REALTY INCOME

The Monthly Dividend Company®

Realty Income Corporation
600 La Terraza Boulevard, Escondido, CA 92025
New York Stock Exchange Symbol "O"

December 6, 2011

Office of the Secretary
PCAOB
1666 K Street, N.W.
Washington, DC 20006-2803

Subject: PCAOB Rulemaking Docket Matter No. 37

Dear PCAOB Board Members:

The Audit Committee of the Board of Directors of Realty Income Corporation appreciates the opportunity to provide comments on the concept release which would require mandatory external audit firm rotation. We do support the ongoing efforts of the PCAOB to improve audit quality through enhanced auditor independence, objectivity and professional skepticism. But, we do not believe this will be accomplished through mandatory audit firm rotation, and it actually could decrease audit quality.

The Sarbanes-Oxley Act of 2002 effectively improved the independence of the external auditor with many quality reforms, including mandatory partner rotation, limitations on hiring former auditors and restrictions on the non-audit services that can be provided by an external audit firm. We annually review external auditor independence and compliance with PCAOB, SEC and stock exchange rules and regulations. We manage the mandatory audit partner rotation process, ensuring that we are in compliance and being served by a wide range of qualified partner candidates. We have a thorough approval process whereby all engagements with accounting firms must be approved by our Audit Committee. Given the limitations on the number of external audit service providers available for a public company, mandatory external audit firm rotation would also adversely impact our flexibility in utilizing accounting firms in other areas such as internal audit, tax, valuation, mergers and acquisitions and other consulting projects.

In addition to these quality reforms focused on independence, there has also been a significant increase in the oversight activities of the Audit Committee. Since 2003 we have significantly increased both the frequency and length of our Audit Committee meetings and have formally implemented an annual external auditor evaluation process. In 2010 for example, we held seven Audit Committee meetings, with our external auditor present at every meeting. We also hold regular executive sessions with our external auditor in which they provide the Audit Committee with qualitative reports on the progress and status of their audit and review procedures.

The Sarbanes-Oxley related reforms and these increased oversight activities of the audit committee have significantly improved the quality of public company audits. In carrying out our responsibilities, the Audit Committee regularly evaluates our audit firm's independence and objectivity, and we believe we are in the best position to determine the qualifications and tenure of the Company's auditors. Mandatory audit firm rotation would essentially remove this responsibility from the Audit Committee as we would be very hesitant to push for an external auditor change at any time other than the mandatory rotation point.

Furthermore, we believe there would be a significant cost associated with changing audit firms too often or unnecessarily. Cost is not simply the financial implications to the Company resulting from a change in auditors, but also the impact that this change can have on our organization's effectiveness and efficiency, and the impact on the overall quality of the audit. Coordinating an auditor change would consume significant time and resources of company management, which would take away from their ability to effectively complete their normal day-to-day tasks. In addition, due to the steep "learning curve" at the outset of a new auditor relationship, the new audit team will be less knowledgeable about the Company and therefore be less efficient and effective in carrying out their audit. Some level of "institutional knowledge" is critical for the auditor to have a good understanding of the unique business and risks of any organization. We believe it takes years to truly build an in-depth understanding of a company's business operations, organizational structure and processes and procedures. This depth of understanding facilitates the type of knowledge-sharing and risk identification that is a critical component of a high quality, effective audit.

We recently faced the challenge of identifying an audit firm and individual audit engagement partners to comply with the 5-year partner rotation rules. It was challenging to identify a robust list of service providers because of our specialized REIT business model. Fortunately, our existing audit firm had the necessary depth of personnel resources to meet our needs, but we don't believe this would be true of most other audit firms. Accordingly, we believe mandatory audit firm rotation would adversely impact the important ongoing dialogue between the Audit Committee and the audit firm regarding the Company's business and risks.

In summary, we believe that mandatory audit firm rotation is more likely to hurt audit quality rather than improve it. The loss of institutional knowledge as well as the significant up-front requirements to train a new audit firm will be detrimental to audit quality, while at the same time resulting in increased costs both internally and externally. We believe that existing PCAOB, SEC and stock exchange rules, such as mandatory audit partner rotation, already create the appropriate environment to allow the Audit Committee to effectively carry out its oversight responsibilities around selection, monitoring and retention of our external audit firm. We respectfully request the PCAOB not implement mandatory audit firm rotation.

Sincerely,

The Audit Committee of the Board of Directors
Realty Income Corporation