

REALTY INCOME CORPORATION CORPORATE GOVERNANCE GUIDELINES

I. Introduction

The Board of Directors (the “Board”) of Realty Income Corporation (the “Company”) has adopted a set of corporate governance guidelines to promote the functioning of the Board and its committees and to set forth a common set of expectations as to how the Board should perform its functions.

II. Composition of the Board of Directors

- **Size**

The size of the Board should facilitate substantive discussions of the whole Board in which each director can participate meaningfully, while allowing for a diversity of perspectives and backgrounds. The quality, experience and balance of perspectives on the Board are more important than achieving a specific size target.

- **Independence**

A substantial majority of the Board shall consist of directors who are neither officers or employees of the Company or its subsidiaries nor have a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, and who are otherwise “independent” under the rules of the New York Stock Exchange (“NYSE”). Except during periods of transition, or in other unusual circumstances, the Board would not expect to have more than one or two employee directors.

To be considered independent under the NYSE rules, the Board must determine that a director does not have any direct or indirect material relationship with the Company or its subsidiaries. The Board has established categorical standards to assist it in making this determination. A director is independent if he or she is not a current employee of the Company and, within the three years preceding the determination:

- The director was not an employee of the Company or any of its subsidiaries.
- An immediate family member of the director was not an executive officer of the Company or any of its subsidiaries.
- The director (or an immediate family member of the director) did not receive more than \$100,000 per year in direct compensation from the Company or any of its subsidiaries, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).
- The director was not affiliated with or employed by a present or former (internal or external) auditor of the Company or an immediate family member of the director was not affiliated with or employed in a professional capacity by a present or former (internal or external) auditor of the Company;

- The director (or an immediate family member of the director) was not employed as an executive officer of another company where any of the Company's executives served on that company's compensation committee.
- The director was not an affiliate, executive officer or employee (or an immediate family member of the director was not an affiliate or executive officer) of another company that made payments to, or received payments from, the Company or any of its subsidiaries for property or services in an amount which, in any single fiscal year, exceeded the greater of \$1 million or two percent (2%) of such other company's consolidated gross revenues.
- The director (or an immediate family member of the director) was not an affiliate or executive officer of another company which was indebted to the Company, or to which the Company was indebted, where the total amount of either company's indebtedness to the other was five percent (5%) or more of the total consolidated assets of the company he or she served as an affiliate or executive officer.
- The director (or an immediate family member of the director) was not an officer, director or trustee of a charitable organization where the Company's (or an affiliated charitable foundation's) annual discretionary charitable contributions to the charitable organization, exceeded the greater of \$1 million or five percent (5%) of that organization's consolidated gross revenues.

Direct or indirect ownership of even a significant amount of Company stock by a director who is otherwise independent as a result of the application of the foregoing standards will not, by itself, bar an independence finding as to such director.

For purposes of these categorical standards, (i) "immediate family member" includes a director's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who share such director's home and (ii) "affiliate" includes a general partner of a partnership, a managing member of a limited liability company or a greater than 10% shareholder of a corporation. When applying the three-year look back provision to the foregoing categorical standards, the Company need not consider individuals who are no longer immediate family members as a result of legal separation or divorce, or those who have died or become incapacitated.

The Board will annually review all relationships between the Company and its outside directors and publicly disclose whether its outside directors meet the foregoing categorical independence standards.

- **Candidates for Board Membership**

The Board as a whole is responsible for selecting nominees for the Board. The Nominating/Corporate Governance Committee is responsible for screening and recommending candidates. In fulfilling this role, the committee may, without obligation, receive input from the CEO. Factors to be considered by the Nominating/Corporate Governance Committee in recommending candidates for Board membership include, but are not limited to:

- Ability and willingness to commit adequate time to Board and committee matters;
- The fit of the individual's skills and personality with those of other directors and potential directors in building a Board that is effective, collegial and responsive to the needs of the Company;

- Personal and professional integrity, ethics and values;
- Experience in corporate management, such as serving as an officer or former officer of a publicly held company;
- Experience in the Company's industry and with relevant social policy concerns;
- Experience as a board member of another publicly held company;
- Practical and mature business judgment; and
- Academic expertise in an area of the Company's operations.
- **Leadership**

The Board believes it is important to select its Chairman and the Company's CEO in the manner it considers in the best interests of the Company at any given point in time. Accordingly, these positions may be filled by one individual or by two different individuals.

III. Orientation and Continuing Education

Management, working with the Board, will provide an orientation process for new directors, including background material on the Company, its business plan and its risk profile, and meetings with senior management. Periodically, management will present additional educational sessions for directors on matters relevant to the Company, its business plan and risk profile.

IV. Director Compensation

The Board establishes director compensation. The Nominating/Corporate Governance Committee, with the assistance of the Company's staff and outside consultants, periodically reviews the amount and composition of director compensation and makes recommendations to the Board as needed. Director compensation should be consistent with market practices but should not be set at a level that would call into question the Board's objectivity.

V. Board Meetings

- **Frequency**

The Board currently schedules, at minimum, twelve meetings each year. Further meetings may be held (or action may be taken by unanimous consent) at the discretion of the Board.

- **Agenda**

The Chairman is responsible for preparing an agenda for each Board meeting. Any director may suggest items for inclusion on the agenda. Management will seek to provide to all directors an agenda and appropriate materials several days in advance of meetings, wherever possible. The Board expects that meeting agendas will include on a regular basis a review of the Company's financial performance, strategies and risk profile.

- **Access to Employees**

The Board expects that senior officers of the Company will regularly attend Board and committee meetings, present proposals and otherwise assist in the work of the Board. Members of the Board have direct access to any of the Company's employees.

All directors are invited to contact the CEO at any time to discuss any aspect of the Company's business. The Board expects that there will be frequent opportunities for directors to meet with the CEO and other members of management in Board and committee meetings and in other formal or informal settings.

- **Executive Sessions**

To ensure free and open discussion and communication among the independent directors of the Board, executive sessions will be held in conjunction with the regularly scheduled meetings of the Board, at which only independent directors are present. The person nominated by the independent directors will serve as the presiding director at each such executive session.

VI. Board Committees

- **Number and Duties of Board Committees**

At present, the Company has established the following Board committees: the Audit Committee, the Compensation Committee and the Nominating/Corporate Governance Committee. The Board may, from time to time, establish other committees to assist it in carrying out its duties. The duties of each standing committee of the Board will be spelled out in a committee charter, which shall periodically be reviewed and approved by the Board.

- **Composition and Leadership of Board Committees**

The Nominating/Corporate Governance Committee provides recommendations to the Board on the composition and leadership of each of the committees except the Nominating/Corporate Governance Committee. The membership and chairperson of the Nominating/Corporate Governance Committee are to be recommended to the Board periodically by the chairpersons of each of the other standing Board committees, the CEO and such other directors as the Board may designate from time to time.

All directors, whether members of a committee or not, are invited to make suggestions to a committee chair for additions to the agenda of his or her committee or to request that an item from a committee agenda be considered by the Board. Each committee chair will give a periodic report of his or her committee's activities to the Board.

- **Independence of Certain Board Committees**

Each of the Nominating/Corporate Governance Committee, the Audit Committee and the Compensation Committee shall be composed of directors who are not officers or employees of the Company or its subsidiaries or any other individual having a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, and who are otherwise "independent" under the rules of the NYSE. A director may serve on more than one committee for which he or she qualifies.

VII. Management Succession

At least annually, the CEO addresses succession planning with the Compensation Committee and, together with the chairperson of that committee, reviews with the Board a succession plan addressing the policies and principles for selecting a successor to the CEO, both in an emergency situation and in the ordinary course of business. The succession plan should include an assessment of the experience, performance, skills and planned career paths for possible successors to the CEO.

VIII. Evaluation and Compensation of Senior Officers

A major responsibility of the Board is to monitor the performance of the CEO, and in consultation with the CEO, the performance of other key executive officers. The Compensation Committee conducts an annual performance review of executives and reports its findings to the Board.

- **Evaluation and Approval of CEO Compensation**

The Compensation Committee evaluates the performance of the CEO and the Company against the Company's goals and objectives, and determines and approves the compensation, including short and long-term incentives, of the CEO.

- **Evaluation and Approval of Management Compensation**

The Compensation Committee reviews and approves the compensation, including short and long-term incentives, of all other "officers" of the Company as defined in Section 16 of the Securities Exchange Act of 1934, as amended, and Rule 16a-1 promulgated thereunder.

IX. Expectations of Directors

The business and affairs of the Company shall be managed by or under the direction of the Board in accordance with Maryland law. In performing their duties, the primary responsibility of the directors is to exercise their business judgment in the best interests of the Company. The Board has developed a number of specific expectations of directors to promote the discharge of this responsibility and the efficient conduct of the Board's business.

- **Commitment and Attendance**

All directors should make every effort to attend in person the regularly scheduled meetings of the Board, in addition to the organizational meeting held in conjunction with the Company's annual stockholders' meeting, as well as the associated meetings of committees of which they are members; provided, however, that members may attend such meetings by telephone or video conference if necessary to mitigate conflicts. All directors should make every effort to attend all other scheduled meetings of the Board, the associated meetings of committees of which they are members and any other meetings of committees of which they are members in person or by telephone or video conference.

- **Participation in Meetings.**

Each director should be sufficiently familiar with the business of the Company, including its financial statements and capital structure, and the risks and competition it faces, to facilitate active and effective participation in the deliberations of the Board and of each committee on

which he or she serves. Upon request, management will make appropriate personnel available to answer any questions a director may have about any aspect of the Company's business. Directors should also review the materials provided by management and advisors in advance of the meetings of the Board and its committees and should arrive at meetings prepared to discuss the issues presented.

- **Loyalty and Ethics**

In their roles as directors, all directors owe a duty of loyalty to the Company. This duty of loyalty mandates that the best interests of the Company take precedence over any interests possessed by a director. The Company has adopted a Code of Business Conduct and Ethics, including a compliance program to enforce the Code. Certain portions of this Code deal with activities of directors, particularly with respect to transactions in the securities of the Company, potential conflicts of interest, the taking of corporate opportunities for personal use, and competing with the Company. Directors should be familiar with the Code's provisions in these areas and should consult with the Company's counsel in the event they have questions about any of the Company's policies with respect to these matters.

- **Other Directorships**

The Company values the experience directors bring from other boards on which they serve, but recognizes that those boards may also present demands on a director's time and availability and may present conflicts of interest or legal issues. Directors should advise the chair of the Nominating/Corporate Governance Committee and the CEO before accepting membership on other boards of directors or other significant commitments involving affiliation with other businesses or governmental units.

- **Communications**

Management speaks for the Company. Inquiries from institutional investors, the media, employees and others should be referred to the CEO or other appropriate officers of the Company. Individual directors may from time to time meet with various constituencies of the Company, but the Board expects that this would be done only with its concurrence or that of management.

- **Confidentiality**

The proceedings and deliberations (as well as any materials provided in connection therewith) of the Board and its committees are confidential. Each director shall maintain the confidentiality of information received in connection with his or her service as a director.

X. Annual Performance Evaluation of the Board

The Board shall conduct a self-evaluation at least annually to determine whether it and its committees are functioning effectively.