	6	100	51,500	424	1.0
Washington	2	100	79,000	181	0.4
West Virginia	5	100	146,500	479	1.1
Wisconsin	2	100	492,200	508	1.1
Wyoming					
Puerto Rico	4	100	28,900	215	0.5
Totals/Average	507	100%	15,754,200	\$ 44,025	100.0%

Table of Contents**Combined**

State	Number of Properties	Percent Leased	Approximate Leasable Square Feet	Total Rental Revenue⁽¹⁾⁽²⁾	Percentage of Total Rental Revenue
Alabama	81	95%	608,900	\$ 2,398	1.5%
Alaska	2	100	128,500	307	0.2
Arizona	102	98	1,082,100	4,750	2.9
Arkansas	23	100	502,600	977	0.6
California	147	100	4,397,500	18,008	11.0
Colorado	64	95	604,400	2,243	1.4
Connecticut	26	96	475,600	1,372	0.8
Delaware	16	100	29,500	391	0.2
Florida	210	98	2,293,000	9,254	5.6
Georgia	168	94	2,259,300	6,978	4.3
Hawaii					
Idaho	14	100	97,500	444	0.3
Illinois	124	99	3,315,800	9,052	5.5
Indiana	88	97	881,500	4,098	2.5
Iowa	35	91	2,678,200	1,888	1.2
Kansas	62	95	1,427,200	2,524	1.5
Kentucky	33	97	468,200	1,937	1.2
Louisiana	60	100	575,900	2,133	1.3
Maine	5	100	67,600	392	0.2
Maryland	32	100	658,000	3,289	2.0
Massachusetts	83	94	702,600	2,965	1.8
Michigan	91	100	824,700	2,718	1.7
Minnesota	155	100	1,126,500	7,163	4.4
Mississippi	83	95	834,900	2,110	1.3
Missouri	107	99	1,733,800	6,303	3.8
Montana	2	100	30,000	89	*
Nebraska	24	100	361,400	1,193	0.7
Nevada	18	100	366,000	1,213	0.7
New Hampshire	16	94	263,200	1,093	0.7
New Jersey	65	97	439,800	2,671	1.6
New Mexico	19	100	151,200	480	0.3
New York	77	99	1,946,300	9,489	5.8
North Carolina	108	97	971,000	3,682	2.2
North Dakota	7	100	66,000	117	0.1
Ohio	169	98	3,691,700	7,731	4.7
Oklahoma	49	96	883,500	1,817	1.1
Oregon	23	100	394,900	1,337	0.8
Pennsylvania	147	99	1,702,700	6,426	3.9
Rhode Island	3	100	11,000	37	*
South Carolina	115	98	598,000	3,600	2.2
South Dakota	11	100	133,600	260	0.2
Tennessee	141	97	1,289,300	3,584	2.2
Texas	324	97	4,791,900	15,192	9.3
Utah	11	100	737,600	1,127	0.7
Vermont	4	100	12,700	130	0.1
Virginia	116	97	1,732,300	5,131	3.1
Washington	37	95	377,100	1,267	0.8
West Virginia	7	100	169,500	604	0.4
Wisconsin	34	94	1,137,700	1,773	1.1

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Wyoming	3	100	21,100	63	*
Puerto Rico	4	100	28,900	215	0.1
Totals/Average	3,345	98%	50,082,200	\$ 164,015	100.0%

* Less than 0.1%

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- (1) Includes rental revenue for all properties owned by Realty Income at September 30, 2012, including revenue from properties reclassified as discontinued operations of \$168. Excludes revenue of \$23 from properties owned by Crest.
- (2) The ARCT information represents quarterly rental revenue for the properties owned at September 30, 2012.

Lease Expirations

The following table sets forth certain information regarding the property portfolios and the timing of the lease term expirations (excluding rights to extend a lease at the option of the tenant) on net leased, single-tenant properties (dollars in thousands):

Year	Number of Leases Expiring ⁽²⁾	Approx. Leasable Sq. Feet	Realty Income ⁽¹⁾			
			Rental Revenue for the Quarter Ended Sept. 30, 2012 ⁽³⁾	Percentage of Quarterly Rental Revenue	Annualized Rental Revenues ⁽⁵⁾	Percentage of Annualized Rental Revenue
2012	59	430,000	\$ 1,503	1.3%	\$ 5,771	1.1%
2013	157	1,232,800	4,020	3.4	16,183	3.2
2014	155	1,024,300	3,716	3.1	14,938	3.0
2015	156	834,500	3,583	3.0	14,816	2.9
2016	175	885,200	3,739	3.2	15,422	3.0
2017	146	1,816,700	4,581	3.9	21,375	4.2
2018	116	1,863,300	5,265	4.5	22,392	4.4
2019	142	1,505,700	7,274	6.2	29,162	5.8
2020	85	1,928,400	5,219	4.4	21,513	4.3
2021	163	2,272,900	7,351	6.2	32,999	6.5
2022	122	2,085,900	5,422	4.6	27,900	5.5
2023	255	2,272,900	10,545	9.0	42,606	8.4
2024	61	676,900	2,459	2.1	11,015	2.3
2025	255	2,713,600	12,267	10.4	53,873	10.7
2026	112	1,918,200	7,487	6.4	30,482	6.0
2027-2043	580	8,494,700	33,299	28.3	144,844	28.7
Totals	2,739	32,675,600	\$ 117,730	100.0%	\$ 505,291	100.0%

Year	Number of Leases Expiring ⁽²⁾	Approx. Leasable Sq. Feet	ARCT ⁽⁴⁾			
			Rental Revenue for the Quarter Ended Sept. 30, 2012 ⁽³⁾	Percentage of Quarterly Rental Revenue	Annualized Rental Revenues ⁽⁵⁾	Percentage of Annualized Rental Revenue
2012			\$	%	\$	%
2013						
2014	2	9,800	40	0.1	160	0.1
2015						
2016	3	27,700	120	0.3	480	0.3
2017	1	12,600	45	0.1	180	0.1
2018	69	1,006,700	2,968	6.8	11,872	6.8
2019	19	1,172,600	2,123	4.8	8,492	4.8
2020	14	1,253,700	2,211	5.0	8,844	5.0
2021	26	3,048,400	4,971	11.3	19,884	11.3

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2022	60	2,648,600	5,097	11.6	20,388	11.6
2023	50	1,267,300	5,300	12.0	21,200	12.0
2024	30	1,128,000	2,822	6.4	11,288	6.4
2025	37	637,300	2,560	5.8	10,240	5.8
2026	80	1,238,600	3,913	8.9	15,652	8.9
2027-2043	116	2,302,900	11,855	26.9	47,420	26.9
Totals	507	15,754,200	\$ 44,025	100.0%	\$ 176,100	100.0%

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Year	Number of Leases Expiring ⁽²⁾	Approx. Leasable Sq. Feet	Combined ⁽¹⁾⁽⁴⁾ Rental Revenue for the Quarter Ended Sept. 30, 2012 ⁽³⁾	Percentage of Quarterly Rental Revenue	Annualized Rental Revenue ⁽⁵⁾	Percentage of Annualized Rental Revenue
2012	59	430,000	\$ 1,503	0.9%	\$ 5,771	0.8%
2013	157	1,232,800	4,020	2.5	16,183	2.4
2014	157	1,034,100	3,756	2.3	15,098	2.2
2015	156	834,500	3,583	2.2	14,816	2.2
2016	178	912,900	3,859	2.4	15,902	2.3
2017	147	1,829,300	4,626	2.9	21,555	3.2
2018	185	2,870,000	8,233	5.1	34,264	5.0
2019	161	2,678,300	9,397	5.8	37,654	5.5
2020	99	3,182,100	7,430	4.6	30,357	4.4
2021	189	5,321,300	12,322	7.6	52,883	7.8
2022	182	5,454,500	10,519	6.5	48,288	7.1
2023	305	3,539,800	15,845	9.8	63,806	9.4
2024	91	1,804,900	5,281	3.3	22,303	3.3
2025	292	3,350,900	14,827	9.2	64,113	9.4
2026	192	3,156,800	11,400	7.0	46,134	6.8
2027-2043	696	10,797,600	45,154	27.9	192,264	28.2
Totals	3,246	48,429,800	\$ 161,755	100.0%	\$ 681,391	100.0%

(1) The Realty Income information is for the quarter ended September 30, 2012.

(2) Excludes 15 multi-tenant properties and 84 vacant unleased properties, one of which is a multi-tenant property. The lease expirations for properties under construction are based on the estimated date of completion of those properties.

(3) Includes rental revenue of \$168 from properties reclassified as discontinued operations and excludes revenue of \$2,261 from 15 multi-tenant properties and from 84 vacant and unleased properties at September 30, 2012. Excludes revenue of \$23 from three properties owned by Crest.

(4) The ARCT information represents rental revenue for the properties owned at September 30, 2012.

(5) Annualized rental revenue for net leases is rental revenue annualized on a straight-line basis for properties held as of September 30, 2012, which includes the effect of tenant concessions such as free rent, as applicable. For modified gross leased properties amount is rental income on a straight-line basis as of September 30, 2012, which includes the effect of tenant concessions such as free rent, as applicable, plus operating expense reimbursement revenue less property operating expenses.

THE REALTY INCOME SPECIAL MEETING**Date, Time, Place and Purpose of Realty Income's Special Meeting**

The special meeting of the stockholders of Realty Income will be held at [] on [], commencing at [], local time. The purpose of Realty Income's special meeting is:

1. to consider and vote on a proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement; and

2. to consider and vote on a proposal to adjourn the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement.

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Recommendation of the Board of Directors of Realty Income

Realty Income's board of directors has unanimously (i) determined that the merger agreement and the merger, including the issuance of Realty Income common stock in connection with the merger, are advisable and in the best interests of Realty Income and its stockholders; (ii) approved the merger agreement, the merger and the other transactions contemplated thereby; and (iii) approved the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement. Realty Income's board of directors unanimously recommends that you vote FOR the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement and FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement. For the reasons for this recommendation, see The Merger Recommendation of Realty Income's Board of Directors and Its Reasons for the Merger beginning on page 64.

Record Date; Who Can Vote at Realty Income's Special Meeting

Realty Income's board of directors has fixed the close of business on [] as the record date for determination of Realty Income stockholders entitled to receive notice of, and to vote at, Realty Income's special meeting and any adjournments of the special meeting. Only holders of record of Realty Income common stock at the close of business on the record date are entitled to receive notice of, and to vote at, Realty Income's special meeting. As of the record date, there were [] shares of Realty Income common stock outstanding and entitled to vote at Realty Income's special meeting, held by approximately [] stockholders of record.

Each share of Realty Income common stock is entitled to one vote on the proposals to approve issuance of shares of Realty Income common stock pursuant to the merger agreement and to solicit additional proxies.

Vote Required for Approval; Quorum

Approval of the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement requires the affirmative vote of at least a majority of the votes cast on the proposal, provided that the total votes cast on the proposal represent at least a majority of the outstanding shares of Realty Income common stock entitled to vote on such proposal. Approval of the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of a majority of the votes cast on such proposal.

Realty Income's bylaws provide that the presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast at such meeting constitutes a quorum at a meeting of its stockholders. Shares that are voted and shares abstaining from voting are treated as being present at Realty Income's special meeting for purposes of determining whether a quorum is present.

Abstentions and Broker Non-Votes

Abstentions will be counted in determining the presence of a quorum, but broker non-votes will not be counted in determining the presence of a quorum. Abstentions will have the same effect as a vote cast AGAINST the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement. Broker non-votes will not be counted as votes cast on such proposal, and as such, broker non-votes could result in there not being sufficient votes cast on such proposal. Abstentions will have no effect on the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement. Broker non-votes will also have no effect on such proposal as long as a quorum is present at the meeting.

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Manner of Submitting Proxy

Realty Income stockholders may submit their votes for or against the proposals submitted at Realty Income's special meeting in person or by proxy. Realty Income stockholders may be able to submit a proxy in the following ways:

Internet. Realty Income stockholders may submit a proxy over the Internet by going to the website listed on their proxy card or voting instruction card. Once at the website, they should follow the instructions to submit a proxy.

Telephone. Realty Income stockholders may submit a proxy using the toll-free number listed on their proxy card or voting instruction card.

Mail. Realty Income stockholders may submit a proxy by completing, signing, dating and returning their proxy card or voting instruction card in the preaddressed postage-paid envelope provided.

Realty Income stockholders should refer to their proxy cards or the information forwarded by their broker or other nominee to see which options are available to them.

The Internet and telephone proxy submission procedures are designed to authenticate stockholders and to allow them to confirm that their instructions have been properly recorded. If you submit a proxy over the Internet or by telephone, then you need not return a written proxy card or voting instruction card by mail. The Internet and telephone facilities available to record holders will close at 11:59 p.m. eastern time on [].

The method by which Realty Income stockholders submit a proxy will in no way limit their right to vote at Realty Income's special meeting if they later decide to attend the meeting and vote in person. If shares of Realty Income common stock are held in the name of a broker or other nominee, Realty Income stockholders must obtain a proxy, executed in their favor, from the broker or other nominee, to be able to vote in person at Realty Income's special meeting.

All shares of Realty Income common stock entitled to vote and represented by properly completed proxies received prior to Realty Income's special meeting, and not revoked, will be voted at Realty Income's special meeting as instructed on the proxies. **If Realty Income stockholders of record do not indicate how their shares of Realty Income common stock should be voted on a proposal, the shares of Realty Income common stock represented by their properly executed proxy will be voted as Realty Income's board of directors recommends and therefore FOR the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement and FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the issuance of shares of Realty Income common stock pursuant to the merger agreement.** If you do not provide voting instructions to your broker or other nominee, your shares of Realty Income common stock will NOT be voted and will be considered broker non-votes.

Shares Held in Street Name

If Realty Income stockholders hold shares of Realty Income common stock in an account of a broker or other nominee and they wish to vote such shares, they must return their voting instructions to the broker or other nominee.

If Realty Income stockholders hold shares of Realty Income common stock in an account of a broker or other nominee and attend Realty Income's special meeting, they should bring a letter from their broker or other nominee identifying them as the beneficial owner of such shares of Realty Income common stock and authorizing them to vote.

Shares of Realty Income common stock held by brokers and other nominees will NOT be voted unless such Realty Income stockholders instruct such brokers or other nominees how to vote.

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Revocation of Proxies or Voting Instructions

Realty Income stockholders of record may revoke their proxy at any time before it is exercised by timely sending written notice to Realty Income's Secretary that they would like to revoke their proxy, by timely delivering a properly executed, later-dated proxy (including over the Internet or telephone) or by voting by ballot at Realty Income's special meeting. Simply attending Realty Income's special meeting without voting will not revoke your proxy. Realty Income stockholders who hold shares of Realty Income common stock in an account of a broker or other nominee may revoke their voting instructions by following the instructions provided by their broker or other nominee.

Tabulation of the Votes

Realty Income will appoint an Inspector of Election for Realty Income's special meeting to tabulate affirmative and negative votes and abstentions.

Solicitation of Proxies

Realty Income will pay the cost of soliciting proxies. Directors, officers and employees of Realty Income may solicit proxies on behalf of Realty Income in person or by telephone, facsimile or other means, for which they will not receive any additional compensation. Realty Income has engaged Georgeson Inc. to assist it in the solicitation of proxies. Realty Income has agreed to pay Georgeson Inc. a fee not expected to exceed \$65,500, which includes the payment of certain fees and expenses for its services to solicit proxies.

In accordance with the regulations of the SEC and the NYSE, Realty Income also will reimburse brokerage firms, and other custodians, nominees and fiduciaries for their expenses incurred in sending proxies and proxy materials to beneficial owners of shares of Realty Income common stock.

PROPOSALS SUBMITTED TO REALTY INCOME STOCKHOLDERS

Share Issuance Proposal

(Proposal 1 on the Realty Income Proxy Card)

If the merger is consummated pursuant to the merger agreement, ARCT stockholders will receive 0.2874 of a share of Realty Income common stock for each share of ARCT common stock held by ARCT stockholders at the effective time of the merger. The exchange ratio is fixed and will not be adjusted to reflect changes in the stock price of Realty Income common stock or ARCT common stock.

Under the NYSE Listed Company Manual, a company listed on the NYSE is required to obtain stockholder approval prior to the issuance of common stock, or of securities convertible into or exercisable for common stock, in any transaction or series of related transactions if the number of shares of common stock to be issued is, or will be upon issuance, equal to or in excess of twenty percent (20%) of the number of shares of common stock outstanding before the issuance of the common stock or of securities convertible into or exercisable for common stock. If the merger is completed pursuant to the merger agreement, we estimate that Realty Income will issue or reserve for issuance approximately 45,893,290 shares of Realty Income common stock in connection with the merger. On an as-converted basis, the aggregate number of shares of Realty Income common stock that Realty Income will issue in the merger will exceed 20% of the shares of Realty Income common stock outstanding before such issuance, and for this reason Realty Income must obtain the approval of Realty Income stockholders for the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement.

The approval of this proposal by Realty Income stockholders is a condition to the closing of the merger. In the event this proposal is not approved by Realty Income stockholders, the merger cannot be consummated. In the event this proposal is approved by Realty Income stockholders, but the merger agreement is terminated (without the merger being completed) prior to the issuance of shares of Realty Income common stock to ARCT

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stockholders pursuant to the merger agreement, Realty Income will not issue the shares of Realty Income common stock.

Realty Income is asking Realty Income stockholders to approve the issuance of shares of Realty Income common stock to ARCT stockholders in connection with the merger agreement.

Recommendation of Realty Income's Board of Directors

Realty Income's board of directors unanimously recommends that Realty Income stockholders vote FOR the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement.

The Realty Income Adjournment Proposal

(Proposal 2 on the Realty Income Proxy Card)

Realty Income's special meeting may be adjourned to another time or place, if necessary or appropriate, to permit, among other things, further solicitation of proxies, if necessary or appropriate, to obtain additional votes in favor of the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement.

If, at Realty Income's special meeting, the number of shares of Realty Income common stock present or represented and voting in favor of the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement is insufficient to approve the proposal, Realty Income intends to move to adjourn Realty Income's special meeting in order to enable Realty Income's board of directors to solicit additional proxies for approval of the proposal.

Realty Income is asking Realty Income stockholders to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement.

Recommendation of Realty Income's Board of Directors

Realty Income's board of directors unanimously recommends that Realty Income stockholders vote FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement.

Other Business

At this time, Realty Income does not intend to bring any other matters before Realty Income's special meeting, and Realty Income does not know of any matters to be brought before Realty Income's special meeting by others. If, however, any other matters properly come before Realty Income's special meeting, the persons named in the enclosed proxy, or their duly constituted substitutes, acting at Realty Income's special meeting or any adjournment or postponement thereof will be deemed authorized to vote the shares represented thereby in accordance with the judgment of management on any such matter.

THE ARCT SPECIAL MEETING

Date, Time, Place and Purpose of ARCT's Special Meeting

The special meeting of the stockholders of ARCT will be held at [] located at [] on [], commencing at [], local time. The purpose of ARCT's special meeting is:

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1. to consider and vote on a proposal to approve the merger and the other transactions contemplated by the merger agreement;
2. to consider and vote, on a non-binding, advisory basis, on the compensation that may be paid or become payable to ARCT's named executive officers in connection with the merger; and
3. to consider and vote on a proposal to adjourn the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement.

Recommendation of the Board of Directors of ARCT

ARCT's board of directors has unanimously determined that the merger agreement, the merger and the other transactions contemplated thereby are advisable, fair to, and in the best interests of ARCT and its stockholders, and has approved the merger agreement, the merger and the other transactions contemplated thereby. ARCT's board of directors unanimously recommends that ARCT stockholders vote FOR the proposal to approve the merger and the other transactions contemplated by the merger agreement, FOR the proposal to approve, on a non-binding, advisory basis, the compensation that may be paid or become payable to ARCT's named executive officers in connection with the merger, and FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement. For the reasons for this recommendation, see The Merger Recommendation of ARCT's Board of Directors and Its Reasons for the Merger beginning on page 66.

Record Date; Who Can Vote at ARCT's Special Meeting

Only holders of record of ARCT common stock at the close of business on [], ARCT's record date, are entitled to notice of, and to vote at, ARCT's special meeting and any adjournment of the special meeting. As of the record date, there were [] shares of ARCT common stock outstanding and entitled to vote at ARCT's special meeting, held by approximately [] holders of record. Each share of ARCT common stock owned on ARCT's record date is entitled to one vote on each proposal at ARCT's special meeting.

Vote Required for Approval; Quorum

Approval of the proposal to approve the merger and the other transactions contemplated by the merger agreement requires the affirmative vote of the holders of at least a majority of the outstanding shares of ARCT common stock entitled to vote on such proposal. Approval of (i) the non-binding, advisory proposal to approve the compensation that may be paid or become payable to ARCT's named executive officers in connection with the merger, and (ii) the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement each requires the affirmative vote of a majority of the votes cast on such proposal.

ARCT's bylaws provide that the presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast constitutes a quorum at a meeting of its stockholders. Shares that are voted and shares abstaining from voting are treated as being present at the ARCT special meeting for purposes of determining whether a quorum is present.

Abstentions and Broker Non-Votes

Abstentions will be counted in determining the presence of a quorum, but broker non-votes will not be counted in determining the presence of a quorum. Abstentions will have the same effect as votes cast AGAINST the proposal to approve the merger and the other transactions contemplated by the merger agreement but will have no effect on the non-binding, advisory proposal to approve the compensation that may be paid or become

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payable to ARCT's named executive officers in connection with the merger or the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement. Broker non-votes will have the same effect as votes cast AGAINST the approval of the merger and the other transactions contemplated by the merger agreement, but will have no effect on the non-binding, advisory proposal to approve the compensation that may be paid or become payable to ARCT's named executive officers in connection with the merger or the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement as long as a quorum is present at the meeting.

Manner of Submitting Proxy

ARCT stockholders may submit their votes for or against the proposals submitted at ARCT's special meeting in person or by proxy. ARCT stockholders may also be able to submit a proxy in the following ways:

Internet. ARCT stockholders may submit a proxy over the Internet by going to the website listed on their proxy card or voting instruction card. Once at the website, follow the instructions to submit a proxy.

Telephone. ARCT stockholders may submit a proxy using the toll-free number listed on their proxy card or voting instruction card.

Mail. ARCT stockholders may submit a proxy by completing, signing, dating and returning their proxy card or voting instruction card in the preaddressed postage-paid envelope provided.

ARCT stockholders should refer to their proxy card or the information forwarded by their broker or other nominee to see which options are available to them.

The Internet and telephone proxy submission procedures are designed to authenticate stockholders and to allow them to confirm that their instructions have been properly recorded. If you submit a proxy over the Internet or by telephone, then you need not return a written property card or voting instruction card by mail. The Internet and telephone facilities available to record holders will close at 11:59 p.m. eastern time on [].

The method by which ARCT stockholders submit a proxy will in no way limit their right to vote at ARCT's special meeting if they later decide to attend the meeting in person. If ARCT stockholders' shares of ARCT common stock are held in the name of a broker or other nominee, ARCT stockholders must obtain a proxy, executed in their favor, from the broker or other nominee, to be able to vote in person at ARCT's special meeting.

All shares of ARCT common stock entitled to vote and represented by properly completed proxies received prior to ARCT's special meeting, and not revoked, will be voted at ARCT's special meeting as instructed on the proxies. **If ARCT stockholders of record do not indicate how their shares of ARCT common stock should be voted on a matter, the shares of ARCT common stock represented by their properly executed proxy will be voted as ARCT's board of directors recommends and therefore, FOR the proposal to approve the merger and the other transactions contemplated by the merger agreement, FOR the proposal to approve, on a non-binding, advisory basis, the compensation that may be paid or become payable to ARCT's named executive officers in connection with the merger, and FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement.** If you do not provide voting instructions to your broker or other nominee, your shares of ARCT common stock will NOT be voted and will be considered broker non-votes.

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Shares Held in Street Name

If ARCT stockholders hold shares of ARCT common stock in an account of a broker or other nominee and they wish to vote such shares, they must return their voting instructions to the broker or other nominee. If ARCT stockholders hold shares of ARCT common stock in an account of a broker or other nominee and attend ARCT's special meeting, they should bring a proxy from their broker or other nominee identifying them as the beneficial owner of such shares of ARCT common stock and authorizing them to vote.

Shares of ARCT common stock held by brokers and other nominees will NOT be voted unless such ARCT stockholders instruct such brokers or other nominees how to vote.

Revocation of Proxies or Voting Instructions

ARCT stockholders of record may change their vote or revoke their proxy at any time before it is exercised at ARCT's special meeting by:

submitting notice in writing to ARCT's Secretary at American Realty Capital Trust, Inc., 405 Park Avenue, 14th Floor, New York, New York 10022, that you are revoking your proxy;

executing and delivering a later-dated proxy card or submitting a later-dated proxy by telephone or on the Internet; or

voting in person at ARCT's special meeting.

Attending ARCT's special meeting without voting will not revoke your proxy.

ARCT stockholders who hold shares of ARCT common stock in an account of a broker or other nominee may revoke their voting instructions by following the instructions provided by their broker or other nominee.

Solicitation of Proxies

The solicitation of proxies from ARCT stockholders is made on behalf of ARCT's board of directors. ARCT will pay the cost of soliciting proxies from ARCT stockholders. Directors, officers and employees of ARCT may solicit proxies on behalf of ARCT in person or by telephone, facsimile or other means, but will not receive any additional compensation for doing so. ARCT has engaged D.F. King to assist it in the solicitation of proxies. ARCT has agreed to pay D.F. King a fee not expected to exceed \$65,500, which includes the payment of certain fees and expenses for its services to solicit proxies.

In accordance with the regulations of the SEC and NASDAQ, ARCT also will reimburse brokerage firms and other custodians, nominees and fiduciaries for their expenses incurred in sending proxies and proxy materials to beneficial owners of shares of ARCT common stock.

PROPOSALS SUBMITTED TO ARCT STOCKHOLDERS

Merger Proposal

(Proposal 1 on the ARCT Proxy Card)

ARCT stockholders are asked to approve the merger and the other transactions contemplated by the merger agreement. For a summary and detailed information regarding this proposal to approve the merger and the other transactions contemplated by the merger agreement, see the information about the merger agreement and the merger throughout this joint proxy statement/prospectus, including the information set forth in sections entitled "The Merger" beginning on page 53 and "The Merger Agreement" beginning on page 131. A copy of the merger agreement is attached as Annex A to this joint proxy statement/prospectus.

Pursuant to the merger agreement, approval of this proposal is a condition to the closing of the merger. If the proposal is not approved, the merger will not be completed even if the other proposals related to the merger are approved.

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ARCT is requesting that ARCT stockholders approve the merger and the other transactions contemplated by the merger agreement. Approval of the proposal to approve the merger and the other transactions contemplated by the merger agreement requires the affirmative vote of the holders of at least a majority of the outstanding shares of ARCT common stock entitled to vote on such proposal.

Recommendation of ARCT's Board of Directors

ARCT's board of directors has unanimously (i) determined that the merger agreement, the merger and the other transactions contemplated thereby are advisable, fair to, and in the best interests of ARCT and its stockholders, and (ii) approved the merger agreement, the merger and the other transactions contemplated thereby. ARCT's board of directors unanimously recommends that ARCT stockholders vote FOR the proposal to approve the merger and the other transactions contemplated by the merger agreement.

Advisory Vote Regarding Merger-Related Compensation

(Proposal 2 on the ARCT Proxy Card)

Merger-Related Compensation. In accordance with SEC requirements, ARCT is required to include in this joint proxy statement/prospectus a non-binding, advisory vote on the compensation that may be paid or become payable to each of ARCT's named executive officers, as determined in accordance with Item 402(t) of Regulation S-K, in connection with the proposed merger pursuant to arrangements entered into with ARCT, and ARCT therefore is asking its stockholders to adopt the following resolution:

RESOLVED, that the compensation that will or may be paid or become payable to American Realty Capital Trust's named executive officers in connection with the merger, as disclosed in the table entitled "Golden Parachute Compensation" pursuant to Item 402(t) of Regulation S-K, including the associated narrative discussion and the agreements or understandings pursuant to which such compensation may be paid or become payable, as set forth in this proposal titled "Advisory Vote Regarding Merger-Related Compensation" is hereby APPROVED.

The information set forth in the table below is intended to comply with Item 402(t) of Regulation S-K, which requires disclosure of information about certain compensation for each of ARCT's named executive officers, which we refer to as the NEOs, that is based on or otherwise relates to the transactions contemplated under the merger agreement. For this purpose, ARCT's NEOs are Nicholas Schorsch, ARCT's non-executive chairman, William Kahane, ARCT's chief executive officer, and Brian Jones, ARCT's chief financial officer. No other executive officer of ARCT is entitled to receive any payments or benefits in connection with the transactions contemplated under the merger agreement.

Please note that the amounts indicated below are estimates based on the material assumptions described in the notes to the table below, which may or may not actually occur. Some of these assumptions are based on information currently available and, as a result, the actual amounts, if any, that may become payable to a NEO may differ in material respects from the amounts set forth below. Furthermore, for purposes of calculating such amounts, we have assumed:

A closing date for the merger of November 27, 2012, the latest practicable date prior to the filing of this joint proxy statement/prospectus;

The consummation of the merger constitutes a "change in control" for purposes of the applicable plan or agreement;

A qualifying termination of the NEO's employment in connection with a change in control on November 27, 2012; and

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A price per share of ARCT common stock of \$12.18, which equals the average closing price of ARCT common stock over the first five business days following September 6, 2012.

The amounts reported in the table below are estimates based on multiple assumptions that may or may not actually occur, including the assumptions described above, and elsewhere in this joint proxy statement/prospectus. These estimates will not be used to determine actual benefits paid or provided which will be calculated in accordance with terms of the merger agreement, the NEO's agreements with ARCT or any other related agreement, plan or arrangement, as applicable, and may materially differ from these estimates. As a result, the compensation, if any, to be received by an NEO may materially differ from the amounts set forth below.

Golden Parachute Compensation

Named Executive Officers	Cash \$(1)	Equity \$(2)	Perquisites/ Benefits \$(3)	Total (\$)
Nicholas S. Schorsch	1,500,000	15,286,874	0	16,786,874
William M. Kahane	1,500,000	4,305,070	33,839	5,838,909
Brian D. Jones	325,000	164,454	26,596	516,050

- (1) For Messrs. Schorsch and Kahane this amount reflects a lump sum cash payment under the ARCT Annual Incentive Compensation Plan and in accordance with the Omnibus Amendments to the OPP Agreements, which we refer to as the OPP Amendments, payable on the date that the effective time of the merger occurs. For Mr. Jones this amount reflects a lump severance payment equal to his annual base salary, payable six months and one day following the consummation of the merger, assuming Mr. Jones does not accept employment with AR Capital or its affiliates within six months following the consummation of the merger. Mr. Jones is not currently a participant in the ARCT Annual Incentive Compensation Plan and ARCT's board of directors has not set, nor do they currently intend to set, an amount for his 2012 discretionary bonus under his employment agreement. Accordingly, the table above does not reflect a pro-rated bonus for Mr. Jones for 2012.
- (2) For Messrs. Schorsch and Kahane this amount reflects the value of the LTIP Units in ARCT OP that would become earned and fully vested in connection with the consummation of the merger, assuming the conversion thereof into shares of ARCT common stock immediately prior to the merger. For Mr. Jones this amount reflects the value of the acceleration of 13,502 unvested shares of ARCT restricted stock as of the effective time of the merger. Under the OPP Amendments, Messrs. Schorsch and Kahane agreed and acknowledged that, from and after the effective time of the merger, they will have no right to additional amounts under the ARCT Annual Incentive Compensation Plan or the OPP Agreements, including the right to (i) earn any additional LTIP Units or (ii) receive any other amounts under the OPP Agreements and the ARCT Annual Incentive Compensation Plan.
- (3) Amounts represent ARCT's costs for continued health and welfare benefits and life insurance premiums for a period of 18 months following a termination without cause, for good reason or due to the executive's death or disability. Life insurance policies have not been purchased on the lives of Messrs. Kahane and Jones; accordingly, the table above does not reflect the continued payment of life insurance premiums.

Narrative Disclosure to Golden Parachute Compensation Table. ARCT has entered into employment agreements with Messrs. Kahane and Jones which provide for severance payments and/or benefits upon a qualifying termination of employment or in connection with a change in control. For more information related to these agreements, see "The Merger" Interests of ARCT's Directors and Executive Officers in the Merger Employment Agreements on page 108.

Messrs. Schorsch and Kahane participate in the ARCT Annual Incentive Compensation Plan pursuant to which they are eligible to earn a bonus award in connection with a change in control of ARCT. They also are party to OPP Agreements with ARCT and ARCT OP, pursuant to which they were granted and are eligible to earn and vest in LTIP Units in ARCT OP. In connection with entering into the merger agreement, ARCT, ARCT

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OP and each of Messrs. Schorsch and Kahane entered into an Omnibus Amendment to their respective OPP Agreements, pursuant to which the parties determined the amounts that would be earned by each of Mr. Schorsch and Mr. Kahane under the ARCT Annual Incentive Compensation Plan and their respective OPP Agreements in connection with the merger. Subsequent to the execution of the merger agreement, the amounts that will be earned by Messrs. Schorsch and Kahane under the OPP Agreements in connection with the consummation of the merger were further reduced, pursuant to that certain letter agreement between ARCT and each of Messrs. Schorsch and Kahane dated September 28, 2012, which we refer to as the OPP letter. For additional information related to these arrangements, see *The Merger Interests of ARCT's Directors and Executive Officers in the Merger OPP Agreements, Treatment of LTIP Units and ARCT Annual Plan Payments* on page 105.

In connection with the merger, all outstanding ARCT restricted stock held by Mr. Jones will accelerate and vest in full. For more information, see *The Merger Interests of ARCT's Directors and Executive Officers in the Merger Treatment of ARCT Restricted Stock* on page 105.

Vote Required and Board of Directors Recommendation

The vote regarding this proposal on merger-related compensation is a vote separate and apart from the vote on the proposal to approve the merger and the other transactions contemplated by the merger agreement. Because the vote regarding merger-related compensation is advisory only, it will not be binding on either ARCT or the surviving company regardless of whether the merger is completed. Accordingly, if the merger is completed, the merger-related compensation will become payable in connection with the merger and a qualifying termination of employment, subject only to the conditions applicable thereto, regardless of the outcome of this non-binding, advisory vote.

Approval of the merger-related compensation requires the affirmative vote of a majority of the votes cast on such proposal.

Recommendation of ARCT's Board of Directors

ARCT's board of directors unanimously recommends that ARCT stockholders vote **FOR the proposal to approve, on a non-binding, advisory basis, the compensation that may become payable to ARCT's named executive officers in connection with the merger.**

ARCT Adjournment Proposal

(Proposal 3 on the ARCT Proxy Card)

ARCT's special meeting may be adjourned to another time or place, if necessary or appropriate, to permit, among other things, further solicitation of proxies, if necessary or appropriate, to obtain additional votes in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement.

If, at ARCT's special meeting, the number of shares of ARCT common stock present or represented by proxy and voting in favor of the merger proposal is insufficient to approve the proposal to approve the merger and the other transactions contemplated by the merger agreement, ARCT intends to move to adjourn ARCT's special meeting in order to enable ARCT's board of directors to solicit additional proxies for approval of the proposal.

ARCT is requesting that ARCT stockholders approve the adjournment of ARCT's special meeting, if necessary or appropriate, to another time and place for the purpose of soliciting additional proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement.

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Recommendation of ARCT's Board of Directors

ARCT's board of directors unanimously recommends ARCT stockholders vote **FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement.**

Other Business

At this time, ARCT does not intend to bring any other matters before ARCT's special meeting, and ARCT does not know of any matters to be brought before ARCT's special meeting by others. If, however, any other matters properly come before ARCT's special meeting, the persons named in the enclosed proxy, or their duly constituted substitutes, acting at ARCT's special meeting or any adjournment or postponement thereof will be deemed authorized to vote the shares represented thereby in accordance with the judgment of management on any such matter.

THE MERGER

The following is a description of the material aspects of the merger. While Realty Income and ARCT believe that the following description covers the material terms of the merger, the description may not contain all of the information that is important to Realty Income stockholders and ARCT stockholders. Realty Income and ARCT encourage Realty Income stockholders and ARCT stockholders to carefully read this entire joint proxy statement/prospectus, including the merger agreement attached to this joint proxy statement/prospectus as Annex A and incorporated herein by reference, for a more complete understanding of the merger.

General

Each of Realty Income's and ARCT's boards of directors has unanimously approved the merger agreement, the merger and the other transactions contemplated thereby. In the merger, ARCT will merge with and into Merger Sub, with Merger Sub surviving the merger as a direct wholly owned subsidiary of Realty Income. ARCT stockholders will receive the merger consideration described below under "The Merger Agreement—Merger Consideration; Conversion or Cancellation of Shares in the Merger."

Background of the Merger

Realty Income's board of directors and its management have periodically, and in the ordinary course of business, evaluated and considered a variety of strategic opportunities as part of its long term strategy to maximize Realty Income's stockholder value. In particular, the Realty Income board of directors and management have considered opportunities that would, among other things, (i) enhance the credit quality of Realty Income's real estate portfolio, (ii) increase Realty Income's funds from operations and adjusted funds from operations, (iii) allow Realty Income to increase its dividend, (iv) provide Realty Income with higher occupancy rates and average lease terms, (v) further diversify Realty Income's real estate portfolio by industry, tenant and asset class and (vi) increase Realty Income's size and scale, while maintaining the strength of its balance sheet.

ARCT was founded in 2007 by AR Capital as a non-exchange traded, externally-advised REIT to focus on the acquisition and operation of free standing, single tenant commercial real estate properties net leased on a long-term basis to investment grade credit rated and other creditworthy tenants. AR Capital is majority-owned and controlled by Nicholas S. Schorsch, the chairman of ARCT's board of directors, which we sometimes refer to as the ARCT Board, and William M. Kahane, ARCT's chief executive officer, president, and a member of the ARCT Board. Between 2008 and 2011, ARCT raised equity capital to finance its real estate investment activities primarily through a continuous initial public offering of its common stock for aggregate gross proceeds of approximately \$1.8 billion.

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Because of the relatively stable nature of the assets owned and operated by ARCT, including the fact that such assets were primarily net leased to tenants subject to long-term leases, ARCT's management was of the view that continuing to hold ARCT's assets and maintaining ARCT's status as a non-traded REIT following the completion of its offering of common stock would not likely maximize value for its stockholders. In light of the foregoing, it was the view of ARCT's management that ARCT should undertake an evaluation of strategic alternatives with a view toward increasing stockholder value. Accordingly, the ARCT Board directed management to identify financial advisors who would be appropriate to assist in an analysis of the potential strategic alternatives available to ARCT. Proskauer Rose LLP, which we refer to as Proskauer, ARCT's outside legal counsel, gave advice to the ARCT Board regarding its obligations as this process evolved.

In furtherance of the foregoing, on April 21, 2011, 10 investment banks with significant experience advising REITs, including Goldman, Sachs & Co., which we refer to as Goldman Sachs, met with ARCT's management and presented materials relating to their capabilities. ARCT's management's criteria for selecting an investment bank to act as ARCT's financial advisor included, among other things, the investment bank's institutional knowledge of the non-traded and traded REIT industries, its capacity to provide the functions of a full service investment bank and the investment banking team's past experience advising other companies in connection with similar transactions. Based upon these criteria, four of those banks, including Goldman Sachs, were selected to attend a meeting of the ARCT Board held on May 17, 2011, and give separate presentations regarding their qualifications to represent ARCT. At this meeting, each investment banking team delivered a presentation to the ARCT Board that described the bank's experience in the non-traded and traded REIT industries and its views on the current state of the financial markets. The investment banking teams also discussed various strategic alternatives for consideration by the ARCT Board with the goal of maximizing ARCT's stockholder value.

After due and careful consideration, at a meeting of the ARCT Board held on May 23, 2011, the ARCT Board approved the engagement of Goldman Sachs to act as ARCT's financial advisor in connection with its strategic review process, and Goldman Sachs was so engaged on May 27, 2011.

Beginning in early June 2011, Goldman Sachs, at the direction of ARCT, reached out to over 40 third parties regarding their interest in engaging in a strategic transaction with ARCT. Such third parties included REITs, financial sponsors, life insurance companies, sovereign wealth funds and pension funds, and were selected based on, among other things, ability to consummate a transaction of the size suggested by ARCT's value, strategic imperative, liquidity, perceived decision making efficiency, experience and track record. Of the third parties contacted by Goldman Sachs, 18 (including nine REITs) executed confidentiality agreements and were provided access to ARCT's online data room, which contained certain non-public information concerning ARCT's business and operations. In early June 2011, members of Realty Income's management and ARCT's management met in person in New York, along with representatives of Goldman Sachs, at which meeting the parties discussed their respective companies' strategies and the strategic review process being run by Goldman Sachs for ARCT. Realty Income executed a confidentiality agreement with ARCT on June 13, 2011.

On June 23, 2011, at the direction of ARCT, Goldman Sachs provided interested third party bidders, including Realty Income, with a process letter requesting that bids for a potential transaction be submitted by June 28, 2011.

Goldman Sachs continued to actively manage this process through mid-September 2011. Six of the third parties previously contacted by Goldman Sachs submitted non-binding indications of interest regarding a potential strategic transaction with ARCT, including Realty Income, as described below. ARCT's board of directors and its management thoroughly considered each of these proposals, including the fact that none of the third parties that had submitted proposals valued ARCT at or above its initial public offering price of \$10.00 per share, one of the proposals was solely to provide financing to other acquirers in connection with a potential transaction, and several of the proposals only related to the acquisition of a portion of ARCT's real estate portfolio rather than the complete portfolio. The ARCT Board felt it was important that any sale transaction (i) provide an adequate consideration price based on cost and current market conditions; (ii) provide an attractive

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mix of consideration if other than cash; (iii) not include lock-ups of ARCT's stockholders; (iv) not result in negative tax repercussions for ARCT's stockholders; and (v) provide for the sale of the entire company. Accordingly, ARCT's board of directors and its management ultimately concluded that none of these proposals would result in a strategic transaction that would maximize stockholder value.

On June 29, 2011, Realty Income submitted a preliminary non-binding indicative proposal, which proposal remained subject to approval by Realty Income's investment committee and the Realty Income board of directors, to acquire the real estate portfolio held by ARCT as of May 31, 2011 (which consisted of 350 properties) at a price based on an enterprise value for such assets of \$1.474 billion, with similar valuation metrics to be applied for any properties purchased by ARCT after May 31, 2011. Realty Income proposed using consideration in the form of an unspecified mix of cash, restricted and unrestricted common stock and convertible preferred stock. After discussion and due consultation with ARCT's management and the members of the ARCT Board, Mr. Schorsch communicated to John Case, the Chief Investment Officer of Realty Income, that ARCT did not view Realty Income's proposal as a bona fide proposal to engage in a strategic transaction with ARCT because, among other things, it: (i) failed to provide an adequate consideration price based on cost and current market conditions; (ii) included a mix of consideration other than cash or Realty Income unrestricted common stock, including a difficult to value convertible security; (iii) included lock-ups of ARCT's stockholders; and (iv) provided for an asset sale, instead of a sale of the entire company. Each of the foregoing reasons contributed to a proposal that was problematic and not favorable to ARCT's stockholders and which did not deliver maximum value to ARCT's stockholders. Mr. Schorsch also communicated to Mr. Case that ARCT had significant equity that it had yet to invest in new properties and before considering further a strategic transaction ARCT intended to deploy the funds.

Following Realty Income's initial preliminary proposal, Realty Income responded orally to an inquiry by Goldman Sachs in early July 2011 that Realty Income would be interested in possibly acquiring the portfolio of 258 properties held by ARCT as of December 31, 2010, at a price of \$905 million. Later in the summer of 2011, Realty Income orally indicated to Goldman Sachs a price range for the portfolio of 258 properties of \$930 million to \$950 million, payable in an unspecified mix of cash, restricted and unrestricted common stock and convertible preferred stock. After consultation with ARCT's management and members of the ARCT Board, Goldman Sachs informed Mr. Case that ARCT did not view Realty Income's revised proposal to acquire the portfolio of 258 properties as being in the best interest of ARCT's stockholders and that at the present time ARCT intended to continue to execute on its current business plan of investing its existing equity in the acquisition of additional properties.

On August 25, 2011, Mr. Case updated Realty Income's board of directors on current strategic acquisition opportunities, including a potential transaction with ARCT. Mr. Case provided an overview of ARCT and discussed the strategic rationale for, benefits of, and considerations for a possible transaction with ARCT.

In September 2011, at the direction of ARCT, Goldman Sachs again informed Mr. Case that ARCT intended to invest its existing equity, which ARCT anticipated would occur in late 2011 or early 2012, prior to considering further any strategic transaction. ARCT's management and Goldman Sachs believed that, out of all the previously interested parties, Realty Income showed the greatest level of interest in engaging in a strategic transaction with ARCT, due to, among other things, its size, demonstrated access to and cost of capital, and strategic objectives of increasing its revenue generated by investment grade tenants and further diversifying its portfolio outside of the retail industry.

U.S. financial market conditions worsened in the fall of 2011, and it became clear to the ARCT Board that none of the discussions or proposals arising out of the 2011 strategic process managed by Goldman Sachs would result in a transaction that would maximize ARCT's stockholder value. ARCT management turned its attention to the consideration of other strategic alternatives. In conjunction with the foregoing, during the fall of 2011, ARCT, with the assistance of Goldman Sachs, evaluated potential leveraged recapitalization scenarios, but concluded that it was not feasible to execute a recapitalization that would return sufficient proceeds to ARCT's stockholders while at the same time maintaining the safety of ARCT's dividend. In addition, ARCT management

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continued to focus on completing the acquisition of ARCT's real estate portfolio, thereby demonstrating its ability to close on ARCT's pipeline of proposed acquisitions, improving its credit ratings, and building and improving ARCT's balance sheet through the restructuring of debt and lowering of financing costs.

In late December 2011, ARCT management informed Goldman Sachs that it was evaluating a potential strategic transaction with American Realty Capital Properties, Inc., which we refer to as ARCP, a NASDAQ-listed REIT that is externally advised by an affiliate of AR Capital.

On January 12, 2012, Goldman Sachs provided an update of the status of the ARCT strategic review process. Such discussion included an update of the marketed process of ARCT, status of dialogues with potential third parties, the continuing growth of ARCT's portfolio through 2011 and a review of current market conditions. In addition, Goldman Sachs provided a financial review of the proposed merger with ARCP. After a thorough deliberation, the ARCT Board agreed to further consider the proposed merger with ARCP and requested that Goldman Sachs continue to review this potential transaction.

On January 23, 2012, at a meeting of the ARCT Board, Goldman Sachs provided a further financial review of the proposed merger with ARCP. At this meeting, the ARCT Board agreed to form a special committee to be composed of each independent director of the ARCT Board, which committee would be charged with deliberating on ARCT's strategic alternatives. The next day, ARCT's management informed Goldman Sachs that the special committee had determined not to move forward with the proposed merger with ARCP because of the significant debt leverage that would be associated with such transaction, and the fact that ARCP had indicated that it had decided to pursue an independent strategy. Furthermore, ARCT's management, upon consultation with the ARCT Board, instead began to explore a direct listing of ARCT's shares of common stock on a national securities exchange.

In late January 2012, at the direction of the ARCT Board, Goldman Sachs contacted Realty Income to gauge Realty Income's interest in a possible transaction with ARCT for the entire company. Based on ARCT's understanding that Realty Income would consider submitting a revised proposal to engage in a strategic transaction with ARCT subject to further due diligence, on January 24, 2012, Realty Income was granted access to ARCT's online data room with updated information to conduct further due diligence. No other interested parties contacted Goldman or ARCT with respect to a strategic transaction involving ARCT or its assets at this time.

On January 27, 2012, at a meeting of the ARCT Board, ARCT's management presented an additional strategic alternative for consideration by the ARCT Board, specifically (i) the exploration of an internalization of ARCT's management, (ii) the filing of a registration statement with the SEC relating to an underwritten offering of shares of ARCT common stock, (iii) the listing of the outstanding ARCT common stock on a national securities exchange and (iv) the implementation of a share repurchase by ARCT. After a thorough deliberation, the ARCT Board agreed to consider this proposed strategic alternative further. At this meeting the ARCT Board also disbanded the special committee that had previously been established to consider a transaction with ARCP.

On February 2, 2012, at a meeting of the ARCT Board, Goldman Sachs reviewed various strategic alternatives, including maintaining the status quo, pursuing an institutionally oriented public offering and an associated listing of ARCT's common stock, and a potential transaction with Realty Income. After due and careful deliberation, the ARCT Board approved ARCT management's plan to provide ARCT's stockholders an opportunity to either take advantage of a full liquidity opportunity or remain with ARCT and ARCT's management and grow with ARCT by listing ARCT's common stock on a national exchange. Accordingly, on February 15, 2012, ARCT publicly announced its plan to internalize ARCT's management, list ARCT's shares of common stock on NASDAQ, effect a public offering of its shares of common stock, and commence a self-tender offer for a portion of its shares of common stock.

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On February 7, 2012, the Realty Income board of directors held a regularly scheduled meeting at which Realty Income's management updated the Realty Income board of directors on current strategic acquisition opportunities, including a potential strategic transaction with ARCT.

Shortly after ARCT's February 15, 2012 announcement, Party A, one of the third parties that had not originally submitted a proposal after being contacted by Goldman Sachs as part of the 2011 strategic process, contacted Goldman Sachs to inquire about the announced listing. After conducting a reevaluation of the ARCT real estate portfolio, Party A indicated that it could not value ARCT at or above its initial public offering price of \$10.00 per share, which would make any offer less favorable to ARCT's stockholders and not maximize value to ARCT's stockholders.

On February 20, 2012, at a meeting of the ARCT Board, ARCT's management informed the ARCT Board that a proposal from Realty Income to engage in a strategic transaction with ARCT might be forthcoming.

On February 21, 2012, the Realty Income board of directors held a meeting. At the meeting, Realty Income's management reviewed for the Realty Income board of directors the progress of negotiations with ARCT and provided an updated summary of the current proposal, including the anticipated benefits and considerations of the proposed transaction to Realty Income's stockholders. Following such review and discussion, the Realty Income board of directors authorized Realty Income's management to continue to discuss a possible transaction with ARCT.

On February 21, 2012, ARCT received a new written non-binding indicative proposal from Realty Income, subject to final approval of the Realty Income board of directors, at a price of \$10.25 per share, composed of a fixed exchange ratio of 0.168 shares of Realty Income common stock and \$4.10 in cash. Realty Income's proposal contemplated that 50% of the stock consideration would be subject to a 45-day lock-up and that the remaining 50% would be subject to an additional six month lock-up. Realty Income's proposal contemplated a four week exclusivity and due diligence standstill period that would require the termination of ARCT's internalization and listing process, which process ARCT's management believed would create value for ARCT's stockholders through the market's determination of a more accurate enterprise value. Realty Income's proposal included a per share purchase price significantly lower than ARCT's management's estimates of ARCT's trading price once listed on NASDAQ, based on ARCT's anticipated operating performance, trading levels of comparable companies and a dividend discount analysis.

Goldman Sachs, at the direction of ARCT, engaged in multiple discussions with Realty Income to better understand the indication of interest and explore improvements in the proposed terms.

On February 22, 2012, ARCT communicated to Realty Income that it declined to proceed with further discussions with Realty Income because, among other things, it viewed the proposed consideration as inadequate since it: (i) failed to provide an adequate consideration price based on cost and current market conditions; (ii) included a mix of consideration other than cash or Realty Income unrestricted common stock; (iii) failed to take into consideration any negative tax repercussions to ARCT's stockholders resulting from such form of consideration; (iv) included lock-ups of ARCT's stockholders, and (v) included exclusivity and due diligence standstill provisions that made the proposal too speculative, as Realty Income's previous proposal had been. Each of the foregoing reasons contributed to a proposal that was problematic and less favorable to ARCT's stockholders and which did not deliver maximum value to ARCT's stockholders. ARCT and Realty Income were unable to agree on terms for a potential transaction. As a result, in its ongoing effort to maximize value for its stockholders, the ARCT Board chose to focus on the listing of its common stock on NASDAQ, internalizing its management and completing the proposed underwritten offering and common stock repurchase, and thereby providing immediate liquidity to its non-traded REIT investors.

On March 1, 2012, ARCT internalized the management services previously provided to it by its former sponsor, AR Capital and its affiliates, listed its common stock on NASDAQ, which we refer to as the Listing, and

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commenced a Dutch auction self tender offer at a price range of \$10.50 to \$11.00 per share. At the time of Listing, 100% of ARCT's common stock was held by retail investors, rather than institutional holders.

In connection with the Listing, pursuant to ARCT's charter that had been adopted in connection with ARCT's initial public offering in January 2008, AR Capital was entitled to a subordinated incentive listing fee equal to 15% of the amount, if any, by which (a) the market value of ARCT's outstanding common stock plus distributions paid by ARCT prior to listing exceeds (b) the sum of the total amount of capital raised from stockholders during ARCT's initial public offering and the amount of cash flow necessary to generate a 6% annual cumulative, non-compounded return to such stockholders. For this purpose, (i) the market value of ARCT's common stock is calculated based on the average market value, adjusted to add back any dividends declared during the applicable period, of the shares issued and outstanding at listing over the 30 trading days beginning 180 days after the shares are first listed or included for quotation, and (ii) ARCT had agreed with the Ohio Division of Securities that such fee would be paid by the issuance of a non-interest bearing, non-transferrable promissory note with a maturity of three years that would be subject to mandatory amortization payments from any sale proceeds (except for the interest imputed for tax purposes). Further, if AR Capital elected to convert any unpaid portion of the note into shares of ARCT common stock, the number of shares of ARCT common stock that would be issued upon such conversion would be valued for this purpose at the average market value, adjusted to add back any dividends declared during the applicable period, of ARCT's shares over the 30 trading days beginning 180 days after ARCT's shares were first listed.

In connection with the Listing, the compensation committee of the ARCT Board (consisting entirely of independent directors) approved a performance-based multi-year Outperformance Plan, which we refer to as the OPP. For a description of the OPP Agreements and the amendment thereof, see the section entitled Interests of ARCT's Directors and Executive Officers in the Merger beginning on page 100 of this proxy statement/prospectus.

On March 29, 2012, ARCT publicly announced the repurchase of approximately 11.7% of its outstanding shares of common stock at a price of \$10.50 per share pursuant to the self-tender offer. Due to the oversubscription of the tender offer and pursuant to the terms thereof, ARCT accepted for purchase on a pro rata basis approximately 73.3% of tendered shares. On April 4, 2012, ARCT completed its self-tender offer.

In addition to the completion of the self-tender offer, in the months following the Listing, ARCT's management focused on several initiatives as a listed REIT to improve ARCT's stockholder value, including: (i) increasing sell-side research analyst coverage; (ii) recapitalizing certain high cost mortgage indebtedness; (iii) exercising the accordion feature of its revolving line of credit and obtaining a new term loan facility to increase ARCT's access to growth capital; (iv) meeting with institutional investors; and (v) operating and expanding its investment portfolio. By early August 2012, approximately 46% of ARCT's common stock was held by institutional holders, rather than by retail investors, reflecting the transformative effect of the Listing and the resulting immediate liquidity offered to ARCT's initial non-traded REIT investors. From the time of the Listing to July 31, 2012, approximately 234 million shares of ARCT's common stock traded on NASDAQ with an average daily trading volume of 2.2 million shares. From the period beginning with the Listing through August 21, 2012, ARCT's stock price ranged from \$10.23 to \$11.21.

On August 9, 2012, Mr. Case contacted Mr. Schorsch and indicated Realty Income's interest in revisiting a possible strategic transaction with ARCT. Prior to Mr. Case's contact, no other third party, whether one of the original third parties previously involved in the strategic transaction process led by Goldman Sachs or otherwise, had contacted ARCT or Goldman Sachs in respect of a possible strategic transaction since the Listing. During this discussion, Mr. Case recalled Realty Income's earlier proposals that had been deemed unacceptable by ARCT, and stated that Realty Income was interested in discussing a revised offer to purchase ARCT. Mr. Schorsch stated that any offer must, among other things, be a proposal that (i) included a mix of consideration of only cash or Realty Income unrestricted common stock, (ii) included no lock-ups of ARCT's stockholders, (iii) provided for the sale of the entire company, and (iv) included a premium to ARCT's stockholders. Mr. Case

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informed Mr. Schorsch that any transaction would need to be consistent with Realty Income's strategic objectives, including, increasing Realty Income's funds from operations and adjusted funds from operations on a per share basis and being essentially balance sheet neutral for Realty Income. Mr. Schorsch and Mr. Case discussed that the size and scale of the combined company following a transaction could make it eligible for inclusion in additional indices and provide the combined company with a better cost of capital, which in turn would benefit ARCT's and Realty Income's respective stockholders. Mr. Schorsch and Mr. Case also discussed the fact that there would be no issues relating to integration of the employees of the two entities, as none of ARCT's management or employees would become employees of Realty Income in connection with the proposed transaction despite the Internalization that had previously taken place. Mr. Schorsch and Mr. Case discussed potential synergies and cost savings that might be realized by the combined company as a result of the proposed transaction and the fact that the proposed transaction would result in a larger, more profitable combined company. Mr. Schorsch and Mr. Case agreed that the parties would need to further discuss the Subordinated Incentive Listing Fee Note and the OPP. Mr. Schorsch and Mr. Case discussed that any negotiations between the parties must be conducted confidentially on an expedited basis in order to avoid leaks of material non-public information.

The next day, Mr. Case and Mr. Schorsch continued to discuss a possible strategic transaction between Realty Income and ARCT. Mr. Schorsch reiterated that any transaction must be at a premium to ARCT's stockholders. Mr. Case and Mr. Schorsch also discussed the attractiveness of adding ARCT's real estate portfolio to Realty Income's existing portfolio and strong balance sheet. Mr. Case and Mr. Schorsch also agreed that a stock-for-stock transaction would be beneficial to both ARCT's stockholders and Realty Income's stockholders. The same day, Mr. Schorsch advised ARCT's management and members of the ARCT Board of his conversations with Mr. Case and of Realty Income's interest in a transaction with ARCT. From August 9, 2012 through September 5, 2012, Mr. Case and Mr. Schorsch had numerous discussions with each other and with their respective boards of directors and management, regarding various aspects of the proposed transaction.

On August 11, 2012, ARCT had internal calls with ARCT's management, ARCT's internal legal counsel and Proskauer to discuss the possible transaction with Realty Income.

On August 13, 2012, the ARCT Board held a meeting during which the ARCT Board discussed the indication of interest by Realty Income, with considerable attention paid to the potential that such proposal might result in substantial long-term value creation for ARCT's stockholders. The ARCT Board also discussed that the indication of interest by Realty Income (i) provided an adequate consideration price based on cost and current market conditions; (ii) provided an attractive mix of consideration; (iii) did not include lock-ups of ARCT's stockholders; (iv) did not result in negative tax repercussions for ARCT's stockholders; and (v) provided for the sale of the entire company. After due and careful deliberation, the ARCT Board granted ARCT's management approval to initiate discussions with Realty Income and agreed to entertain a possible proposal from Realty Income, subject to conducting a thorough due diligence review and analysis of Realty Income and the terms and conditions of any proposal, further discussions and deliberations with ARCT's management, and the discharge of the ARCT Board's fiduciary duties to its stockholders. On the same day, ARCT and Realty Income executed an amendment to the existing mutual nondisclosure agreement.

On August 16, 2012, the Realty Income board of directors held a meeting. At the meeting, Realty Income's management provided an overview of ARCT's business and an update on the status of due diligence and negotiations with ARCT's management regarding the proposed transaction. Realty Income's management also reviewed with the Realty Income board of directors financial information and analysis regarding ARCT, the proposed merger, various issues pertaining to ARCT and the strategic rationale, the anticipated benefits and the considerations of the proposed transaction to Realty Income's stockholders. Additionally, the Realty Income board of directors discussed formally engaging BofA Merrill Lynch and Wells Fargo Securities as financial advisors, which investment banking firms have had longstanding relationships with Realty Income, are familiar with Realty Income and its business and are considered premier financial advisory firms for REIT merger and acquisition transactions. Accordingly, Realty Income decided to engage both investment banking firms as

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financial advisors to provide greater depth and diversity of financial advice and no distinction was made as to specific roles of each financial advisor. The engagements of BofA Merrill Lynch and Wells Fargo Securities were finalized by the end of August 2012.

On August 16, 2012, Mr. Case contacted Mr. Schorsch regarding the exchange ratio in a stock for stock transaction. Mr. Case initially proposed an exchange ratio of 0.2841 shares of Realty Income common stock in exchange for each share of ARCT common stock, which would equate \$11.80 per share of ARCT common stock based on the closing price of Realty Income's common stock of \$41.54 per share on August 16, 2012. Mr. Schorsch indicated to Mr. Case that the proposed exchange ratio of 0.2841 was not acceptable as it did not maximize ARCT's stockholder value.

On August 17, 2012 after further discussion by Mr. Case with Realty Income's management and with Mr. Schorsch, Mr. Case proposed to Mr. Schorsch a revised exchange ratio of 0.2874, which at Realty Income's after market price on August 17, 2012 of \$41.75 per share, would equate to \$12.00 per share of ARCT common stock, and based on the closing price for ARCT's common stock of \$11.30, represented a 6.2% premium. Mr. Schorsch and Mr. Case also discussed the reduction of management compensation contractually due under existing obligations, including forgoing a portion of the amounts payable under the OPP Agreements and creating a cap and a floor of the Subordinated Incentive Listing Fee Note. Finally, Mr. Schorsch and Mr. Case discussed the potential positive impact that the proposed transaction would have on each of ARCT's stockholders and Realty Income's stockholders. The same day, Mr. Schorsch advised ARCT management of the discussions with Mr. Case.

Also on that date, at a meeting of the ARCT Board, Goldman Sachs presented a review of the 2011 strategic process, including Realty Income's participation in the process, and Realty Income's earlier proposals in 2012. Goldman Sachs also discussed ARCT's and Realty Income's stock market performance since March 1, 2012, and the premium represented by the proposed exchange ratio of 0.2874. After due and careful deliberation, the ARCT Board concluded that it was in the best interests of ARCT's stockholders to authorize ARCT management, with the advice of counsel and its financial advisor, to continue discussions with Realty Income. Accordingly, the Board approved authorizing ARCT management to negotiate a proposed transaction with Realty Income on the terms presented to the Board, subject to conducting thorough and extensive due diligence on Realty Income, further detailed analysis by the ARCT Board, management and its advisors of the terms of the proposal, and a complete analysis of the benefits and risks of any merger, and customary conditions for transactions of this size and scope. The ARCT Board viewed this proposal as compelling because, among other things, Realty Income was willing to acquire ARCT as a whole, the exchange ratio implied a capitalization rate for ARCT's assets of 5.9%, the transaction could be effectuated on a tax-free basis, and Realty Income possessed, in the view of ARCT management, a strong balance sheet and the most attractive common stock currency in the publicly-traded net lease REIT market. The ARCT Board also approved the engagement of Proskauer to begin work related to the proposed transaction.

On August 18, 2012, Mr. Case and Mr. Schorsch continued to have discussions regarding the structure of the transaction and the OPP Agreements. These discussions also covered a proposed floor and cap on the amount of the Subordinated Incentive Listing Fee and cap on certain of ARCT's transaction expenses. On the same day, ARCT received from Realty Income a draft indicative non-binding term sheet, subject to final approval of the Realty Income board of directors, reflecting a stock-for-stock merger pursuant to which ARCT's stockholders would receive Realty Income shares at a fixed exchange ratio of 0.2874 shares of Realty Income common stock for each share of ARCT common stock, as well as an exclusivity agreement that contemplated a four week due diligence and exclusivity period. The draft indicative non-binding term sheet also contemplated a floor and a cap to amounts payable under the Subordinated Incentive Listing Fee Note and caps on certain of ARCT's transaction expenses and change of control payments under management agreements and company plans.

On August 19, 2012, after multiple internal calls over the weekend between ARCT's management, Goldman Sachs, ARCT's internal legal counsel and Proskauer, the exchange of multiple drafts of the term sheet and

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exclusivity agreement between Proskauer and Latham & Watkins LLP, which we refer to as Latham & Watkins, outside legal counsel to Realty Income, and a call between Proskauer and Latham & Watkins, the term sheet was finalized and agreed to by the parties and ARCT signed an exclusivity agreement providing for a due diligence and exclusivity period through September 7, 2012.

Later that day, at a meeting of the ARCT Board, after due and careful discussion, the ARCT Board unanimously (i) reaffirmed, ratified and approved the execution of the exclusivity agreement and the agreement on the term sheet as consistent with its previously provided authorization, and (ii) affirmed, ratified and approved the engagement of Proskauer and Venable LLP, which we refer to as Venable, as ARCT's external New York and Maryland legal counsel, respectively, and the continued engagement of Goldman Sachs as ARCT's financial advisor. Venable also made a presentation to the members of the ARCT Board regarding the duties of directors under Maryland law. In addition, Goldman Sachs reviewed the anticipated next steps relating to financial and property due diligence for the proposed transaction with Realty Income.

On August 21, 2012, at a meeting of the ARCT Board, Goldman Sachs provided an overview of Realty Income's business, dividend history, management and board composition, current types of securities outstanding, share price performance and historical and current trading multiples. Proskauer also reviewed a due diligence memorandum provided to the ARCT Board prior to the meeting regarding its review of Realty Income's recent public filings, and ARCT's management made a presentation to the ARCT Board regarding its preliminary due diligence review. ARCT's management also presented to the ARCT Board materials prepared by FTI Consulting, which we refer to as FTI, and their materials, which we refer to as the FTI Report, an independent consulting firm that advised ARCT and the independent directors of the ARCT Board in connection with the OPP, summarizing amounts due to ARCT's management in connection with a transaction that would be deemed to be a change of control transaction under the ARCT's existing incentive plans. Such analysis determined that approximately \$31.573 million would be due to ARCT's management under the existing incentive plans (assuming the maximum amount of LTIP Units under the OPP Agreements were issued under such plans) if a contractually defined change of control or similar transaction were to occur. Under the agreed upon term sheet with Realty Income, change of control payments under management agreements and company plans, including under ARCT's incentive plans, would be capped at \$22 million.

Also on that day, ARCT and its advisors were provided access to Realty Income's online data room, which contained certain non-public information concerning Realty Income's business and operations.

On August 22, 2012, Latham & Watkins circulated to ARCT, Goldman Sachs and Proskauer an initial draft of the merger agreement in connection with the possible transaction.

On August 23, 2012, at a meeting of the ARCT Board, Goldman Sachs reviewed Realty Income's stock price movements relative to ARCT's stock price movements, as well as illustrative share price calculations. In addition, ARCT's management presented updated due diligence materials regarding Realty Income's portfolio and the combined portfolio of Realty Income and ARCT following the proposed merger.

On August 23, 2012, the Realty Income board of directors held a regularly scheduled meeting at which it discussed the proposed merger with ARCT. At the meeting, Realty Income management reviewed the strategic rationale and the anticipated benefits and considerations of the proposed transaction to Realty Income's stockholders, the history of negotiations with ARCT and an updated summary of the negotiations regarding the proposed merger. BofA Merrill Lynch and Wells Fargo Securities then discussed financial information regarding ARCT, Realty Income and the proposed merger.

On August 24, 2012, Proskauer circulated to Latham & Watkins comments to the draft merger agreement. Also on that day, at a meeting of the ARCT Board, Goldman Sachs reviewed further background information on Realty Income's and ARCT's respective portfolios and financial condition, and ARCT's management reported on the status of negotiations with Realty Income.

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In addition, on August 24, 2012, at a meeting of the independent directors of the ARCT Board, the independent directors considered two conditions of the proposed transaction that Realty Income required of ARCT. First, the independent directors considered the requirement that the maximum amount payable under ARCT's annual plan and the vested value of any LTIP Units issued pursuant to the OPP Agreements be capped at \$22 million. The independent directors discussed the FTI Report and FTI's determination that \$31.573 million would be the minimum amount due under ARCT's incentive plans as of August 17, 2012. The independent directors pointed out that management was accepting a substantial reduction in the amount of the payments in respect of their OPP awards and a change in the structure of the OPP to satisfy Realty Income's requirements. Based upon the FTI Report, the fact that the cap had been requested by Realty Income, management's willingness to accept the capped payments in respect of their OPP awards, and the positive effect of the changes on ARCT's stockholders, the independent directors unanimously approved a contingent resolution, effective only if the proposed transaction with Realty Income was consummated, to cap the amounts payable under ARCT's incentive plans at \$22 million for 2012. Second, the independent directors considered Realty Income's requirement that the Subordinated Incentive Listing Fee Note be changed to include a cap of \$76 million and its agreement to a floor of \$58.6 million, its requirement that the conversion feature be eliminated, and its requirement that the Subordinated Incentive Listing Fee Note be fully paid at or before the closing of the proposed merger. The independent directors considered a sensitivity analysis prepared by management and discussed the possibility that the 30-day trading price of ARCT's common stock during the applicable measurement period (August 28, 2012 through October 8, 2012) could produce a lower or higher face amount for the Subordinated Incentive Listing Fee Note than the floor and cap discussed with Realty Income. The independent directors also discussed the fact that the modification requires AR Capital, as the holder of the note, to forgo significant potential upside given the fact that it had the right to exchange the note three years after issuance for common stock based on the exchange price that equals the average price of ARCT's common stock during the 30 trading days between August 28, 2012 and October 8, 2012. Based upon those considerations, the independent directors provisionally supported the proposed modification with the ultimate approval being subject to final approval by the independent directors of the proposed transaction in its entirety. For a further description of the ARCT Incentive Plans and the Subordinated Incentive Listing Fee Note, see the section entitled "Interests of ARCT's Directors and Executive Officers in the Merger" beginning on page 100 of this proxy statement/prospectus.

On August 26, 2012, Latham & Watkins circulated to Proskauer comments to the revised draft of the merger agreement.

The next day, Proskauer, Latham & Watkins and representatives from ARCT had a conference call to discuss the revised draft of the merger agreement that Latham & Watkins had circulated to Proskauer.

On August 27, 2012, at a meeting of the ARCT Board, Goldman Sachs provided further background information on Realty Income, and ARCT's management reported on the status of negotiations with Realty Income.

On August 29, 2012, Proskauer circulated to Latham & Watkins comments to the revised draft of the merger agreement as well as an initial draft of ARCT's disclosure letter to the merger agreement. Also on that day, at a meeting of the Board, ARCT's management reported on the status of negotiations with Realty Income. When the LTIP unit pool was adopted by the independent directors of the ARCT Board on March 1, 2012, it was their intention that 100% of the LTIP pool be allocated to eligible participants. In connection with the agreement that the incentive payments to Messrs. Schorsch and Kahane be reduced and limited to the Incentive Cap, the ARCT Board determined that to the extent possible such amounts should be paid from the LTIP unit pool because (i) since the LTIP units subject to pool were already reserved for issuance, they would not further dilute ARCT stockholders, and (ii) it would not require any additional cash payments from ARCT. Accordingly, the ARCT Board determined that the remaining LTIP unit pool should be allocated to Messrs. Schorsch and Kahane, subject to the Incentive Cap. After taking into account the grant of the remaining LTIP unit pool to Messrs. Schorsch and Kahane, the amounts that they will be eligible to receive, subject to the Incentive Cap, will still be less than the

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amounts that they otherwise would have been entitled to receive pursuant to their original LTIP units under the Incentive Plans absent the Incentive Cap.

In addition, on August 29, 2012, at a meeting of the independent directors of the ARCT Board, the independent directors unanimously approved the grant of the remaining 30% of the LTIP Units under the OPP that had not been granted to date, which additional awards would also be subject to the \$22 million cap required by Realty Income. The independent directors also considered further Realty Income's requirement that the Subordinated Incentive Listing Fee Note be changed to have a cap of \$76 million and Realty Income's agreement to a floor of \$58.6 million.

On August 30, 2012, at a meeting of the independent directors of the ARCT Board, the independent directors further discussed Realty Income's required changes to the Subordinated Incentive Listing Fee Note. After discussion, the independent directors unanimously approved the following modifications to the Subordinated Incentive Listing Fee Note: (i) a maximum principal amount of \$76 million; (ii) the note would be payable on demand in cash upon five days' written notice of AR Capital, the holder of the note; (iii) AR Capital would relinquish its right to convert the principal amount of the note into ARCT common stock; and (iv) the floor amount of the note would be the lesser of \$58.6 million or the implied average trading price for ARCT's common stock based on applying the exchange ratio of 0.2874 to the average trading price of Realty Income's common stock, commencing on August 28, 2012, and ending on the day before the merger agreement is executed and publicly announced.

On August 31, 2012, Proskauer, Latham & Watkins and representatives from ARCT had multiple conference calls to discuss, among other things, the revised draft of the merger agreement that Proskauer had circulated to Latham & Watkins.

On September 2, 2012, Proskauer, Latham & Watkins, representatives from ARCT and representatives from Realty Income had a conference call to discuss the revised draft of the merger agreement that Proskauer had circulated to Latham, including, among other things, the restrictions on ARCT's and Realty Income's operations between the execution of the merger agreement and the closing, the force-the-vote provision that had been requested by Realty Income (which provision was not included in the final version of the merger agreement, at ARCT's insistence), and the provisions regarding the termination fee and expense reimbursement, including the amounts thereof, and the instances in which they would be payable.

On September 3, 2012, Latham & Watkins circulated to Proskauer comments to the revised draft of the merger agreement and an initial draft of the voting agreement.

On September 4, 2012, Proskauer circulated to Latham & Watkins comments to the revised draft of the merger agreement. On the same day, Latham & Watkins circulated to Proskauer an initial draft of Realty Income's disclosure letter and an initial draft of the side letter relating to, among other things, certain of ARCT's transaction expenses.

On September 5, 2012, Latham & Watkins circulated to Proskauer comments to the revised draft of the merger agreement. On each of September 5, 2012 and September 6, 2012, representatives of ARCT and Realty Income, as well as their respective counsel, continued to negotiate the terms of the merger agreement and the other transaction documents and continued to exchange drafts of such.

On September 5, 2012, at a meeting of the ARCT Board, Goldman Sachs presented its financial analysis of the transaction, Proskauer provided the ARCT Board a detailed review of the merger agreement and a detailed update of its legal due diligence review with respect to Realty Income, and management made another presentation regarding its due diligence review with respect to Realty Income. In addition, at a meeting of the independent directors of the ARCT Board, the independent directors considered a modification requested by AR Capital with respect to the Subordinated Incentive Listing Fee Note, which modification would remove the cap of

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\$76 million on the principal amount of the note if the proposed transaction with Realty Income was not consummated. The independent directors agreed to this request, but AR Capital later withdrew it, and it did not become a part of the ultimate agreement concerning the Subordinated Incentive Listing Fee Note.

Also on September 5, 2012, the Realty Income board of directors held a special meeting to discuss the proposed merger with ARCT. At the meeting, Realty Income's management provided an update to the Realty Income board of directors on the negotiation of the proposed merger and summarized the results of its due diligence review of ARCT. Representatives of Latham & Watkins then reviewed the material terms of the proposed merger agreement and addressed and discussed the results of its due diligence review of ARCT. Also at this meeting, BofA Merrill Lynch and Wells Fargo Securities each separately reviewed with the Realty Income board of directors its financial analysis of the 0.2874 exchange ratio provided for in the merger and each separately delivered to the Realty Income board of directors an oral opinion, which was confirmed by delivery of a written opinion dated September 5, 2012, to the effect that, as of that date and based on and subject to various assumptions and limitations described in its opinion, such exchange ratio was fair, from a financial point of view, to Realty Income. Following discussions and deliberations by Realty Income's board of directors, the Realty Income board of directors unanimously approved the merger agreement and the transactions contemplated by the merger agreement.

On the morning of September 6, 2012, at a meeting of the ARCT Board, Goldman Sachs rendered to the ARCT Board its oral opinion, which was subsequently confirmed in writing, that, as of September 6, 2012, and based upon and subject to the limitations and assumptions set forth in the written opinion, the exchange ratio of 0.2874 shares of Realty Income common stock to be paid for each share of ARCT common stock pursuant to the merger agreement was fair from a financial point of view to the holders (other than Realty Income and its affiliates) of ARCT common stock. Following deliberations, the ARCT Board determined it was in the best interests of ARCT and its stockholders to enter into the merger agreement with Realty Income. Accordingly, the ARCT Board (i) unanimously determined that the merger agreement, merger and the other transactions contemplated thereby are advisable, fair to, and in the best interests of ARCT and its stockholders and approved the merger agreement, the merger and the other transactions contemplated thereby and (ii) recommended that the stockholders approve the merger and the other transactions contemplated by the merger agreement.

On the morning of September 6, 2012, before the U.S. stock markets opened, ARCT and Realty Income executed and delivered the merger agreement and certain ancillary documents and issued a joint press release announcing the merger.

Recommendation of Realty Income's Board of Directors and Its Reasons for the Merger

By vote at a meeting held on September 5, 2012, Realty Income's board of directors unanimously (i) determined that the merger agreement and the merger, including the issuance of Realty Income common stock in connection with the merger, are advisable and in the best interests of Realty Income and its stockholders; (ii) approved the merger agreement, the merger and the other transactions contemplated thereby; and (iii) approved the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement. **Realty Income's board of directors unanimously recommends that Realty Income stockholders vote FOR the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement and FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the issuance of shares of Realty Income common stock to ARCT stockholders pursuant to the merger agreement.**

In evaluating the merger agreement, Realty Income's board of directors consulted with Realty Income's management and legal and financial advisors and, in deciding to approve the merger agreement and to recommend that Realty Income stockholders vote to approve the issuance of Realty Income common stock to

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ARCT stockholders pursuant to the merger agreement, Realty Income's board of directors considered several factors that it viewed as supporting its decision, including the following material factors:

because a substantial portion of the rental revenue added by the merger will be generated by investment-grade tenants, the merger is expected to significantly advance Realty Income's strategic objective to further enhance the credit quality of its real estate portfolio;

the belief that the merger will immediately increase and be accretive to Realty Income's funds from operations and adjusted funds from operations and that, following the merger, Realty Income will be able to increase its dividend, while maintaining a conservative payout ratio;

following the merger, Realty Income's real estate portfolio will be more diversified by industry, tenant and asset class;

the combined real estate portfolio will have higher occupancy rates and average lease term, and the merger is expected to reduce Realty Income's exposure to near-term lease expirations;

based on current stock prices, the merger will create the largest publicly traded net lease REIT by equity value, which is expected to enhance Realty Income's ability to execute large, accretive transactions;

the expectation that the merger will be essentially balance sheet neutral, despite substantially growing the overall size of Realty Income's balance sheet;

because none of the employees of ARCT will remain with the combined company and all of the properties owned by ARCT are net leased properties similar to Realty Income's existing property portfolio, any integration, additional resources or ongoing expenses required to integrate the ARCT properties are expected to be minimal;

the exchange ratio is fixed and will not fluctuate as a result of changes in the price of Realty Income common stock or ARCT common stock, and a fixed exchange ratio limits the impact of external factors on the transaction;

the Realty Income board of directors' and management's strong understanding of the business, operations, financial condition, earnings and prospects of Realty Income and ARCT, taking into account the results of Realty Income's due diligence review of ARCT, as well as of the current and prospective environment in which Realty Income and ARCT operate, including economic and market conditions;

the separate opinions, each dated September 5, 2012, of BofA Merrill Lynch and Wells Fargo Securities to Realty Income's board of directors as to the fairness, from a financial point of view and as of such date, to Realty Income of the exchange ratio provided for in the merger pursuant to the merger agreement, which opinions were based on and subject to the assumptions made, procedures followed, factors considered and limitations on the review undertaken as more fully described below in the section entitled "Opinions of Realty Income's Financial Advisors"; and

the commitment of both parties to complete the merger pursuant to their respective obligations under the terms of the merger agreement, and the likelihood that the stockholder approvals needed to complete the merger will be obtained in a timely manner,

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which is supported in part by the voting agreement entered into by Nicholas S. Schorsch, the chairman of the board of directors of ARCT, and William M. Kahane, the chief executive officer, president and a director of ARCT, with Realty Income and ARCT to vote in favor of the transactions contemplated by the merger agreement.

Realty Income's board of directors also considered a variety of risks and other potentially negative factors concerning the merger agreement and the transactions contemplated by it, including the merger. These factors included:

the possibility that the merger may not be completed, or that completion may be unduly delayed, including because ARCT stockholders may not approve the merger and the other transactions

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contemplated by the merger agreement, Realty Income stockholders may not approve the issuance of shares of Realty Income common stock to ARCT stockholders in connection with the merger or because of reasons beyond the control of Realty Income and/or ARCT;

the risk that failure to complete the merger could negatively affect the price of Realty Income common stock and future business and financial results of Realty Income;

the potential risk of diverting management focus and resources from operational matters and other strategic opportunities while working to implement the merger;

the risk of not capturing all of the anticipated operational synergies and cost savings between Realty Income and ARCT and the risk that other anticipated benefits might not be realized in the expected timeframe or at all;

the substantial costs to be incurred in connection with the transaction, including the costs of integrating the businesses of Realty Income and ARCT and the transaction expenses arising from the merger;

the restrictions on the conduct of Realty Income's business between the date of the merger agreement and the date of the closing of the merger;

the obligation to pay to ARCT \$4 million in expense reimbursement if the merger agreement is terminated under certain circumstances; and

other matters described under the caption "Risk Factors."

This discussion of the information and factors considered by Realty Income's board of directors in reaching its conclusion and recommendations is not intended to be exhaustive and is not provided in any specific order or ranking. In view of the wide variety of factors considered by Realty Income's board of directors in evaluating the merger agreement and the transactions contemplated by it, including the merger, and the complexity of these matters, Realty Income's board of directors did not find it practicable to, and did not attempt to, quantify, rank or otherwise assign relative weight to those factors. In addition, different members of Realty Income's board of directors may have given different weight to different factors. Realty Income's board of directors did not reach any specific conclusion with respect to any of the factors considered and instead conducted an overall review of such factors and determined that, in the aggregate, the potential benefits considered outweighed the potential risks or possible negative consequences of approving the merger agreement and the issuance of shares of Realty Income common stock thereunder.

This explanation of the reasoning of Realty Income's board of directors and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading "Cautionary Statement Concerning Forward-Looking Statements."

Recommendation of ARCT's Board of Directors and Its Reasons for the Merger

The ARCT board of directors has unanimously approved the merger agreement and determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable, fair to and in the best interests of ARCT and its stockholders. The decision of the ARCT board of directors to enter into the merger agreement was the result of careful consideration by the ARCT board of directors of numerous factors, including the following material factors:

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the value of the merger consideration, which, based on the closing price per Realty Income common share on September 5, 2012 (the last full trading day before announcement of the proposed merger), implied a value of \$12.21 per share of ARCT common stock, representing a premium of approximately 6.8% over the average closing price per share of ARCT common stock over the 30 calendar days prior to September 5, 2012 and a premium of approximately 12.3% over the average closing price per share of ARCT common stock since March 1, 2012, the date that ARCT's common stock was listed on the NASDAQ;

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as a result of its increased size and scale, the combined company, which will be the largest publicly traded net lease REIT by enterprise value and equity market capitalization and one of the largest publicly traded REITs in the U.S., is expected to have a strategic advantage over its competitors in successfully executing on large acquisition opportunities;

the expectation that after the closing of the merger, ARCT's former stockholders will benefit from improved liquidity as a result of the increased equity capitalization and the increased stockholder base of the combined company;

the combined company will have a property portfolio with greater diversification by asset class and tenant/operator than ARCT currently possesses;

as a result of its larger size, access to multiple forms of capital and investment grade balance sheet, the combined company will have lower cost of debt capital than ARCT on a stand-alone basis and substantially all of its competitors operating in the net lease real estate market, thereby enabling the combined company to fund its external acquisition growth strategy at a lower cost;

as shareholders of the combined company, former ARCT shareholders will immediately benefit from the investment grade credit rating of the combined company without the time and risk that would be associated with ARCT potentially achieving an investment grade rating on its own;

as an experienced issuer of public securities, the combined company should be able to raise capital in the public capital markets more easily and cheaply than would ARCT which has not previously completed an underwritten offering of equity or debt securities;

the combined company will be able to achieve greater economies of scale than ARCT on a stand-alone basis by allocating Realty Income's operating platform over a larger portfolio;

the combination of ARCT and Realty Income is expected to result in the realization of annual general and administrative cost savings of approximately \$4 million;

because the merger consideration consists of Realty Income common stock and the exchange ratio is fixed, ARCT stockholders will benefit from any increase in the trading price of Realty Income common shares between the announcement of the merger and the closing of the merger and any increases following the closing of the merger, whether from future growth in funds from operations per share or as a result of any premium paid to Realty Income stockholders in connection with a future acquisition of Realty Income;

the merger is expected to be immediately accretive to Realty Income's funds from operations and funds available for distribution, and that the combined company's stockholders after the closing of the merger will benefit from a stable and secure dividend with above-average growth potential;

the ARCT board of directors' understanding of the information concerning ARCT's and Realty Income's respective businesses, financial performance, condition, operations, management, competitive positions, prospects and stock performance, including the report of ARCT's management on the results of ARCT's due diligence review of Realty Income and its assets, liabilities, earnings, financial condition, business and prospects, which confirmed the positive view of Realty Income's business and supported the ARCT board of directors' determination that the combined company would have a strong foundation for growth and improved performance;

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in light of the review of potential strategic alternatives conducted by ARCT in May 2011 (see the section entitled "Background of the Merger" beginning on page 53 of this proxy statement/prospectus), the ARCT board of directors did not believe that it was likely that another party would make or accept an offer to engage in a transaction with ARCT that would be more favorable to ARCT and its stockholders than the merger;

the oral opinion of Goldman Sachs rendered to the ARCT board of directors, which was subsequently confirmed in writing, to the effect that as of September 4, 2012, and subject to the limitations and

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assumptions set forth in Goldman Sachs' written opinion, the exchange ratio of 0.2874 shares of Realty Income common stock to be paid for each share of ARCT common stock pursuant to the merger agreement was fair from a financial point of view to the holders (other than Realty Income and its affiliates) of shares of ARCT common stock. For a discussion of Goldman Sachs' opinion and the financial analyses presented by Goldman Sachs to the ARCT board of directors in connection with the delivery of its opinion, please refer to the section entitled "Opinion of ARCT's Financial Advisor" beginning on page 88 of this proxy statement/prospectus.

the ability to complete the merger within a reasonable period of time, including the likelihood of receiving the Realty Income and ARCT stockholder approvals necessary to complete the transaction in a timely manner and the necessary third party consents and other approvals in light of the efforts ARCT and Realty Income agreed to use in order to complete the transaction;

the merger agreement provisions permitting ARCT to furnish non-public information to, and engage in discussions with, a third party that makes an unsolicited bona fide written proposal to engage in a business combination transaction, provided that the ARCT board of directors determines in good faith, (i) after consultation with outside legal counsel and financial advisors, that the proposal is reasonably likely to result in a transaction that, if consummated, would be more favorable to ARCT stockholders than the merger, and (ii) after consultation with outside legal counsel, that failure to take such action would be inconsistent with the directors' duties under applicable law (see the section entitled "The Merger Agreement, Covenants and Agreements, No Solicitation of Transactions by ARCT" beginning on page 140 of this proxy statement/prospectus);

the merger agreement provisions permitting the ARCT board of directors to, under certain circumstances, withhold, withdraw, modify or qualify its recommendation with respect to the merger if (i) the ARCT board of directors receives an unsolicited bona fide written proposal to engage in a business combination transaction that, in the good faith determination of the ARCT board of directors, after consultation with outside legal counsel and financial advisors, constitutes a transaction that, if consummated, would be more favorable to ARCT stockholders than the merger, and (ii) the ARCT board of directors determines in good faith, after consultation with outside legal counsel, that failure to take such action would be inconsistent with the directors' duties under applicable law, and, subject to the requirement to pay the termination fee and expense reimbursement referenced below, terminate the merger agreement (see the section entitled "The Merger Agreement, Covenants and Agreements, No Solicitation of Transactions by ARCT" beginning on page 140 of this proxy statement/prospectus);

the structure of the transaction and the terms of the merger agreement, including the fact that the merger is intended to qualify as a reorganization within the meaning of the Code and is, therefore, not expected to be taxable to ARCT stockholders, other than with respect to cash received in lieu of fractional Realty Income common shares;

the fact that the amounts under the OPP Agreements and ARCT's Annual Incentive Plan were subject to a maximum threshold which will result in a significant reduction in the amounts earned thereunder (see the section entitled "Interests of ARCT's Directors and Executive Officers in the Merger" beginning on page 100 of this proxy statement/prospectus); and

the fact that the principal amount payable under the Subordinated Incentive Listing Fee Note was subject to a maximum threshold and provisions relating to future exchanges were eliminated.

The ARCT board of directors also identified and considered the following potentially negative factors in its deliberations:

because the merger consideration is Realty Income stock and the exchange ratio is fixed, ARCT stockholders will be adversely affected by any decrease in the trading price of Realty Income common shares between the announcement of the transaction and the completion of the merger, which would not have been the case had the consideration been based solely on a fixed value (that is, a fixed dollar

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amount of value per share in all cases); and the fact that ARCT is not permitted to terminate the merger agreement solely because of changes in the market price of Realty Income common shares;

based on the exchange ratio and the monthly dividend most recently announced by Realty Income of \$0.1514375 per share, the pro forma equivalent dividend to be paid to ARCT stockholders is approximately \$0.04352 per share, which is less than the monthly dividend of \$0.05958 per share most recently paid by ARCT;

the possible disruption to ARCT's or Realty Income's business that may result from the announcement of the transaction;

the risk that the cost savings, operational synergies and other benefits expected result from the transaction might not be fully realized or not realized at all;

the terms of the merger agreement regarding the restrictions on the operation of ARCT's business during the period between the signing of the merger agreement and the completion of the merger;

the \$51 million termination fee and/or \$4 million expense reimbursement to be paid to Realty Income if the merger agreement is terminated under circumstances specified in the merger agreement, which is approximately 2.8% of the net equity value of the merger based on the closing price per share of Realty Income's common stock on September 5, 2012, the last full trading day immediately preceding the announcement of the transaction, may discourage other parties that may otherwise have an interest in a business combination with, or an acquisition of, ARCT (see the section entitled "The Merger Agreement Termination of the Merger Agreement" beginning on page 146 of this proxy statement/prospectus);

the terms of the merger agreement placing limitations on the ability of ARCT to solicit, initiate, knowingly encourage or facilitate any inquiry, discussion, offer or request that would reasonably be expected to result in alternative business combination transactions and to furnish non-public information to, or engage in discussions or negotiations with, a third party interested in pursuing an alternative business combination transaction (see the section entitled "The Merger Agreement Covenants and Agreements No Solicitation of Transactions by ARCT" beginning on page 140 of this proxy statement/prospectus);

the possibility that the merger may not be completed or may be unduly delayed because the ARCT stockholders may not approve the merger and the other transactions contemplated by the merger agreement, the Realty Income stockholders may not approve the issuance of shares of Realty Income common stock to ARCT stockholders in connection with the merger, or other factors outside of ARCT's control;

the risk that the merger might not be completed and the effect of the resulting public announcement of termination of the merger agreement on:

the market price of ARCT common stock,

ARCT's operating results, particularly in light of the costs incurred in connection with the transaction, and

ARCT's ability to attract and retain tenants and personnel;

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the substantial costs to be incurred in connection with the transaction, including the costs of integrating the businesses of ARCT and Realty Income and the transaction expenses arising from the merger;

the potential risk of diverting management focus and resources from operational matters and other strategic opportunities while working to implement the merger;

the absence of appraisal rights for ARCT stockholders under Maryland law;

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the fact that a portion of the LTIP Units issued under the OPP Agreements will vest immediately in connection with the merger which may accelerate the rights the LTIP Unit holders have with respect thereto (see the section entitled **Interests of ARCT's Directors and Executive Officers in the Merger** beginning on page 100 of this proxy statement/prospectus);

the addition of a floor and demand payment feature to the Subordinated Incentive Listing Fee Note (see the section entitled **Interests of ARCT's Directors and Executive Officers in the Merger** beginning on page 100 of this proxy statement/prospectus); and

the risks described in the section entitled **Risk Factors** beginning on page 23 of this proxy statement/prospectus.

The ARCT board of directors also considered the interests that certain executive officers and directors of ARCT may have with respect to the merger in addition to their interests as stockholders of ARCT generally (see the section entitled **Interests of ARCT's Directors and Executive Officers in the Merger** beginning on page 100 of this proxy statement/prospectus), which the ARCT board of directors considered as being neutral in its evaluation of the proposed transaction.

Although the foregoing discussion sets forth the material factors considered by the ARCT board of directors in reaching its recommendation, it may not include all of the factors considered by the ARCT board of directors, and each director may have considered different factors or given different weights to different factors. In view of the variety of factors and the amount of information considered, the ARCT board of directors did not find it practicable to, and did not, make specific assessments of, quantify or otherwise assign relative weights to the specific factors considered in reaching its recommendation. The ARCT board of directors realized that there can be no assurance about future results, including results expected or considered in the factors above. However, the ARCT board of directors concluded that the potential positive factors described above significantly outweighed the neutral and negative factors described above. The recommendation was made after consideration of all of the factors as a whole. This explanation of ARCT's reasons for the merger and the other information presented in this section are forward-looking in nature and, therefore, should be read in light of the factors discussed in the section entitled **Cautionary Statement Regarding Forward-Looking Statements** beginning on page 31 of this proxy statement/prospectus.

THE ARCT BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED THE MERGER AGREEMENT AND DETERMINED THAT THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT, INCLUDING THE MERGER, ARE ADVISABLE, FAIR TO AND IN THE BEST INTERESTS OF ARCT AND ITS STOCKHOLDERS. ACCORDINGLY, THE ARCT BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE ARCT STOCKHOLDERS VOTE FOR APPROVAL OF THE MERGER AND THE OTHER TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT.

In considering the recommendation of the ARCT board of directors with respect to the merger agreement, you should be aware that certain of ARCT's directors and officers have arrangements that cause them to have interests in the transaction that are different from, or are in addition to, the interests of ARCT stockholders generally. See the section entitled **Interests of ARCT's Directors and Executive Officers in the Merger** beginning on page 100 of this proxy statement/prospectus.

The explanation of the reasoning of ARCT's board of directors and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading **Cautionary Statement Concerning Forward-Looking Statements**.

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Opinions of Realty Income's Financial Advisors

BofA Merrill Lynch

Realty Income has retained BofA Merrill Lynch to act as one of its financial advisors in connection with the merger. BofA Merrill Lynch is an internationally recognized investment banking firm which is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. Realty Income selected BofA Merrill Lynch to act as one of its financial advisors in connection with the merger on the basis of BofA Merrill Lynch's experience in transactions similar to the merger, its reputation in the investment community and its familiarity with Realty Income and its business.

On September 5, 2012, at a meeting of Realty Income's board of directors held to evaluate the merger, BofA Merrill Lynch delivered to Realty Income's board of directors an oral opinion, which was confirmed by delivery of a written opinion dated September 5, 2012, to the effect that, as of the date of the opinion and based on and subject to various assumptions and limitations described in its opinion, the exchange ratio provided for in the merger was fair, from a financial point of view, to Realty Income.

The full text of BofA Merrill Lynch's written opinion to Realty Income's board of directors, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Annex D to this document and is incorporated by reference herein in its entirety. The following summary of BofA Merrill Lynch's opinion is qualified in its entirety by reference to the full text of the opinion. BofA Merrill Lynch delivered its opinion to Realty Income's board of directors for the benefit and use of Realty Income's board of directors (in its capacity as such) in connection with and for purposes of its evaluation of the exchange ratio from a financial point of view. BofA Merrill Lynch's opinion does not address any other aspect of the merger and no opinion or view was expressed as to the relative merits of the merger in comparison to other strategies or transactions that might be available to Realty Income or in which Realty Income might engage or as to the underlying business decision of Realty Income to proceed with or effect the merger. BofA Merrill Lynch's opinion does not address any other aspect of the merger and does not constitute a recommendation to any stockholder as to how to vote or act in connection with the proposed merger or any related matter.

In connection with rendering its opinion, BofA Merrill Lynch:

- (a) reviewed certain publicly available business and financial information relating to ARCT and Realty Income;
- (b) reviewed certain internal financial and operating information with respect to the business, operations and prospects of ARCT furnished to or discussed with BofA Merrill Lynch by the management of ARCT, including certain financial forecasts relating to ARCT prepared by the management of ARCT for the calendar years ending December 31, 2012 through December 31, 2013, referred to herein as the ARCT Forecasts ;
- (c) reviewed an alternative version of the ARCT Forecasts that extended the ARCT Forecasts to include calendar years ending December 31, 2014 through December 31, 2018 and incorporated certain other adjustments thereto, referred to herein as the Adjusted ARCT Forecasts , and discussed with the management of Realty Income its assessments as to the relative likelihood of achieving the future financial results reflected in the ARCT Forecasts and the Adjusted ARCT Forecasts for the periods reflected therein;
- (d) reviewed certain internal financial and operating information with respect to the business, operations and prospects of Realty Income furnished to or discussed with BofA Merrill Lynch by the management of Realty Income, including certain financial forecasts relating to Realty Income prepared by the management of Realty Income for the calendar years ending December 31, 2012 through December 31, 2014, referred to herein as the Realty Income Forecasts ;

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- (e) reviewed certain estimates as to the amount and timing of cost savings, referred to herein as the Cost Savings , anticipated by the management of Realty Income to result from the merger;
- (f) discussed the past and current business, operations, financial condition and prospects of ARCT with members of senior managements of ARCT and Realty Income, and discussed the past and current business, operations, financial condition and prospects of Realty Income and certain trends and recent developments in, and prospects for, the commercial real estate market and related credit and financial markets with members of senior management of Realty Income;
- (g) reviewed the potential pro forma financial impact of the merger on the future financial performance of Realty Income, including the potential effect on Realty Income s estimated adjusted funds from operations;
- (h) reviewed the trading histories for ARCT common stock and Realty Income common stock and a comparison of such trading histories with each other and with the trading histories of other companies BofA Merrill Lynch deemed relevant;
- (i) compared certain financial and stock market information of ARCT and Realty Income with similar information of other companies BofA Merrill Lynch deemed relevant;
- (j) compared certain financial terms of the transaction to financial terms, to the extent publicly available, of other transactions BofA Merrill Lynch deemed relevant;
- (k) reviewed a draft, dated September 5, 2012, of the Agreement, referred to herein as the Draft Agreement ; and
- (l) performed such other analyses and studies and considered such other information and factors as BofA Merrill Lynch deemed appropriate.

In arriving at its opinion, BofA Merrill Lynch assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with it and relied upon the assurances of the managements of Realty Income and ARCT that they were not aware of any facts or circumstances that would make such information or data inaccurate or misleading in any material respect. With respect to the ARCT Forecasts, BofA Merrill Lynch was advised by ARCT, and assumed, that they were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of ARCT as to the future financial performance of ARCT. With respect to the Adjusted ARCT Forecasts, the Realty Income Forecasts and the Cost Savings, BofA Merrill Lynch assumed, at the direction of Realty Income, that they were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of Realty Income as to the future financial performance of ARCT taking into account the adjustments reflected therein and as to the future financial performance of Realty Income, as the case may be, and other matters covered thereby. At the direction of Realty Income and based on the assessments of the management of Realty Income as to the relative likelihood of achieving the future financial results reflected in the ARCT Forecasts and the Adjusted ARCT Forecasts for the periods reflected therein, BofA Merrill Lynch relied on the Adjusted ARCT Forecasts for purposes of its opinion.

BofA Merrill Lynch did not make and was not provided with any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of ARCT or Realty Income, nor did it make any physical inspection of the properties or assets of ARCT or Realty Income. BofA Merrill Lynch did not evaluate the solvency or fair value of ARCT or Realty Income under any state, federal or other laws relating to bankruptcy, insolvency or similar matters. BofA Merrill Lynch assumed, at the direction of Realty Income, that the merger would be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary governmental, regulatory and other approvals, consents, releases and waivers for the merger, no delay, limitation, restriction or condition, including any divestiture requirements or amendments or modifications, would be imposed that would have an adverse

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effect on ARCT, Realty Income or the contemplated benefits of the merger. BofA Merrill Lynch also assumed, at the direction of Realty Income, that the final executed merger agreement would not differ in any material respect from the Draft Agreement reviewed by BofA Merrill Lynch. BofA Merrill Lynch also assumed, at the direction of Realty Income, that the merger will qualify for federal income tax purposes as a reorganization under the provisions of Section 368(a) of the Code. BofA Merrill Lynch was advised by the managements of ARCT and Realty Income, respectively, that each of ARCT and Realty Income has operated in conformity with the requirements for qualification as a real estate investment trust, referred to herein as a REIT, for federal income tax purposes since its formation as a REIT and further assumed, at the direction of Realty Income, that the merger will not adversely affect the status or operation of Realty Income as a REIT. In addition, BofA Merrill Lynch assumed, at the direction of Realty Income, that the surviving entity in the merger will constitute a qualified REIT subsidiary within the meaning of section 856(i)(2) of the Code.

BofA Merrill Lynch expressed no view or opinion as to any terms or other aspects of the merger (other than the exchange ratio to the extent expressly specified in its opinion), including, without limitation, the form or structure of the merger. BofA Merrill Lynch's opinion was limited to the fairness, from a financial point of view, to Realty Income of the exchange ratio provided for in the merger and no opinion or view was expressed with respect to any consideration received in connection with the merger by the holders of any other class of securities, creditors or other constituencies of any party. In addition, no opinion or view was expressed with respect to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation to any of the officers, directors or employees of any party to the merger, or class of such persons, relative to the exchange ratio. Furthermore, no opinion or view was expressed as to the relative merits of the merger in comparison to other strategies or transactions that might be available to Realty Income or in which Realty Income might engage or as to the underlying business decision of Realty Income to proceed with or effect the merger. BofA Merrill Lynch did not express any opinion as to what the value of Realty Income common stock actually would be when issued or the prices at which Realty Income common stock or ARCT common stock would trade at any time, including following announcement or consummation of the merger. In addition, BofA Merrill Lynch expressed no opinion or recommendation as to how any stockholder should vote or act in connection with the merger or any related matter. Except as described above, Realty Income imposed no other limitations on the investigations made or procedures followed by BofA Merrill Lynch in rendering its opinion.

BofA Merrill Lynch's opinion was necessarily based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to BofA Merrill Lynch as of, the date of its opinion. It should be understood that subsequent developments may affect its opinion, and BofA Merrill Lynch does not have any obligation to update, revise or reaffirm its opinion. The issuance of BofA Merrill Lynch's opinion was approved by BofA Merrill Lynch's Americas Fairness Opinion Review Committee.

The following represents a brief summary of the material financial analyses presented by BofA Merrill Lynch to Realty Income's board of directors in connection with its opinion. **The financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses performed by BofA Merrill Lynch, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses performed by BofA Merrill Lynch. Considering the data set forth in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses performed by BofA Merrill Lynch.**

Financial Analyses.

Selected Companies Analyses. BofA Merrill Lynch reviewed publicly available financial and stock market information for ARCT and the following four companies, referred to as the selected REITs, based on the criteria that each (i) was a publicly traded REIT, (ii) operated in the net lease sector, (iii) had an enterprise value that was meaningful for purposes of comparison to ARCT, (iv) had an appropriate capital structure for purposes of

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comparison to ARCT, and (v) was otherwise deemed relevant for purposes of comparison to ARCT based on BofA Merrill Lynch's professional judgment:

Realty Income Corporation

National Retail Properties, Inc.

Entertainment Properties Trust

Lexington Realty Trust

BofA Merrill Lynch reviewed, among other things, closing stock prices of the selected REITs on August 31, 2012 as a multiple of both calendar year 2013 estimated FFO and calendar year 2013 estimated Adjusted FFO, which we refer to as AFFO. BofA Merrill Lynch further reviewed annualized quarterly and monthly dividends, as applicable, of the selected REITs as a percentage of the closing stock prices of the selected REITs on August 31, 2012, referred to as dividend yield. BofA Merrill Lynch observed low to high calendar year 2013 FFO and AFFO multiples for the selected REITs to be 9.2x to 19.7x and 12.3x to 19.3x, respectively, and low to high dividend yields for the selected REITs to be 4.3% to 6.6%. BofA Merrill Lynch then applied to corresponding data of ARCT (adjusted to reflect the payment due to ARCT's external management company, which we refer to as Adjusted FFO and Adjusted AFFO, respectively) a selected range of multiples of 14.5x to 16.5x derived from the selected REITs in respect of both calendar year 2013 estimated Adjusted FFO and calendar year 2013 estimated Adjusted AFFO. In addition, BofA Merrill Lynch applied a selected range of dividend yields of 5.5% to 6.0% derived from the selected REITs to ARCT's annualized dividend per share. Estimated financial data of the selected REITs other than Realty Income were based on publicly available research analysts' estimates, estimated financial data of ARCT were based on the Adjusted ARCT Forecasts, and estimated financial data of Realty Income were based on the Realty Income Forecasts. This implied the following approximate per share equity value reference ranges for ARCT on a standalone basis, as compared to the implied consideration value of \$12.11 per share:

Implied Per Share Equity Value Reference Ranges Based On

			Implied Consideration Value
2013E Adjusted AFFO	2013E Adjusted FFO	Annualized Dividend Yield	
\$11.45 - \$13.05	\$11.45 - \$13.05	\$11.90 - \$13.00	\$12.11

No company used in this analysis is identical or directly comparable to ARCT. Accordingly, an evaluation of the results of this analysis is not entirely mathematical. Rather, this analysis involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the public trading or other values of the companies to which ARCT was compared.

Based on the standalone implied per share equity value reference ranges for ARCT described above and Realty Income's closing stock price of \$42.13 on August 31, 2012, BofA Merrill Lynch calculated implied exchange ratio reference ranges. The implied reference ranges derived from the calendar year 2013 Adjusted FFO and Adjusted AFFO multiples described above indicated, in each case, an implied exchange ratio reference range of 0.2718x to 0.3098x, while the implied reference ranges derived from the annual dividend yield described above indicated an implied exchange ratio reference range of 0.2825x to 0.3086x, as compared to the 0.2874x exchange ratio in the merger.

BofA Merrill Lynch reviewed publicly available financial and stock market information for Realty Income and the other selected REITs (including ARCT), including the multiple of closing stock price on August 31, 2012 to forward 12 months FFO, the premium/discount of closing stock price on August 31, 2012 to net asset value per share, and the trading history for Realty Income common stock as compared with the trading histories of the other selected REITs (including ARCT) and based on this review in its professional judgment BofA Merrill Lynch determined to use Realty Income's closing stock price of \$42.13 on August 31, 2012 as the per share equity value of Realty Income for purposes of its analyses. Estimated financial data of Realty Income and the selected REITs were based on publicly available research analysts' estimates.

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Selected Precedent Transactions Analysis. BofA Merrill Lynch reviewed, to the extent publicly available, financial information relating to the following six transactions which of BofA Merrill Lynch selected based on the criteria that each (i) involved the acquisition of a publicly traded REIT in the net lease sector, (ii) had a transaction value that was meaningful for purposes of comparison to the merger and (iii) was otherwise deemed relevant for purposes of comparison to the merger based on BofA Merrill Lynch's professional judgement:

Acquiror	Target
Gramercy Capital Corp.	American Financial Realty Trust
Investor Group led by Macquarie Bank	Spirit Finance Corporation
General Electric Capital Corporation	Truststreet Properties, Inc.
Record Realty Trust	Government Properties Trust, Inc.
Lexington Realty Trust	Newkirk Realty Trust, Inc.
DRA Advisors LLC	Capital Automotive REIT

BofA Merrill Lynch reviewed transaction values, based on the consideration payable in the selected transaction, as a multiple of the target company's one-year forward FFO. After adjusting the one-year forward FFO multiples based on the difference between the yield of a Baa corporate bond index at the time of announcement of the transaction and the current yield of such Baa corporate bond index (based on publicly available research analyst reports), BofA Merrill Lynch observed that the overall low to high multiples for the selected transactions were 8.8x to 20.3x. Based on its professional judgment and after taking into consideration, among other things, the observed data for the selected transactions, BofA Merrill Lynch applied one-year forward FFO multiples of 15.0x to 17.0x, derived from the selected transactions to ARCT's calendar year 2013 estimated Adjusted FFO. Estimated financial data of the selected transactions were based on publicly available information at the time of announcement of the relevant transaction. Estimated financial data of ARCT were based on the Adjusted ARCT Forecasts. This analysis indicated the following approximate implied per share equity value reference range for ARCT, as compared to the implied consideration value of \$12.11 per share:

Implied Per Share Equity Value Reference

Range Based On 2013E Adjusted FFO	Implied Consideration Value
\$11.85 - \$13.45	\$12.11

No company, business or transaction used in this analysis is identical or directly comparable to ARCT or the merger. Accordingly, an evaluation of the results of this analysis is not entirely mathematical. Rather, this analysis involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the acquisition or other values of the companies, business segments or transactions to which ARCT and the merger were compared.

Discounted Cash Flow Analysis. BofA Merrill Lynch performed a discounted cash flow analysis of ARCT to calculate the estimated present value of standalone unlevered, after-tax free cash flows that ARCT was forecasted to generate during ARCT's fiscal years 2013E through 2017E based on the Adjusted ARCT Forecasts both with and without taking into account synergies and transaction expenses related to the merger. BofA Merrill Lynch calculated terminal values for ARCT by applying a range of perpetuity growth rates of 0.75% to 1.25% to ARCT's fiscal year 2017 projected unlevered free cash flows. The cash flows and terminal values were then discounted to present value as of December 31, 2012 using discount rates ranging from 6.75% to 7.75%, which were based on an estimate of ARCT's weighted average cost of capital. This analysis indicated the following

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approximate implied per share equity value reference ranges for ARCT as compared to the implied consideration value of \$12.11 per share:

Implied Per Share Equity Value

Reference Ranges		
Without Synergies	With Synergies and Transaction Expenses	Implied Consideration Value
\$9.05 - \$12.90	\$9.30 - \$13.30	\$12.11

Based on the standalone implied per share equity value reference ranges for ARCT described above (both with and without synergies) and Realty Income's closing stock price of \$42.13 on August 31, 2012, BofA Merrill Lynch calculated an implied exchange ratio reference range of 0.2148x to 0.3157x, as compared to the 0.2874x exchange ratio in the merger.

Dividend Discount Analysis. BofA Merrill Lynch performed a dividend discount analysis of ARCT's common stock for the purpose of determining the per share equity value. Based on ARCT's annualized dividend per share, BofA Merrill Lynch applied a perpetual dividend growth rate ranging from 1.5% to 2.5%, which was chosen by BofA Merrill Lynch based upon a review of historical dividend growth of the selected REITs (other than Lexington Realty Trust, which was excluded because it materially reduced its dividend during the recent financial crisis) and taking into consideration ARCT's projected growth rate, amongst other things. BofA Merrill Lynch discounted the perpetual dividend stream to present values by applying a range of discount rates from 8.0% to 9.0%, chosen by BofA Merrill Lynch based upon an analysis of the cost of equity for ARCT. This analysis indicated the following approximate implied per share equity value reference range for ARCT as compared to the implied consideration value of \$12.11 per share:

Implied Per Share Equity Value

Reference Range	Implied Consideration Value
\$9.70 - \$13.30	\$12.11

Based on the standalone implied per share equity value reference range for ARCT described above and Realty Income's closing stock price of \$42.13 on August 31, 2012, BofA Merrill Lynch calculated an implied exchange ratio reference range of 0.2302x to 0.3157x, as compared to the 0.2874x exchange ratio in the merger.

Contribution Analyses.

Net Asset Value Analysis. BofA Merrill Lynch performed a per share net asset value analysis using ARCT's calendar year 2013 estimated cash net operating income and asset and liability balances as of June 30, 2012, adjusted to include the impact of certain acquisitions and financing transactions by ARCT and anticipated to close prior to December 31, 2012, based on the Adjusted ARCT Forecasts. BofA Merrill Lynch applied a range of capitalization rates of 6.50% to 7.00% to the calendar year 2013 estimated cash net operating income, excluding net operating income from acquisitions made after June 30, 2012, for the portfolio to arrive at an aggregate value for the property portfolio. The capitalization rate range applied was selected by BofA Merrill Lynch in its professional judgment based on reported capitalization rates for property transactions in the private real estate market, as provided by publicly available sources. BofA Merrill Lynch then added the value of ARCT's acquisitions since June 30, 2012 at the applicable purchase price and the value of other tangible assets of ARCT to derive an estimate of gross asset value of ARCT. BofA Merrill Lynch then deducted debt balances and other tangible liabilities of ARCT, including debt associated with certain acquisitions since June 30, 2012 and debt associated with payments due to ARCT's external management company. This analysis implied a net asset value of \$9.14 to \$10.30 per share.

Based on the standalone implied per share equity value reference range for ARCT described above and the equity research analyst average net asset value per share of \$28.91 for Realty Income, BofA Merrill Lynch

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calculated an implied exchange ratio reference range of 0.3165x to 0.3563x, as compared to the 0.2874x exchange ratio in the merger.

Profit & Loss Contribution Analysis. BofA Merrill Lynch performed an analysis of the contribution of each of Realty Income and ARCT to the profits and losses of the pro forma combined company with respect to calendar year 2013 estimated cash net operating income, cash EBITDA (defined as earnings before interest, taxes, depreciation and amortization), Adjusted FFO and Adjusted AFFO. Equity value contributions and relative ownership interests were then derived by adjusting firm value contributions for outstanding net debt, preferred equity, cash and non-controlling interests of both companies (and adjusting ARCT's firm value for the payment due ARCT's external management company and certain change of control payments due to ARCT management as a result of the merger), as applicable. This analysis indicated the following pro forma diluted equity value contributions and ownership interests with respect to cash net operating income, cash EBITDA, Adjusted FFO and Adjusted AFFO:

Pro Forma Contribution Based On	Realty Income % Contribution	Realty Income % Ownership	ARCT % Contribution	ARCT % Ownership
Cash NOI	73.7%	74.0%	26.3%	26.0%
Cash EBITDA	73.4%	73.5%	26.6%	26.5%
Adjusted FFO	69.0%	69.0%	31.0%	31.0%
Adjusted AFFO	69.5%	69.5%	30.5%	30.5%

Based on the range of the contribution percentages described above, BofA Merrill Lynch calculated an implied exchange ratio reference range of 0.2959x to 0.3695x, as compared to the 0.2874x exchange ratio in the merger.

Other Factors.

In rendering its opinion, BofA Merrill Lynch also reviewed and considered other factors, including:

historical trading prices and trading volumes of ARCT common stock during the 26-week period ended August 31, 2012, which reflected low and high closing prices for ARCT common stock during such period of \$10.23 to \$11.80 per share;

publicly available Wall Street research analyst reports relating to ARCT, including stock price targets for ARCT common stock, which indicated a range of approximately \$12.00 to \$13.00 per share; and

potential pro forma financial effects of the merger on Realty Income's calendar year 2013 estimated AFFO per share and annualized monthly dividend per share based on the Adjusted ARCT Forecasts, the Realty Income Forecasts, their respective public filings and other publicly available information, which indicated that the merger would likely be accretive to Realty Income's calendar year 2013 estimated AFFO per share and accretive to Realty Income's annualized monthly dividend per share.

Miscellaneous

As noted above, the discussion set forth above is a summary of the material financial analyses presented by BofA Merrill Lynch to Realty Income's board of directors in connection with its opinion and is not a comprehensive description of all analyses undertaken by BofA Merrill Lynch in connection with its opinion. The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to partial analysis or summary description. BofA Merrill Lynch believes that its analyses summarized above must be considered as a whole. BofA Merrill Lynch further believes that selecting portions of its analyses and the factors considered or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying BofA

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Merrill Lynch's analyses and opinion. The fact that any specific analysis has been referred to in the summary above is not meant to indicate that such analysis was given greater weight than any other analysis referred to in the summary.

In performing its analyses, BofA Merrill Lynch considered industry performance, general business and economic conditions and other matters, many of which are beyond the control of ARCT and Realty Income. The estimates of the future performance of ARCT and Realty Income in or underlying BofA Merrill Lynch's analyses are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than those estimates or those suggested by BofA Merrill Lynch's analyses. These analyses were prepared solely as part of BofA Merrill Lynch's analysis of the fairness, from a financial point of view, of the exchange ratio and were provided to Realty Income's board of directors in connection with the delivery of BofA Merrill Lynch's opinion. The analyses do not purport to be appraisals or to reflect the prices at which a company might actually be sold or the prices at which any securities have traded or may trade at any time in the future. Accordingly, the estimates used in, and the ranges of valuations resulting from, any particular analysis described above are inherently subject to substantial uncertainty and should not be taken to be BofA Merrill Lynch's view of the actual values of ARCT or Realty Income.

The type and amount of consideration payable in the merger was determined through negotiations between ARCT and Realty Income, rather than by any financial advisor, and was approved by Realty Income's board of directors. The decision to enter into the merger agreement was solely that of Realty Income's board of directors. As described above, BofA Merrill Lynch's opinion and analyses were only one of many factors considered by Realty Income's board of directors in its evaluation of the proposed merger and should not be viewed as determinative of the views of Realty Income's board of directors or management with respect to the merger or the exchange ratio.

Realty Income has agreed to pay BofA Merrill Lynch for its services in connection with the merger an aggregate fee of \$3,500,000, a portion of which was payable in connection with its opinion and a significant portion of which is contingent upon the completion of the merger. Realty Income also has agreed to reimburse BofA Merrill Lynch for its expenses incurred in connection with BofA Merrill Lynch's engagement and to indemnify BofA Merrill Lynch, any controlling person of BofA Merrill Lynch and each of their respective directors, officers, employees, agents and affiliates against specified liabilities, including liabilities under the federal securities laws.

BofA Merrill Lynch and its affiliates comprise a full service securities firm and commercial bank engaged in securities, commodities and derivatives trading, foreign exchange and other brokerage activities, and principal investing as well as providing investment, corporate and private banking, asset and investment management, financing and financial advisory services and other commercial services and products to a wide range of companies, governments and individuals. In the ordinary course of their businesses, BofA Merrill Lynch and its affiliates invest on a principal basis or on behalf of customers or manage funds that invest, make or hold long or short positions, finance positions or trade or otherwise effect transactions in the equity, debt or other securities or financial instruments (including derivatives, bank loans or other obligations) of ARCT, Realty Income and certain of their respective affiliates.

BofA Merrill Lynch and its affiliates have, during the two years preceding the date of its opinion, provided, currently are providing, and in the future may provide investment banking, commercial banking and other financial services to Realty Income and have received or in the future may receive compensation for the rendering of these services, including having acted or acting as (i) joint bookrunner or co-manager for various high grade debt and follow-on equity offerings of Realty Income and (ii) lender under Realty Income's \$1 billion revolving credit facility due 2016. From January 1, 2010 through September 30, 2012, BofA Merrill Lynch and its affiliates received aggregate revenues from Realty Income of approximately \$12.5 million for commercial, corporate and investment banking services.

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Wells Fargo Securities, LLC

Realty Income engaged Wells Fargo Securities as one of its financial advisors in connection with the merger. As part of that engagement, Realty Income's board of directors requested that Wells Fargo Securities evaluate the fairness, from a financial point of view, to Realty Income of the exchange ratio provided for in the merger pursuant to the merger agreement. On September 5, 2012, at a meeting of Realty Income's board of directors held to evaluate the merger, Wells Fargo Securities rendered to Realty Income's board of directors an oral opinion, confirmed by delivery of a written opinion dated September 5, 2012, to the effect that, as of that date and based on and subject to various qualifications, limitations and assumptions stated in such opinion, the exchange ratio provided for in the merger pursuant to the merger agreement was fair, from a financial point of view, to Realty Income.

The full text of Wells Fargo Securities' written opinion, dated September 5, 2012, is attached as Annex E to this joint proxy statement/prospectus. The written opinion sets forth, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken by Wells Fargo Securities in rendering its opinion. The following summary is qualified in its entirety by reference to the full text of such opinion. The opinion was addressed to Realty Income's board of directors (in its capacity as such) for its information and use in connection with its evaluation of the exchange ratio from a financial point of view to Realty Income and Wells Fargo Securities expressed no opinion or view with regard to any other terms, aspects or implications of the merger. Wells Fargo Securities' opinion did not address the merits of the underlying decision by Realty Income to enter into the merger agreement or the relative merits of the merger compared with other business strategies or transactions available or that have been or might be considered by Realty Income's management or board of directors or in which Realty Income might engage. The opinion does not constitute a recommendation to Realty Income's board of directors or any other person or entity in respect of the merger, including as to how any stockholder should vote or act in connection with the merger or any other matters.

The terms of the merger were determined through negotiations between Realty Income and ARCT, rather than by any financial advisor, and the decision to enter into the merger was solely that of Realty Income's board of directors. Wells Fargo Securities did not recommend any specific form of consideration to Realty Income's board of directors or that any specific form of consideration constituted the only appropriate consideration for the merger. The opinion was only one of many factors considered by Realty Income's board of directors in its evaluation of the merger and should not be viewed as determinative of the views of Realty Income's board of directors, management or any other party with respect to the merger or the consideration payable in the merger.

In arriving at its opinion, Wells Fargo Securities, among other things:

reviewed a draft, dated September 5, 2012, of the merger agreement, including the financial terms of the merger;

reviewed certain publicly available business, financial and other information regarding Realty Income and ARCT, including information set forth in their respective annual reports to stockholders and annual reports on Form 10-K for the fiscal years ended December 31, 2009, 2010 and 2011 and quarterly reports on Form 10-Q for the period ended June 30, 2012;

reviewed certain other business and financial information regarding Realty Income and ARCT furnished to Wells Fargo Securities by and discussed with the managements of Realty Income and ARCT, including financial forecasts and estimates relating to Realty Income for the fiscal years ending December 31, 2012 and 2013 prepared by Realty Income's management and financial forecasts and estimates relating to ARCT for the fiscal years ending December 31, 2012 and 2013 prepared by ARCT's management as extended for the fiscal years ending December 31, 2014 through 2016 based upon assumptions of ARCT's management;

discussed with the managements of Realty Income and ARCT the operations and prospects of Realty Income and ARCT, including the historical financial performance and trends in the results of operations of Realty Income and ARCT;

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discussed with Realty Income's management the strategic rationale for the merger, including potential cost savings and other financial and strategic benefits and transaction expenses and related costs anticipated by Realty Income's management to result from the merger;

participated in discussions and negotiations among representatives of Realty Income, ARCT and their respective advisors regarding the proposed merger;

reviewed reported prices and trading activity for Realty Income common stock and ARCT common stock;

compared certain financial data of Realty Income and ARCT with similar data of certain other publicly traded companies that Wells Fargo Securities deemed relevant in evaluating Realty Income and ARCT;

analyzed the estimated net asset value of ARCT's real estate portfolio based upon financial forecasts and estimates referred to above and related assumptions discussed with and confirmed as reasonable by the managements of Realty Income and ARCT;

analyzed the estimated present value of the future dividends per share of ARCT based upon financial forecasts and estimates referred to above and related assumptions discussed with and confirmed as reasonable by the managements of Realty Income and ARCT;

reviewed the relative financial contributions of Realty Income and ARCT to the financial performance of the combined company on a pro forma basis based upon financial forecasts and estimates referred to above and related assumptions discussed with and confirmed as reasonable by the managements of Realty Income and ARCT; and

considered other information, such as financial studies, analyses, and investigations, as well as financial, economic and market criteria, that Wells Fargo Securities deemed relevant.

In connection with its review, Wells Fargo Securities assumed and relied upon the accuracy and completeness of the financial and other information provided, discussed with or otherwise made available to Wells Fargo Securities, including all accounting, tax, regulatory and legal information, and Wells Fargo Securities did not make (and assumed no responsibility for) any independent verification of such information. Wells Fargo Securities relied upon assurances of the managements of Realty Income and ARCT that they were not aware of any facts or circumstances that would make such information inaccurate or misleading. With respect to the financial forecasts and estimates and other information utilized in Wells Fargo Securities' analyses, Wells Fargo Securities was advised by the managements of Realty Income and ARCT and, at Realty Income's direction, Wells Fargo Securities assumed that they were reasonably prepared and reflected the best currently available estimates, judgments and assumptions of such managements as to the future financial performance of Realty Income and ARCT. Wells Fargo Securities assumed no responsibility for, and expressed no view as to, such forecasts, estimates or other information utilized in Wells Fargo Securities' analyses or the judgments or assumptions upon which they were based. Wells Fargo Securities also assumed that there were no material changes in the condition (financial or otherwise), results of operations, business or prospects of Realty Income or ARCT since the respective dates of the most recent financial statements and other information provided to Wells Fargo Securities and that the financial forecasts relating to ARCT reviewed by Wells Fargo Securities reflected all assets and liabilities to be acquired or assumed by Realty Income in the merger, including from pending acquisitions expected to be consummated and joint ventures expected to be wholly owned by ARCT at the closing date of the merger as referenced in the merger agreement. Wells Fargo Securities relied, at Realty Income's direction, upon the assessments of the managements of Realty Income and ARCT as to (i) certain market trends and recent developments in, and prospects for, the commercial real estate market and (ii) the terms upon which properties and joint ventures would be acquired by ARCT as of the closing date of the merger. Wells Fargo Securities assumed, with Realty Income's consent, that there would be no developments with respect to any of the foregoing that would be material to its analyses or opinion. In arriving at Wells Fargo Securities' opinion, Wells Fargo Securities did not conduct physical inspections of the properties or assets of Realty Income, ARCT or any other entity and did not make, and was not provided with, any evaluations or appraisals of the

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properties, assets or liabilities (contingent or otherwise) of Realty Income, ARCT or any other entity. Wells Fargo Securities was advised by the managements of Realty Income and ARCT and, with Realty Income's consent, assumed that there were no material undisclosed liabilities of Realty Income or ARCT for which appropriate reserves or other provisions have not been made.

In rendering its opinion, Wells Fargo Securities assumed, at Realty Income's direction, that the final form of the merger agreement, when signed by the parties thereto, would not differ from the draft reviewed by Wells Fargo Securities in any respect material to its analyses or opinion, that the merger would be consummated in accordance with the terms described in the merger agreement and in compliance with all applicable laws, without amendment or waiver of any material terms or conditions and that, in the course of obtaining any necessary legal, regulatory or third party consents, approvals or agreements for the merger, no delay, limitation or restriction would be imposed or action would be taken that would have an adverse effect on Realty Income, ARCT or the merger (including the contemplated benefits to Realty Income). Wells Fargo Securities also assumed, at Realty Income's direction, that the merger would qualify for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. Wells Fargo Securities was advised by the respective managements of Realty Income and ARCT that each of Realty Income and ARCT has operated in conformity with the requirements for qualification as a REIT for federal income tax purposes since its formation as a REIT and

further assumed, at Realty Income's direction, that the merger would not adversely affect the status or operations of Realty Income or ARCT. Wells Fargo Securities did not express any opinion as to what the value of Realty Income common stock actually would be when issued pursuant to the merger or the prices at which securities of Realty Income or ARCT would trade at any time. Wells Fargo Securities' opinion was necessarily based on economic, market, financial and other conditions existing, and information made available to Wells Fargo Securities, as of the date of its opinion. The credit, financial and stock markets have been experiencing unusual volatility and Wells Fargo Securities expressed no opinion or view as to any potential effects of such volatility on Realty Income, ARCT or the merger (including the contemplated benefits to Realty Income). Although subsequent developments may affect the matters set forth in its opinion, Wells Fargo Securities does not have any obligation to update, revise, reaffirm or withdraw its opinion or otherwise comment on or consider any such events occurring or coming to Wells Fargo Securities' attention after the date of its opinion.

Wells Fargo Securities' opinion only addressed the fairness, from a financial point of view and as of the date of its opinion, to Realty Income of the exchange ratio provided for in the merger pursuant to the merger agreement to the extent expressly specified in its opinion and did not address any other terms, aspects or implications of the merger, including, without limitation, the form or structure of the merger, any fees or other amounts payable or assumed by Realty Income in connection with the merger or any other agreement, arrangement or understanding entered into in connection with or contemplated by the merger or otherwise. In addition, Wells Fargo Securities' opinion did not address the fairness of the amount or nature of, or any other aspects relating to, any compensation to be received by any officers, directors or employees of any parties to the merger, or class of such persons, relative to the exchange ratio or otherwise. Wells Fargo Securities also did not express any view or opinion with respect to, and with Realty Income's consent relied upon the assessments of Realty Income's representatives regarding, accounting, tax, regulatory, legal or similar matters and Wells Fargo Securities understood that Realty Income obtained such advice as it deemed necessary from qualified professionals. Except as described in this summary, Realty Income imposed no other instructions or limitation on Wells Fargo Securities with respect to the investigations made or procedures followed by Wells Fargo Securities in rendering its opinion.

In connection with rendering its opinion, Wells Fargo Securities performed certain financial, comparative and other analyses as summarized below. This summary is not a complete description of the financial analyses performed and factors considered in connection with such opinion. In arriving at its opinion, Wells Fargo Securities did not ascribe a specific value to Realty Income common stock or ARCT common stock but rather made its determinations as to the fairness, from a financial point of view, to Realty Income of the exchange ratio on the basis of various financial and comparative analyses taken as a whole. The preparation of a financial opinion is a complex process and involves various determinations as to the most appropriate and relevant

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methods of financial and comparative analyses and the application of those methods to the particular circumstances. Therefore, a financial opinion is not readily susceptible to summary description.

In arriving at its opinion, Wells Fargo Securities did not attribute any particular weight to any single analysis or factor considered but rather made qualitative judgments as to the significance and relevance of each analysis and factor relative to all other analyses and factors performed and considered and in the context of the circumstances of this particular transaction. Accordingly, the analyses must be considered as a whole, as considering any portion of such analyses and factors, without considering all analyses and factors as a whole, could create a misleading or incomplete view of the process underlying such opinion. The fact that any specific analysis has been referred to in the summary below is not meant to indicate that such analysis was given greater weight than any other analysis referred to in the summary. No company or transaction is identical to Realty Income, ARCT or the merger and an evaluation of Wells Fargo Securities' analyses is not entirely mathematical; rather, such analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the public trading or other values of the companies reviewed.

In performing its analyses, Wells Fargo Securities considered industry performance, general business and economic conditions and other matters existing as of the date of its opinion, many of which are beyond the control of Realty Income, ARCT or any other parties to the merger. None of Realty Income, ARCT, Wells Fargo Securities or any other person assumes responsibility if future results are different from those discussed, whether or not any such difference is material. Any estimates contained in these analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than as set forth below. In addition, analyses relating to the value of properties, businesses or securities do not purport to be appraisals or necessarily reflect the prices at which properties, businesses or securities may actually be sold or acquired. Accordingly, the assumptions and estimates used in, and the results derived from, the following analyses are inherently subject to substantial uncertainty.

The following is a summary of the material financial analyses provided on September 5, 2012 to Realty Income's board of directors by Wells Fargo Securities in connection with its opinion. **Certain financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses, the tables must be read together with the text of each summary, as the tables alone do not constitute a complete description of the financial analyses. Considering the data in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of such financial analyses.** In connection with the ARCT financial analyses described below, the total number of outstanding fully diluted shares of ARCT common stock utilized was 158,579,730 per ARCT's management.

ARCT Financial Analyses

Net Asset Value Analysis. Wells Fargo Securities performed a net asset valuation of ARCT's real estate portfolio based on internal estimates of ARCT's management. Wells Fargo Securities calculated the estimated net asset value of ARCT's retail, office and industrial income-producing properties acquired prior to June 30, 2012 on an asset-by-asset basis by applying, depending on the tenant credit quality, remaining lease term and type of property, selected calendar year 2013 capitalization rate ranges based on an overall range of 5.75% to 8.25% to the calendar year 2013 estimated cash net operating income of such property. In the case of such properties acquired after June 30, 2012 and acquisitions under contract that are anticipated to close in the second half of calendar year 2012 and in advance of the expected closing of the merger, estimated net asset value was based on the acquisition price for such properties. Wells Fargo Securities also took into account for purposes of such analysis (i) the estimated net asset value of ARCT's non-real estate assets and other investments based on market values, to the extent publicly available, as of August 31, 2012 and internal estimates of ARCT's management, (ii) ARCT's cash and liabilities as reflected on its balance sheet as of June 30, 2012, including ARCT's outstanding indebtedness (which was marked to market utilizing estimated market rates for similar types of indebtedness) and excluding intangibles and other non-cash GAAP-specific balance sheet items, (iii) the

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minimum fee payable to ARCT's former manager and (iv) the estimated amount payable by ARCT for remaining equity interests in certain joint ventures not wholly owned by ARCT. Implied per share equity values for ARCT were calculated as ARCT's implied net asset value divided by the number of ARCT's fully diluted common stock. This analysis indicated an approximate per share equity value reference range for ARCT of \$9.21 to \$10.43. Based on this implied per share equity value reference range for ARCT and Realty Income's closing stock price of \$42.13 per share on August 31, 2012, Wells Fargo Securities calculated the following implied exchange ratio reference range, as compared to the exchange ratio provided for in the merger:

Implied Exchange Ratio Reference Range	Merger Exchange Ratio
0.2186 - 0.2475	0.2874

For informational purposes, Wells Fargo Securities also calculated the illustrative impact of the maximum fee payable to ARCT's former manager, which indicated an approximate per share equity value reference range for ARCT of \$9.10 to 10.32 and an implied exchange ratio reference range of 0.2160x to 0.2449x.

Selected Publicly Traded Companies Analysis. Wells Fargo Securities reviewed and compared financial and operating data relating to ARCT and the following four selected companies, which generally were selected because, as is the case with ARCT, they are publicly traded net lease REITs with certain financial and operating characteristics that Wells Fargo Securities deemed relevant, including total market capitalization and leverage, referred to as the ARCT selected REITs:

Entertainment Properties Trust

Lexington Realty Trust

National Retail Properties, Inc.

Realty Income Corporation

Wells Fargo Securities reviewed closing stock prices of the ARCT selected REITs on August 31, 2012 as a multiple of calendar year 2013 estimated FFO per share and AFFO per share, which was adjusted for certain items, including primarily straight-line rent revenues, recurring capital expenditures, above market and below market lease amortization and non-cash employee compensation. The overall low to high calendar year 2013 estimated FFO per share and AFFO per share multiples observed for the ARCT selected REITs were 9.2x to 19.5x (with a mean multiple of 14.4x) and 12.1x to 19.4x (with a mean multiple of 15.0x), respectively. Wells Fargo Securities then applied selected ranges of calendar year 2013 estimated FFO per share and AFFO per share multiples of 13.5x to 16.5x and 14.0x to 17.0x, respectively, derived from the ARCT selected REITs to corresponding data of ARCT. Financial data of the ARCT selected REITs were based on publicly available research analysts' estimates, public filings and other publicly available information. Financial data of ARCT were based on internal estimates of ARCT's management. This analysis indicated an approximate per share equity value reference ranges for ARCT of \$10.84 to \$13.25 and \$11.42 to \$13.86 based on calendar year 2013 estimated FFO per share and AFFO per share, respectively. Based on these implied per share equity value reference ranges for ARCT and Realty Income's closing stock price of \$42.13 per share on August 31, 2012, Wells Fargo Securities calculated the following implied exchange ratio reference ranges, as compared to the exchange ratio provided for in the merger:

Implied Exchange Ratio Reference Ranges Based On:		Merger
2013 FFO	2013 AFFO	Exchange Ratio
0.2572 - 0.3144	0.2710 - 0.3291	0.2874

Dividend Discount Analysis. Wells Fargo Securities performed a dividend discount analysis of ARCT to calculate a range of implied present values of the distributable cash flows that ARCT was forecasted to generate during the second half of the fiscal year ending December 31, 2012 through the full fiscal year ending December 31, 2015 utilizing internal estimates of ARCT's management for fiscal years ending December 31, 2012 and 2013 as

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extended for fiscal years ending December 31, 2014 through 2016 per Realty Income's management based upon assumptions of ARCT's management. Implied terminal values were derived by applying to ARCT's fiscal year 2016 estimated AFFO per share a range of terminal AFFO multiples of 14.0x to 17.0x. Present values (as of June 30, 2012) of distributable cash flows and terminal values were then calculated using a discount rate range of 9.0% to 10.0%. This indicated an approximate per share equity value reference range for ARCT of \$11.30 to \$13.65. Based on this implied per share equity value reference range for ARCT and Realty Income's closing stock price of \$42.13 per share on August 31, 2012, Wells Fargo Securities calculated the following implied exchange ratio reference range, as compared to the exchange ratio provided for in the merger:

Implied Exchange Ratio Reference Range	Merger Exchange Ratio
0.2682 - 0.3240	0.2874

Realty Income Financial Analysis

Selected Publicly Traded Companies Analysis. Wells Fargo Securities reviewed and compared financial and operating data relating to Realty Income and the following four selected companies, which generally were selected because, as is the case with Realty Income, they are publicly traded net lease REITs with certain financial and operating characteristics that Wells Fargo Securities deemed relevant, including total market capitalization and leverage, referred to as the Realty Income selected REITs:

American Realty Capital Trust, Inc.

Entertainment Properties Trust

Lexington Realty Trust

National Retail Properties, Inc.

Wells Fargo Securities reviewed closing stock prices of the Realty Income selected REITs on August 31, 2012 as a multiple of calendar year 2013 estimated FFO per share and AFFO per share. Wells Fargo Securities then compared the implied multiples of calendar year 2013 estimated FFO per share and AFFO per share derived for Realty Income with those derived for the Realty Income selected REITs. Financial data of Realty Income and the Realty Income selected REITs were based on publicly available research analysts' estimates, public filings and other publicly available information. This analysis indicated ranges of implied multiples of calendar year 2013 estimated FFO per share and AFFO per share for the Realty Income selected REITs of 9.2x to 17.1x (with a mean multiple of 13.1x) and 12.1x to 16.2x (with a mean multiple of 13.7x), respectively, as compared to implied multiples of calendar year 2013 estimated FFO per share and AFFO per share derived for Realty Income of 19.5x and 19.4x, respectively.

Pro Forma Relative Contributions

Wells Fargo Securities reviewed the relative financial contributions of Realty Income and ARCT to the combined company on a pro forma basis without giving effect to potential synergies or transaction-related adjustments. Wells Fargo Securities reviewed calendar year 2013 estimated net operating income, earnings before interest, taxes, depreciation and amortization, FFO and AFFO of each of Realty Income and ARCT utilizing internal estimates of the managements of Realty Income and ARCT and then calculated the overall aggregate equity ownership percentages of Realty Income and ARCT in the combined company based on such relative contributions after neutralizing the leverage of each company. This analysis indicated the following overall contribution percentage reference range for Realty Income as compared to the aggregate pro forma equity ownership percentage of Realty Income in the combined company immediately upon consummation of the merger based on the exchange ratio:

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Overall Contribution Percentage

Aggregate Pro Forma Equity Ownership

Reference Range for Realty Income

of Realty Income Based on Exchange Ratio:

67.2% - 70.7%

74.5%

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Other Information. Wells Fargo Securities observed certain additional factors that were not considered part of Wells Fargo Securities' financial analyses with respect to its opinion but were noted for informational purposes, including the following:

one-year forward stock price targets for Realty Income common stock in eight recently published, publicly available Wall Street research analyst reports, which indicated, to the extent publicly available, a target stock price range for Realty Income of \$27.00 to \$40.00 per share;

implied historical exchange ratios for Realty Income and ARCT derived from the closing prices of Realty Income common stock and ARCT common stock on, and the volume-weighted average of such closing prices during various periods ended, August 31, 2012, noting that the historical low to high implied exchange ratio reference range for such periods was 0.2552x to 0.3044x; and

potential pro forma financial effects of the merger on Realty Income's calendar year 2013 estimated FFO per share and AFFO per share, after taking into account potential synergies anticipated by Realty Income's management to result from the merger and certain transaction-related adjustments utilizing internal estimates of the managements of Realty Income and ARCT, noting that, based on the exchange ratio, the merger could be accretive relative to Realty Income's calendar year 2013 estimated FFO per share and AFFO per share by approximately 9.8% and 6.7%, respectively (with a reduction to such accretion of approximately 0.1% after giving effect to the maximum fee payable to ARCT's former manager).

Miscellaneous

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Securities, LLC. Wells Fargo Securities is an internationally recognized investment banking firm which is regularly engaged in providing financial advisory services in connection with mergers and acquisitions. Realty Income's board of directors selected Wells Fargo Securities because of its qualifications, reputation and experience and its familiarity with Realty Income and its business. The issuance of Wells Fargo Securities' opinion was approved by an authorized committee of Wells Fargo Securities.

As compensation for Wells Fargo Securities' financial advisory services to Realty Income in connection with the merger, Realty Income has agreed to pay Wells Fargo Securities an aggregate fee of \$3.5 million, a portion of which was payable in connection with its opinion and the principal portion of which is contingent upon consummation of the merger. Realty Income also has agreed to reimburse certain of Wells Fargo Securities' expenses, including fees and disbursements of Wells Fargo Securities' counsel, and to indemnify Wells Fargo Securities and certain related parties against certain liabilities, including liabilities under the federal securities laws, that may arise out of Wells Fargo Securities' engagement. Wells Fargo Securities and its affiliates provide a full range of investment banking and financial advisory, securities trading, brokerage and lending services in the ordinary course of business, for which Wells Fargo Securities and such affiliates receive customary fees. In connection with unrelated matters, Wells Fargo Securities and its affiliates in the past have provided, currently are providing and in the future may provide banking and financial services to Realty Income, ARCT and certain of their respective affiliates, for which Wells Fargo Securities and such affiliates have received and expect to receive fees, including during the two years preceding the date of this opinion (i) having acted or currently acting as administrative agent, sole lead arranger and sole bookrunner for, and as a lender under, certain credit facilities of Realty Income, ARCT and certain of their respective affiliates, (ii) having acted as joint book-running or co-lead manager for certain equity and debt offerings of Realty Income and (iii) having acted or currently acting as transfer agent and registrar for certain securities of Realty Income. During the two-year period preceding the date of its opinion, Wells Fargo Securities received aggregate fees from Realty Income for such banking and financial services unrelated to the merger of approximately \$12.8 million. In the ordinary course of business, Wells Fargo Securities and its affiliates may actively trade, hold or otherwise effect transactions in the securities or financial instruments (including bank loans or other obligations) of Realty Income, ARCT and their respective affiliates for Wells Fargo

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Securities and its affiliates own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities or financial instruments.

Certain Prospective Financial Information Reviewed by Realty Income

Realty Income does not as a matter of course make public long-term projections as to future revenues, earnings or other results due to, among other reasons, the uncertainty of the underlying assumptions and estimates. However, Realty Income is including unaudited prospective financial information that was made available to the Realty Income board of directors and the ARCT board of directors in connection with the evaluation of the merger. This information also was provided to Realty Income's and ARCT's respective financial advisors. The inclusion of this information should not be regarded as an indication that any of Realty Income, ARCT, their respective financial advisors or any other recipient of this information considered, or now considers, it to be necessarily predictive of actual future results.

The unaudited prospective financial information was, in general, prepared solely for internal use and is subjective in many respects. As a result, the prospective results may not be realized and the actual results may be significantly higher or lower than estimated. Since the unaudited prospective financial information covers multiple years, that information by its nature becomes less predictive with each successive year. Realty Income stockholders and ARCT stockholders are urged to review Realty Income's SEC filings for a description of risk factors with respect to Realty Income's business. See Cautionary Statement Concerning Forward-Looking Statements beginning on page 31 and Where You Can Find More Information; Incorporation by Reference beginning on page 156. The unaudited prospective financial information was not prepared with a view toward public disclosure, nor was it prepared with a view toward compliance with GAAP, published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for

preparation and presentation of prospective financial information. In addition, the unaudited prospective financial information requires significant estimates and assumptions that make it inherently less comparable to the similarly titled GAAP measures in Realty Income's historical GAAP financial statements. Neither Realty Income's independent registered public accounting firm, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the unaudited prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on the information or its achievability. The report of Realty Income's independent registered public accounting firm contained in Realty Income's Annual Report on Form 10-K for the year ended December 31, 2011, as amended by the Current Report on Form 8-K dated November 1, 2012, which is incorporated by reference into this joint proxy statement/prospectus, relates to Realty Income's historical financial information. It does not extend to the unaudited prospective financial information and should not be read to do so. Furthermore, the unaudited prospective financial information does not take into account any circumstances or events occurring after the date it was prepared.

The following table presents selected unaudited prospective financial data for the fiscal years ending 2012 through 2014 for Realty Income on a standalone basis including potential projected acquisitions.

	2012	2013	2014
	(\$ in millions)		
Revenue	\$ 479.3	\$ 572.6	\$ 561.9
Funds from Operations (FFO)	\$ 269.0	\$ 296.5	\$ 327.2
Adjusted Funds from Operations (AFFO)	\$ 276.4	\$ 306.8	\$ 340.4

For purposes of the unaudited prospective financial information presented herein, FFO is calculated as net income available to common stockholders, plus depreciation and amortization of real estate assets, plus impairment of real estate assets, reduced by gains on sales of investment properties and extraordinary items and AFFO is calculated as FFO adjusted for (i) capitalized leasing costs and commissions, (ii) capitalized building improvements, (iii) certain other adjustments for straight line rent revenue and the amortization of above or below-market leases and other non-cash expenses, plus (i) amortization of share-based compensation, (ii) amortization of deferred financing costs and (iii) provision or impairment on real estate acquired for resale by Crest.

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In addition to the summary metrics presented above, Realty Income also provided estimates of Revenue, FFO and AFFO on a twelve-month run-rate basis effective November 1, 2012, which estimates included identified acquisitions that Realty Income determined were likely to close by October 31, 2012. The estimates provided by Realty Income for Revenue, FFO and AFFO on this basis was \$503.3 million, \$285.5 million and \$291.8 million, respectively.

ARCT and Realty Income calculate certain non-GAAP financial metrics including FFO and AFFO using different methodologies. The differences relate to the treatment of acquisition-related fees and expenses and other non-recurring expenses. Realty Income has made conforming methodology changes to the financial data received from ARCT. Consequently, the financial metrics presented in each company's prospective financial information disclosures may not be directly comparable to one another.

In preparing the foregoing unaudited projected financial information, Realty Income made a number of assumptions regarding, among other things, interest rates, corporate financing activities, Realty Income common stock price appreciation and the timing and amount of common stock issuances, annual dividend levels, occupancy and customer retention levels of its owned and managed portfolios, changes in rent, the amount, timing and cost of existing and planned development properties, lease-up rates of existing and planned developments, the amount and timing of asset sales and asset acquisitions, including the return on those acquisitions, the amount of income taxes paid, and the amount of general and administrative costs.

The assumptions made in preparing the above unaudited prospective financial information may not accurately reflect future conditions. The estimates and assumptions underlying the unaudited prospective financial information involve judgments with respect to, among other things, future economic, competitive, regulatory and financial market conditions and future business decisions which may not be realized and that are inherently subject to significant business, economic, competitive and regulatory uncertainties and contingencies, including, among others, risks and uncertainties described under Risk Factors beginning on page 23 and Cautionary Statement Concerning Forward-Looking Statements beginning on page 31, all of which are difficult to predict and many of which are beyond the control of Realty Income and/or ARCT and will be beyond the control of the combined company. The underlying assumptions may not prove to be accurate and the projected results may not be realized, and actual results likely will differ, and may differ materially, from those reflected in the unaudited prospective financial information, whether or not the merger is completed.

In addition, although presented with numerical specificity, the above unaudited prospective financial information reflects numerous assumptions and estimates as to future events made by Realty Income management that Realty Income management believes were reasonably prepared. The above unaudited prospective financial information does not give effect to the merger. Realty Income stockholders and ARCT stockholders are urged to review Realty Income's most recent SEC filings for a description of Realty Income's reported and anticipated results of operations and financial condition and capital resources during 2011, including Management's Discussion and Analysis of Financial Condition and Results of Operations in Realty Income's Annual Report on Form 10-K for the year ended December 31, 2011, as amended by the Current Report on Form 8-K dated November 1, 2012, which is incorporated by reference into this joint proxy statement/prospectus.

Readers of this joint proxy statement/prospectus are cautioned not to place undue reliance on the unaudited prospective financial information set forth above. No representation is made by Realty Income, ARCT or any other person to any Realty Income stockholder or any ARCT stockholder regarding the ultimate performance of Realty Income compared to the information included in the above unaudited prospective financial information. The inclusion of unaudited prospective financial information in this joint proxy statement/prospectus should not be regarded as an indication that the prospective financial information will be necessarily predictive of actual future events, and such information should not be relied on as such.

REALTY INCOME DOES NOT INTEND TO UPDATE OR OTHERWISE REVISE THE ABOVE UNAUDITED PROSPECTIVE FINANCIAL INFORMATION TO REFLECT CIRCUMSTANCES EXISTING

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AFTER THE DATE WHEN MADE OR TO REFLECT THE OCCURRENCE OF FUTURE EVENTS, EVEN IN THE EVENT THAT ANY OR ALL OF THE ASSUMPTIONS UNDERLYING THE PROSPECTIVE FINANCIAL INFORMATION ARE NO LONGER APPROPRIATE, EXCEPT AS MAY BE REQUIRED BY LAW.

Opinion of ARCT's Financial Advisor

On September 6, 2012, at a meeting of the ARCT board of directors, Goldman Sachs rendered to the ARCT board of directors its oral opinion, subsequently confirmed in writing, that, as of September 6, 2012, and based upon and subject to the limitations and assumptions set forth therein, the exchange ratio of 0.2874 shares of Realty Income common stock to be paid for each share of ARCT common stock pursuant to the merger agreement was fair from a financial point of view to the holders (other than Realty Income and its affiliates) of shares of ARCT common stock.

The full text of the written opinion of Goldman Sachs, dated September 6, 2012, which sets forth the assumptions made, procedures followed, matters considered, qualifications and limitations on the review undertaken in connection with the opinion, is attached to this joint proxy statement/prospectus as Annex F. The summary of the Goldman Sachs opinion provided in this joint proxy statement/prospectus is

qualified in its entirety by reference to the full text of the written opinion. Goldman Sachs' advisory services and opinion were provided for the information and assistance of the ARCT board of directors in connection with its consideration of the proposed merger and the opinion does not constitute a recommendation as to how any holder of ARCT common stock should vote with respect to the proposed merger or any other matter.

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

the merger agreement;

the Indicative Non-Binding Term Sheet submitted by Realty Income to ARCT on August 19, 2012;

the Exclusivity Agreement, dated August 19, 2012, between ARCT and Realty Income;

the Incentive Listing Fee Note Agreement;

the Omnibus Amendments to 2012 Outperformance Award Agreements and Release, dated as of September 6, 2012, by and among ARCT and each of the Chairman of the board of directors of ARCT and the Chief Executive Officer and President of ARCT;

the letter agreement, dated September 6, 2012 by and among Realty Income, AR Capital and the Chairman of the board of directors of ARCT;

annual reports to stockholders and Annual Reports on Form 10-K of ARCT for the four fiscal years ended December 31, 2011;

annual reports to stockholders and Annual Reports on Form 10-K of Realty Income for the five fiscal years ended December 31, 2011;

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the Registration Statement of ARCT on Form S-11 (file no. 333-145949), including the Prospectus of ARCT, dated January 25, 2008, relating to the initial public offering of shares of ARCT common stock;

certain interim reports to stockholders and Quarterly Reports on Form 10-Q of ARCT and Realty Income;

certain other communications from ARCT and Realty Income to their respective stockholders;

certain publicly available research analyst reports for ARCT and Realty Income;

certain third party appraisal reports with respect to the real estate assets of ARCT provided by ARCT, or the third party appraisals ;

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certain internal financial analyses and forecasts for ARCT prepared by its management, or the ARCT management forecasts, and certain financial analyses and forecasts for Realty Income prepared by its management, or the Realty Income management forecasts, in each case, as approved for Goldman Sachs' use by ARCT; and

certain cost savings and operating synergies projected by the management of Realty Income to result from the proposed merger, which we refer to as the synergies, as approved for Goldman Sachs' use by ARCT.

Goldman Sachs held discussions with members of the senior managements of ARCT and Realty Income regarding their assessment of the strategic rationale for, and the potential benefits of, the proposed merger and the past and current business operations, financial condition and future prospects of ARCT and Realty Income; reviewed the reported price and trading activity for the shares of ARCT common stock and the shares of Realty Income common stock; compared certain financial and stock market information for ARCT and Realty Income with similar information for certain other companies the securities of which are publicly traded; reviewed the financial terms of certain recent business combinations in the real estate industry and in other industries; and performed such other studies and analyses, and considered such other factors, as it deemed appropriate.

For purposes of rendering its opinion, Goldman Sachs, with the consent of ARCT, relied upon and assumed the accuracy and completeness of all of the financial, legal, regulatory, tax, accounting and other information provided to, discussed with or reviewed by it without assuming any responsibility for independent verification thereof. In that regard, Goldman Sachs assumed, with ARCT's consent, that the ARCT management forecasts, the Realty Income management forecasts and the synergies have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of ARCT. Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or other off-balance-sheet assets and liabilities) of ARCT or Realty Income or any of their respective subsidiaries and except for the third party appraisals, was not furnished with any such evaluation or appraisal. Goldman Sachs assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the proposed transaction will be obtained without any adverse effect on ARCT or Realty Income or on the expected benefits of the proposed transaction in any way meaningful to its analysis. Goldman Sachs assumed that the proposed transaction will be consummated on the terms set forth in the merger agreement, without the waiver or modification of any term or condition the effect of which would be in any way meaningful to its analysis.

Goldman Sachs' opinion did not address the underlying business decision of ARCT to engage in the proposed transaction, or the relative merits of the proposed transaction as compared to any strategic alternatives that may be available to ARCT; nor did it address any legal, regulatory, tax or accounting matters. Since February 2012, Goldman Sachs was not requested to solicit, and did not solicit, interest from other parties with respect to an acquisition of, or other business combination with, ARCT or any other alternative transaction. Goldman Sachs' opinion addressed only the fairness from a financial point of view to the holders (other than Realty Income and its affiliates) of ARCT common stock, as of the date hereof, of the exchange ratio pursuant to the merger agreement. Goldman Sachs did not express any view on, and its opinion did not address, any other term or aspect of the merger agreement or proposed transaction or any term or aspect of any other agreement or instrument contemplated by the merger agreement or entered into or amended in connection with the proposed transaction, and the fairness of the proposed transaction to, or any consideration received in connection therewith by, the holders of any other class of securities, creditors, or other constituencies of ARCT; nor as to the fairness of the amount or nature of any compensation to be paid or payable to AR Capital or any of its affiliates or any of the officers, directors or employees of ARCT, or class of such persons, in connection with the proposed merger, whether relative to the exchange ratio pursuant to the merger agreement or otherwise. Goldman Sachs also did not express any view on, and its opinion did not address, any term or aspect of any of the arrangements with AR Capital or the chairman or chief executive officer of ARCT or any consideration or compensation to be paid or payable pursuant such arrangements. Goldman Sachs did not express any opinion as to the prices at which shares of Realty Income common stock will trade at any time or as to the impact of the proposed merger on the solvency or viability of ARCT or Realty Income or the ability of ARCT or Realty Income to pay their respective

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obligations when they come due. Goldman Sachs' written opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to it as of September 6, 2012, and Goldman Sachs assumed no responsibility for updating, revising or reaffirming its opinion based on circumstances, developments or events occurring after such date. Goldman Sachs' advisory services and its opinion were provided for the information and assistance of the board of directors of ARCT in connection with its consideration of the proposed merger and such opinion does not constitute a recommendation as to how any holder of ARCT common stock should vote with respect to such proposed merger or any other matter. Goldman Sachs' opinion was approved by a fairness committee of Goldman Sachs.

The following is a summary of the material financial analyses presented by Goldman Sachs to the board of directors of ARCT on September 5, 2012 in connection with rendering the opinion described above. Goldman Sachs' analyses and the summary below must be considered as a whole and selecting portions of its analyses and factors could create a misleading or incomplete view of Goldman Sachs' analyses and opinion. The following summary, however, does not purport to be a complete description of the financial analyses performed by Goldman Sachs, nor does the order of analyses described represent relative importance or weight given to those analyses by Goldman Sachs. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of Goldman Sachs' financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before September 4, 2012, the last trading day before Goldman Sachs presented its financial analyses to the board of directors of ARCT on September 5, 2012, and is not necessarily indicative of current market conditions.

The estimates of the future performance of ARCT, Realty Income or the combined company underlying Goldman Sachs' analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than those estimates.

Implied Premia and Multiples Analysis

Based upon the closing price of \$42.72 per share of Realty Income common stock on September 4, 2012, Goldman Sachs calculated that the exchange ratio of 0.2874 shares of Realty Income common stock reflected an implied value of \$12.28 per share of ARCT common stock. By multiplying this implied value per share by the total number of fully diluted outstanding shares of ARCT common stock as provided by ARCT management, Goldman Sachs derived an implied equity value of ARCT of approximately \$1,947.0 million. Goldman Sachs then added to this implied equity value ARCT's net debt amount of approximately \$889.5 million as of August 17, 2012 as provided by ARCT management and the aggregate buy-out value of minority interests in entities controlled by ARCT of approximately \$22.6 million as provided by ARCT's management and derived an implied enterprise value of ARCT of approximately \$2,859.1 million.

Using the results of the calculations described above and the most recent median estimates for ARCT's financial results for 2012 and 2013 published by Institutional Brokers' Estimate System, or IBES, Goldman Sachs calculated the following premia and multiples:

the implied value of the per share merger consideration as a premium to the closing price of ARCT common stock on September 4, 2012;

the implied value of the per share merger consideration as a premium to the volume weighted average share price of ARCT common stock over the 20-day period ended September 4, 2012;

the implied value of the per share merger consideration as a premium to the average of the closing prices of ARCT common stock over the 30-day period ended September 4, 2012;

the implied value of the per share merger consideration as a premium to the closing price of ARCT common stock on March 1, 2012, the date on which the common stock of ARCT began trading on the NASDAQ;

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the implied value of the per share merger consideration as a premium to the average of the closing prices of ARCT common stock over the period from March 1, 2012 to September 4, 2012;

the implied enterprise value as a multiple of IBES median estimates of ARCT's earnings before interest, taxes, depreciation and amortization, or EBITDA, for 2012 and 2013;

the implied value of the per share merger consideration as a multiple of IBES median estimates of ARCT's FFO per share for 2012 and 2013; and

the implied value of the per share merger consideration as a multiple of IBES median estimates of ARCT's AFFO per share for 2012 and 2013.

The results of these analyses are summarized as follows:

Premium to	
9/4/2012 Close	2.7%
20-Day Closing Average	7.7%
30 - Day Closing Average	7.8%
3/1/2012 Close	17.0%
Post - Listing Closing Average	13.0%
Enterprise Value / IBES Median EBITDA	
2012E	17.1x
2013E	15.3x
Price/IBES Median FFO per Share	
2012E	16.8x
2013E	14.5x
Price/IBES Median AFFO per Share	
2012E	15.9x
2013E	14.3x

Selected Companies Analysis

Goldman Sachs calculated and compared certain financial information and multiples for ARCT to corresponding financial information and multiples for Realty Income and the following selected companies in the real estate industry:

National Retail Properties, Inc.

Entertainment Properties Trust

Lexington Realty Trust

CapLease, Inc.

Although none of Realty Income or the selected companies is directly comparable to ARCT, the companies included were chosen because they are publicly real estate investment trusts that predominantly own net lease assets that are similar to those owned by ARCT, and therefore, for purposes of analysis, may be considered similar to ARCT.

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With respect to ARCT, Realty Income and each of the selected companies, Goldman Sachs calculated:

enterprise value as a multiple of estimated EBITDA for 2012 and 2013; and

closing share price on September 4, 2012, as a multiple of estimated AFFO per share for 2012 and 2013.

For purposes of these calculations, Goldman Sachs calculated an implied equity value for each company derived by multiplying the number of fully diluted outstanding shares of that company as reported in its most

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recent SEC filings by the company's closing share price on September 4, 2012. By adding the net debt amount of each company as reported in its most recent public filings to the equity value of such company derived from the foregoing calculations, Goldman Sachs determined an implied enterprise value for each company. The multiples for ARCT were calculated using both the ARCT management forecasts and the most recent median estimates for ARCT published by IBES, respectively. The multiples for Realty Income and each of the selected companies were calculated using the most recent median estimates for each company published by IBES. The following table presents the results of these calculations:

	American Realty IBES	Realty Management	Income	High	Selected Companies		
					Low	Mean	Median
Enterprise Value/EBITDA							
2012E	16.8x	16.9x	19.4x	18.1x	13.8x	15.2x	14.3x
2013E	15.0x	15.2x	17.8x	16.6x	13.2x	14.2x	13.5x
Price/AFFO per Share							
2012E	15.5x	16.4x	20.6x	17.3x	7.0x	12.4x	12.7x
2013E	13.9x	14.7x	19.5x	16.6x	7.8x	12.3x	12.3x

Based on its review of the foregoing calculations:

Goldman Sachs applied illustrative Price/AFFO per share multiples ranging from 7.8x to 16.6x to estimated AFFO per share of ARCT for 2013 contained in the ARCT management forecasts to derive illustrative standalone implied values per share of ARCT common stock ranging from \$6.35 to \$13.51.

Goldman Sachs applied illustrative enterprise value/EBITDA multiples ranging from 13.2x to 16.6x to estimated EBITDA of ARCT for 2013 contained in the ARCT management forecasts to derive illustrative standalone implied values per share of ARCT common stock ranging from \$9.64 to \$13.60.

Illustrative Present Value of Future Return Analysis

Goldman Sachs calculated an illustrative range of implied standalone present values per share of ARCT common stock based on hypothetical share prices for ARCT common stock as of the beginning of each of the years 2013 through 2017 and the estimated dividends per share to be paid by ARCT in each of the years 2013 through 2017 as reflected in the ARCT management forecasts. For purposes of this analysis, Goldman Sachs derived these hypothetical future share prices for ARCT common stock by applying an illustrative range of price/AFFO multiples of 12.0x to 15.0x to ARCT's estimated AFFO per share for each of the years 2013 through 2017 as reflected in the ARCT management forecasts. This illustrative range of price/AFFO multiples was derived by Goldman Sachs utilizing its professional judgment and experience, taking into account current and historical price/AFFO multiples for the selected companies referred to above under **Selected Companies Analysis**. By applying a discount rate of 8.76% to the derived hypothetical future share prices and the estimated future dividends, Goldman Sachs derived an illustrative range of present values per share of ARCT common stock of \$9.76 to \$12.27. The 8.76% discount rate reflected an estimate of ARCT's cost of equity derived using the Capital Asset Pricing Model taking into account the average historical beta of Realty Income and the selected companies referred to above under **Selected Companies Analysis** as well as certain financial metrics for the United States financial markets generally.

Illustrative Dividend Discount Analysis

Goldman Sachs performed an illustrative dividend discount analysis to determine the present value per share of ARCT common stock. By applying a discount rate of 8.76%, reflecting an estimate of ARCT's cost of equity, to (a) ARCT's estimated dividends per share for the years 2013 through 2017 as reflected in ARCT's management forecasts, and (b) an illustrative terminal value for ARCT derived by applying a perpetuity growth rate of 2.0% (as provided by ARCT's management) to ARCT's estimated dividend per share for the year 2017, Goldman Sachs derived an illustrative present value per share of ARCT common stock of \$10.34.

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Using the same methodologies described above, Goldman Sachs performed a sensitivity analysis by applying discount rates ranging from 8.25% to 9.25% to (a) ARCT's estimated dividends per share for the years 2013 through 2017 as reflected in ARCT's management forecasts, and (b) illustrative terminal values for ARCT derived by applying perpetuity growth rates ranging from 1.0% to 3.0% to ARCT's estimated dividend per share for the year 2017. This analysis resulted in a range of illustrative present values per share of ARCT common stock of \$8.76 to \$12.86.

Selected Precedent Transactions Analysis

Goldman Sachs analyzed certain publicly available information relating to acquisitions announced since 2006 involving a real estate investment trust as the target. The following are the transactions analyzed:

Date Announced	Target	Acquiror
12/27/2011	Cogdell Spencer Inc.	Ventas, Inc.
02/27/2011	Nationwide Health Properties, Inc.	Ventas, Inc.
01/27/2011	ProLogis	AMB Property Corporation
12/10/2008	American Land Lease, Inc.	Green Courte Partners, LLC
02/11/2008	GMH Communities Trust	American Campus Communities, Inc.
11/05/2007	American Financial Realty Trust	Gramercy Capital Corp.
07/24/2007	Republic Property Trust	Liberty Property Trust
06/21/2007	Equity Inns, Inc.	Whitehall Street Global Real Estate Limited Partnership 2007
05/29/2007	Archstone-Smith Trust	Tishman Speyer Real Estate Venture VII, L.P. and Lehman Brothers Holdings Inc.
05/23/2007	Crescent Real Estate Equities Company	Morgan Stanley Real Estate
04/30/2007	Eagle Hospitality Properties Trust, Inc.	Apollo Real Estate Investment Fund V, L.P., Aimbridge Hospitality, L.P. and JF Capital Advisors, LLC
04/24/2007	Highland Hospitality Corporation	JER Partners
04/16/2007	Innkeepers USA Trust	Apollo Investment Corporation
03/13/2007	Spirit Finance Corporation	Macquarie Bank Limited, Kaupthing bank hf. and other independent equity participants
02/27/2007	New Plan Excel Realty Trust, Inc.	Centro Properties Group
02/21/2007	Winston Hotels, Inc.	Inland American Real Estate Trust, Inc.
01/19/2007	CNL Hotels & Resorts, Inc.	Morgan Stanley Real Estate Fund V Inc. and Ashford Hospitality Trust, Inc.
01/17/2007	The Mills Corporation	Farallon Capital Management L.L.C. and Simon Property Group Inc.
01/15/2007	Sunrise Senior Living Real Estate Investment Trust	Ventas, Inc.
11/19/2006	Equity Office Properties Trust	Blackstone Real Estate Partners V L.P.
10/30/2006	Truststreet Properties, Inc.	General Electric Capital Corporation
10/23/2006	Government Properties Trust, Inc.	Record Realty Trust
10/23/2006	Inland Retail Real Estate Trust, Inc.	Developers Diversified Realty Corporation
09/13/2006	Windrose Medical Properties Trust	Health Care REIT, Inc.

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08/21/2006	Glenborough Realty Trust Inc.	Morgan Stanley Real Estate Investing
08/03/2006	Reckson Associates Realty Corp.	SL Green Realty Corp.
07/23/2006	Newkirk Realty Trust, Inc.	Lexington Corporate Properties Trust
07/10/2006	Pan Pacific Retail Properties, Inc.	Kimco Realty Corporation

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Date Announced	Target	Acquiror
07/10/2006	Heritage Property Investment Trust Inc.	Centro Properties Group
06/05/2006	Trizec Properties, Inc.	Blackstone Real Estate Partners V L.P. and Brookfield Properties Corporation
03/07/2006	Shurgard Storage Centers, Inc.	Public Storage, Inc.
03/06/2006	CarrAmerica Realty Corporation	Blackstone Real Estate Partners V L.P.
02/10/2006	Bedford Property Investors, Inc.	LBA Realty LLC

Although none of the selected transactions is directly comparable to the proposed merger, the target companies in the selected transactions are such that, for purposes of analysis, the selected transactions may be considered similar to the proposed merger.

With respect to each of the selected transactions, Goldman Sachs calculated the implied premium represented by the announced per share transaction price to the closing price of the target company's common stock on the last trading day before the public announcement of the transaction. The calculation of the mean and median values excluded the premium applicable to the acquisition of American Land Lease, Inc. announced on December 10, 2008 which represented a 1-day premium of 264.1%. The results of this analysis are as follows:

Selected Transactions	1 Day Premium
Since 01/01/2011	
High	15.5%
Low	(0.2)%
Mean	7.9%
Median	8.4%
Since 01/01/2006	
High	264.1%
Low	(0.2)%
Mean	17.2%
Median	11.1%
Between 01/01/2006 and 12/31/2008	
High	264.1%
Low	(0.0)%
Mean	18.2%
Median	11.6%

Based on the foregoing calculations, Goldman Sachs applied the range of premia represented by selected transactions announced since January 1, 2011 to the closing price of ARCT's common stock on September 4, 2012 to derive a range of illustrative implied values per share of ARCT's common stock of \$11.93 to \$13.80.

Illustrative Accretion/Dilution Analysis

Goldman Sachs calculated an illustrative pro forma AFFO for the combined company for 2013 by adding the estimated AFFO for ARCT for 2013 reflected in the ARCT management forecasts to the estimated AFFO for Realty Income for 2013 contained in Realty Income's management forecasts, and adding to the result the synergies estimated by Realty Income's management to result from the merger, additional AFFO estimated by ARCT management to result from the buyout of certain ARCT's joint venture partners and the refinancing of certain ARCT indebtedness, incremental net operating income estimated by ARCT management to result from additional properties identified to be acquired as of August 31, 2012, interest from cash and interest savings under ARCT's credit facilities (each as estimated by management of ARCT) and subtracting from the result expected interest expense with respect to new debt expected to be incurred by Realty Income as estimated by management of Realty Income. This analysis resulted in an illustrative pro forma AFFO for the combined

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company for 2013 of approximately \$433.1 million. By dividing this illustrative pro forma AFFO by the estimated total number of shares of Realty Income common stock outstanding after giving effect to the proposed merger, Goldman Sachs calculated an illustrative pro forma AFFO per share for the combined company for 2013 of approximately \$2.33, representing an illustrative accretion of \$0.142, or 6.5%, to the Realty Income shareholders on an AFFO per share basis.

Based on the estimated AFFO for Realty Income for 2013 reflected in the Realty Income management forecasts and an illustrative AFFO payout ratio of 85% for Realty Income provided by management of Realty Income, Goldman Sachs calculated an illustrative dividend per share of Realty Income common stock for 2013 of \$1.86. By applying the exchange ratio under the merger agreement to this illustrative Realty Income dividend per share for 2013, Goldman Sachs derived an illustrative dividend of \$0.54 to be received by ARCT shareholders in 2013 with respect to each share of ARCT common stock, representing illustrative dilution of \$(0.17), or (24.6)%, to the ARCT shareholders on a dividend per share basis. Using the foregoing methodologies, Goldman Sachs performed a sensitivity analysis by applying illustrative 2013 AFFO per share for Realty Income ranging from \$2.09 to \$2.49 and illustrative AFFO per share payout ratios for Realty Income ranging from 80.0% to 90.0%. This analysis indicated that the proposed merger would be dilutive to ARCT shareholders by (9.2)% to (32.3)% on a dividend per share basis.

In addition, based upon the closing price of Realty Income common stock on September 4, 2012 and the exchange ratio under the merger agreement, Goldman Sachs derived an implied enterprise value of ARCT of approximately \$2,859.1 million. By subtracting tangible assets of approximately \$23.0 million and adding tangible liabilities of approximately \$12.1 million based on information reflected on ARCT's balance sheet as of June 30, 2012 contained in its SEC filings, Goldman Sachs derived an illustrative implied pre-transaction expense value of ARCT's real estate portfolio of approximately \$2,848.2 million. By adding ARCT management's estimate of transaction expenses of \$128.0 million (reflecting an incentive listing fee of \$76.0 million), Goldman Sachs derived an illustrative implied post-transaction expense value of ARCT's real estate portfolio of approximately \$2,976.2 million. Based on the estimated cash net operating income for 2013 reflected in the ARCT management forecasts, Goldman Sachs calculated an implied capitalization rate of 5.6% for the implied post-transaction expense real estate portfolio value.

Illustrative Pro Forma Transaction Analysis

Goldman Sachs calculated an implied pro forma equity value for the combined company by multiplying the closing price of Realty Income common stock on September 4, 2012 by the total number of Realty Income common stock outstanding after giving effect to the proposed merger. By adding the pro forma net debt and preferred equity of the combined company as provided by Realty Income management to this implied pro forma equity value, Goldman Sachs calculated an implied pro forma enterprise value for the combined company of approximately \$11,433.1 million. Based on the foregoing calculations and an illustrative pro forma 2013 EBITDA for the combined company (calculated by adding the estimated 2013 EBITDA for ARCT reflected in the ARCT management forecasts, the estimated 2013 EBITDA for Realty Income reflected in the Realty Income management forecasts and the synergies estimated by Realty Income's management to result from the merger), Goldman Sachs calculated the implied pro forma enterprise value as a multiple of the illustrative pro forma 2013 EBITDA for the combined company of 17.1x.

Based on the closing price of the Realty Income common stock on September 4, 2012 and the illustrative pro forma 2013 AFFO per share for the combined company described under *Illustrative Accretion/Dilution Analysis* above, Goldman Sachs calculated a current share price as a multiple of illustrative pro forma 2013 AFFO per share for the combined company of 18.3x.

Based on the foregoing calculations and applying its professional judgment, Goldman Sachs applied illustrative price/AFFO per share multiples ranging from 17.0x to 21.0x to the illustrative pro forma 2013 AFFO per share for the combined company to derive a range of illustrative implied values per share of the Realty

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Income common stock of \$39.68 to \$49.01. This illustrative range of price/AFFO multiples was derived by Goldman Sachs utilizing its professional judgment and experience taking into account current and historical price/AFFO multiples for Realty Income. By multiplying the derived range of illustrative implied values per share of the Realty Income common stock by the total number of shares of Realty Income common stock outstanding after giving effect to the proposed merger, Goldman Sachs calculated an illustrative range of implied equity values of the combined company of approximately \$7,138.5 million to \$8,818.1 million. Goldman Sachs added to this illustrative range of implied equity values of the combined company the value of the pro forma net debt and preferred equity of the combined company to derive an illustrative range of implied enterprise values of the combined company of approximately \$10,885.5 million to \$12,565.1 million. Using the illustrative pro forma 2013 EBITDA for the combined company calculated as described in the first paragraph under *Illustrative Pro Forma Transaction Analysis*, Goldman Sachs calculated this range of illustrative implied enterprise values of the combined company as a multiple of the illustrative pro forma 2013 EBITDA ranging from 16.3x to 18.8x.

In addition, using illustrative pro forma 2013 cash net operating income for the combined company (calculated by adding the estimated 2013 cash net operating income for ARCT and Realty Income reflected in the ARCT management forecasts and Realty Income management forecasts, respectively, including, in the case of Realty Income estimated 2013 cash net operating income expected by Realty Income management to result from acquisitions in 2012) and a range of illustrative implied values of the combined company's real estate portfolio (calculated by adjusting the illustrative range of implied enterprise values of the combined company described above by the amount of net tangible assets of ARCT and Realty Income calculated based on information reflected on their respective balance sheets as of June 30, 2012 contained in their SEC filings), Goldman Sachs calculated a range of illustrative implied capitalization rates of 6.1% to 5.3% for the combined company.

General

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Goldman Sachs' opinion. In arriving at its fairness determination, Goldman Sachs considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Goldman Sachs made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. No company or transaction used in the above analyses as a comparison is directly comparable to ARCT, Realty Income or the proposed transaction.

Goldman Sachs prepared these analyses for purposes of providing its opinion to the ARCT board of directors as to the fairness from a financial point of view to the holders (other than Realty Income and its affiliates) of ARCT common stock, as of September 6, 2012, of the exchange ratio pursuant to the merger agreement. These analyses do not purport to be appraisals nor do they necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon projections of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of ARCT, Realty Income, Goldman Sachs or any other person assumes responsibility if future results are materially different from those forecast.

The exchange ratio was determined through arm's-length negotiations between ARCT and Realty Income and was approved by the ARCT board of directors. Goldman Sachs provided advice to ARCT during these negotiations. Goldman Sachs did not, however, recommend any specific exchange ratio to ARCT or its board of directors or that any specific exchange ratio constituted the only appropriate exchange ratio for the proposed merger.

As described above, Goldman Sachs' opinion was one of many factors taken into consideration by the board of directors of ARCT in making its determination to approve the merger agreement. The foregoing summary does not purport to be a complete description of the analyses performed by Goldman Sachs in connection with

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the delivery of its fairness opinion to the board of directors of ARCT and is qualified in its entirety by reference to the written opinion of Goldman Sachs attached as Annex F to this joint proxy statement/prospectus.

Goldman Sachs and its affiliates are engaged in commercial and investment banking and financial advisory services, market making and trading, research and investment management (both public and private investing), principal investment, financial planning, benefits counseling, risk management, hedging, financing, brokerage activities and other financial and non-financial activities and services for various persons and entities. Goldman Sachs and its affiliates, and funds or other entities in which they invest or with which they co-invest, may at any time purchase, sell, hold or vote long or short positions and investments in securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments of ARCT, Realty Income, any of their respective affiliates and third parties, including AR Capital, a company controlled by the chairman and the chief executive officer of ARCT and the former sponsor of ARCT, and affiliates of, and other entities sponsored by, AR Capital, or any currency or commodity that may be involved in the transaction contemplated by the merger agreement for the accounts of Goldman Sachs and its affiliates and their customers. Goldman Sachs has acted as financial advisor to ARCT in connection with, and has participated in certain of the negotiations leading to, the proposed merger. In addition, Goldman Sachs has provided certain investment banking services to ARCT and its affiliates from time to time for which Goldman Sachs Investment Banking Division has received, and may receive, compensation, including having acted as a lender (with a commitment of \$65,000,000) under ARCT's unsecured revolving credit facility (aggregate principal amount \$115,000,000) in August 2011. During the two year period ended September 6, 2012, the Investment Banking Division of Goldman Sachs did not receive any compensation from ARCT other than the fees described in the next paragraph. During that period, the Investment Banking Division of Goldman Sachs did not receive any compensation from Realty Income. Goldman Sachs may also in the future provide investment banking services to ARCT, Realty Income, AR Capital, their respective affiliates and entities sponsored by AR Capital for which Goldman Sachs Investment Banking Division may receive compensation.

The board of directors of ARCT selected Goldman Sachs as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the proposed transaction. Pursuant to a letter agreement, dated May 27, 2011, as amended by letter agreements dated May 4, 2012 and September 5, 2012, ARCT engaged Goldman Sachs to act as its financial advisor in connection with the transaction contemplated by the merger agreement as well as a sale of ARCT to any third party. Pursuant to the terms of this engagement letter, as amended, ARCT has paid Goldman Sachs fees of \$2.5 million in the aggregate and has agreed to pay Goldman Sachs a transaction fee of \$12 million (less the fees previously paid) if the proposed merger is consummated. In addition, ARCT has agreed to reimburse Goldman Sachs for its expenses, including attorneys' fees and disbursements, and to indemnify Goldman Sachs and related persons against certain liabilities that may arise out of its engagement.

Certain Prospective Financial Information Reviewed by ARCT

ARCT does not as a matter of course make public long-term projections as to future revenues, earnings or other results due to, among other reasons, the uncertainty of the underlying assumptions and estimates. However, ARCT is including these projections that were made available to the ARCT board of directors, the Realty Income board of directors and management in connection with the evaluation of the merger. This information also was provided to ARCT's and Realty Income's respective financial advisors to the extent noted below. The inclusion of this information should not be regarded as an indication that any of ARCT, Realty Income, their respective advisors or any other recipient of this information considered, or now considers, it to be predictive of actual future results.

The unaudited prospective financial information was, in general, prepared solely for internal use and is subjective in many respects. As a result, there can be no assurance that the prospective results will be realized or that actual results will not be significantly higher or lower than estimated. Since the unaudited prospective financial results cover multiple years, such information by its nature becomes less predictive with each

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successive year. ARCT stockholders and Realty Income stockholders are urged to review the SEC filings of ARCT for a description of risk factors with respect to the business of ARCT. See **Cautionary Statement Regarding Forward-Looking Statements** beginning on page 31 and **Where You Can Find More Information; Incorporation by Reference** beginning on page 156. The unaudited prospective financial results were not prepared with a view toward public disclosure, nor were they prepared with a view toward compliance with published guidelines of the SEC, the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information, which we refer to as GAAP.

Neither the independent registered public accounting firm of ARCT nor any other independent accountants have compiled, examined, or performed any audit or other procedures with respect to the unaudited prospective financial results contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability. The report of the independent registered public accounting firm of ARCT contained in ARCT's Annual Report on Form 10-K/A for the year ended December 31, 2011, which is incorporated by reference into this joint proxy statement/prospectus, relates to the historical financial information of ARCT. It does not extend to the unaudited prospective financial results and should not be read to do so. Furthermore, the unaudited prospective financial results do not take into account any circumstances or events occurring after the respective dates on which they were prepared.

In August 2012, ARCT's management prepared unaudited prospective financial results for ARCT's internal use, which were provided to Realty Income and its financial advisors. The August 2012 unaudited prospective financial results set forth below were not used by Goldman Sachs in connection with the preparation of Goldman Sachs' financial analyses described above under **The Merger Opinion of ARCT's Financial Advisor**. The following table presents selected unaudited prospective financial information for the fiscal year ending 2013 for ARCT on a standalone basis including identified acquisitions:

	2013 (\$ in thousands)
Funds from operations (FFO)	128,397
Adjusted Funds from operations (AFFO)	128,007

Later in August 2012, ARCT's management updated the early August 2012 unaudited prospective financial results to reflect current information and assumptions and to include prospective financial results for the fiscal years ending 2014 through 2017. In updating the unaudited prospective financial results, ARCT's management assumed external growth and debt recapitalization plans. The external growth and debt recapitalization assumptions include assumptions about ARCT's access to debt and equity capital markets and the future issuance of senior unsecured debt and ARCT common stock. The issuance of ARCT common stock is dilutive to ARCT's unaudited prospective financial results on a per share basis. These unaudited prospective financial results were provided to Goldman Sachs and used by Goldman Sachs in connection with the preparation of its financial analyses described above under **The Merger Opinion of ARCT's Financial Advisor**. These unaudited prospective financial results were not provided to Realty Income or its financial advisors. The following table presents revised selected unaudited prospective financial information for the fiscal years ending 2013 through 2017 that was prepared in late August 2012:

	2012	2013	2014	2015	2016	2017
	(\$ in thousands)					
EBITDA	\$ 165,827	\$ 184,904	\$ 210,354	\$ 244,496	\$ 284,806	\$ 330,217
Funds from operations (FFO)	118,435	137,534	156,411	183,133	214,767	241,876
Adjusted Funds from operations (AFFO)	118,921	141,048	162,794	190,938	223,563	251,733

For purposes of the unaudited prospective financial information presented herein, EBITDA is calculated as net earnings plus (i) depreciation and amortization (ii) debt extinguishment costs (iii) consolidated interest expense (iv) loss on derivative instruments (v) net earnings attributable to non-controlling interests (vi) fees to a former affiliate, and (vii) listing and internalization expenses and funds from operations is calculated as net

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income adjusted for non-cash items, including (i) real estate depreciation and amortization and (ii) mark-to-market adjustments, and non-recurring items, including (iii) listing and internalization expenses and (iv) debt extinguishment costs. Adjusted funds from operations is calculated as funds from operations plus (i) acquisition expenses (ii) non-cash interest expense (iii) non-cash compensation and (iv) FAS 13 straight line rent adjustments and (v) FAS 141 above-market lease adjustments.

EBITDA, FFO and AFFO are non-GAAP measures that ARCT believes are important to understanding ARCT's operations. ARCT believes EBITDA is an important supplemental measure of operating performance as it allows comparison of ARCT's operating results without regard to financing methods and capital structure. ARCT believes FFO is an important supplemental measure of operating performance because it excludes the effects of depreciation and amortization (which is based on historical costs and which may be of limited relevance in evaluating current performance). ARCT believes AFFO is an important supplemental measure of operating performance because, in addition to the items excluded in calculating FFO, it excludes straight-lined rent and other non-cash items that have become more significant for ARCT and ARCT's competitors over the last several years. AFFO also excludes acquisition costs, which are dependent on acquisitions made and can fluctuate significantly from period to period. ARCT believes that net income is the most directly comparable GAAP measure to FFO and AFFO.

In preparing the foregoing unaudited prospective financial results, ARCT made a number of assumptions and estimates regarding, among other things, future interest rates, ARCT's future stock price, the level of future investments by ARCT and the yield to be achieved on such investments, financing of future investments, including leverage ratios, future property sales by ARCT, future mortgage and receivable loan payoffs to ARCT, the ability to refinance certain of ARCT's outstanding secured and unsecured debt and the terms of any such refinancing, and future capital expenditures and dividend rates. ARCT management believes these assumptions and estimates were reasonably prepared, but these assumptions and estimates may not be realized and are inherently subject to significant business, economic, competitive and regulatory uncertainties and contingencies, including, among others, the risks and uncertainties described under Risk Factors and Cautionary Statement Regarding Forward-Looking Statements beginning on pages 23 and 31, respectively, and in ARCT's Annual Report on Form 10-K/A for the year ended December 31, 2011, which is incorporated by reference into this joint proxy statement/prospectus. All of these uncertainties and contingencies are difficult to predict and many are beyond the control of ARCT and/or Realty Income and will be beyond the control of the combined company.

Readers of this joint proxy statement/prospectus are cautioned not to place undue reliance on the unaudited prospective financial results set forth above. The inclusion of the above unaudited prospective financial results in this joint proxy statement/prospectus should not be regarded as an indication that ARCT, Realty Income, or their respective officers, directors, affiliates or other representatives consider such information to be necessarily predictive of actual future events. There can be no assurance that the underlying assumptions will prove to be accurate or that the projected results will be realized, and actual results likely will differ, and may differ materially, from those reflected in the unaudited prospective financial results, whether or not the merger is completed. In addition, the above unaudited prospective financial results do not give effect to the merger. None of ARCT, Realty Income, or their respective officers, directors, affiliates or other representatives has made any representations regarding the performance of ARCT compared to the information included in the above unaudited prospective financial results.

ARCT stockholders and Realty Income stockholders are urged to review ARCT's most recent SEC filings for a description of ARCT's results of operations and financial condition and capital resources during 2011, including Management's Discussion and Analysis of Financial Condition and Results of Operations in ARCT's Annual Report on Form 10-K/A for the year ended December 31, 2011, which is incorporated by reference into this joint proxy statement/prospectus.

See Where You Can Find More Information; Incorporation by Reference beginning on page 156.

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ARCT DOES NOT INTEND TO UPDATE OR OTHERWISE REVISE THE ABOVE UNAUDITED PROSPECTIVE FINANCIAL RESULTS TO REFLECT CIRCUMSTANCES EXISTING AFTER THE DATE WHEN MADE OR TO REFLECT THE OCCURRENCE OF FUTURE EVENTS, EVEN IN THE EVENT THAT ANY OR ALL OF THE ASSUMPTIONS UNDERLYING SUCH UNAUDITED PROSPECTIVE FINANCIAL RESULTS ARE NO LONGER APPROPRIATE, EXCEPT AS MAY BE REQUIRED BY APPLICABLE LAW.

Interests of Realty Income's Directors and Executive Officers in the Merger

None of Realty Income's executive officers or the members of its board of directors is party to an agreement with Realty Income, or participates in any Realty Income plan, program or arrangement that provides such executive officer or board member with financial incentives that are contingent upon the consummation of the merger.

Interests of ARCT's Directors and Executive Officers in the Merger

In considering the recommendation of ARCT's board of directors to approve the merger and the other transactions contemplated by the merger agreement, ARCT stockholders should be aware that executive officers and directors of ARCT have certain interests in the merger that may be different from, or in addition to, the interests of ARCT stockholders generally. These interests may create potential conflicts of interest. The ARCT board of directors was aware of those interests and considered them, among other matters, in reaching its decision to approve the merger agreement and the transactions contemplated thereby. These interests include the following:

Incentive Listing Fee Note Agreement

ARCT and the ARCT OP, which we refer to collectively as the Obligors, entered into the Incentive Listing Fee Note Agreement with AR Capital. AR Capital is majority-owned and controlled by Nicholas S. Schorsch, the chairman of the board of directors of ARCT, and William M. Kahane, ARCT's chief executive officer, president and a director.

AR Capital was the sponsor of ARCT. Prior to March 1, 2012, ARCT operated as a non-exchange-traded REIT and its day-to-day business and operations were managed by American Realty Capital Advisors, LLC, a Delaware limited liability company wholly-owned by AR Capital, which we refer to as the Former Advisor. On March 1, 2012, ARCT internalized its management and provided notice of termination of its advisory agreement with the Former Advisor and listed its shares of common stock on The NASDAQ Global Select Market, or the Listing. In connection with the ARCT IPO, (i) pursuant to ARCT's charter that had been adopted in January 2008, ARCT agreed to pay to AR Capital a subordinated incentive listing fee, which we refer to as the Subordinated Incentive Listing Fee, if the investors in the ARCT IPO received certain returns from ARCT following the Listing (as described below) and (ii) ARCT separately agreed to pay the Subordinated Incentive Listing Fee to AR Capital in the form of a promissory note in a form that was previously agreed to by ARCT and AR Capital, which we refer to as the Subordinated Incentive Listing Fee Note (as described below), and the ARCT OP agreed to be jointly and severally liable with ARCT in respect of the issuance of, and payment with respect to, the Subordinated Incentive Listing Fee Note if and when such note is issued.

In connection with the Listing, and prior to any revisions made as a result of ARCT's negotiations with Realty Income in connection with the merger, AR Capital was entitled to the Subordinated Incentive Listing Fee, payable in the form of the Subordinated Incentive Listing Fee Note, equal to 15% of the amount, if any, by which (a) the market value of ARCT's outstanding common stock plus distributions paid by ARCT prior to the Listing exceeds (b) the sum of the total amount of capital raised from stockholders during the ARCT IPO and the amount of cash flow necessary to generate a 6% annual cumulative, non-compounded return to such stockholders. For this purpose, (i) the market value of ARCT's common stock was to be calculated based on the average market

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value of the shares issued and outstanding at Listing over the 30 trading days beginning 180 days after the shares are first listed or included for quotation, and (ii) the Subordinated Incentive Listing Fee Note would be non-transferrable with a maturity of three years, bearing interest at the applicable federal rate established by the Internal Revenue Service on the date the note is issued, and subject to mandatory amortization payments from any sale proceeds (except for the interest imputed for tax purposes). Further, the Subordinated Incentive Listing Fee Note was to be convertible by AR Capital, at its option, into shares of ARCT common stock and, if AR Capital elected to convert any unpaid portion of the note into shares of ARCT common stock, the number of shares of ARCT common stock that would be issued upon such conversion would be valued for this purpose at the average market value of ARCT's shares over the 30 trading days beginning 180 days after ARCT's shares were first listed.

In connection with certain requests and negotiation related to ARCT's entry into the merger agreement, the Obligors (acting through and at the direction of ARCT's independent directors) and AR Capital agreed to modify the terms of the Subordinated Incentive Listing Fee Note, if and to the extent issued, to (i) add a cap of \$76,000,000 on its principal amount, (ii) add a floor of \$58,600,000 on its principal amount, (iii) provide that, until October 31, 2012, such note shall be due and payable upon demand on not less than five business days' prior written notice by AR Capital, (iv) eliminate AR Capital's right to convert the principal amount of the Subordinated Incentive Listing Fee Note into shares of ARCT's common stock at maturity and (v) clarify that the average market value of ARCT's common stock for purposes of the calculation of the amount of the Subordinated Incentive Listing Fee Note would be based on the Seasoned Average Market Value (as defined below). In connection with and as a result of the Listing and the negotiations among Realty Income, AR Capital and the Obligors regarding the revised terms of the Subordinated Incentive Listing Fee Note, the Obligors and AR Capital memorialized the Obligors' obligation to issue, and AR Capital's right to receive, the Subordinated Incentive Listing Fee Note, upon the terms and subject to the conditions set forth in the Incentive Listing Fee Note Agreement. Other than the modifications listed above, the Incentive Listing Fee Note Agreement did not modify the terms of the Subordinated Incentive Listing Fee Note.

Pursuant to the Incentive Listing Fee Note Agreement, if the excess of (I) the sum of (a) the market value of ARCT's common stock, based on the volume-weighted average of the daily volume-weighted average price, as reported by Bloomberg Financial, increased by the cumulative ARCT dividends paid during the measurement period for each day following the ex-dividend date of each respective dividend on September 5, 2012 and October 3, 2012, as declared by NASDAQ, of the shares issued and outstanding at the Listing over the 30 trading days beginning 180 days after the Listing (which measurement period commenced August 28, 2012 and ended on October 9, 2012), which we refer to as the Seasoned Average Market Value, plus (b) distributions paid by ARCT from and after May 21, 2008 and prior to the Listing exceeds (II) the sum of (c) the total amount of capital raised from stockholders during the ARCT IPO and (d) the amount of cash flow necessary to generate a 6.0% annual cumulative, non-compounded return to such stockholders through the date of the Listing (we refer to the excess of clause (I) over clause (II) as the Excess Value Amount), then the Obligors, jointly and severally, agreed to issue to AR Capital the Subordinated Incentive Listing Fee Note, in a principal amount equal to 15% of the Excess Value Amount; provided, however, that the principal amount of the Subordinated Incentive Listing Fee Note (x) would not be less than \$58,600,000 and (y) would not be more than \$76,000,000.

On October 9, 2012, the Excess Value Amount was \$421.3 million resulting in the issuance of the Subordinated Incentive Listing Fee Note in the principal amount of \$63,189,091. On October 12, 2012, the outstanding principal amount, plus \$1,201.25 in accrued interest, was paid to AR Capital in full satisfaction of the Subordinated Incentive Listing Fee Note. Messrs. Schorsch and Kahane own 63.6% and 13.5%, respectively, of the equity interests in AR Capital and, accordingly, indirectly received \$40.2 million and \$8.5 million, respectively, of such payment. Such payment represented gross income to AR Capital, not net income distributable to the equity holders of AR Capital.

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Messrs. Schorsch and Kahane, as holders of more than a majority of the equity interests in AR Capital, had material financial interests in the calculation, timing and form of payment of the Subordinated Incentive Listing Fee.

Letter Agreement

On September 5, 2012, ARCT entered into the letter agreement with RC Securities and ARC Advisory Services, pursuant to which ARCT retained each of RC Securities and ARC Advisory Services to act as non-exclusive financial advisor and information agent, respectively, to ARCT in connection with the merger and the related proxy solicitation seeking approval of the merger by ARCT's stockholders. The term of the letter agreement will automatically expire upon the earlier to occur of (i) June 5, 2013 and (ii) the consummation of the merger and the services described in the letter agreement; provided, however, that ARCT only (and not RC Securities nor ARC Advisory Services) may terminate the letter agreement prior to the end of the term (except for certain surviving provisions), with or without cause, by giving RC Securities at least five days' prior written notice thereof.

Pursuant to the letter agreement, ARCT will pay to RC Securities and ARC Advisory Services an aggregate amount of \$1,500,000 in consideration for the services provided under the letter agreement and such fee will be payable upon the closing of the merger; provided that if the merger is not consummated, ARCT will be responsible for the payment of such fee. Additionally, ARCT will reimburse, irrespective of whether the merger is consummated, each of RC Securities and ARC Advisory Services for reasonable and actually incurred direct out-of-pocket expenses of RC Securities or ARC Advisory Services (including actually incurred reasonable legal fees in respect of any legal services incurred at the specific written request of ARCT) and for reasonable and actually incurred direct out-of-pocket expenses of third-party vendors, to the extent such vendors have been approved in writing by ARCT, incurred by RC Securities or ARC Advisory Services, as the case may be, in connection with the merger. RC Securities shall not mark-up any of such expenses and, to the extent any such expenses (i.e., travel and lodging) are incurred on behalf of ARCT and some other party unrelated to ARCT, RC Securities and ARC Advisory Services shall apportion such expenses in good faith, in a reasonable manner and advise ARCT thereof. At its sole discretion, ARCT may also directly pay any expenses of third party vendors. Amounts payable under the letter agreement are subject to reimbursement to Realty Income by AR Capital and Mr. Schorsch pursuant to a side letter (see Side Letter on page 150) to the extent aggregate transaction expenses, which include payments due under the Letter Agreement, exceed the \$15 million expense cap of the side letter. ARCT has agreed, subject to certain conditions, to indemnify RC Securities and ARC Advisory Services, together with their respective officers, directors, shareholders, employees, agents, and other controlling persons, against certain liabilities in connection with the letter agreement. Each of RC Securities and ARC Advisory Services is directly or indirectly wholly-owned by AR Capital.

Legal Services Agreement

On September 5, 2012, ARCT and the ARCT OP entered into the Legal Services Agreement with ARC Advisory Services, pursuant to which ARCT, on its own behalf and, as general partner of the ARCT OP, on behalf of the ARCT OP, retained ARC Advisory Services to perform legal support services in connection with the merger agreement. The Legal Services Agreement does not govern any legal support services (i) rendered by ARC Advisory Services before September 5, 2012 in connection with the merger agreement and its related transactions or (ii) not rendered in connection with the merger agreement and its related transactions, which, in each case, will be governed by the Legal Services Reimbursement Agreement and the Transition Services Agreement (each as further described below), respectively. Amounts payable under the Legal Services Agreement are subject to reimbursement to Realty Income by AR Capital and Mr. Schorsch pursuant to a side letter (see Side Letter on page 150) to the extent aggregate transaction expenses, which include payments due under the Legal Services Agreement, the \$15 million expense cap of the side letter. The Legal Services Agreement will expire on the earlier of (a) the closing date of the merger and (b) September 5, 2013, and thereafter it may be renewed from year to year by written consent of the parties thereto. Additionally, the Legal

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Services Agreement is terminable by any party thereto (upon determination of the majority of the independent directors of ARCT) at any time upon 60 days prior written notice to the non-terminating parties.

Pursuant to the Legal Services Agreement, ARCT and the ARCT OP will pay to ARC Advisory Services an aggregate amount of \$350,000 in consideration for the services provided under the Legal Services Agreement; provided that if the merger does not occur, ARCT will be responsible for the payment of such fee. Additionally, expenses of ARCT and the ARCT OP will be paid by the ARCT OP and ARCT and will not be borne by ARC Advisory Services unless any such expense constitutes or is part of a fee which ARC Advisory Services is otherwise receiving from ARCT or the ARCT OP. ARCT and the ARCT OP have agreed, subject to certain conditions, to indemnify ARC Advisory Services and its affiliates against certain liabilities in connection with the Legal Services Agreement and advance legal expenses and other costs incurred in connection therewith.

Legal Services Reimbursement Agreement

On September 5, 2012, ARCT and the ARCT OP entered into the Legal Services Reimbursement Agreement with ARC Advisory Services, pursuant to which ARCT, on its own behalf and, as general partner of the ARCT OP, on behalf of the ARCT OP, reaffirmed the retention of ARC Advisory Services for the performance of legal support services in connection with the merger agreement rendered prior to the date of the Legal Services Reimbursement Agreement. The Legal Services Reimbursement Agreement does not govern any legal support services (i) rendered by ARC Advisory Services from and after September 5, 2012 in connection with the merger agreement and its related transactions or (ii) not rendered in connection with the merger agreement and its related transactions, which, in each case, will be governed by the Legal Services Agreement and the Transition Services Agreement, respectively. Amounts payable under the Legal Services Reimbursement Agreement are subject to reimbursement to Realty Income by AR Capital and Mr. Schorsch pursuant to a side letter (see Side Letter on page 150) to the extent aggregate transaction expenses, which include payments due under the Legal Services Reimbursement Agreement, exceed the \$15 million expense cap of the side letter. The Legal Services Reimbursement Agreement will expire on the earlier of (a) the closing date of the merger and (b) September 5, 2013, and thereafter it may be renewed from year to year by written consent of the parties thereto. Additionally, the Legal Services Reimbursement Agreement is terminable by any party thereto (upon determination of the majority of the independent directors of ARCT) at any time upon 60 days prior written notice to the non-terminating parties.

Pursuant to the Legal Services Reimbursement Agreement, ARCT and the ARCT OP will pay to ARC Advisory Services an aggregate amount of \$1,200,000 in consideration for the services provided under the Legal Services Reimbursement Agreement. Additionally, expenses of ARCT and the ARCT OP will be paid by the ARCT OP and ARCT and will not be borne by ARC Advisory Services unless any such expense constitutes or is part of a fee which ARC Advisory Services is otherwise receiving from ARCT or the ARCT OP. ARCT and the ARCT OP have agreed, subject to certain conditions, to indemnify ARC Advisory Services and its affiliates against certain liabilities in connection with the Legal Services Reimbursement Agreement and advance legal expenses and other costs incurred in connection therewith.

Transition Services Agreement

On September 5, 2012, ARCT and the ARCT OP entered into a certain Transition Services Agreement with ARC Advisory Services, pursuant to which ARC Advisory Services and ARCT, on its own behalf and, as general partner of the ARCT OP, on behalf of the ARCT OP, memorialized ARC Advisory Services' obligation to perform the following services, which it has historically performed for, and for which it has historically been compensated by, ARCT and the ARCT OP: legal support, accounting support, marketing support, acquisition support, investor relations support, public relations support, event coordination, human resources and administration, general human resources duties, payroll services, benefits services, insurance and risk management, information technology services, telecom and internet services and services relating to office supplies. The Transition Services Agreement does not govern any legal support services rendered in connection with the merger agreement and its related transactions, which will be governed by the Legal Services Agreement

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and the Legal Services Reimbursement Agreement. The Transition Services Agreement will expire on the earlier of (i) the closing date of the merger and (ii) September 5, 2013, and thereafter it may be renewed from year to year by written consent of the parties thereto. Additionally, the Transition Services Agreement is terminable by any party thereto (upon determination of the majority of the independent directors of ARCT) at any time upon 60 days' prior written notice to the non-terminating parties; provided, however, that, prior to the closing date of the merger, ARCT may elect to extend the term of the Transition Services Agreement on a monthly basis up to and including September 5, 2013.

Pursuant to the Transition Services Agreement, ARCT and the ARCT OP will pay to ARC Advisory Services the actual costs and expenses incurred by ARC Advisory Services in connection with providing the services contemplated by the Transition Services Agreement (which costs and expenses range from \$90 to \$325 per employee per hour). Additionally, expenses of ARCT and the ARCT OP will be paid by the ARCT OP and ARCT and will not be borne by ARC Advisory Services unless any such expense constitutes or is part of a fee which ARC Advisory Services is otherwise receiving from ARCT or the ARCT OP. ARCT and the ARCT OP have agreed, subject to certain conditions, to indemnify ARC Advisory Services and its affiliates against certain liabilities in connection with the Transition Services Agreement and advance legal expenses and other costs incurred in connection therewith.

RC Securities and ARC Advisory Services are each wholly owned by AR Capital, and Messrs. Schorsch and Kahane own 63.6% and 13.5%, respectively, of the equity interests in AR Capital. Payments under the letter agreement, the Legal Services Agreement, the Legal Services Reimbursement Agreement and the Transition Services Agreement represent gross income to the applicable affiliate of AR Capital, not net income distributable to the equity holders of such affiliate of AR Capital.

Facilities License Agreement

ARCT is party to a certain License Agreement, dated as of March 1, 2012, with American Realty Capital, LLC, the Former Advisor and American Realty Capital, each of which we refer to as a Licensor and collectively as the Licensors, pursuant to which ARCT licenses office space in New York, New York, Dresher, Pennsylvania and Palo Alto, California. Pursuant to the License Agreement, ARCT pays an aggregate fee of \$12,083.33 per month to the Licensors. ARCT has agreed to indemnify the Licensors against liabilities resulting from ARCT's use and/or occupancy of the licensed space, including attorney's fees and costs. The License Agreement will be terminated concurrently with the closing of the merger. Each Licensor is wholly-owned, directly or indirectly, or otherwise controlled by, AR Capital.

Transfer of Furniture, Fixtures, Equipment and Other Personal Property

Neither Realty Income nor Merger Sub will occupy any of the facilities leased by ARCT following the consummation of the merger. As a result, pursuant to the merger agreement, ARCT will transfer to AR Capital, in consideration of \$1.00, the furniture, fixtures, equipment and other personal property used by ARCT in its New York, New York, Dresher, Pennsylvania and Palo Alto, California offices.

Conversion of Outstanding Shares Pursuant to the Merger

Shares of ARCT common stock owned by executive officers and directors of ARCT will be converted into the right to receive shares of Realty Income common stock on the same terms and conditions as the other stockholders of ARCT. As of November 27, 2012, the executive officers and directors of ARCT beneficially owned, in the aggregate, 1,467,135 shares of ARCT common stock (including shares held by AR Capital), excluding shares of ARCT common stock issuable upon (i) exercise of stock options to acquire shares of ARCT common stock, which we refer to as ARCT stock options, granted under ARCT's 2007 Non-Employee Director Stock Option Plan, which we refer to as the ARCT Stock Option Plan, (ii) settlement of ARCT restricted stock awards granted under ARCT's Amended and Restated Employee and Director Incentive Restricted Share Plan,

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which we refer to as the ARCT Restricted Stock Plan, and collectively with the ARCT Stock Option Plan, the ARCT Stock Plans, and (iii) the conversion of LTIP Units of ARCT OP granted under the 2012 Outperformance Award Agreements, as amended, between ARCT, ARCT OP and each of Nicholas S. Schorsch and William M. Kahane, which we refer to as the OPP Agreements. If all of the shares of ARCT common stock beneficially owned by the executive officers and directors as of November 27, 2012 (other than shares of ARCT common stock issuable with respect to ARCT stock options, ARCT restricted stock and upon conversion of LTIP Units of ARCT OP) were converted to shares of Realty Income common stock in connection with the merger, then the executive officers and directors would receive an aggregate of 421,654 shares of Realty Income common stock pursuant to the merger, which based on the closing price of Realty Income common stock on November 27, 2012, would have an aggregate value of \$16,634,250.

Treatment of ARCT Stock Options

Under the merger agreement, each ARCT stock option that is outstanding and unexercised at the effective time of the merger, whether or not then exercisable, will be deemed subject to a cashless exercise and the holder of the ARCT stock option will be deemed to receive by virtue of such deemed cashless exercise a number of shares of ARCT common stock equal to (i) the number of shares of ARCT common stock subject to each ARCT stock option, less (ii) the number of shares of ARCT common stock equal in value to the aggregate exercise price of each ARCT stock option, assuming a fair market value of a share of ARCT common stock equal to the closing price of ARCT common stock on the last completed trading day immediately prior to the closing of the merger. Immediately following such deemed cashless exercise, the net number of shares of ARCT common stock deemed issued in connection with the deemed cashless exercise of each ARCT stock option will be converted into the right of the holder of the corresponding ARCT stock option to receive the merger consideration payable with respect to ARCT common stock in the merger.

As a result of the transactions contemplated under the merger agreement, ARCT's directors would receive an aggregate of 3,042 shares of ARCT common stock in connection with the deemed exercise of the directors' ARCT stock options outstanding as of November 27, 2012 and based on the closing price of ARCT's common stock on that date. Such shares of ARCT common stock would be convertible into 874 shares of Realty Income common stock pursuant to the merger, which based on the closing price of Realty Income common stock on November 27, 2012, would have an aggregate value of \$34,479.

Treatment of ARCT Restricted Stock

Under the merger agreement, immediately prior to the effective time of the merger, each then-outstanding share of ARCT restricted stock will fully vest. All shares of ARCT common stock then-outstanding as a result of the full vesting of shares of ARCT restricted stock (and on the satisfaction of any applicable withholding taxes) will have the right to receive the merger consideration to be received by ARCT stockholders with respect to ARCT common stock in the merger.

As a result of the transactions contemplated under the merger agreement, 35,567 shares of ARCT restricted stock held by ARCT's executive officers and directors would vest and, subject to shares withheld for tax withholding, would be convertible into 10,221 shares of Realty Income common stock pursuant to the merger, which based on the closing price of Realty Income common stock on November 27, 2012, would have an aggregate value of \$403,218.

OPP Agreements, Treatment of LTIP Units and ARCT Annual Plan Payments

Under the OPP Agreements, Messrs. Schorsch and Kahane were each granted LTIP Units in ARCT OP which may be earned at the end of a three-year performance period ending on February 28, 2015, and which vest as to 25% of the earned LTIP Units on each of February 28, 2015 and February 28, 2016, and as to 50% of the earned LTIP Units on February 28, 2017, based on continued service. The number of LTIP Units that ultimately

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are earned, and thus eligible for vesting, is determined by reference to each individual's percentage opportunity in a bonus pool that is funded based upon ARCT's performance over the performance period. Under the OPP Agreements, upon a termination without cause or by Mr. Schorsch or Mr. Kahane for good reason (each, as defined in the OPP Agreements) prior to the end of the performance period, the individual is entitled to earn LTIP Units that will be subject to transfer restrictions through the original vesting dates. The OPP Agreements also provide for the eligibility to earn and vest in LTIP Units in connection with a change in control (as defined in the OPP Agreements) under certain circumstances. The consummation of the transactions contemplated by the merger agreement will constitute a change in control under the OPP Agreements.

The ARCT Annual Plan provides Messrs. Schorsch and Kahane the opportunity to earn annual awards from a bonus pool that is funded through both a discretionary component and a formulaic performance component. Upon a change in control of ARCT under the ARCT Annual Plan, participants will be eligible to receive cash bonus awards as equitably adjusted in accordance with the ARCT Annual Plan to reflect the shortened plan year (ending on the date of the change in control), paid in one lump-sum within 45 days following the change in control. The consummation of the transactions contemplated by the merger agreement will constitute a change in control under the ARCT Annual Plan.

Based on performance as of August 21, 2012 and measured based on an assumed transaction price in the merger of \$12.05 per share of ARCT's common stock, a third party independent compensation consulting firm has determined that the current aggregate estimated value of the OPP Agreements is approximately \$22,200,000 and the current aggregate estimated value of the ARCT Annual Plan is approximately \$9,300,000. In connection with entering into the merger agreement, ARCT and Messrs. Schorsch and Kahane agreed, subject to the consummation of the merger, that the value of the awards under the ARCT Incentive Plans will be capped and reduced to an aggregate value not to exceed the Incentive Cap of \$22,000,000.

In connection with the Incentive Cap and as required under the merger agreement, on September 6, 2012, ARCT and ARCT OP entered into the OPP Amendments with Messrs. Schorsch and Kahane. Pursuant to the OPP Amendments subject to the consummation of the transactions contemplated under the merger agreement, effective as of immediately prior to the effective time of the merger the number of vested and earned LTIP Units under the OPP Agreements would be based on a reduced aggregate value of \$19,000,000 (an aggregate reduction of approximately \$3,200,000 from the estimated value determined by ARCT's compensation consulting firm), allocated \$14,825,000 for Mr. Schorsch and \$4,175,000 for Mr. Kahane, divided by \$11.506 (the average closing trading price of ARCT's common stock during the ten-day trading period ending August 31, 2012). As a result, under the OPP Amendments, Messrs. Schorsch and Kahane would have earned an aggregate of 1,288,458 and 362,854 fully vested LTIP Units, respectively, in connection with the consummation of the merger. Subsequent to the execution of the merger agreement, the amounts that will be earned by Messrs. Schorsch and Kahane under the OPP Agreements in connection with the consummation of the merger were further reduced, pursuant to the OPP letter, to an aggregate of 1,255,080 and 353,454 fully vested LTIP Units, respectively, which we refer to as the Earned LTIP Units, and the remainder of their LTIP Units granted under the OPP Agreements will be automatically cancelled and forfeited without payment of any consideration. Messrs. Schorsch and Kahane have acknowledged these further reductions, which we refer to as the Second LTIP Reduction.

In addition, pursuant to the OPP Amendments, on September 6, 2012, Messrs. Schorsch and Kahane transferred and assigned 830,002 and 234,660 unearned and unvested LTIP Units awarded to them under the OPP Agreements, respectively, to ARC Real Estate Partners, LLC, which we refer to as AREP, an entity controlled by Messrs. Schorsch and Kahane, which transfers were approved by ARCT's compensation committee. In connection with the Second LTIP Reduction, the number of unearned and unvested LTIP Units transferred and assigned by Messrs. Schorsch and Kahane to AREP was adjusted to 808,500 and 228,581, respectively, which adjustments were acknowledged by Messrs. Schorsch and Kahane. As of the effective time of the merger, these LTIP Units will become earned and fully vested and not subject to forfeiture, and will be deemed Earned LTIP Units, thus resulting in AREP holding a total of 1,037,081 Earned LTIP Units, thus

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reducing the number of Earned LTIP Units held by Messrs. Schorsch and Kahane to 446,580 and 124,873 Earned LTIP Units, respectively.

Pursuant to the merger agreement, as of the effective time of the merger, each Earned LTIP Unit will be automatically converted into such number of Earned LTIP Units that, assuming a one-for-one exchange of such Earned LTIP Units for OP Units of ARCT OP, would give the Earned LTIP Unit holder the right to redeem or exchange his Earned LTIP Units (assuming a prior conversion of such Earned LTIP Units for an equal number of OP Units) for a number of shares of Realty Income common stock (or, at the discretion of Realty Income, cash equivalents thereof) equal to the number of shares of Realty Income common stock that such Earned LTIP Unit holder (assuming a prior conversion of such Earned LTIP Units for an equal number of OP Units) would have been entitled to receive if the Earned LTIP Units held immediately prior to the merger had been converted in OP Units, on a one-for-one basis, and such OP Units had been converted into ARCT common stock, on a one-for-one basis, immediately prior to the effective time of the merger. As a result of the merger, AREP will be treated as holding a total of 298,057 Earned LTIP Units and Messrs. Schorsch and Kahane will be treated as holding 128,347 and 35,888 Earned LTIP Units, respectively.

As of the effective time of the merger, ARCT OP will enter into the Second Amended and Restated Agreement of Limited Partnership of ARCT OP, (the "Second Amended OP LPA"), pursuant to which the Earned LTIP Units held by AREP will be converted into an equal number of common units of ARCT OP, or Class A Common Units, and the Earned LTIP Units held by and Messrs. Schorsch and Kahane will be converted into 5,275 and 1,475 preferred units of ARCT OP, or Preferred Units, respectively. Subject to limitations in the Second Amended OP LPA, the Class A Common Units will be convertible into an amount of cash equal to the value of a corresponding number of shares of Realty Income common stock, or, at the option of Realty Income, the corresponding number of shares of Realty Income common stock. However, subject to limitations in the Second Amended OP LPA, the Preferred Units will be convertible only into an amount of cash equal to the liquidation preference on such Preferred Units (equal to \$1,000 per Preferred Unit) plus any accrued but unpaid preferred return on such Preferred Units (equal to a 2% non-compounded annual return on the liquidation preference).

The OPP Amendments also provide that on the date on which the effective time of the merger occurs, ARCT will pay a reduced lump-sum cash payment in the amount of \$1,500,000 to each of Messrs. Schorsch and Kahane (an aggregate reduction of approximately \$6,300,000 from the estimated value determined by ARCT's compensation consulting firm) in full satisfaction of any rights they may have under the ARCT Annual Plan, less any applicable tax withholdings.

Messrs. Schorsch and Kahane agreed to release ARCT, ARCT OP, Realty Income, Merger Sub and other related parties from any claims relating to the OPP Agreements and the ARCT Annual Plan other than their rights under the OPP Amendments. Messrs. Schorsch and Kahane also agreed and acknowledged that, from and after the effective time of the merger, they will have no right to (i) earn any additional LTIP Units or (ii) receive any other amounts under the OPP Agreements and ARCT Annual Plan.

Special Allocation of Deductions

Prior to entering into the merger agreement, AREP, an entity controlled by Messrs. Schorsch and Kahane, was admitted to ARCT OP as a limited partner in exchange for a cash contribution. In connection with such contribution, the partnership agreement of ARCT OP was amended in order to reflect the economic arrangement amongst the partners of ARCT OP, including AREP. The amendment to the partnership agreement of ARCT OP provided for, among other things, a special allocation of the deductions relating to the issuance of the Subordinated Incentive Listing Fee Note to AREP, if available, and AREP agreed that, in the event of a liquidation of ARCT OP, AREP will be obligated to restore a deficit balance in its capital account, subject to certain limitations. Furthermore, AREP was provided with the opportunity to guaranty a portion of ARCT OP's indebtedness, and ARCT OP agreed to maintain a certain amount of indebtedness for AREP to guaranty. ARCT OP agreed to indemnify AREP for

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certain breaches by ARCT OP with respect to these arrangements. Pursuant to the merger agreement and a tax matter agreement to be entered into concurrent with the effective time of the merger, the parties to the merger have agreed to maintain the arrangements with respect to this special allocation to AREP.

Employment Agreements

ARCT has entered into employment agreements with each of Messrs. Kahane and Jones, which we refer to collectively as the Employment Agreements. The Employment Agreements provide that in the event of the executive's termination due to death, disability, by ARCT without cause (as defined in the Employment Agreements), or, solely with respect to Mr. Kahane, upon a non-renewal of his Employment Agreement (the current term of which is scheduled to expire on March 1, 2015 unless renewed) or his resignation for good reason (as defined in his Employment Agreement), the executive will be entitled to receive:

subject to his execution of a release, amounts earned but unpaid under the ARCT Incentive Plans, any earned and unpaid base salary, expenses up to the date of termination (including pay in lieu of accrued, but unused vacation), and, solely in the case of Mr. Jones, any portion of his annual cash bonus earned but unpaid for the prior year and pro rata portion of his annual cash bonus for the year of termination;

to the extent not vested, full vesting of all restricted stock, stock options and awards held under the ARCT Incentive Plans;

a grant of any award the executive would have received under the ARCT Incentive Plans had he remained employed for the entire year, prorated to reflect the partial year's service;

continued participation, at ARCT's cost, in ARCT's healthcare, dental, vision, prescription drug, and in the case of Mr. Jones, disability plans in which the executive participated prior to termination, for a period of 18 months following termination, which we refer to as the Severance Period, to the extent permitted or otherwise practicable under such plans. To the extent not permitted or otherwise practicable, ARCT will take such actions as may be necessary to provide the executive with comparable benefits (without additional cost to the executive). If the executive engages in regular employment after termination, then any benefits received by him which are similar in nature to any of the forgoing plans will relieve ARCT of its obligation to provide such comparable benefit to the extent of benefits so received; and

during the Severance Period, ARCT will also continue to pay the premium payments on the life insurance policies purchased by ARCT on the lives of Messrs. Kahane and Jones and owned by the executives.

In the event of a change of control (as defined in the Employment Agreements), the executive's equity awards in ARCT will become fully vested and the executive will vest in any outstanding awards under the ARCT Incentive Plans. In addition, if Mr. Jones does not accept employment with AR Capital or its affiliates within six months following the consummation of a change of control, he will be entitled to a lump sum severance payment equal to his then current annual base salary, paid six months and one day following the change of control.

It is currently contemplated that at the effective time of the merger, Messrs. Kahane and Jones will terminate employment with ARCT and will become employed by AR Capital or one of its affiliates. In connection with such subsequent employment it is expected that Messrs. Kahane and Jones would receive employee health and welfare benefits similar in nature to those provided by ARCT. Accordingly, it is anticipated that they will not be entitled to receive continued coverage under such ARCT plans or comparable benefits following the termination of their employment with ARCT and Mr. Jones will not be entitled to receive the cash severance payment described in the immediately preceding paragraph. In addition, under the OPP Amendments, Messrs. Schorsch and Kahane agreed and acknowledged that, from and after the effective time of the merger, they will have no right to additional amounts under the ARCT Incentive Plans, including the right to (i) earn any additional LTIP Units or (ii) receive any other amounts under the OPP Agreements and ARCT Annual Plan.

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Section 16 Matters

Pursuant to the merger agreement, ARCT has agreed to take all steps as may be required to cause to be exempt under Rule 16b-3 under the Exchange Act any dispositions of shares of ARCT common stock (including derivative securities with respect to such shares) that are treated as dispositions under Rule 16b-3 and result from the transactions contemplated under the merger agreement by each officer or director of ARCT who is or will be subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to ARCT.

Indemnification and Insurance

For a period of six years after the effective time of the merger, pursuant to the terms of the merger agreement and subject to certain limitations, the surviving entity will indemnify, defend and hold harmless among others, each officer and director of ARCT, for actions at or prior to the effective time of the merger, including with respect to the transactions contemplated by the merger agreement. In addition, pursuant to the terms of the merger agreement and subject to certain limitations, prior to the effective time of the merger, ARCT has agreed to (or, if ARCT is unable to, Realty Income has agreed to cause the surviving entity in the merger to) obtain and pay for a non-cancelable extension of the coverage afforded by ARCT's existing directors' and officers' liability insurance policies and ARCT's existing fiduciary liability insurance policies covering at least six years after the effective time of the merger with respect to any claim related to any period or time at or prior to the effective time of the merger, and if ARCT or the surviving entity does not obtain a tail policy as of the effective time of the merger, the surviving entity will maintain in effect, for a period of at least six years after the effective time of the merger, ARCT's existing policies in effect on September 6, 2012 on terms and limits of liability that are no less favorable in the aggregate than the coverage provided on that date. These interests are described in detail below at The Merger Agreement Covenants and Agreements Indemnification of Directors and Officers; Insurance .

The ARCT board of directors was aware of the interests described in this section and considered them, among other matters, in approving the merger agreement and making its recommendation that ARCT stockholders approve the merger and the other transactions contemplated by the merger agreement. See The Merger Recommendation of ARCT's Board of Directors and Its Reasons for the Merger.

Table of Contents**Security Ownership of ARCT's Directors and Executive Officers and Current Beneficial Owners**

The following table sets forth information regarding the beneficial ownership of ARCT's common stock as of November 27, 2012 by:

each person known by ARCT to be the beneficial owner of more than 5% of its outstanding shares of ARCT based solely upon the amounts and percentages contained in the public filings of such persons;

each of the ARCT's officers and directors; and

all of the ARCT's officers and directors as a group.

Name of Beneficial Owner ⁽¹⁾	Common Stock Beneficially Owned	
	Number of Shares of Common Stock ⁽²⁾	Percentage of Class
AR Capital, LLC ⁽³⁾	20,000	*
Nicholas S. Schorsch, Chairman of the Board	993,240	*
William M. Kahane, President, Chief Executive Officer and Director	261,451	*
Susan E. Manning, Chief Accounting Officer and Secretary	5,000	*
Brian D. Jones, Chief Financial Officer and Treasurer ⁽⁴⁾	24,952	*
Leslie D. Michelson, Independent Director ⁽⁵⁾	30,401	*
William G. Stanley, Independent Director ⁽⁶⁾	98,574	*
Robert H. Burns, Independent Director ⁽⁷⁾	96,085	*
All directors and executive officers as a group (seven persons)	1,529,703⁽⁸⁾	*

* Less than 1%.

- (1) The business address of each individual or entity listed in the table is 405 Park Avenue, 14th Floor, New York, New York 10022.
- (2) Based on 158,576,630 shares of common stock outstanding (including 97,951 shares of restricted stock for this purpose) as of September 28, 2012. In accordance with SEC rules, each listed person's beneficial ownership includes all shares of ARCT's common stock the person actually owns beneficially or of record, all shares of ARCT's common stock over which the person has or shares voting or dispositive control and all shares the person has the right to acquire within 60 days (such as shares of restricted common stock which are scheduled to vest within 60 days).
- (3) AR Capital, LLC is directly or indirectly owned by Nicholas S. Schorsch, William M. Kahane, Peter M. Budko, Brian S. Block and Edward M. Weil, Jr. and controlled by Nicholas S. Schorsch and William M. Kahane.
- (4) Shares owned by Mr. Michelson include 6,550 shares issued for board related services in lieu of cash consideration, 1,496 shares issued under the Distribution Reinvestment Plan, 6,000 restricted shares of common stock which vested upon ARCT's listing of its common stock on NASDAQ, 7,355 restricted shares of common stock issued for board compensation which will immediately vest upon closing of the merger and options to purchase 9,000 shares of common stock which will be immediately converted into shares of Realty Income upon closing of the merger.
- (5) Shares owned by Mr. Stanley include 20,451 shares issued for board related services in lieu of cash consideration, 11,323 shares issued under the Distribution Reinvestment Plan, 44,444 shares purchased by Mr. Stanley, 6,000 restricted shares of common stock which vested upon ARCT's listing of its common stock on NASDAQ, 7,355 restricted shares of common stock issued for board compensation which will immediately vest upon closing of the merger and options to purchase 9,000 shares of common stock which will be immediately converted into shares of Realty Income upon closing of the merger. 53,907 shares listed as owned by Mr. Stanley are held by a trust over which Mr. Stanley has voting and dispositive power.

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- (6) Shares owned by Mr. Burns include 16,451 shares issued for board-related services in lieu of cash consideration, 12,835 shares issued under the Distribution Reinvestment Plan, 44,444 shares purchased by Mr. Burns and 6,000 restricted shares of common stock which vested upon ARCT's listing of its common stock on NASDAQ, 7,355 restricted shares of common stock issued for board compensation which will immediately vest upon closing of the merger and options to purchase 9,000 shares of common stock which will be immediately converted into shares of Realty Income upon closing of the merger. All shares listed as owned by Mr. Burns are held by an entity in which Mr. Burns has voting and dispositive power.
- (7) Shares owned by Mr. Jones include 13,502 restricted shares which will immediately vest upon closing of the merger.
- (8) Includes 20,000 shares held by AR Capital, LLC. See footnote 3.

Regulatory Approvals Required for the Merger

The merger may be subject to certain regulatory requirements of municipal, state and federal, domestic or foreign, governmental agencies and authorities, including those relating to the offer and sale of securities. Realty Income and ARCT are currently working to evaluate and comply in all material respects with these requirements, as appropriate, and do not currently anticipate that they will hinder, delay or restrict completion of the merger.

It is possible that one or more of the regulatory approvals required to complete the merger will not be obtained on a timely basis or at all. In addition, it is possible that any of the governmental entities with which filings are made may seek regulatory concessions as conditions for granting approval of the merger. Under the merger agreement, Realty Income and ARCT have each agreed to use its reasonable best efforts to take all actions necessary, proper or advisable to complete the merger and the other transactions contemplated by the merger agreement.

Although Realty Income and ARCT do not expect any regulatory authorities to raise any significant objections to the merger that would result in the failure to satisfy the conditions to closing the merger by the termination date, Realty Income and ARCT can provide no assurance that all required regulatory approvals will be obtained or that these approvals will not contain terms, conditions or restrictions that would be detrimental to Realty Income after the effective time of the merger. Realty Income and ARCT have not yet obtained any of the regulatory approvals required to complete the merger.

Material U.S. Federal Income Tax Consequences of the Merger

The following discussion summarizes the material U.S. federal income tax consequences of the merger to U.S. holders (as defined below) of ARCT common stock that hold such common stock as a capital asset within the meaning of Section 1221 of the Code.

This discussion is based upon the Code, Treasury regulations promulgated under the Code, which we refer to as the Treasury Regulations, judicial decisions and published administrative rulings, all as currently in effect and all of which are subject to change, possibly with retroactive effect. This discussion does not address (i) U.S. federal taxes other than income taxes, (ii) state, local or non-U.S. taxes or (iii) tax reporting requirements applicable to the merger. In addition, this discussion does not address U.S. federal income tax considerations applicable to holders of ARCT common stock that are subject to special treatment under U.S. federal income tax law, including, for example:

financial institutions;

pass-through entities;

insurance companies;

tax-exempt organizations;

dealers in securities or currencies;

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traders in securities that elect to use a mark to market method of accounting;

persons that hold ARCT common stock as part of a straddle, hedge, constructive sale or conversion transaction;

regulated investment companies;

real estate investment trusts;

certain U.S. expatriates;

U.S. holders whose functional currency is not the U.S. dollar;

persons who acquired their ARCT common stock through the exercise of an employee stock option or otherwise as compensation;
and

persons who are not U.S. holders.

For purposes of this discussion, a U.S. holder means a beneficial owner of ARCT common stock that is:

an individual who is a citizen or resident of the United States for U.S. income tax purposes;

a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any political subdivision thereof;

an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust that (A) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (B) has a valid election in place under the Treasury Regulations to be treated as a U.S. person.

If a partnership (or an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds ARCT common stock, the tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. Any partnership or entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds ARCT common stock, and the partners in such partnership, should consult their tax advisors.

This discussion of material U.S. federal income tax consequences of the merger is not binding on the Internal Revenue Service, which we refer to as the IRS. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any described herein.

HOLDERS OF ARCT COMMON STOCK ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE SPECIFIC TAX CONSEQUENCES TO THEM OF THE MERGER, INCLUDING THE APPLICABILITY AND EFFECT OF U.S. FEDERAL, STATE, LOCAL AND NON-U.S. INCOME AND OTHER TAX LAWS IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES.

Tax Opinions from Outside Counsel

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It is a condition to the consummation of the merger that outside counsel to Realty Income and outside counsel to ARCT each renders a tax opinion to its client to the effect that, for U.S. federal income tax purposes, the merger will constitute a reorganization within the meaning of Section 368(a) of the Code. Such opinions will be based on factual representations and covenants made by Realty Income and ARCT (including those contained in tax representation letters provided by Realty Income and ARCT), and on customary assumptions. If any assumption or representation is inaccurate in any way, or any covenant is not complied with, the tax consequences of the merger could differ from those described in the tax opinions. The tax opinions represent the legal judgment of outside counsel to Realty Income and outside counsel to ARCT and are not binding on the IRS. No ruling from the IRS has been or will be requested in connection with the merger, and there can be no assurance that the IRS would not assert, or that a court would not sustain, a position contrary to the conclusions

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set forth in the tax opinions. If the condition relating to either tax opinion to be delivered at closing is waived, this joint proxy statement/prospectus will be amended and recirculated.

Material U.S. Federal Income Tax Consequences of the Merger

In the opinion of Latham & Watkins LLP and Proskauer Rose LLP, the merger of ARCT with and into Merger Sub will qualify as a reorganization within the meaning of Section 368(a) of the Code. Accordingly:

a U.S. holder will not recognize any gain or loss upon receipt of Realty Income common stock in exchange for its ARCT common stock in connection with the merger, except with respect to cash received in lieu of fractional shares of Realty Income common stock, as discussed below.

a U.S. holder will have an aggregate tax basis in the Realty Income common stock received in the merger equal to the U.S. holder's aggregate tax basis in its ARCT shares surrendered pursuant to the merger, reduced by the portion of the U.S. holder's tax basis in its ARCT shares surrendered in the merger that is allocable to a fractional share of Realty Income common stock. If a U.S. holder acquired any of its shares of ARCT common stock at different prices or at different times, Treasury Regulations provide guidance on how such U.S. holder may allocate its tax basis to shares of Realty Income common stock received in the merger. U.S. holders that hold multiple blocks of ARCT common stock should consult their tax advisors regarding the proper allocation of their basis among shares of Realty Income common stock received in the merger under these Treasury Regulations.

the holding period of the Realty Income common stock received by a U.S. holder in connection with the merger will include the holding period of the ARCT common stock surrendered in connection with the merger.

cash received by a U.S. holder in lieu of a fractional share of Realty Income common stock in the merger will be treated as if such fractional share had been issued in connection with the merger and then redeemed by Realty Income, and such U.S. holder generally will recognize capital gain or loss with respect to such cash payment, measured by the difference, if any, between the amount of cash received and the U.S. holder's tax basis in such fractional share. Such capital gain or loss will be long-term capital gain or loss if the U.S. holder's holding period in respect of such fractional share is greater than one year. Non-corporate U.S. holders are generally subject to tax on long-term capital gains at reduced rates under current law. The deductibility of capital losses is subject to certain limitations.

Backup Withholding

Certain U.S. holders of ARCT common stock may be subject to backup withholding of U.S. federal income tax with respect to any cash received in lieu of fractional shares pursuant to the merger. Backup withholding will not apply, however, to a U.S. holder of ARCT common stock that furnishes a correct taxpayer identification number and certifies that it is not subject to backup withholding on IRS Form W-9 (or substitute Form W-9) or is otherwise exempt from backup withholding and provides appropriate proof of the applicable exemption. While this discussion does not otherwise address the United States federal income tax considerations applicable to non-U.S. holders, a non-U.S. holder may be subject to backup withholding unless such holder establishes an exemption, for example, by properly certifying its non-U.S. status on an IRS Form W-8BEN or another appropriate version of IRS Form W-8. Notwithstanding the foregoing, backup withholding may apply if either we have or our paying agent has actual knowledge, or reason to know, that such holder is not a non-U.S. holder. Backup withholding is not an additional tax and any amounts withheld will be allowed as a refund or credit against the holder's U.S. federal income tax liability, if any, provided that the holder timely furnishes the required information to the IRS.

THE PRECEDING DISCUSSION DOES NOT PURPORT TO BE A COMPLETE ANALYSIS OR DISCUSSION OF ALL OF THE MERGER'S POTENTIAL TAX EFFECTS. ARCT STOCKHOLDERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES TO THEM OF THE MERGER, INCLUDING TAX RETURN REPORTING REQUIREMENTS AND THE APPLICABILITY AND EFFECT OF U.S. FEDERAL, STATE, LOCAL, NON-U.S. AND OTHER APPLICABLE TAX LAWS.

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REIT Qualification of Realty Income and ARCT

It is a condition to the obligation of ARCT to complete the merger that Realty Income receive an opinion from Latham & Watkins LLP (or other Realty Income counsel reasonably satisfactory to ARCT) to the effect that, commencing with the taxable year of Realty Income ended December 31, 1994, Realty Income has been organized and operated in conformity with the requirements for qualification and taxation as a REIT under the Code, and its proposed method of operation will enable Realty Income to continue to meet the requirements for qualification and taxation as a REIT under the Code. The opinion of Latham & Watkins LLP will be subject to customary exceptions, assumptions and qualifications and be based on customary representations made by Realty Income about factual matters relating to the organization and operation of Realty Income and its subsidiaries.

It is a condition to the obligation of Realty Income to complete the merger that ARCT receive an opinion from Proskauer Rose LLP to the effect that, commencing with the taxable year of ARCT ended December 31, 2008, ARCT has been organized and operated in conformity with the requirements for qualification and taxation as a REIT under the Code and its actual method of operation has enabled ARCT to meet, through the effective time of the merger, the requirements for qualification and taxation as a REIT under the Code. The opinion of Proskauer Rose LLP will be subject to customary exceptions, assumptions and qualifications and be based on customary representations made by ARCT about factual matters relating to the organization and operation of ARCT and its subsidiaries.

Neither of the opinions described above will be binding on the IRS. Realty Income intends to continue to operate in a manner to qualify as a REIT following the merger, but there is no guarantee that it will qualify or remain qualified as a REIT. Qualification and taxation as a REIT depend upon the ability of Realty Income to meet, through actual annual (or, in some cases, quarterly) operating results, requirements relating to income, asset ownership, distribution levels and diversity of share ownership, and the various REIT qualification requirements imposed under the Code. Given the complex nature of the REIT qualification requirements, the ongoing importance of factual determinations and the possibility of future changes in the circumstances of Realty Income, it cannot be guaranteed that the actual operating results of Realty Income will satisfy the requirements for taxation as a REIT under the Code for any particular tax year.

Tax Liabilities and Attributes Inherited from ARCT

If ARCT failed to qualify as a REIT for any of its taxable years, ARCT would be liable for (and Realty Income would be obligated to pay) U.S. federal income tax on its taxable income at regular corporate rates. Furthermore, after the merger, the asset and income tests will apply to all of the assets of Realty Income, including the assets Realty Income acquires from ARCT, and to all of the income of Realty Income, including the income derived from the assets Realty Income acquires from ARCT. As a result, the nature of the assets that Realty Income acquires from ARCT and the income Realty Income derives from those assets may have an effect on the tax status of Realty Income as a REIT.

Qualification as a REIT requires ARCT to satisfy numerous requirements, some on an annual and others on a quarterly basis, as described below with respect to Realty Income. There are only limited judicial and administrative interpretations of these requirements, and qualification as a REIT involves the determination of various factual matters and circumstances which were not entirely within the control of ARCT.

Material U.S. Federal Income Tax Considerations Applicable to Holders of Realty Income Common Stock

This section summarizes the material U.S. federal income tax consequences generally resulting from the election of Realty Income to be taxed as a REIT.

The sections of the Code and the corresponding Treasury regulations that relate to the qualification and taxation as a REIT are highly technical and complex. You are urged to consult your tax advisor regarding the specific tax consequences to you of ownership of the securities of Realty Income and of the

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election of Realty Income to be taxed as a REIT. Specifically, you should consult your tax advisor regarding the federal, state, local, foreign and other tax consequences of such ownership and election, and regarding potential changes in applicable tax laws.

Taxation of REITs in General

General.

Realty Income elected to be taxed as a REIT under Sections 856 through 860 of the Code commencing with its taxable year ended December 31, 1994. Realty Income believes it has been organized and has operated in a manner which allows it to qualify for taxation as a REIT under the Code commencing with its taxable year ended December 31, 1994. Realty Income currently intends to continue to be organized and operate in this manner. However, its qualification and taxation as a REIT depend upon its ability to meet the various qualification tests imposed under the Code, including through actual annual operating results, asset composition, distribution levels and diversity of stock ownership.

Accordingly, no assurance can be given that Realty Income has been organized and has operated, or will continue to be organized and operate, in a manner so as to qualify or remain qualified as a REIT. See the section below entitled **Failure to Qualify**.

The sections of the Code and the corresponding Treasury Regulations that relate to qualification and operation as a REIT are highly technical and complex. The following sets forth the material aspects of the sections of the Code that govern the United States federal income tax treatment of a REIT and the holders of certain of its securities. This summary is qualified in its entirety by the applicable Code provisions, relevant rules and regulations promulgated under the Code, and administrative and judicial interpretations of the Code and these rules and regulations.

Provided Realty Income qualifies for taxation as a REIT, Realty Income generally will not be required to pay federal corporate income taxes on its net income that is currently distributed to its stockholders. This treatment substantially eliminates the **double taxation** that typically results from investment in a C corporation. A C corporation is a corporation that generally is required to pay tax at the corporate level. Double taxation generally means taxation that occurs once at the corporate level when income is earned and once again at the stockholder level when the income is distributed. Realty Income will be required to pay United States federal income tax, however, as follows:

first, Realty Income will be required to pay tax at regular corporate tax rates on any undistributed net taxable income, including undistributed net capital gains.

second, Realty Income may be required to pay the **alternative minimum tax** on its items of tax preference under some circumstances.

third, if Realty Income has (a) net income from the sale or other disposition of **foreclosure property** which is held primarily for sale to customers in the ordinary course of business or (b) other nonqualifying income from foreclosure property, Realty Income will be required to pay tax at the highest corporate rate on this income. Foreclosure property is generally defined as property acquired through foreclosure or after a default on a loan secured by the property or a lease of the property and for which an election is made.

fourth, Realty Income will be required to pay a 100% tax on any net income from prohibited transactions. Prohibited transactions are, in general, sales or other taxable dispositions of property, other than foreclosure property, held as inventory or primarily for sale to customers in the ordinary course of business.

fifth, if Realty Income fails to satisfy the 75% or the 95% gross income tests, as described below, but has otherwise maintained its qualification as a REIT because certain other requirements are met, Realty

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Income will be required to pay a tax equal to (a) the greater of (i) the amount by which 75% of its gross income exceeds the amount qualifying under the 75% gross income test described below and (ii) the amount by which 95% of its gross income exceeds the amount qualifying under the 95% gross income test, multiplied by (b) a fraction intended to reflect its profitability.

sixth, if Realty Income fails to satisfy any of the REIT asset tests (other than a de minimis failure of the 5% or 10% asset tests), as described below, due to reasonable cause and not due to willful neglect, and Realty Income nonetheless maintains its REIT qualification because of specified cure provisions, it will be required to pay a tax equal to the greater of \$50,000 or the highest corporate tax rate multiplied by the net income generated by the nonqualifying assets that caused it to fail such test.

seventh, if Realty Income fails to satisfy any provision of the Code that would result in its failure to qualify as a REIT (other than a violation of the REIT gross income tests or certain violations of the asset tests described below) and the violation is due to reasonable cause and not due to willful neglect, it may retain its REIT qualification but will be required to pay a penalty of \$50,000 for each such failure.

eighth, Realty Income will be required to pay a 4% excise tax to the extent it fails to distribute during each calendar year at least the sum of (a) 85% of its REIT ordinary income for the year, (b) 95% of its REIT capital gain net income for the year, and (c) any undistributed taxable income from prior periods. Such excise tax would not be deductible by Realty Income.

ninth, if Realty Income acquires any asset from a corporation which is or has been a C corporation in a transaction in which the basis of the asset in Realty Income's hands is less than the fair market value of the asset, in each case determined at the time it acquired the asset, and it subsequently recognizes gain on the disposition of the asset during the ten-year period beginning on the date on which it acquired the asset, then it will be required to pay tax at the highest regular corporate tax rate on this gain to the extent of the excess of (a) the fair market value of the asset over (b) its adjusted basis in the asset, in each case determined as of the date on which it acquired the asset. The results described in this paragraph with respect to the recognition of gain assume that the C corporation will refrain from making an election to receive different treatment under applicable Treasury Regulations on its tax return for the year in which Realty Income acquires the asset from the C corporation. The IRS has issued Proposed Treasury Regulations which would exclude from the application of this built-in gains tax any gain from the sale of property acquired by Realty Income in an exchange under Section 1031 (a like kind exchange) or 1033 (an involuntary conversion) of the Code. The Proposed Treasury Regulations described above will not be effective unless they are issued in their final form, and as of the date of this joint proxy statement/prospectus it is not possible to determine whether the proposed regulations will be finalized in their current form or at all.

tenth, entities Realty Income owns that are C corporations, including its taxable REIT subsidiaries, generally will be required to pay federal corporate income tax on their earnings.

eleventh, Realty Income will be subject to a 100% tax on any redetermined rents, redetermined deductions or excess interest. In general, redetermined rents are rents from real property that are overstated as a result of services furnished by a taxable REIT subsidiary of Realty Income to any of its tenants. Redetermined deductions and excess interest generally represent amounts that are deducted by a taxable REIT subsidiary of Realty Income for amounts paid to it that are in excess of the amounts that would have been deducted based on arm's length negotiations. See Penalty Tax below.

Requirements for Qualification as a Real Estate Investment Trust.

The Code defines a REIT as a corporation, trust or association:

- (1) that is managed by one or more trustees or directors;
- (2) that issues transferable shares or transferable certificates to evidence its beneficial ownership;

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- (3) that would be taxable as a domestic corporation but for special Code provisions applicable to REITs;
- (4) that is not a financial institution or an insurance company within the meaning of the Code;
- (5) that is beneficially owned by 100 or more persons;
- (6) not more than 50% in value of the outstanding stock of which is owned, actually or constructively, by five or fewer individuals, including specified entities, during the last half of each taxable year;
- (7) that makes an election to be taxable as a REIT for the current taxable year, or has made this election for a previous taxable year, which election has not been revoked or terminated, and satisfies all relevant filing and other administrative requirements established by the IRS that must be met to maintain qualification as a REIT; and
- (8) that meets other tests, described below, regarding the nature of its income and assets and the amount of its distributions.

The Code provides that conditions (1) to (4), inclusive, must be met during the entire taxable year and that condition (5) must be met during at least 335 days of a taxable year of twelve months, or during a proportionate part of a taxable year of less than twelve months. Conditions (5) and (6) do not apply until after the first taxable year for which an election is made to be taxed as a REIT. For purposes of condition (6), the term individual generally includes a supplemental unemployment compensation benefit plan, a private foundation or a portion of a trust permanently set aside or used exclusively for charitable purposes, but does not include a qualified pension plan or profit sharing trust.

Realty Income believes that it has been organized, has operated and has issued sufficient shares of capital stock with sufficient diversity of ownership to allow it to satisfy conditions (1) through (8), inclusive, during the relevant time periods. In addition, Realty Income's charter provides for restrictions regarding the ownership and transfer of its shares which are intended to assist it in continuing to satisfy the share ownership requirements described in conditions (5) and (6) above. These restrictions, however, may not ensure that Realty Income will, in all cases, be able to satisfy the share ownership requirements described in conditions (5) and (6) above. If Realty Income fails to satisfy these share ownership requirements, except as provided in the next sentence, Realty Income's status as a REIT will terminate. If, however, Realty Income complies with the rules contained in the applicable Treasury Regulations that require it to ascertain the actual ownership of its shares, and Realty Income does not know, and would not have known through the exercise of reasonable diligence, that it failed to meet the requirement described in condition (6) above, Realty Income will be treated as having met this requirement. See Failure to Qualify.

In addition, Realty Income may not maintain its status as a REIT unless its taxable year is the calendar year. Realty Income has and will continue to have a calendar taxable year.

Ownership of Partnership and Limited Liability Company Interests. Realty Income may from time to time own and operate one or more properties through partnerships and limited liability companies, including the properties it acquired from ARCT, which will be operated through ARCT OP. Treasury Regulations generally provide that, in the case of a REIT which is a partner in a partnership or a member in a limited liability company that is treated as a partnership for United States federal income tax purposes, the REIT will be deemed to own its proportionate share of the assets of the partnership or limited liability company, as the case may be, based on its interest in partnership capital, subject to special rules relating to the 10% REIT asset test described below. Also, pursuant to Treasury Regulations, the REIT will be deemed to be entitled to its proportionate share of the income of that entity. The assets and gross income of the partnership or limited liability company retain the same character in the hands of the REIT, including for purposes of satisfying the gross income tests and the asset tests. In addition, for these purposes, the assets and items of income of any partnership or limited liability company treated as a partnership or disregarded entity for United States federal income tax purposes in which Realty Income directly or indirectly owns an interest include such entity's share of assets and items of income of any

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partnership or limited liability company in which it owns an interest. Realty Income has included a brief summary of the rules governing the United States federal income taxation of partnerships and limited liability companies below in Tax Aspects of the Partnerships.

Realty Income has direct or indirect control of certain partnerships and limited liability companies and intends to continue to operate them in a manner consistent with the requirements for its qualification as a REIT. From time to time Realty Income may be a limited partner or non-managing member in certain partnerships and limited liability companies. If any such partnership or limited liability company were to take actions that could jeopardize Realty Income's status as a REIT or require it to pay tax, Realty Income could be forced to dispose of its interest in such entity. In addition, it is possible that a partnership or limited liability company could take an action which could cause Realty Income to fail a REIT income or asset test, and that Realty Income would not become aware of such action in time to dispose of its interest in the applicable entity or take other corrective action on a timely basis. In such a case, unless Realty Income were entitled to relief, as described below, it could fail to qualify as a REIT.

Ownership of Interests in Qualified REIT Subsidiaries. Realty Income currently owns and may from time to time own and operate certain properties through wholly-owned subsidiaries that Realty Income intends to be treated as qualified REIT subsidiaries under the Code. A corporation will qualify as Realty Income's qualified REIT subsidiary if Realty Income owns 100% of the corporation's outstanding stock and Realty Income does not elect with the corporation to treat it as a taxable REIT subsidiary, as described below. A qualified REIT subsidiary is not treated as a separate corporation, and all assets, liabilities and items of income, gain, loss, deduction and credit of a qualified REIT subsidiary are treated as assets, liabilities and items of income, gain, loss, deduction and credit (as the case may be) of the parent REIT for all purposes under the Code (including all REIT qualification tests). Thus, in applying the United States federal income tax requirements described in this joint proxy statement/prospectus, the subsidiaries in which Realty Income owns a 100% interest (other than any taxable REIT subsidiaries) are ignored, and all assets, liabilities and items of income, gain, loss, deduction and credit of such subsidiaries are treated as Realty Income's assets, liabilities, and items of income, gain, loss, deduction and credit. A qualified REIT subsidiary is not required to pay United States federal income tax, and Realty Income's ownership of the stock of such a qualified REIT subsidiary does not violate the restrictions on ownership of securities, as described below under Asset Tests.

Ownership of Interests in Taxable REIT Subsidiaries. A taxable REIT subsidiary is a corporation other than a REIT in which a REIT directly or indirectly holds stock and that has made a joint election with the REIT to be treated as a taxable REIT subsidiary. A taxable REIT subsidiary also includes any corporation other than a REIT with respect to which a taxable REIT subsidiary owns, directly or indirectly, securities possessing more than 35% of the total voting power or value of the outstanding securities of such corporation. Other than some activities relating to lodging and health care facilities, a taxable REIT subsidiary generally may engage in any business, including the provision of customary or non-customary services to tenants of its parent REIT. A taxable REIT subsidiary is subject to income tax as a regular C corporation. In addition, a taxable REIT subsidiary may be prevented from deducting interest on debt that Realty Income directly or indirectly funds if certain tests regarding the taxable REIT subsidiary's debt-to-equity ratio and interest expense are satisfied. Realty Income currently owns 100% of the stock of a taxable REIT subsidiary, will acquire 100% of the stock of one or more additional taxable REIT subsidiaries upon its acquisition of ARCT and may from time to time acquire interests in additional taxable REIT subsidiaries. Realty Income's ownership of securities of taxable REIT subsidiaries will not be subject to the 10% or 5% asset tests described below. See Asset Tests.

Income Tests. Realty Income must satisfy two gross income requirements annually to maintain its qualification as a REIT:

first, in each taxable year, Realty Income must derive directly or indirectly at least 75% of its gross income (excluding gross income from prohibited transactions, certain hedging transactions entered into after July 30, 2008, and certain foreign currency gains recognized after July 30, 2008) from

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investments relating to real property or mortgages on real property, including rents from real property, interest on obligations adequately secured by mortgages on real property, gains from the sale or other disposition of real property (including interests in real property and interests in mortgages on real property) other than property held primarily for sale to customers in the ordinary course of our trade or business, and certain types of temporary investments; and

second, in each taxable year, Realty Income must derive at least 95% of its gross income (excluding gross income from prohibited transactions, certain designated hedges of indebtedness, and certain foreign currency gains recognized after July 30, 2008) from (a) the real property investments described above, and (b) dividends, interest and gain from the sale or disposition of stock or securities, or from any combination of the foregoing.

For these purposes, the term interest generally does not include any amount received or accrued, directly or indirectly, if the determination of all or some of the amount depends in any way on the income or profits of any person. An amount received or accrued generally will not be excluded from the term interest, however, solely by reason of being based on a fixed percentage or percentages of receipts or sales.

Rents Realty Income receives from a tenant will qualify as rents from real property for the purpose of satisfying the gross income requirements for a REIT described above only if all of the following conditions are met:

the amount of rent must not be based in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term rents from real property solely by reason of being based on a fixed percentage or percentages of receipts or sales;

Realty Income, or an actual or constructive owner of 10% or more of Realty Income's stock, must not actually or constructively own 10% or more of the interests in the assets or net profits of the tenant, or, if the tenant is a corporation, 10% or more of the total combined voting power of all classes of stock entitled to vote or 10% or more of the total value of all classes of stock of the tenant. Rents Realty Income receives from a tenant that is its taxable REIT subsidiary, however, will not be excluded from the definition of rents from real property if at least 90% of the space at the property to which the rents relate is leased to third parties, and the rents paid by the taxable REIT subsidiary are substantially comparable to rents paid by Realty Income's other tenants for comparable space. Whether rents paid by a taxable REIT subsidiary are substantially comparable to rents paid by other tenants is determined at the time the lease with the taxable REIT subsidiary is entered into, extended, and modified, if such modification increases the rents due under such lease. Notwithstanding the foregoing, however, if a lease with a controlled taxable REIT subsidiary is modified and such modification results in an increase in the rents payable by such taxable REIT subsidiary, any such increase will not qualify as rents from real property. For purposes of this rule, a controlled taxable REIT subsidiary is a taxable REIT subsidiary in which Realty Income owns stock possessing more than 50% of the voting power or more than 50% of the total value of the outstanding stock of such taxable REIT subsidiary;

rent attributable to personal property leased in connection with a lease of real property must not be greater than 15% of the total rent Realty Income receives under the lease. If this condition is not met, then the portion of the rent attributable to personal property will not qualify as rents from real property; and

Realty Income generally must not operate or manage its property or furnish or render services to the tenants of the property, subject to a 1% de minimis exception and except as provided below. Realty Income may, however, directly perform certain services that are usually or customarily rendered in connection with the rental of space for occupancy only and are not otherwise considered rendered to the occupant of the property. Examples of such services include the provision of light, heat, or other utilities, trash removal and general maintenance of common areas. In addition, Realty Income may employ an independent contractor from whom it derives no revenue to provide customary services, or a

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taxable REIT subsidiary, which may be wholly or partially owned by Realty Income, to provide both customary and non-customary services, to Realty Income's tenants without causing the rent Realty Income receives from those tenants to fail to qualify as rents from real property. Any amounts Realty Income receives from a taxable REIT subsidiary with respect to its provision of non-customary services will, however, be nonqualifying income under the 75% gross income test and, except to the extent received through the payment of dividends, the 95% gross income test.

Realty Income generally does not intend to receive rent which fails to satisfy any of the above conditions. Notwithstanding the foregoing, Realty Income may have taken and may in the future take actions which fail to satisfy one or more of the above conditions to the extent that Realty Income determines, based on the advice of its tax counsel, that those actions will not jeopardize its tax status as a REIT.

From time to time, Realty Income may enter into hedging transactions with respect to one or more of its assets or liabilities. Realty Income's hedging activities may include entering into interest rate swaps, caps, and floors, options to purchase these items, and futures and forward contracts. Income from a hedging transaction, including gain from the sale or disposition of such a transaction, that is clearly identified as a hedging transaction as specified in the Code will not constitute gross income and thus will be exempt from the 95% gross income test to the extent such a hedging transaction is entered into on or after January 1, 2005, and will not constitute gross income and thus will be exempt from the 75% gross income test to the extent such hedging transaction is entered into after July 30, 2008. Income and gain from a hedging transaction, including gain from the sale or disposition of such a transaction, entered into on or prior to July 30, 2008 will be treated as nonqualifying income for purposes of the 75% gross income test. Income and gain from a hedging transaction, including gain from the sale or disposition of such a transaction, entered into prior to January 1, 2005 will be qualifying income for purposes of the 95% gross income test. The term hedging transaction, as used above, generally means any transaction Realty Income enters into in the normal course of its business primarily to manage risk of (1) interest rate changes or fluctuations with respect to borrowings made or to be made by Realty Income to acquire or carry real estate assets, or (2) for hedging transactions entered into after July 30, 2008, currency fluctuations with respect to an item of qualifying income under the 75% or 95% gross income test. To the extent that Realty Income does not properly identify such transactions as hedges or it hedges with other types of financial instruments, the income from those transactions is not likely to be treated as qualifying income for purposes of the gross income tests. Realty Income intends to structure any hedging transactions in a manner that does not jeopardize its status as a REIT.

Realty Income believes that the aggregate amount of its nonqualifying income, from all sources, in any taxable year will not exceed the limits on nonqualifying income under the gross income tests. Realty Income will monitor the amount of the dividend and other income from its taxable REIT subsidiaries and will take actions intended to keep this income, and any other nonqualifying income, within the limitations of the REIT income tests. While Realty Income expects these actions will prevent a violation of the REIT income tests, it cannot guarantee that such actions will in all cases prevent such a violation. If Realty Income fails to satisfy one or both of the 75% or 95% gross income tests for any taxable year, it may nevertheless qualify as a REIT for the year if it is entitled to relief under certain provisions of the Code. Realty Income generally may avail itself of the relief provisions if:

following its identification of the failure to meet the 75% or 95% gross income test for any taxable year, Realty Income files a schedule with the IRS setting forth each item of its gross income for purposes of the 75% or 95% gross income test for such taxable year in accordance with Treasury Regulations to be issued; and

the failure to meet these tests was due to reasonable cause and not due to willful neglect.

It is not possible, however, to state whether in all circumstances Realty Income would be entitled to the benefit of these relief provisions. For example, if Realty Income fails to satisfy the gross income tests because nonqualifying income that it intentionally accrues or receives exceeds the limits on nonqualifying income, the

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IRS could conclude that Realty Income's failure to satisfy the tests was not due to reasonable cause. If these relief provisions do not apply to a particular set of circumstances, Realty Income will not qualify as a REIT. As discussed above in General, even if these relief provisions apply, and Realty Income retains its status as a REIT, a tax would be imposed with respect to its nonqualifying income. Realty Income may not always be able to comply with the gross income tests for REIT qualification despite its periodic monitoring of its income.

Prohibited Transaction Income. Any gain that Realty Income realizes on the sale of property held as inventory or otherwise held primarily for sale to customers in the ordinary course of business will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. Realty Income's gain would include any gain realized by its qualified REIT subsidiaries and its share of any gain realized by any of the partnerships or limited liability companies in which it owns an interest. This prohibited transaction income may also adversely affect Realty Income's ability to satisfy the income tests for qualification as a REIT. Under existing law, whether property is held as inventory or primarily for sale to customers in the ordinary course of a trade or business is a question of fact that depends on all the facts and circumstances surrounding the particular transaction. Realty Income intends to hold its properties for investment with a view to long-term appreciation and to engage in the business of acquiring, developing and owning its properties. Realty Income has made, and may in the future make, occasional sales of the properties as are consistent with its investment objectives. Realty Income does not intend to enter into any sales that are prohibited transactions. The IRS may successfully contend, however, that one or more of these sales is a prohibited transaction subject to the 100% penalty tax.

Penalty Tax. Any redetermined rents, redetermined deductions or excess interest Realty Income generates will be subject to a 100% penalty tax. In general, redetermined rents are rents from real property that are overstated as a result of any services furnished by one of its taxable REIT subsidiaries to any of Realty Income's tenants, and redetermined deductions and excess interest represent amounts that are deducted by a taxable REIT subsidiary for amounts paid to Realty Income that are in excess of the amounts that would have been deducted based on arm's length negotiations. Rents Realty Income receives will not constitute redetermined rents if they qualify for certain safe harbor provisions contained in the Code.

Realty Income does not believe that it has been, and does not expect to be, subject to this penalty tax, although its rental or service arrangements may not satisfy the safe-harbor provisions described above. These determinations are inherently factual, and the IRS has broad discretion to assert that amounts paid between related parties should be reallocated to clearly reflect their respective incomes. If the IRS successfully made such an assertion, Realty Income would be required to pay a 100% penalty tax on the excess of an arm's length fee for tenant services over the amount actually paid.

Asset Tests. At the close of each quarter of its taxable year, Realty Income also must satisfy four tests relating to the nature and diversification of its assets:

First, at least 75% of the value of its total assets, including assets held by its qualified REIT subsidiaries and its allocable share of the assets held by the partnerships and limited liability companies treated as partnerships for United States federal income tax purposes, in which it owns an interest, must be represented by real estate assets, cash, cash items and government securities. For purposes of this test, the term "real estate assets" generally means real property (including interests in real property and interests in mortgages on real property) and shares (or transferable certificates of beneficial interest) in other REITs, as well as any stock or debt instrument attributable to the investment of the proceeds of a stock offering or a public offering of debt with a term of at least five years, but only for the one-year period beginning on the date the REIT receives such proceeds.

Second, not more than 25% of the value of its total assets may be represented by securities (including securities of one or more taxable REIT subsidiaries) other than those securities includable in the 75% asset test.

Third, of the investments included in the 25% asset class and except for investments in other REITs, its qualified REIT subsidiaries and taxable REIT subsidiaries, the value of any one issuer's securities may

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not exceed 5% of the value of its total assets, and it may not own more than 10% of the total vote or value of the outstanding securities of any one issuer except, in the case of the 10% value test, securities satisfying the straight debt safe-harbor or securities issued by a partnership that itself would satisfy the 75% income test if it were a REIT. Certain types of securities Realty Income may own are disregarded as securities solely for purposes of the 10% value test, including, but not limited to, any loan to an individual or an estate, any obligation to pay rents from real property and any security issued by a REIT. In addition, solely for the purposes of the 10% value test, the determination of its interest in the assets of a partnership or limited liability company in which it owns an interest will be based on its proportionate interest in any securities issued by the partnership or limited liability company, excluding for this purpose certain securities described in the Code.

Fourth, not more than 25% (20% for taxable years beginning before January 1, 2009) of the value of its total assets may be represented by the securities of one or more taxable REIT subsidiaries.

As of the date of this joint proxy statement/prospectus, Realty Income owns 100% of the outstanding stock of Crest. Crest has elected, together with Realty Income, to be treated as a taxable REIT subsidiary. So long as Crest qualifies as Realty Income's taxable REIT subsidiary, Realty Income will not be subject to the 5% asset test, the 10% voting securities limitation or the 10% value limitation with respect to its ownership of Crest's securities. Realty Income or Crest may acquire securities in other taxable REIT subsidiaries in the future, and Realty Income expects to acquire one or more additional taxable REIT subsidiaries from ARCT in the merger. Realty Income believes that the aggregate value of its taxable REIT subsidiaries has not exceeded and will not exceed 25% (or 20% for taxable years beginning before January 1, 2009) of the aggregate value of its gross assets. With respect to each issuer in which Realty Income currently owns an interest that does not qualify as a REIT, a qualified REIT subsidiary or a taxable REIT subsidiary, Realty Income believes that its ownership of the securities of any such issuer has complied with the 5% asset test, the 10% voting securities limitation, the 10% value limitation, and the 75% asset test. No independent appraisals have been obtained to support these conclusions. In addition, there can be no assurance that the IRS will not disagree with Realty Income's determinations of value.

The asset tests described above must be satisfied at the close of each calendar quarter of Realty Income's taxable year in which it (directly or through its qualified REIT subsidiaries, partnerships or limited liability companies) acquires securities in the applicable issuer, and also at the close of each calendar quarter in which it increases its ownership of securities of such issuer, including as a result of increasing its interest in a partnership or limited liability company which owns such securities, or acquiring other assets. For example, Realty Income's indirect ownership of securities of an issuer may increase as a result of its capital contributions to, or the redemption of other partners' or members' interests in, a partnership or limited liability company in which it has an ownership interest. After initially meeting the asset tests at the close of any quarter, Realty Income will not lose its status as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values. If it fails to satisfy an asset test because it acquires securities or other property during a quarter (including as a result of an increase in its interests in a partnership or limited liability company), it may cure this failure by disposing of sufficient nonqualifying assets within 30 days after the close of that quarter. Realty Income believes that it has maintained and intends to maintain adequate records of the value of its assets to ensure compliance with the asset tests. In addition, it intends to take such actions within 30 days after the close of any quarter as may be required to cure any noncompliance.

Certain relief provisions may be available to Realty Income if it fails to satisfy the asset tests described above after the 30-day cure period. Under these provisions, it will be deemed to have met the 5% and 10% asset tests if the value of its nonqualifying assets (i) does not exceed the lesser of (a) 1% of the total value of its assets at the end of the applicable quarter and (b) \$10,000,000, and (ii) it disposes of the nonqualifying assets or otherwise satisfies such asset tests within (a) six months after the last day of the quarter in which the failure to satisfy the asset tests is discovered or (b) the time period prescribed by Treasury Regulations to be issued. For violations of any of the asset tests due to reasonable cause and not due to willful neglect and that are, in the case

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of the 5% and 10% asset tests, in excess of the *de minimis* exception described above, it may avoid disqualification as a REIT after the 30-day cure period by taking steps including (i) the disposition of sufficient nonqualifying assets, or the taking of other actions which allow it to meet the asset tests within (a) six months after the last day of the quarter in which the failure to satisfy the asset tests is discovered or (b) the time period prescribed by Treasury Regulations to be issued, and (ii) disclosing certain information to the IRS. In such case, Realty Income will be required to pay a tax equal to the greater of (a) \$50,000 or (b) the highest corporate tax rate multiplied by the net income generated by the nonqualifying assets.

Although Realty Income believes that it has satisfied the asset tests described above and it plans to take steps to ensure that it satisfies such tests for any quarter with respect to which retesting is to occur, there can be no assurance that such steps will always be successful or will not require a reduction in its overall interest in an issuer (including in a taxable REIT subsidiary). If it fails to cure any noncompliance with the asset tests in a timely manner, and the relief provisions described above are not available, Realty Income will cease to qualify as a REIT.

Annual Distribution Requirements. To maintain its qualification as a REIT, Realty Income is required to distribute dividends, other than capital gain dividends, to its stockholders in an amount at least equal to the sum of:

90% of its REIT taxable income ; and

90% of its after tax net income, if any, from foreclosure property; minus

the excess of the sum of specified items of its non-cash income items over 5% of REIT taxable income as described below. For these purposes, Realty Income's REIT taxable income is computed without regard to the dividends paid deduction and its net capital gain. In addition, for purposes of this test, non-cash income means income attributable to leveled stepped rents, original issue discount on purchase money debt, cancellation of indebtedness, or a like-kind exchange that is later determined to be taxable.

Also, Realty Income's REIT taxable income will be reduced by any taxes it is required to pay on any gain it recognizes from the disposition of any asset it acquires from a corporation which is or has been a C corporation in a transaction in which Realty Income's basis in the asset is less than the fair market value of the asset, in each case determined at the time it acquired the asset, within the ten-year period following its acquisition of such asset. See *Taxation of REITs in General* General.

Realty Income generally must pay, or be treated as paying, the distributions described above in the taxable year to which they relate. At its election, a distribution will be treated as paid in a taxable year if it is declared before it timely files its tax return for such year and is paid on or before the first regular dividend payment following the declaration, provided such payment is made during the 12-month period following the close of such year. These distributions generally are taxable to its stockholders, other than tax-exempt entities, in the year in which paid. This is so even though these distributions relate to the prior year for purposes of the 90% distribution requirement. The amount distributed must not be preferential (i.e., every stockholder of the class of stock to which a distribution is made must be treated the same as every other stockholder of that class, and no class of stock may be treated other than according to its dividend rights as a class). To the extent that it does not distribute all of its net capital gain, or distribute at least 90%, but less than 100%, of its real estate investment trust taxable income, as adjusted, it will be required to pay tax on the undistributed amount at regular corporate tax rates. Realty Income believes it has made, and intends to continue to make, timely distributions sufficient to satisfy these annual distribution requirements and to minimize its corporate tax obligations.

Realty Income anticipates that it will generally have sufficient cash or liquid assets to enable it to satisfy the distribution requirements described above. However, from time to time, it may not have sufficient cash or other liquid assets to meet these distribution requirements because of timing differences between the actual receipt of

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income and actual payment of deductible expenses, and the inclusion of income and deduction of expenses in determining its taxable income. If these timing differences occur, it may borrow funds to pay dividends or pay dividends through the distribution of other property in order to meet the distribution requirements.

Under certain circumstances, Realty Income may be able to rectify an inadvertent failure to meet the 90% distribution requirement for a year by paying deficiency dividends to its stockholders in a later year, which may be included in its deduction for dividends paid for the earlier year. Thus, it may be able to avoid being taxed on amounts distributed as deficiency dividends, subject to the 4% excise tax described below. However, it will be required to pay interest to the IRS based upon the amount of any deduction claimed for deficiency dividends.

In addition, Realty Income will be required to pay a 4% excise tax to the extent it fails to distribute during each calendar year at least the sum of 85% of its ordinary income for such year, 95% of its capital gain for such year and any undistributed taxable income from prior periods. Any ordinary income and net capital gain on which this excise tax is imposed for any year is treated as an amount distributed during that year for purposes of calculating such tax.

For purposes of the distribution requirements and excise tax described above, dividends declared during the last three months of the calendar year payable to stockholders of record on a specified date during such period, and paid during January of the following year, will be treated as paid by Realty Income and received by its stockholders on December 31 of the year in which they are declared.

Like-Kind Exchanges. Realty Income may dispose of properties in transactions intended to qualify as like-kind exchanges under the Code. Like-kind exchanges are intended to result in the deferral of gain for United States federal income tax purposes. The failure of any such transaction to qualify as a like-kind exchange could subject Realty Income to United States federal income tax, possibly including the 100% prohibited transaction tax, depending on the facts and circumstances surrounding the particular transaction.

Failure to Qualify

Specified cure provisions are available to Realty Income in the event that it discovers a violation of a provision of the Code that would result in its failure to qualify as a REIT. Except with respect to violations of the REIT income tests and asset tests (for which the cure provisions are described above), and provided the violation is due to reasonable cause and not due to willful neglect, these cure provisions generally impose a \$50,000 penalty for each violation in lieu of a loss of REIT status.

If Realty Income fails to qualify for taxation as a REIT in any taxable year, and the relief provisions do not apply, it will be required to pay tax, including any applicable alternative minimum tax, on its taxable income at regular corporate tax rates. Distributions to its stockholders in any year in which it fails to qualify as a REIT will not be deductible by it, and it will not be required to distribute any amounts to its stockholders. As a result, Realty Income anticipates that its failure to qualify as a REIT would reduce the cash available to it for distribution to its stockholders. In addition, if it fails to qualify as a REIT, all distributions to stockholders will be taxable as regular corporate dividends to the extent of its current and accumulated earnings and profits. In this event, corporate distributees may be eligible for the dividends-received deduction. In addition, individuals may be eligible for the preferential rates on the qualified dividend income. Unless entitled to relief under specific statutory provisions, Realty Income will also be disqualified from taxation as a REIT for the four taxable years following the year in which it loses its qualification. It is not possible to state whether in all circumstances Realty Income would be entitled to this statutory relief.

Tax Aspects of the Partnerships

General. From time to time, Realty Income may own, directly or indirectly, interests in various partnerships and limited liability companies, including an interest in ARCT OP, which it expects to acquire in the merger.

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Realty Income expects these partnerships and limited liability companies will be treated as partnerships (or disregarded entities) for United States federal income tax purposes. In general, entities that are classified as partnerships (or disregarded entities) for United States federal income tax purposes are treated as pass-through entities which are not required to pay United States federal income tax. Rather, partners or members of such entities are allocated their share of the items of income, gain, loss, deduction and credit of the entity, and are potentially required to pay tax on that income without regard to whether the partners or members receive a distribution of cash from the entity. Realty Income includes in its income its allocable share of the foregoing items for purposes of computing its REIT taxable income, based on the applicable partnership agreement. For purposes of applying the REIT income and asset tests, Realty Income includes its pro rata share of the income generated by and the assets held by the partnerships and limited liability companies treated as partnerships for United States federal income tax purposes in which it owns an interest, including their shares of the income and assets of any subsidiary partnerships and limited liability companies treated as partnerships for United States federal income tax purposes based on its capital interests. See *Taxation of REITs in General*.

Realty Income's ownership interests in such partnerships and limited liability companies involve special tax considerations, including the possibility that the IRS might challenge the status of these entities as partnerships (or disregarded entities), as opposed to associations taxable as corporations, for United States federal income tax purposes. If a partnership or limited liability company in which it owns an interest, or one or more of its subsidiary partnerships or limited liability companies, were treated as an association, it would be taxable as a corporation and would be required to pay an entity-level tax on its income. In this situation, the character of its assets and items of gross income would change, and could prevent Realty Income from satisfying the REIT asset tests and/or the REIT income tests (see *Requirements for Qualification as a Real Estate Investment Trust Asset Tests* and *Requirements for Qualification as a Real Estate Investment Trust Income Tests*). This, in turn, could prevent it from qualifying as a REIT. See *Failure to Qualify* for a discussion of the effect of its failure to meet these tests for a taxable year. In addition, a change in the tax status of one or more of the partnerships or limited liability companies in which it owns an interest might be treated as a taxable event. If so, it might incur a tax liability without any related cash distributions.

Realty Income believes that these partnerships and limited liability companies will be classified as partnerships or disregarded entities for United States federal income tax purposes, and the remainder of the discussion under this section *Tax Aspects of the Partnerships* is based on such classification.

Allocations of Income, Gain, Loss and Deduction. A partnership or limited liability company agreement will generally determine the allocation of income and losses among partners or members. These allocations, however, will be disregarded for tax purposes if they do not comply with the provisions of Section 704(b) of the Code and the related Treasury Regulations. Generally, Section 704(b) of the Code and the related Treasury Regulations require that partnership and limited liability company allocations respect the economic arrangement of their partners or members. If an allocation is not recognized by the IRS for United States federal income tax purposes, the item subject to the allocation will be reallocated according to the partners' or members' interests in the partnership or limited liability company, as the case may be. This reallocation will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners or members with respect to such item. The allocations of taxable income and loss in each of the partnerships and limited liability companies in which Realty Income owns an interest are intended to comply with the requirements of Section 704(b) of the Code and the Treasury Regulations promulgated thereunder.

Tax Allocations With Respect to the Properties. Under Section 704(c) of the Code, income, gain, loss and deduction attributable to appreciated or depreciated property that is contributed to a partnership or limited liability company in exchange for an interest in the partnership or limited liability company must be allocated in a manner so that the contributing partner or member is charged with the unrealized gain or benefits from the unrealized loss associated with the property at the time of the contribution, as adjusted from time to time. The amount of the unrealized gain or unrealized loss is generally equal to the difference between the fair market value or book value and the adjusted tax basis of the contributed property at the time of contribution. These allocations are solely for United States federal income tax purposes and do not affect the book capital accounts or other

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economic or legal arrangements among the partners or members. Some of the partnerships and/or limited liability companies in which Realty Income owns an interest were formed by way of contributions of appreciated property. The relevant partnership and/or limited liability company agreements require that allocations be made in a manner consistent with Section 704(c) of the Code.

United States Federal Income Tax Considerations for Holders of Realty Income's Common Stock

The following summary describes the principal United States federal income tax consequences to you of purchasing, owning and disposing of Realty Income's common stock. You should consult your tax advisors concerning the application of United States federal income tax laws to your particular situation as well as any consequences of the acquisition, ownership and disposition of Realty Income's common stock arising under the laws of any state, local or foreign taxing jurisdiction.

Taxation of Taxable U.S. Holders Generally

Distributions Generally. Distributions out of Realty Income's current or accumulated earnings and profits, other than capital gain dividends and certain amounts subject to corporate level taxation as discussed below, will constitute dividends taxable to its taxable U.S. holders as ordinary income when actually or constructively received. See *Tax Rates* below. As long as Realty Income qualifies as a REIT, these distributions will not be eligible for the dividends-received deduction in the case of U.S. holders that are corporations or, except to the extent provided in *Tax Rates* below, the preferential rates on qualified dividend income applicable to non-corporate U.S. holders, including individuals. For purposes of determining whether distributions to holders of common stock are out of Realty Income's current or accumulated earnings and profits, its earnings and profits will be allocated first to its outstanding preferred stock and then to its outstanding common stock.

To the extent that Realty Income makes distributions on its common stock in excess of its current and accumulated earnings and profits, these distributions will be treated first as a tax-free return of capital to a U.S. holder. This treatment will reduce the adjusted tax basis which the U.S. holder has in its shares of common stock by the amount of the distribution, but not below zero. Distributions in excess of Realty Income's current and accumulated earnings and profits and in excess of a U.S. holder's adjusted tax basis in its shares of common stock will be taxable as capital gain. Such gain will be taxable as long-term capital gain if the shares of common stock have been held for more than one year. Dividends Realty Income declares in October, November or December of any year and which are payable to a stockholder of record on a specified date in any of these months will be treated as both paid by Realty Income and received by the stockholder on December 31 of that year, provided Realty Income actually pays the dividend on or before January 31 of the following year. U.S. holders may not include in their own income tax returns any of Realty Income's net operating losses or capital losses.

Capital Gain Dividends. Dividends that Realty Income properly designates as capital gain dividends will be taxable to its taxable U.S. holders as a gain from the sale or disposition of a capital asset held for more than one year, to the extent that such gain does not exceed its actual net capital gain for the taxable year. If it properly designates any portion of a dividend as a capital gain dividend then, except as otherwise required by law, it presently intends to allocate a portion (the capital gains amount) of the total capital gain dividends paid or made available to holders of all classes of its common stock for the year to the holders of each class of its common stock in proportion to the amount that its total dividends, as determined for United States federal income tax purposes, paid or made available to holders of such class of common stock for the year bears to the total dividends paid or made available for that year to holders of all classes of its stock. In addition, except as otherwise required by law, Realty Income will make a similar allocation with respect to any undistributed long-term capital gains which are to be included in its stockholders' long-term capital gains, based on the allocation of the capital gains amount which would have resulted if those undistributed long-term capital gains had been distributed as capital gain dividends by Realty Income to its stockholders.

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Retention of Net Capital Gains. Realty Income may elect to retain, rather than distribute as a capital gain dividend, all or a portion of its net capital gains. If it makes this election, it would pay tax on its retained net capital gains. In addition, to the extent it so elects, a U.S. holder generally would:

include its pro rata share of Realty Income's undistributed net capital gains in computing its long-term capital gains in its return for its taxable year in which the last day of Realty Income's taxable year falls, subject to certain limitations as to the amount that is includable;

be deemed to have paid the capital gains tax imposed on Realty Income on the designated amounts included in the U.S. holder's long-term capital gains;

receive a credit or refund for the amount of tax deemed paid by it;

increase the adjusted basis of its common stock by the difference between the amount of includable gains and the tax deemed to have been paid by it; and

in the case of a U.S. holder that is a corporation, appropriately adjust its earnings and profits for the retained capital gains in accordance with Treasury Regulations to be promulgated by the IRS.

Passive Activity Losses and Investment Interest Limitations. Distributions Realty Income makes and gain arising from the sale or exchange by a U.S. holder of its common stock will not be treated as passive activity income. As a result, U.S. holders generally will not be able to apply any passive losses against this income or gain. A U.S. holder may elect to treat capital gain dividends, capital gains from the disposition of common stock and qualified dividend income as investment income for purposes of computing the investment interest limitation, but in such case, the stockholder will be taxed at ordinary income rates on such amount. Other distributions made by Realty Income, to the extent they do not constitute a return of capital, generally will be treated as investment income for purposes of computing the investment interest limitation.

Dispositions of Realty Income's Common Stock. If a U.S. holder sells or disposes of shares of common stock, it will recognize gain or loss for United States federal income tax purposes in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale or other disposition and the holder's adjusted basis in the shares of common stock for tax purposes. This gain or loss, except as provided below, will be long-term capital gain or loss if the holder has held such common stock for more than one year at the time of such sale or disposition. However, if a U.S. holder recognizes loss upon the sale or other disposition of common stock that it has held for six months or less, after applying certain holding period rules, the loss recognized will be treated as a long-term capital loss to the extent the U.S. holder received distributions from Realty Income which were required to be treated as long-term capital gains.

Tax Rates. The maximum tax rate for non-corporate taxpayers for capital gains, including certain capital gain dividends, is generally 15% (although depending on the characteristics of the assets which produced these gains and on designations which Realty Income may make, certain capital gain dividends may be taxed at a 25% rate). Capital gain dividends will only be eligible for the rates described above to the extent that they are properly designated by the REIT as capital gain dividends. The maximum tax rate for non-corporate taxpayers for income that the REIT properly designates as qualified dividend income is generally 15%. In general, dividends payable by REITs are not eligible for the reduced tax rate on qualified dividend income, except to the extent that certain holding requirements have been met with respect to the REIT's stock and the REIT's dividends are attributable to dividends received from taxable corporations (such as its taxable REIT subsidiaries) or to income that was subject to tax at the corporate/REIT level (for example, if it distributed taxable income that it retained and paid tax on in the prior taxable year). The currently applicable provisions of the United States federal income tax laws relating to the 15% tax rate are currently scheduled to sunset or revert to the provisions of prior law effective for taxable years beginning after December 31, 2012, at which time the capital gains tax rate will be increased to 20% and the rate applicable to dividends will be increased to the tax rate then applicable to ordinary income. In addition, U.S. holders that are corporations may be required to treat up to 20% of some capital gain dividends as ordinary income.

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Medicare Tax on Unearned Income. Certain U.S. holders that are individuals, estates or certain trusts will be required to pay an additional 3.8% tax on, among other things, dividends, interest on and capital gains from the sale or other disposition of stock for taxable years beginning after December 31, 2012. U.S. holders should consult their tax advisors regarding the effect, if any, of this additional tax on their ownership and disposition of Realty Income's common stock.

Backup Withholding and Information Reporting. Realty Income reports to its U.S. holders and the IRS the amount of dividends paid during each calendar year, and the amount of any tax withheld. Under the backup withholding rules, a U.S. holder may be subject to backup withholding with respect to dividends paid unless the U.S. holder is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with applicable requirements of the backup withholding rules. A U.S. holder that does not provide Realty Income with its correct taxpayer identification number may also be subject to penalties imposed by the IRS. Backup withholding is not an additional tax. Any amount paid as backup withholding will be creditable against the U.S. holder's United States federal income tax liability, provided the required information is timely furnished to the IRS. In addition, Realty Income may be required to withhold a portion of capital gain distributions to any stockholders who fail to certify their non-foreign status.

Taxation of Tax Exempt Stockholders

Dividend income from Realty Income and gain arising upon a sale of shares of common stock generally will not be unrelated business taxable income to a tax-exempt stockholder, except as described below. This income or gain will be unrelated business taxable income, however, if a tax-exempt stockholder holds its shares of common stock as debt-financed property within the meaning of the Code or if the shares are used in a trade or business of the tax-exempt stockholder. Generally, debt-financed property is property the acquisition or holding of which was financed through a borrowing by the tax-exempt stockholder.

For tax-exempt stockholders which are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts or qualified group legal services plans exempt from United States federal income taxation under Sections 501(c)(7), (c)(9), (c)(17) or (c)(20) of the Code, respectively, income from an investment in shares of Realty Income's common stock will constitute unrelated business taxable income unless the organization is able to properly claim a deduction for amounts set aside or placed in reserve for specific purposes so as to offset the income generated by its investment in shares of Realty Income's common stock. These prospective investors should consult their tax advisors concerning these set aside and reserve requirements.

Notwithstanding the above, however, a portion of the dividends paid by a pension-held REIT may be treated as unrelated business taxable income as to certain trusts that hold more than 10%, by value, of the interests in the REIT. A REIT will not be a pension-held REIT if it is able to satisfy the not closely held requirement without relying on the look-through exception with respect to certain trusts or if such REIT is not predominantly held by qualified trusts. As a result of limitations on the transfer and ownership of shares of common stock contained in Realty Income's charter, it does not expect to be classified as a pension-held REIT, and as a result, the tax treatment described in this paragraph should be inapplicable to its stockholders. However, because its shares of common stock are publicly traded, it cannot guarantee that this will always be the case.

Foreign Accounts

Withholding taxes may apply to certain types of payments made to foreign financial institutions (as specially defined in the Code) and certain other non-United States entities. The failure to comply with additional certification, information reporting and other specified requirements could result in a withholding tax being imposed on payments of dividends, interest and sales proceeds to foreign intermediaries. A 30% withholding tax may be imposed on dividends and interest on, and gross proceeds from the sale or other disposition of, Realty Income's common stock paid to a foreign financial institution or to a non-financial foreign entity, unless (1) the

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foreign financial institution undertakes certain diligence and reporting, (2) the non-financial foreign entity either certifies it does not have any substantial United States owners or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in clause (1) above, it must enter into an agreement with the United States Treasury requiring, among other things, that it undertake to identify accounts held by certain United States persons or United States-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to non-compliant foreign financial institutions and certain other account holders.

Although these rules currently apply to applicable payments made after December 31, 2012, Proposed Treasury Regulations and subsequent IRS guidance provide that such rules will generally apply to payments of dividends made on or after January 1, 2014 and to payments of gross proceeds from a sale or other disposition of common stock on or after January 1, 2017.

The guidance described above will not be effective until it is reflected in final Treasury Regulations. Prospective investors should consult their tax advisors regarding these withholding provisions.

Other Tax Consequences

State, local and foreign income tax laws may differ substantially from the corresponding United States federal income tax laws, and this discussion does not purport to describe any aspect of the tax laws of any state, local or foreign jurisdiction. You should consult your tax advisors regarding the effect of state, local and foreign tax laws with respect to Realty Income's tax treatment as a REIT and on an investment in Realty Income's common stock.

Accounting Treatment

Realty Income will account for the merger under the acquisition method of accounting for business combinations under GAAP with Realty Income being deemed to have acquired ARCT. This means that the assets and liabilities of ARCT will be recorded, as of the completion of the merger, at their fair values and added to those of Realty Income, including an amount for goodwill, if applicable, representing the difference between the purchase price and fair value of the identifiable net assets. Financial statements of Realty Income issued after the merger will reflect only the operations of ARCT's business after the merger and will not be restated retroactively to reflect the historical financial position or results of operations of ARCT.

All unaudited pro forma consolidated financial information contained in this joint proxy statement/prospectus was prepared using the acquisition method of accounting for business combinations. The final allocation of the purchase price will be determined after the merger is completed and after completion of an analysis to determine the fair value of the assets and liabilities of ARCT's business. Accordingly, the final acquisition accounting adjustments may be materially different from the unaudited pro forma adjustments. Any decrease in the fair value of the assets or increase in the fair value of the liabilities of ARCT's business as compared to the unaudited pro forma consolidated financial information included in this joint proxy statement/prospectus will have the effect of increasing the amount of the purchase price allocable to goodwill.

Listing of Realty Income Common Stock

Realty Income will use its reasonable best efforts to cause the shares of Realty Income common stock to be issued in the merger to be approved for listing on the NYSE prior to the completion of the merger, subject to official notice of issuance. Approval of the listing on the NYSE of the shares of Realty Income common stock to be issued in the merger, subject to official notice of issuance, is a condition to each party's obligation to complete the merger.

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Delisting and Deregistration of ARCT Common Stock

If the merger is completed, ARCT common stock will be delisted from NASDAQ and deregistered under the Exchange Act, and ARCT will no longer file periodic reports with the SEC.

Restrictions on Sales of Shares of Realty Income Common Stock Received in the Merger

Shares of Realty Income common stock issued in the merger will not be subject to any restrictions on transfer arising under the Securities Act of 1933, as amended, which we refer to as the Securities Act, or the Exchange Act, except for shares of Realty Income common stock issued to any ARCT stockholder who may be deemed to be an affiliate of Realty Income after the completion of the merger. This joint proxy statement/prospectus does not cover resales of Realty Income common stock received by any person upon the completion of the merger, and no person is authorized to make any use of this joint proxy statement/prospectus in connection with any resale.

Litigation Relating to the Merger

Since the announcement of the merger on September 6, 2012, six putative class actions and/or shareholder derivative actions have been filed on behalf of alleged ARCT stockholders and/or ARCT itself in the Circuit Court for Baltimore City, Maryland, under the following captions: *Quaal v. American Realty Capital Trust Inc., et al.*, No. 24-C1-2005306, filed September 7, 2012; *Hill v. American Realty Capital Trust, Inc., et al.*, No. 24-C-005502, filed September 19, 2012; *Goldwurm v. American Realty Capital Trust, Inc., et al.*, No. 24-C-005524, filed September 20, 2012; *Gordon v. Schorsch, et al.*, No. 24-C-12-5571, filed September 21, 2012; *Gregor v. Kahane, et al.*, No. 24-C-12-5563, filed September 21, 2012; and *Rooker v. American Realty Capital Trust Inc., et al.*, filed October 5, 2012. On November 16, 2012, the court consolidated these actions into a single action captioned *In re American Capital Realty Trust, Inc. Shareholder Litigation*, No. 24-C-12-005306 (the Maryland Action), and, on November 21, 2012, appointed Brower Piven, P.C. as lead counsel for plaintiffs.

Two putative class actions also have been filed on behalf of alleged ARCT stockholders in the Supreme Court of the State of New York for New York, New York, under the following captions: *The Carol L. Possehl Living Trust v. American Realty Capital Trust, Inc., et al.*, No. 653300-2012, filed September 20, 2012; and *Salenger v. American Realty Capital Trust, Inc. et al.*, No. 353355-2012, filed September 25, 2012. On October 19, 2012, the court consolidated these actions into a single action captioned *In re American Realty Capital Trust Shareholders Litigation*, No. 653300-2012 (the New York Action), and appointed Robbins Geller Rudman & Dowd LLP as lead counsel for plaintiffs. Plaintiffs filed an amended complaint in the consolidated New York Action on October 23, 2012.

All of these complaints name as defendants ARCT, members of the ARCT board of directors, Realty Income and Merger Sub. In each case, the plaintiffs allege that the ARCT directors breached their fiduciary duties to ARCT and/or its stockholders in negotiating and approving the merger agreement, that the merger consideration negotiated in the merger agreement improperly values ARCT, that the ARCT stockholders will not receive fair value for their ARCT common stock in the merger, and that the terms of the merger agreement impose improper deal-protection devices that purportedly preclude competing offers. The complaints further allege that Realty Income, Merger Sub, and, in some cases, ARCT aided and abetted those alleged breaches of fiduciary duty. The various amended complaints add allegations that disclosures regarding the proposed merger in the joint proxy statement/prospectus filed on October 1, 2012 are inadequate. Plaintiffs seek injunctive relief, including enjoining or rescinding the merger, and an award of other unspecified attorneys' and other fees and costs, in addition to other relief.

On November 9, 2012, the Court granted defendants' motion to stay the New York Action pending the Maryland Action. Defendants do not anticipate further developments in the New York Action until the Maryland Action has been resolved.

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In the Maryland Action, the Court ordered plaintiffs to file a consolidated amended complaint by December 14, 2012. Prior to consolidation, plaintiffs in *Quaal, Hill, Gordon, Gregor, and Rooker* filed a motion for a temporary restraining order and defendants filed motions to dismiss each of the complaints. Hearings on the temporary restraining order and the motion to dismiss are currently scheduled for December 6, 2012 and February 12, 2013, respectively. Realty Income and ARCT management believe that these actions have no merit and continue to defend vigorously against them.

THE MERGER AGREEMENT

This section of this joint proxy statement/prospectus describes the material provisions of the merger agreement, which is attached as Annex A to this joint proxy statement/prospectus and is incorporated herein by reference. As a stockholder, you are not a third party beneficiary of the merger agreement and therefore you may not directly enforce any of its terms and conditions.

*This summary may not contain all of the information about the merger agreement that is important to you. Realty Income and ARCT urge you to carefully read the full text of the merger agreement because it is the legal document that governs the merger. The merger agreement is not intended to provide you with any factual information about Realty Income or ARCT. In particular, the assertions embodied in the representations and warranties contained in the merger agreement (and summarized below) are qualified by information each of Realty Income and ARCT filed with the SEC prior to the effective date of the merger agreement, as well as by certain disclosure letters each of the parties delivered to the other in connection with the signing of the merger agreement, that modify, qualify and create exceptions to the representations and warranties set forth in the merger agreement. Moreover, some of those representations and warranties may not be accurate or complete as of any specified date, may apply contractual standards of materiality in a way that is different from what may be viewed as material by investors or that is different from standards of materiality generally applicable under the U.S. federal securities laws or may not be intended as statements of fact, but rather as a way of allocating risk among the parties to the merger agreement. The representations and warranties and other provisions of the merger agreement and the description of such provisions in this document should not be read alone but instead should be read in conjunction with the other information contained in the reports, statements and filings that each of Realty Income and ARCT file with the SEC and the other information in this joint proxy statement/prospectus. See *Where You Can Find More Information; Incorporation by Reference* beginning on page 156.*

Realty Income and ARCT acknowledge that, notwithstanding the inclusion of the foregoing cautionary statements, each of them is responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this joint proxy statement/prospectus not misleading.

Form, Effective Time and Closing of the Merger

The merger agreement provides for the merger of ARCT with and into Merger Sub, upon the terms and subject to the conditions set forth in the merger agreement. Merger Sub will be the surviving entity in the merger and, following completion of the merger, will continue to exist under the name Tau Acquisition LLC as a direct wholly owned subsidiary of Realty Income. The merger will become effective upon the filing of articles of merger with the State Department of Assessments and Taxation of the State of Maryland and a certificate of merger with the Secretary of State of the State of Delaware or at a later date and time agreed to by Realty Income and ARCT and specified in the articles of merger and certificate of merger.

The merger agreement provides that the closing of the merger will take place on the third business day following the date on which the last of the conditions to closing of the merger (described under *The Merger Agreement Conditions to Completion of the Merger*) have been satisfied or waived (other than the conditions that by their terms are to be satisfied at the closing of the merger, but subject to the satisfaction or waiver of those conditions).

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Organizational Documents of the Surviving Entity

Upon completion of the merger, the certificate of formation and limited liability company agreement of Merger Sub in effect as of immediately prior to the effective time will be the certificate of formation and limited liability company agreement of the surviving entity.

Merger Consideration; Conversion or Cancellation of Shares in the Merger

Merger Consideration

If the merger is completed, each share of ARCT common stock (other than shares of ARCT common stock owned by any wholly owned subsidiary of ARCT, Realty Income or any subsidiary of Realty Income, which will be cancelled) will be converted automatically into the right to receive 0.2874 shares of Realty Income common stock, which we refer to as the exchange ratio. No fractional shares of Realty Income common stock will be issued. Instead of fractional shares, ARCT stockholders will receive cash, without interest, in an amount determined by multiplying the fractional interest to which such holder would otherwise be entitled by the volume weighted average price of Realty Income common stock for the 10 trading days immediately prior to the closing date, starting with the opening of trading on the first trading day to the closing of the second to last trading day prior to the closing date, as reported by Bloomberg.

Procedures for Surrendering ARCT Stock Certificates

The conversion of ARCT common stock into the right to receive the merger consideration will occur automatically at the effective time of the merger. In accordance with the merger agreement, Realty Income will appoint an exchange agent to handle the payment and delivery of the merger consideration and the cash payments to be delivered in lieu of fractional shares. On or before the effective time of the merger, Realty Income will deliver to the exchange agent certificates representing shares of Realty Income common stock sufficient to pay the merger consideration and the cash to be delivered in lieu of fractional shares. As promptly as practicable after the effective time, but in no event later than two business days thereafter, the surviving entity will cause the exchange agent to send to each record holder of ARCT common stock at the effective time of the merger, a letter of transmittal and instructions explaining how to surrender ARCT stock certificates to the exchange agent.

Each ARCT stockholder that surrenders its stock certificate to the exchange agent together with a duly completed letter of transmittal, and each ARCT stockholder that holds book-entry shares of ARCT common stock, will receive the merger consideration due to such stockholder (including cash in lieu of any fractional shares). After the effective time of the merger, each certificate that previously represented shares of ARCT common stock will only represent the right to receive the merger consideration into which those shares of ARCT common stock have been converted.

Treatment of ARCT Stock Options, Restricted Shares and LTIP Units

As of the effective time of the merger, each ARCT stock option to purchase ARCT common stock then-outstanding, whether or not exercisable at such time, will be deemed subject to a cashless exercise and the holder of each ARCT stock option will be deemed to receive by virtue of such deemed cashless exercise a number of shares of ARCT common stock equal to (i) the number of shares of ARCT common stock subject to each ARCT stock option, less (ii) the number of shares of ARCT common stock equal in value to the aggregate exercise price of each ARCT stock option, assuming a fair market value of a share of ARCT common stock equal to the closing price of ARCT common stock on the last completed trading day immediately prior to the closing of the merger. Immediately following such deemed cashless exercise, the net number of shares of ARCT common stock deemed issued in connection with the deemed cashless exercise of each ARCT stock option will be converted into the right of the holder of the corresponding ARCT stock option to receive the merger consideration payable with respect to ARCT common stock under the merger agreement.

Immediately prior to the effective time of the merger, each then-outstanding share of ARCT restricted stock will fully vest (and ARCT will be entitled to deduct and withhold the number of shares of ARCT common stock otherwise

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deliverable upon such acceleration to satisfy any applicable withholding taxes, assuming a fair market value of a share of ARCT common stock equal to the closing price of ARCT common stock on the last completed trading day immediately prior to the closing of the merger). All shares of ARCT common stock then-outstanding as a result of the full vesting of shares of ARCT restricted stock, and the satisfaction of any applicable withholding taxes, will have the right to receive a number of shares of Realty Income common stock based on the exchange ratio.

At the effective time of the merger, each LTIP Unit in ARCT OP that is then-outstanding will become fully vested and will be subject to adjustment as described in the merger agreement.

Withholding

All payments under the merger agreement are subject to applicable withholding requirements.

Representations and Warranties

The merger agreement contains a number of representations and warranties made by ARCT, on the one hand, and Realty Income and Merger Sub, on the other hand. The representations and warranties were made by the parties as of the date of the merger agreement and do not survive the effective time of the merger. Certain of these representations and warranties are subject to specified exceptions and qualifications contained in the merger agreement or the disclosure letters delivered in connection therewith.

Representations and Warranties of ARCT

ARCT made representations and warranties in the merger agreement relating to, among other things:

corporate organization, valid existence, good standing, and qualification to conduct business;

organizational documents;

capitalization;

due authorization, execution, delivery and validity of the merger agreement;

absence of any conflict with or violation of organizational documents or applicable laws, and the absence of any violation or breach of, or default or consent requirements under, certain agreements;

permits and compliance with law;

SEC filings, financial statements, and internal accounting controls;

disclosure documents to be filed with the SEC in connection with the merger;

absence of certain changes since January 1, 2012;

employee benefit plans;

labor and other employment-related matters;

material contracts;

litigation;

environmental matters;

intellectual property;

real property and leases;

tax matters, including qualification as a REIT;

insurance;

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receipt of the opinion of Goldman Sachs;

exemption of the merger from anti-takeover statutes;

stockholder vote required in connection with the merger;

broker's, finder's and investment banker's fees;

inapplicability of the Investment Company Act of 1940;

affiliate transactions; and

compliance with obligations under the exclusivity agreement with Realty Income.

Representations and Warranties of Realty Income and Merger Sub

Realty Income and Merger Sub made representations and warranties in the merger agreement relating to, among other things:

corporate organization, valid existence, good standing, and qualification to conduct business;

organizational documents;

capitalization;

due authorization, execution, delivery and validity of the merger agreement;

absence of any conflict with or violation of organizational documents or applicable laws, and the absence of any violation or breach of, or default or consent requirements under, certain agreements;

permits and compliance with law;

SEC filings, financial statements, and internal accounting controls;

disclosure documents to be filed with the SEC in connection with the merger;

absence of certain changes since January 1, 2012;

employee benefit plans;

labor and other employment-related matters;

material contracts;

litigation;

environmental matters;

intellectual property;

real property and leases;

tax matters, including qualification as a REIT;

insurance;

stockholder vote required in order to issue Realty Income shares to ARCT stockholders in connection with the merger;

broker s, finder s and investment banker s fees;

inapplicability of the Investment Company Act of 1940;

funds sufficient to consummate the transactions contemplated by the merger agreement;

ownership and prior activities of Merger Sub;

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ownership of ARCT common stock; and

affiliate transactions.

Definition of Material Adverse Effect

Many of the representations of ARCT, Realty Income and Merger Sub are qualified by a material adverse effect standard (that is, they will not be deemed to be untrue or incorrect unless their failure to be true or correct, individually or in the aggregate, has not had and would not reasonably be expected to have a material adverse effect). For the purposes of the merger agreement, material adverse effect means any event, circumstance, change or effect (i) that is material and adverse to the business, assets, properties, liabilities, financial condition or results of operations of ARCT and its subsidiaries, taken as a whole, or Realty Income and its subsidiaries (including Merger Sub), taken as a whole, as the case may be or (ii) that will, or would reasonably be expected to, prevent or materially impair the ability of ARCT or Realty Income or Merger Sub, as the case may be, to consummate the merger before March 6, 2013. However, any event, circumstance, change or effect will not be considered a material adverse effect to the extent arising out of or resulting from the following:

any failure of ARCT or Realty Income, as applicable, to meet any projections or forecasts or any decrease in the market price of the ARCT common stock or Realty Income common stock, as applicable (except any event, circumstance, change or effect giving rise to such failure or decrease is taken into account in determining whether there has been a material adverse effect);

any events, circumstances, changes or effects that affect the commercial real estate REIT industry generally;

any changes in the United States or global economy or capital, financial or securities markets generally, including changes in interest or exchange rates;

any changes in the legal or regulatory conditions;

the commencement, escalation or worsening of a war or armed hostilities or the occurrence of acts of terrorism or sabotage;

the negotiation, execution or announcement of the merger agreement, or the consummation or anticipation of the merger or other transactions contemplated by the merger agreement;

the taking of any action expressly required by, or the failure to take any action expressly prohibited by, the merger agreement, or the taking of any action at the written request or with the prior written consent of an executive officer of the other party;

earthquakes, hurricanes or other natural disasters;

any damage or destruction of any property that is substantially covered by insurance; or

changes in law or GAAP;

except to the extent, (i) in the case of the second, third, fourth, fifth and tenth bullet points above, that such changes do not disproportionately affect ARCT and its subsidiaries, taken as a whole, or Realty Income and its subsidiaries, taken as a whole, as applicable, relative to other similarly situated participants in the commercial real estate REIT industry in the United States and (ii) in the case of the eighth bullet point

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above, that such changes do not disproportionately affect ARCT and its subsidiaries, taken as a whole, or Realty Income and its subsidiaries, taken as a whole, as applicable, relative to other participants in the commercial real estate REIT industry in the geographic regions in which ARCT and its subsidiaries, or Realty Income and its subsidiaries, as applicable, operate, own or lease properties.

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Conditions to Completion of the Merger