

REALTY INCOME CORP  
Form 425  
December 21, 2012

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Pursuant to Rule 425 Under the Securities Act of 1933

And Deemed Filed Pursuant to Rule 14a-12

Under the Securities Exchange Act of 1934

Subject Company: American Realty Capital Trust, Inc.

Registration Statement No. 333-184201

DECEMBER 2012  
Creating the Top Net Lease REIT  
Acquisition of  
The Monthly Dividend Company  
®  
NYSE: O

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Additional Information and Where to Find It

Participants in Solicitation

Introductory Notes

In connection with the proposed merger, the Company and Realty have filed a definitive proxy statement with the SEC on December 6, 2012 and commenced mailing the definitive proxy statement and a form of proxy to the stockholders of the Company. BEFORE MAKING ANY VOTING DECISION, INVESTORS ARE URGED TO READ THE DEFINITIVE

PROXY STATEMENT REGARDING THE PROPOSED MERGER CAREFULLY AND IN ITS ENTIRETY BECAUSE THE PROXY STATEMENT CONTAINS IMPORTANT INFORMATION ABOUT THE PROPOSED MERGER. Investors will be able to obtain, without charge, a copy of the definitive proxy statement and other relevant documents filed with the SEC from the SEC's website at <http://www.sec.gov>. Copies of the documents filed by the Company with the SEC are also available free of charge on the Company's website at <http://ir.arctreit.com>, and copies of the documents filed by Realty with the SEC are available free of charge on Realty's website at <http://www.realtyincome.com>.

The Company, Realty and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from the Company's and Realty's stockholders in respect of the proposed merger. Information regarding the Company's directors and executive officers can be found in the Company's definitive proxy statement filed with the SEC on May 21, 2012. Information regarding Realty's directors and executive officers can be found in Realty's definitive proxy statement filed with the SEC on March 30, 2012. Stockholders may obtain additional information regarding the interests of the Company and its directors and executive officers in the proposed merger, which may be different than those of the Company's stockholders generally, by reading the definitive proxy statement filed in connection with the proposed merger with the SEC on December 6, 2012 and other relevant documents regarding the proposed merger filed with the SEC. These documents are available free of charge on the SEC's website and from the Company or Realty, as applicable, using the sources indicated above.

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Forward-Looking Statements

Information set forth herein (including information included or incorporated by reference herein) contains forward-looking statements

(as defined in Section 21E of the Securities Exchange Act of 1934, as amended), which reflect the Company's and Realty's expectations regarding future events. The forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those contained in the forward-

looking statements. Such forward-looking statements include, but are not limited to whether and when the transactions contemplated by the merger agreement will be consummated, the new combined company's plans, market and other expectations, objectives, intentions and other statements that are not historical facts.

The following additional factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: the ability to obtain regulatory approvals for the transaction and the approval of the merger agreement by the stockholders of both parties; unexpected costs or unexpected liabilities that may arise from the transaction, whether or not consummated; the inability to retain key personnel; continuation or deterioration of current market conditions; future regulatory or legislative actions that could adversely affect the companies; and the business plans of the customers of the respective parties. Additional factors that may affect future results are contained in the Company's and Realty's filings with the SEC, which are available at the SEC's website at [www.sec.gov](http://www.sec.gov). The Company and Realty disclaim any obligation to update and revise statements contained in these materials based on new information or otherwise.

Introductory Notes (Continued)

4  
A Compelling Transaction for ARCT's Stockholders  
Premium  
Valuation:  
Realty  
Income  
is

valuing  
ARCT's  
assets  
at  
a  
significantly  
higher  
price and lower cap rate than ARCT's cost basis, which represents the lowest cap rate of  
similar  
net  
lease  
REIT  
transactions  
1

5.9% cash cap rate / 6.1% GAAP cap rate vs. 8.2% weighted average cap rate basis

Cap  
rate  
is  
significantly  
lower  
than  
similar  
transactions,  
which  
range  
from  
7.1%  
-  
8.25%  
1

15.7x forward EBITDA multiple represents second highest amongst similar REIT  
transactions

2  
Ideal  
Strategic  
Buyer:  
Realty  
Income  
represents  
the  
ideal  
strategic  
buyer  
given  
their  
business  
focus,



size  
and  
scale,  
investment  
grade  
balance  
sheet

/  
cost  
of  
capital  
and  
share  
liquidity

No  
Inquiries  
Received:  
Since  
announcement  
of  
the  
transaction,

no  
third  
party  
has  
approached ARCT or its advisors with an alternative transaction or with a request for  
information despite low break fee of ~1.7% of transaction value

1

2

3

(1)

See page 11 for similar transaction cap rates.

(2)

See page 12 for similar transaction forward EBITDA multiples.

5  
A Compelling Transaction for ARCT's Stockholders  
(Continued)  
4  
5  
6  
Favorable

Analyst  
Reaction:  
The  
transaction  
has  
been  
reviewed  
favorably  
by  
the  
research analyst community

As part of the merger agreement, ARCT management agreed to reduce its total compensation and capped potential financial upside

Alignment

of

Interests:

Pro

forma

for

the

transaction,

ARCT

management

will

own

~\$45

million of equity in Realty Income, including over \$25 million of existing equity in ARCT

Future

Growth

Opportunities

and

Value

Creation:

Realty

Income s

experienced

management team has a successful track record of driving dividend growth and producing enhanced stockholder returns

6  
Transaction Summary

7  
Transaction Summary  
Highly Compelling Offer Unanimously Approved by ARCT and Realty Income's Boards  
As in the Best Interests of the Companies and Their Stockholders

Transaction Value:  
Realty Income will acquire ARCT for approximately \$2.95 billion in a

100% stock transaction at a fixed exchange ratio of 0.2874 shares of Realty Income for each share of ARCT

Implied Price Per Share:

As of September 5, 2012, the day prior to the announcement date,

Realty

Income's

closing

price

implied

a

value

of

\$12.21

per

share

for

ARCT

1

,

which was a 6.8%

premium to ARCT's average closing price for the 30 calendar days prior to announcement

Pro Forma Enterprise Value:

Combined

enterprise

value

is

\$11.4

2

billion, making Realty

Income

the

largest

net

lease

REIT

and

18

th

largest U.S. REIT

Ownership Structure:

ARCT stockholders will own approximately 25.6% of the combined

company's common stock

Approvals and Timing:

Transaction subject to approval of both companies' stockholders at special meetings scheduled for January 16, 2013

(1)

Implied price per share of \$12.21 based on 0.2874 exchange ratio applied to Realty Income's closing share price of \$42.48 on September 5, 2012.

(2)

As of September 5, 2012, one day prior to announcement date.

8  
Ownership of Realty Income, the Best Performing  
Net Lease REIT Over the Past 40 Years

Merger will result in ARCT stockholders owning Realty Income, the best performing publicly  
traded net lease REIT



Realty Income has paid 508 consecutive monthly dividends since 1970 and has increased its monthly dividend 68 times since its listing on the New York Stock Exchange in 1994

Realty Income has increased its annualized dividend 102%, from \$0.90 per share in 1994 to \$1.82 per share today; upon the closing of the transaction the dividend is expected to increase another

7%  
to  
\$1.95  
per  
share  
1

Since  
Realty  
Income's  
listing,  
the  
compounded  
annual  
return

to  
stockholders  
has  
been

17.7%,  
which is more than 670 bps higher than the Dow Jones Industrial Average, Standard & Poor's  
500,

NASDAQ  
and  
FTSE  
NAREIT

Index  
for  
the  
same  
time  
period

2  
(1)

Current annualized dividend based on December declared dividend of \$0.1514 per share. Projected dividend increase assumes a March 2013 close based on 2013E AFFO.

(2)  
Compounded annual returns per Bloomberg from Realty Income's NYSE listing on October 18, 1994 through September 30, reinvestment of dividends, except for NASDAQ.

9

Compelling Growth Potential to Drive Future  
Stockholder Value

The combined company will be significantly larger and financially stronger than its competitors and will have one of the lowest cost of capital in a sector where low cost capital creates competitive advantage

The combined company's cost of capital advantage positions it to grow earnings while increasing dividends

The combined company's greater scale will facilitate the execution of large transactions through improved access to capital, further enhancing the company's ability to realize value in the relatively fragmented net lease real estate sector

As a Result of the Merger, ARCT Stockholders Stand to Benefit from Greater Risk Adjusted Returns Due to the Enhanced Stability and Diversity of the Combined Property Portfolio

10  
Transaction Value Represents a Significant  
Premium to ARCT's Asset Cost

On  
September  
5,

2012,  
 the  
 offer  
 value  
 implied  
 a  
 weighted  
 average  
 capitalization  
 rate  
 for

ARCT's assets of 6.1%, or 5.9% based on current cash rents, significantly below the weighted average capitalization rate of 8.2% paid by ARCT for its assets

(1)  
 2012 YTD as of June 30, 2012 and includes only closed acquisitions.

(2)  
 Contract purchase price excluding acquisition related costs.

(3)  
 As reported, calculated as net operating income divided by purchase price.

Year  
 Acquisition Volume (\$ mm)

2  
 Weighted Average Cap Rate

3  
 2008  
 \$ 149

7.7%  
 2009

180  
 8.7%

2010  
 543

8.6%  
 2011

1,239  
 7.9%

2012 YTD  
 1

13  
 8.5%

Total  
 \$ 2,124

8.2%

Proposed Acquisition  
 \$ 2,950

6.1%

11

Cap Rate is the Lowest of Similar Public Net Lease

REIT Transactions

Implied Cap Rate

Source: Company filings, Wall Street Research and Investor Presentations

(1) Represents a 5.9% cash cap rate or 6.1% GAAP cap rate.

5.9%

7.10  
-8.25%  
7.6%  
7.5%  
7.5%  
7.4%  
7.2%  
0.0%  
1.0%  
2.0%  
3.0%  
4.0%  
5.0%  
6.0%  
7.0%  
8.0%  
9.0%

American Realty  
Capital Trust (1) /  
Realty Income  
(5-Sep-2012)  
American Financial  
Realty Trust /  
Gramercy Capital Corp.  
(5-Nov-2007)  
Newkirk Realty Trust / Government Properties  
Lexington Realty Trust  
(23-Jul-2006)  
Trust /  
Record Realty Trust  
(23-Oct-2006)  
Trustreet Properties /  
General Electric  
Capital Corporation  
(30-Oct-2006)  
Spirit Finance  
Corporation /  
Investor Group led by  
Macquarie Bank  
(13-Mar-2007)  
Capital Automotive  
REIT /  
DRA Advisors LLC  
(6-Sep-2005)

12  
EBITDA Multiple at High End of Similar Public  
Net Lease REIT Transactions  
Implied  
Forward  
EBITDA  
Multiple



(1)

Based on announced transaction value and forward consensus median EBITDA estimates.

(2)

EBITDA estimate of \$251.9 million as at 15-Mar-2007. As of the announcement date, the EBITDA estimate was \$174.0 million implying a transaction multiple of 20.1x.

Source: Company filings, DataStream, SNL Financial

15.7 x

18.4 x

14.1 x

13.9 x

13.8 x

13.2 x

8.0 x

0.0 x

2.0 x

4.0 x

6.0 x

8.0 x

10.0 x

12.0 x

14.0 x

16.0 x

18.0 x

20.0 x

American Realty

Capital Trust /

Realty Income

(5-Sep-2012)

American Financial

Realty Trust /

Gramercy Capital Corp.

(5-Nov-2007)

Government Properties

Trust /

Record Realty Trust

(23-Oct-2006)

Spirit Finance

Corporation<sup>2</sup>

/

Investor Group led by

Macquarie Bank

(13-Mar-2007)

Trustreet Properties /

General Electric

Capital Corporation

(30-Oct-2006)

Capital Automotive

REIT /

DRA Advisors LLC

(6-Sep-2005)

Newkirk Realty Trust /  
Lexington Realty Trust  
(23-Jul-2006)

1

13

Transaction Value Represents a Significant  
Premium to ARCT's Historical Trading Levels

Implied offer value of \$12.21 per share of ARCT common stock represents a premium of:

23.5% to ARCT's volume-weighted average price on first day of trading of \$9.89

12.3%  
to  
the  
average  
closing  
price  
per  
share  
of  
\$10.87  
since  
its  
NASDAQ  
listing  
on  
March 1, 2012 through announcement

6.8% to ARCT's 30-calendar-day average share price prior to announcement of \$11.43

2.1% to ARCT's closing price on the day prior to announcement of \$11.96

\$ 11.96

\$ 9.50

\$ 10.00

\$ 10.50

\$ 11.00

\$ 11.50

\$ 12.00

\$ 12.50

1-Mar-12

1-Apr-12

1-May-12

1-Jun-12

1-Jul-12

1-Aug-12

1-Sep-12

Implied Value<sup>1</sup>

on 5-Sep-2012 = \$12.21

Average Since Listing<sup>2</sup>

(1-Mar-2012) = \$10.87

30-Calendar-Day Average Prior to 5-Sep-2012 = \$11.43

Source: Bloomberg

(1)

Implied value based on 0.2874 exchange ratio applied to Realty Income's closing share price of \$42.48 on September 5, 2012.

(2)

Average closing price per share from listing on March 1, 2012 until September 5, 2012.

14  
After a Comprehensive Strategic Review Process the  
ARCT Board Concluded That the Realty Income  
Offer Was in the Best Interests of Stockholders  
Timeline  
Process Details  
May 2011

ARCT filed 8-K to announce it was evaluating strategic alternatives

Board hired Goldman, Sachs & Co. as financial advisor and Proskauer Rose LLP as external legal counsel

Early June 2011

to

September 2011

Over

40

parties

were

contacted

regarding

interest

in

engaging

in

a

potential

acquisition

of

ARCT

18 parties entered dataroom

6 parties submitted non-binding indications of interest

No proposal was above ARCT's initial public offering price of \$10.00 per share

Several proposals only related to the acquisition of a portion of ARCT's portfolio

June 29, 2011

Realty Income submitted a proposal to acquire ARCT's real estate portfolio as of May 31, 2011 (350 properties) with consideration in the form of cash, restricted and unrestricted common stock and convertible preferred stock

Complex offer inadequate and difficult to value

Burdened stockholders with liquidity constraints

February 21, 2012

Realty Income submitted a new non-binding indicative proposal, at a price of \$10.25 per share, composed of a fixed exchange ratio of 0.168 and \$4.10 per share in cash

March 1, 2012

ARCT internalized its management services and listed on the NASDAQ

15  
Transaction Results From Comprehensive  
Strategic Review Process (Continued)  
Timeline  
Process Details  
Early August 2012

In August 2012, Realty Income contacted ARCT to indicate interest in revisiting a possible strategic transaction with ARCT

August 16, 2012

Realty Income proposed an exchange ratio of 0.2841 for 100% stock consideration that was rejected by ARCT as being insufficient

August 17, 2012

The exchange ratio was negotiated upward to 0.2874

August 2012

to

Early September 2012

ARCT's board of directors met several times to review Realty Income's proposals and discuss the merger agreement

The independent directors also met several times to discuss various aspects of the proposed merger

September 5, 2012

Realty Income's board of directors unanimously approved the transaction

September 6, 2012

ARCT's board of directors unanimously approved the transaction

Transaction was announced before market open through a joint press release issued by ARCT and Realty Income



16  
Transaction Has Been Reviewed Favorably By the  
Research Analyst Community

In our view, O's deal for ARCT is an attractive one as it has the lowest capital costs in the public markets and we don't see better offers being out there for the enterprise.

-

J.P.  
Morgan  
research  
report,  
3Q  
a  
Penny  
Shy  
of  
Our  
Estimate  
on  
Lighter  
Revenue;  
Deal  
Volume  
as  
Expected

-  
October 25, 2012

Points for Solid Execution: Sure, commercial real estate values have gone up since ARCT bought most of its properties. But they have appreciated at the same pace as, say, the typical strip center owned by the REITs in our coverage universe, then the weighted average cap rate at today's values would be about 7.3%. The giant gap between that figure and the 5.9% cap rate ARCT management is selling the company for suggests great execution by them on behalf of their shareholders.

-  
Green  
Street  
Advisors  
research  
report,  
A  
Rare  
Non-Traded  
REIT  
Success  
Story

-  
September  
11,  
2012

In all, through both a major acquisition like ARCT and the consistent level of acquisition activity on a quarterly basis, Realty Income is poised for substantial growth in our view.

-  
RBC Capital Markets research report, 3Q Earnings Review: Operations, Acqs Strong; Raising 12/13 Est, Introducing  
14

-  
October  
29,

2012

For ARCT shareholders, the benefits include a decline in cost of and a greater access to capital, overhead savings, and partnering with the best in class management team with a track record of producing attractive shareholder returns and dividend growth.

-  
JMP  
Securities  
research  
report,  
Merger  
Overshadows  
3Q  
Report;  
Maintain  
MP  
-  
November  
2,  
2012

For shareholders in American Realty Capital Trust, yesterday's announcement will be greeted with justifiable smiles and applause; especially given the negative news that has been flowing from the non-traded REIT space over the past year or so. Bottom line: AR Capital's and ARCT management's interests were aligned with those of rank-and-file investors, and ARCT definitely did the right thing.

-  
REIT  
Wrap  
publication  
-  
September  
7,  
2012

(1)  
Permission for quotation was neither sought nor obtained.

1  
1  
1  
1  
1

17  
Overview of Realty Income

18

## Overview of Realty Income

Realty Income (NYSE: O) is an \$8.7 billion commercial real estate company with a Baa1/BBB/BBB+ (Moody's/S&P/Fitch) credit rating

Founded in 1969 to provide monthly dividends to stockholders through the ownership of

net lease real estate

508 consecutive monthly dividends with 68 dividend increases since NYSE listing in 1994

Monthly dividends supported by cash flow from long-term leases

Over 2,750 properties under long-term leases to commercial and retail tenants

Significant growth since NYSE listing in 1994

Total capitalization increased from \$402 million to \$8.7 billion

Properties owned increased from 630 to 2,838

Property square footage increased from 4.1 million to 34.3 million

Tenant industries increased from 5 to 44

Share price increased from \$8.00 to \$40.17

Dividend per share increased from \$0.90 per share to \$1.95 per share, pro forma for this transaction

Note: Capitalization and share price as of December 5, 2012.

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Realty Income's Long-Term Goals

Moderate FFO growth

Moderate dividend growth

Maintain a conservative business strategy that does not take excessive risk in the pursuit of objectives

Maintain a conservative financial position for stockholders

Realty Income Delivers Consistent Earnings and Dividend Growth  
Using Conservative Operating and Balance Sheet Strategies

Debt:

Maximum 20 -  
35%

Preferred:

Maximum 10 -  
15%

Interest Coverage Ratio:

3.0x or above

Fixed Charge Ratio:

2.5x or above

Solid dividend coverage

Payout Ratio:

At or below 85%



20

Proven Track Record of Consistent Dividend  
Growth

Realty Income has a consistent track record of generating dividend growth over its 18 years  
as a public company

Realty  
Income  
has  
increased  
its  
dividend  
68  
times  
since  
its  
1994  
NYSE  
listing  
and  
has  
had 508 consecutive monthly dividends

The  
dividend  
has  
increased  
every  
year  
since  
the  
listing

1  
Source: Bloomberg

(1)  
Annualized dividend amount reflects the December declared dividend rate per share multiplied by twelve.

21

Realty Income Has Achieved Outsized Returns  
Relative to Major Indices Including the S&P 500  
Compounded Annual Return

Source: Bloomberg.

Note:

(1)

Calculated as the difference between closing stock price as of period end, less the closing stock price as of previous period.

(2)

Per NAREIT website and Factset. Includes reinvestment of dividends.

(3)

Price only index, does not include dividends. Source: Factset.

All of these compounded average annual total return rates are calculated in the same manner: from Realty Income's NYSE listing on October 18, 1994 through September 30, 2012 and assuming reinvestment of dividends, except for NASDAQ. Past performance does not guarantee future performance. Realty Income presents this data only for informational purposes and makes no representation about its future performance or how it will compare in performance to other indices in the future.

22  
Combined Company Highlights

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Superior Asset Portfolio

Achieves greater economies of scale than standalone ARCT and Realty Income by leveraging Realty Income's operating platform over a larger portfolio

Creates the largest public triple net lease company by over two times; well-positioned as a

premier consolidator in the net lease sector

ARCT Current

Realty Income Current

Combined Company

Meaningfully Increases Size &  
Scale

1

506 Properties

15.7 mm Square Feet

~\$2.8 billion

Total Capitalization

2,838 Properties

34.3 mm Square Feet

~\$8.7 billion

Total Capitalization

3,344 Properties

50.0 mm Square Feet

~\$11.6 billion

Total Capitalization

Increased Industry

Diversification

26 Tenant Industries

44 Tenant Industries

48 Tenant Industries

Decreased Top 15 Tenant

Concentration

2

63%

47%

41%

(1)

Total capitalization based on closing share prices as of December 5, 2012.

(2)

Based on average annual base rent.

Allows ARCT stockholders to exchange their shares for those of Realty Income, with a broader, more diverse asset portfolio, on a tax free basis

24

Consolidation Opportunity

Estimated \$1.5 to \$2.0 trillion of U.S. real estate is held by corporate owners / users

Highly fragmented market without a dominant



type of investor

Sector is underpenetrated by public companies

Limited competition from investors due to  
constricted bank lending market

Increased transaction volume signifies more  
inventory from sellers to transact

Source: Public filings and Real Capital Analytics. Represents total market value of real estate owned by O, NNN, EPR,  
ARCT, LXP, SIR, GTY and LSE.

Fragmented Net Lease Market Provides Ample Opportunity for Realty Income to  
Continue to Grow

Estimated Ownership Profile

TTM Transaction Volume (\$ in billions)

Realty

Income

Can

Drive

Higher

Earnings

and

Earnings

Growth

than

Any

of

its

Public

Comparables

Due to Significant Cost of Capital Advantage

Publicly

Owned

(<5%)

(1)

Not

Publicly

Owned

(>95%)

\$39.3

\$9.3

\$21.3

Aug. 2007

Sep. 2009

Mar. 2012

25  
Size is a Competitive Advantage and Drives Value  
Source: Bloomberg  
(1)  
Average total return of the top 20 largest REITs by equity market capitalization at the end of each year,  
per NAREIT.  
Total Return

The Largest REITs Consistently Outperform The Broader REIT Market

Average annual outperformance of 4.5%

5.7%

39.8%

36.8%

15.7%

42.8%

(13.6)%

(21.3)%

31.6%

29.6%

10.8%

16.9%

3.6%

36.7%

31.5%

12.1%

35.9%

(16.8)%

(38.0)%

28.6%

28.5%

8.7%

14.9%

2002

2003

2004

2005

2006

2009

2010

2011

2012

Top 20 Largest REITs<sup>1</sup>

MSCI U.S. REIT Index

2007

2008

26  
Combined Company Increased Size and Scale

Largest public triple net lease company by  
over two times

18

th  
largest public U.S. REIT

Cost of capital, operational and economies  
of scale advantages

Increased float and liquidity

Pro forma real estate revenue to be  
approximately 35% higher

Realty Income positioned as the premier  
consolidator in the net lease sector

Realty Income's acquisition volume  
through 3Q 2012 far exceeds that of  
ARCT's

Total Market Capitalization

Annual Rental Revenues

Equity Value

Total Debt + Preferred

7,205

5,361

3,831

1,893

2,161

1,860

4,352

3,305

1,473

2,037

1,696

\$11,556

\$8,665

\$5,304

\$3,930

\$3,857

\$2,820

O (PF)

O

NNN

LXP

EPR

ARCT

\$681

\$505

\$335

\$332

\$256

\$176

O (PF)  
O  
NNN  
LXP  
EPR  
ARCT  
959

Realty Income has acquired properties at the rate of approximately \$80 million per month while ARCT has acquired approximately \$5 million per month

Note: \$ in millions. Stock price as of December 5, 2012 used to calculate Total Market Capitalization. Rental revenues and debt plus preferred per 3Q 2012 Company filings.

27  
Improved Credit Profile and Access to Capital

Lower  
cost  
of  
debt

capital  
resulting  
from  
larger  
size,  
access  
to  
multiple  
forms  
of  
capital,  
and  
Realty  
Income's  
investment  
grade  
credit  
rating

Well positioned to benefit from external acquisition growth strategy compared to substantially all competitors with higher capital

In a worsening fiscal environment ARCT's current sub-investment grade credit rating could put the Company at a disadvantage in  
capital markets compared to combined company

Standalone ARCT is much more exposed to increases in interest rates than combined company

ARCT  
Realty Income  
Commentary  
Unsecured Debt  
No  
Yes

Issued  
unsecured  
debt  
with  
coupons  
as  
low  
as  
2.0%  
(6  
year  
notes)  
and  
3.25%  
(10  
year  
notes)

1



Preferred Equity

No

Yes

Issued preferred equity with dividends ranging from 6.625% to 6.750%

Public Common Equity

No

Yes

Successful track record of follow-on equity offerings

Credit Ratings

Ba2/BB

Baa1/BBB/BBB+

ARCT stockholders will immediately benefit from current IG rating

Secured Debt as % of Total

Debt

~54%

~5%

More flexible capital structure with increase in unencumbered asset base

Floating Rate Exposure<sup>2</sup>

~46%

~1%

Less reliance on floating rate bank debt or secured mortgage debt

Weighted Average Debt

Tenor

4.1 years

7.6 years

Longer weighted average debt maturity

ARCT

Stockholders

Gain

Materially

Improved

Access

To

Capital

and

Benefit

From

Realty Income's Track Record as an Investment Grade Issuer

(1)

3.25% coupon was in the top 5 lowest issuances for 10-year note issuances for in the REIT space for 2011-2012 YTD .

(2)

Floating rate exposure calculated as floating rate debt as a percentage of total debt outstanding. Realty Income's

\$1.0 billion revolver currently has \$0 drawn, subsequent to 3Q 2012. ARCT's floating rate debt includes a revolver and term

28

ARCT's Long Term Balance Sheet Goals Met Immediately

ARCT Balance Sheet Goal:

ARCT's long term balance sheet goal is to reduce levels of secured and floating rate debt and increase weighted average debt maturity in pursuit of an investment grade corporate credit rating

ARCT Balance Sheet Risks:

On a standalone basis, ARCT's goal to reduce the use of floating rate debt and increase debt duration in order to improve its Ba2/BB credit ratings is subject to significant timing and execution risks

Impact on ARCT of Interest Rate Increase:

The table below illustrates how ARCT's standalone AFFO per share, and ability to cover its current dividend (payout ratio), could be negatively affected by potential increases in interest rates<sup>1</sup>

Realty Income's Balance Sheet Advantage:

Realty Income's debt is primarily fixed rate and long term and its investment grade balance sheet and proven access to the unsecured bond markets allow immediate recapitalization of ARCT's variable rate debt on highly favorable terms

Combined Balance Sheet Benefits:

Pro forma for the transaction, the combined company will be rated Baa1/BBB/BBB+ and will enjoy a much longer weighted average debt maturity than ARCT standalone (7.8 years vs. 4.1 years), further solidifying the viability of distributable cash flows and dividends

Access to Realty Income's Long-Term, Fixed-Rate Debt Meets All of ARCT's Balance Sheet Goals Immediately, Significantly Reducing ARCT's Floating Rate Interest Exposure and Debt Recapitalization Risk

Illustrative

Interest Rate Increase  
in Floating Rate Debt

Illustrative

Annual Interest  
Expense Increase<sup>2</sup>  
(\$ in millions)

Illustrative

Annual Decrease in  
AFFO Per Share<sup>3</sup> (\$)

Illustrative

Pro Forma Annual  
AFFO Per Share

4

Illustrative

Pro Forma AFFO Per  
Share Decrease (%)

Illustrative

Pro Forma  
Payout Ratio

5

(%)

0

bps

\$

0.0

\$

0.00

\$

0.76

0.0

%  
94.1  
%  
50  
bps  
1.9  
(0.01)  
0.75  
(1.6)%  
95.6  
%  
100  
bps  
3.9  
(0.02)  
0.74  
(3.2)%  
97.2  
%  
150  
bps  
5.8  
(0.04)  
0.72  
(4.8)%  
98.8  
%  
200  
bps  
7.7  
(0.05)  
0.71  
(6.4)%  
100.5  
%  
250  
bps  
9.7  
(0.06)  
0.70  
(8.0)%  
102.3  
%  
300  
bps  
11.6  
(0.07)  
0.69  
(9.6)%  
104.1

%

(1)

\$387 million of floating rate debt outstanding as of September 30, 2012 at a weighted average interest rate of 2.55%.

(2)

Illustrative interest rate increase multiplied by \$387 million floating rate debt outstanding.

(3)

Illustrative increase in interest expense divided by 159 million diluted shares outstanding as of 3Q 2012.

(4)

3Q 2012 announced AFFO per share of \$0.19, annualized, less illustrative decrease in AFFO per share.

(5)

Illustrative pro forma payout ratio assumes constant annualized dividend of \$0.715 per share.

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Investment Grade Debt Profile

The combined company will have few near-term debt maturities and well-laddered maturities after 2017

Weighted

average  
debt  
duration  
increases  
from  
4.1  
years  
for  
ARCT  
to  
7.8  
years  
combined

Secured debt as a percentage of total debt decreases from 54% for ARCT to 17% combined

Variable rate debt as a percentage of total debt decreases from 46% for ARCT to 1% combined

Note: Based on company 3Q 2012 filings.

26.9  
111.4  
252.9  
23.0  
178.0  
100.0  
150.0  
275.0  
175.0  
2,365.6  
\$126.9  
\$44.6  
\$261.4  
\$527.9  
\$198.0  
\$2,543.6  
2013  
2014  
2015  
2016  
2017  
Thereafter  
Mortgage Debt  
Senior Unsecured Notes

30  
Conclusion



31  
A Compelling Transaction for ARCT's Stockholders  
Premium  
Valuation:  
Realty  
Income  
is

valuing  
ARCT's  
assets  
at  
a  
significantly  
higher  
price and lower cap rate than ARCT's cost basis, which represents the lowest cap rate of  
similar  
net  
lease  
REIT  
transactions  
1

5.9% cash cap rate / 6.1% GAAP cap rate vs. 8.2% weighted average cap rate basis

Cap  
rate  
is  
significantly  
lower  
than  
similar  
transactions,  
which  
range  
from  
7.1%  
-  
8.25%  
1

15.7x forward EBITDA multiple represents second highest amongst similar REIT  
transactions

2  
Ideal  
Strategic  
Buyer:  
Realty  
Income  
represents  
the  
ideal  
strategic  
buyer  
given  
their  
business  
focus,

size  
and  
scale,  
investment  
grade  
balance  
sheet

/  
cost  
of  
capital  
and  
share  
liquidity

No  
Inquiries  
Received:  
Since  
announcement  
of  
the  
transaction,

no  
third  
party  
has  
approached ARCT or its advisors with an alternative transaction or with a request for  
information despite low break fee of ~1.7% of transaction value

1

2

3

(1)

See page 11 for similar transaction cap rates.

(2)

See page 12 for similar transaction forward EBITDA multiples.

32  
A Compelling Transaction for ARCT's Stockholders  
(Continued)  
Alignment  
of  
Interests:  
Pro

forma  
for  
the  
transaction,  
ARCT  
management  
will  
own  
~\$45  
million of equity in Realty Income, including over \$25 million of existing equity in ARCT

As part of the merger agreement, ARCT management agreed to reduce its total compensation and capped potential financial upside

Favorable  
Analyst  
Reaction:  
The  
transaction  
has  
been  
reviewed  
favorably  
by  
the  
research analyst community

4  
5  
6  
Future  
Growth  
Opportunities  
and  
Value  
Creation:  
Realty  
Income s  
experienced  
management team has a successful track record of driving dividend growth and producing enhanced stockholder returns



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Break Fee Represents One of the Lowest Break

Fees in Similar REIT Transactions

Break Fee Represents ~1.7% of Transaction Value

Source: SNL Financial

Buyer

Seller

Date  
Announced  
Reported  
Breakup Fee  
(\$ 000)  
Reported  
Deal Value  
(\$ mm)  
Breakup  
Fees As % of  
Deal Value  
Buyer  
Seller  
Date  
Announced  
Reported  
Breakup Fee  
(\$ 000)  
Reported  
Deal Value  
(\$ mm)  
Breakup  
Fees As % of  
Deal Value  
SL Green Realty Corp.  
Reckson Associates  
8/3/2006  
\$ 99,800  
\$ 3,720.3  
2.68%  
Apollo Investment Corp.  
Innkeepers USA Trust  
4/15/2007  
\$ 17,000  
\$ 871.0  
1.95%  
Developers Diversified Realty  
Inland Retail REIT  
10/20/2006  
80,000  
3,708.0  
2.16%  
ProLogis  
Meridian Industrial Trust  
11/16/1998  
40,000  
852.3  
4.69%  
ProLogis  
Catellus Development Corp.



6/5/2005  
90,000  
3,599.2  
2.50%  
Eaton Vance-ProLogis  
Keystone Property Trust  
5/3/2004  
27,000  
847.7  
3.18%  
Simon Property Group Inc.  
Chelsea Property Group Inc.  
6/20/2004  
110,000  
3,554.1  
3.10%  
Duke Realty Investments Inc.  
Weeks Corp.  
2/28/1999  
50,000  
825.0  
6.06%  
Morgan Stanley  
CNL Hotels & Resorts  
1/18/2007  
145,000  
3,217.9  
4.51%  
Security Capital Group Inc.  
Storage USA Inc.  
12/5/2001  
22,500  
816.5  
2.76%  
General Electric Co.  
Arden Realty Inc.  
12/21/2005  
100,000  
3,141.9  
3.18%  
Colonial Properties Trust  
Cornerstone Realty Income  
10/25/2004  
17,000  
749.0  
2.27%  
Public Storage Inc.  
Shurgard Storage Centers  
3/6/2006  
125,000

3,106.0  
4.02%  
Olympus Real Estate Corp  
Walden Residential  
9/24/1999  
26,750  
748.0  
3.58%  
Georgia-Pacific Corp.  
Plum Creek Timber Co.  
7/18/2000  
100,000  
2,986.0  
3.35%  
Metropolitan Partners LLC  
Tower Realty Trust Inc.  
12/8/1998  
16,750  
739.4  
2.27%  
Blackstone Group L.P.  
CarrAmerica Realty Corp.  
3/5/2006  
70,000  
2,899.2  
2.41%  
U.S. Restaurant Properties  
CNL Restaurant Properties  
8/9/2004  
20,000  
710.7  
2.81%  
Morgan Stanley  
Crescent Real Estate Equities  
5/22/2007  
64,200  
2,885.2  
2.23%  
Inland American Real Estate  
Apple Hospitality Five Inc.  
7/25/2007  
15,000  
678.3  
2.21%  
Equity Office Properties Trust  
Cornerstone Properties Inc.  
2/11/2000  
100,000  
2,725.7  
3.67%

Equity Residential Properties  
Evans Withycombe  
8/27/1997  
14,000  
663.6  
2.11%  
DRA Advisors  
Capital Automotive REIT  
9/2/2005  
40,000  
2,236.2  
1.79%  
Heritage Property Investment  
Bradley Real Estate Inc.  
5/15/2000  
15,000  
596.4  
2.51%  
Archstone Communities Trust  
Charles E. Smith Residential  
5/3/2001  
95,000  
1,842.5  
5.16%  
General Growth Properties  
JP Realty Inc.  
3/3/2002  
21,000  
525.3  
4.00%  
Centro Watt  
Heritage Property Investment  
7/9/2006  
65,000  
1,787.0  
3.64%  
Kimco Realty Corp.  
Price REIT Inc.  
1/13/1998  
12,500  
521.1  
2.40%  
Starwood Financial Trust  
TriNet Corporate Realty Trust  
6/15/1999  
50,000  
1,690.5  
2.96%  
Health Care Property  
American Health Properties

8/4/1999

18,700

504.3

3.71%

Investor group

Spirit Finance Corp.

3/12/2007

31,000

1,583.6

1.96%

Equity Residential Properties

Wellsford Residential

1/16/1997

14,000

489.0

2.86%

Simon Property Group Inc.

DeBartolo Realty Corp.

3/26/1996

35,000

1,462.4

2.39%

ING Groep NV

Apple Hospitality Two Inc.

2/15/2007

18,694

467.3

4.00%

General Electric Co.

Franchise Finance Corp.

3/30/2001

60,000

1,411.1

4.25%

Inland American REIT Inc.

Winston Hotels Inc.

4/2/2007

11,000

460.8

2.39%

Goldman Sachs Group Inc.

Equity Inns Inc.

6/20/2007

38,000

1,287.2

2.95%

US Retail Partners, LLC

First Washington Realty Trust

9/27/2000

18,000

458.5  
3.93%  
Bay Apartment Communities  
Avalon Properties Inc.  
3/9/1998  
10,000  
1,255.6  
0.80%  
Health Care REIT Inc.  
Windrose Medical Properties  
9/12/2006  
20,300  
447.0  
4.54%  
J.E. Robert Company Inc.  
Highland Hospitality Corp.  
4/24/2007  
50,000  
1,209.9  
4.13%  
Liberty Property Trust  
Republic Property Trust  
7/23/2007  
16,000  
435.0  
3.68%  
Morgan Stanley  
AMLI Residential Properties  
10/23/2005  
40,000  
1,191.7  
3.36%  
LBA Realty LLC  
Bedford Property Investors  
2/10/2006  
16,000  
434.9  
3.68%  
General Electric Co.  
Trustreet Properties Inc.  
10/30/2006  
42,000  
1,151.6  
3.65%  
Westbrook/Sunstone Mgmt  
Sunstone Hotel Investors Inc.  
7/12/1999  
25,000  
388.0  
6.44%

Blackstone Group L.P.  
 MeriStar Hospitality  
 2/20/2006  
 21,000  
 1,129.3  
 1.86%  
 Developers Diversified Realty  
 JDN Realty Corp.  
 10/4/2002  
 16,000  
 386.5  
 4.14%  
 Gramercy Capital Corp.  
 American Financial Realty Tr.  
 11/2/2007  
 32,000  
 1,120.3  
 2.86%  
 CNL Hospitality Properties  
 RFS Hotel Investors Inc.  
 5/8/2003  
 15,000  
 382.3  
 3.92%  
 Camden Property Trust  
 Summit Properties Inc.  
 10/4/2004  
 50,000  
 1,111.0  
 4.50%  
 Pennsylvania REIT  
 Crown American Realty Trust  
 5/13/2003  
 20,000  
 381.5  
 5.24%  
 CalWest Industrial Properties  
 Cabot Industrial Trust  
 10/28/2001  
 35,000  
 1,071.8  
 3.27%  
 Public Storage Inc.  
 Storage Trust Realty  
 11/12/1998  
 12,000  
 377.3  
 3.18%  
 Hometown America LLC  
 Chateau Communities Inc.

5/29/2003  
40,000  
1,028.5  
3.89%  
Post Properties Inc.  
Columbus Realty Trust  
8/1/1997  
10,000  
377.0  
2.65%  
JV of Morgan Stanley / Onex  
Town & Country Trust  
12/19/2005  
28,000  
930.5  
3.01%  
GEO Group Inc.  
CentraCore Properties Trust  
9/19/2006  
9,000  
355.8  
2.53%  
Morgan Stanley  
Glenborough Realty Trust Inc.  
8/20/2006  
27,750  
926.0  
3.00%  
Camden Property Trust  
Paragon Group Inc.  
12/16/1996  
10,000  
342.8  
2.92%  
DRA Advisors  
CRT Properties Inc.  
6/17/2005  
40,000  
902.7  
4.43%  
Morguard Corp.  
Sizeler Property Investors  
8/7/2006  
NA  
325.3  
N/A  
Average Break Fee  
3.28%

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### **Additional Information and Where to Find It**

These materials are not a substitute for the Registration Statement on Form S-4 (File No. 333-184201) that Realty Income filed with the SEC in connection with the proposed transaction with ARCT, or the definitive joint proxy statement/prospectus sent to security holders of Realty Income and ARCT on or about December 6, 2012 seeking their approval of the proposed transaction. INVESTORS AND SECURITY HOLDERS OF REALTY INCOME AND ARCT ARE URGED TO CAREFULLY READ THE DEFINITIVE JOINT PROXY STATEMENT/PROSPECTUS DATED DECEMBER 6, 2012, WHICH WAS SENT TO SECURITY HOLDERS OF REALTY INCOME AND ARCT ON OR ABOUT DECEMBER 6, 2012, AS IT CONTAINS IMPORTANT INFORMATION, INCLUDING DETAILED RISK FACTORS. Investors and security holders may obtain a free copy of the joint proxy statement/prospectus and other documents filed by Realty Income and ARCT with the SEC at the SEC's web site at [www.sec.gov](http://www.sec.gov). This document does not constitute an offer to sell, or a solicitation of an offer to buy, any shares of Realty Income or ARCT common stock.

### **Participants in the Solicitation**

Realty Income, its directors, executive officers and certain members of management and employees may be considered participants in the solicitation of proxies from Realty Income's stockholders in connection with the acquisition. Information regarding such persons and a description of their interests in the acquisition is available in Realty Income's joint proxy statement/prospectus filed with the SEC, and additional information regarding such persons is included in our proxy statement filed with the SEC on March 30, 2012.

ARCT, its directors, executive officers and certain members of management and employees may be considered participants in the solicitation of proxies from ARCT's stockholders in connection with the acquisition. Information regarding such persons and a description of their interests in the acquisition is available in its joint proxy statement/prospectus filed with the SEC, and additional information regarding such persons is included in ARCT's proxy statement filed with the SEC on May 21, 2012.

This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended. This notice is being issued pursuant to and in accordance with Rule 135(c) under the Securities Act.

### **Forward-Looking Statements**

Information set forth herein (including information included or incorporated by reference herein) contains forward-looking statements (as defined in Section 21E of the Securities Exchange Act of 1934, as amended), which reflect Realty Income's and ARCT's expectations regarding future events. The forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those contained in the forward-looking statements. Such forward-looking statements include, but are not limited to whether and when the transactions contemplated by the merger agreement will be consummated, the new combined company's plans, market and other expectations, objectives, intentions and other statements that are not historical facts.

The following additional factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: the ability to obtain regulatory approvals for the transaction and the approval of the merger agreement by the stockholders of both parties; unexpected costs or unexpected liabilities that may arise from the transaction, whether or not consummated; the inability to retain key personnel; continuation or deterioration of current market conditions; future regulatory or legislative actions that could adversely affect the companies; and the business plans of the customers of the respective parties. Additional factors that may affect future results are contained in Realty Income's and ARCT's filings with the SEC, which are available at the SEC's website at [www.sec.gov](http://www.sec.gov). Realty Income and ARCT disclaim any obligation to update and revise statements contained in these materials based on new information or otherwise.