William E. Clark, Jr. & Evelyn J. Clark

William E. Clark, Jr. (1937) and Evelyn J. Clark (1941), husband and wife (1960), formed Realty Income Corporation in 1969 to act as the general partner in a series of partnerships to acquire commercial properties from the Clark's development company which engaged in land acquisition, building construction, leasing and sales of fast food restaurant properties.

The impetus was the California State Legislature's transfer in 1969 of jurisdiction of small real estate partnerships (less than 100 investors) from the corporation commissioner to the real estate commissioner.

After corporate formation, the Clark's processed an application and received approval to solicit investors, and formed their first partnership, which acquired a Taco Bell restaurant in early 1970.

The Clark's continued developing and selling commercial properties, but about once a year would form a new California permitted partnership which would acquire one of the developed properties for long term hold.

In 1975, the Clark's relocated their residence to Escondido, California, and operated their companies out of a storefront office at 5th. and Maple.

Commercial property development went through a major transformation during the early 1970s. Environmental and conservation advocates gained positions on city councils and in planning departments which resulted in limiting commercial zoning and stricter building permit regulations. Many developers took an ABC (anywhere but California) attitude and concentrated their activities into other states.

The Clark's, however, realized that if they could persevere through the restrictions on zoning, PUD's (Planned Unit Development), conditional use permits, and difficult building restrictions, the end product would be a better development, a more attractive building with more parking, and that zoning restrictions would mean less allowed competition, producing increased tenant success with larger gross volumes.

The problem, of course, was that the Clark's were selling almost all of their developments, and retaining a continued interest in only the one or so per year going into Realty Income Partnerships.

Keep in perspective that during the 1970's and early 1980's, a great many real estate partnerships were being formed as tax shelter strategies. Apartments, office buildings and shopping centers were being acquired with small down payments and maximum leverage so as to produce interest and depreciation write-offs that investors could apply to other earned income. Many of these transactions were structured on dubious economics, but were sold to investors based on their tax shelter benefits.

The Clark partnerships were very different. Banks and savings and loans had no appetite for lending to single purpose, fast-food restaurant operations, so their developments had always been

cash transactions, where investors' money had been used to purchase and hold properties without loans or encumbrances. These properties were leased for 15 to 20 years under triple-net (NNN) lease (net lease) agreements (the tenant paying the property taxes, maintenance costs, and the premiums on insurance). The leases contained percentage rent or cost-of-living adjustment clauses so that rents tended to increase over time. The partnerships received monthly rent from the tenants, deducted a nominal management fee, and distributed the balance to investors in the form of monthly distributions. A small part of the income was tax sheltered by depreciation on the buildings, but the emphasis of the investment was the production of real money returns in the form of increasing cash distributions.

While most partnerships of the day were being sold as tax shelters to wealthy investors, the Clark's realized that there was actually a much larger market for a true income producing investment among those seeking supplemental income, funding education of children or grandchildren, supporting elderly family members, and of course, planning for retirement.

The small partnerships formed by Realty Income had been quickly filled by investors coming out of the second trust deed market, where investors were accustomed to putting $10,000 to $50,000 into somewhat risky secondary loans on single family homes or small apartment projects. In the Realty Income transactions, they gained the benefit of participating in the outright ownership of the land and building, while still producing an equivalent return.

At the same time, a number of the restaurants tenants realized the Clark's were a steady and reliable source of cash financing, and began to bring projects that had been processed through the development phase by others or the tenants themselves, but needed capital to acquire the land and build out to completion and occupancy.

In 1977, based on the trends above, the Clark's made a stretigic decision to shut down their development company and concentrate 100% on the formation of Realty Income partnerships.

A new five million dollar partnership was processed through the Securities and Exchange Commission and registered in about 15 states. A small security broker/dealer firm in Pasadena, California, Cameron, Murphy and Spangler, INC., was engaged to wholesale the partnership units to registered representatives of financial planning firms. The marketing of this first national partnership was a challenge in that financial planners were accustomed to selling tax shelter investments, and this all-cash, income producing entity was a new and very different concept.

It took about a year for this new partnership to become fully subscribed. The next partnership, at about $8.6 million, took about six months. That followed with a $10 million, then a $20 million, and soon thereafter, Realty Income was raising over $50 million per year.

The company quickly expanded beyond fast food into larger sit-down service restaurants, and then pre-school day care centers, after-market automotive parts and services, convenience stores, and a verity of other retail tenants.

The Clark's purchased the Home Federal Savings and Loan building at the corner of Grand and Maple, Escondido, California, and remodeled into a New Orleans style office building which

was then occupied as the new corporate headquarters. Soon the 5,000-square-foot (460 m^2) building housed over 35 employees.

In 1985, the Clark's purchased the 25,000-square-foot (2,300 m^2) office building at 220 West Crest Street, Escondido, California and moved the corporate headquarters to that location, which soon had over 100 employees.

In 1986, congress passed tax reform legislation (Tax Reform Act of 1986) that eliminated virtually all of the benefits of highly leveraged, tax sheltered partnerships. Realty Income continued to form income producing partnerships; but, by 1989, many tax sheltered partnerships had failed, and the market for organizing any form of partnerships had disappeared.

Realty Income retrenched into collecting rent and continuing monthly distributions from its portfolio of commercial properties, while the Clark's and their management team assessed the future.

By the early 1990's, it became apparent that the future of real estate capital formation and the expansion of Realty Income would be served by the conversion to a public real estate investment company.

A number of former partnerships operations went through the conversion process, charging partners substantial fees, resulting in a stigma of gouging being associated with partnership consolidations into public real estate companies.

Realty Income, with several other general partner corporations, pioneered the concept of consolidating a number of partnerships into a public real estate company with no other fees except the essential legal, accounting, and underwriting costs.

In 1994, the consolidation was completed, assimilating 25 partnerships, 628 properties in 40 states, and over 67,000 limited partners into Realty Income Corporation, which was then listed on the New York Stock Exchange, with the single letter "O" as its stock symbol. The company was managed by an independent company, consisting of the former management team.

It stands as a tribute to the reputation of Realty Income that, although a taxable event for the investors, over 86% of the partners voted in favor of this consolidation.

The company organized a consortium of banks to provide an unsecured $100 million credit facility, and began, again, to acquire commercial properties for cash, without loans or encumbrances, occupied by regional or national retail chains, under long term, NNN lease agreements.

A year later, the independent management company was absorbed into Realty Income, which was now a fully integrated public real estate investment company.

At that time, 1995, Evelyn J. Clark retired as chief financial officer.

William E. Clark, Jr. continued as the CEO until retiring from that position in 1997, whereupon, the Board of Directors appointed Thomas A. Lewis as Chief Executive Officer.

Subsequently, Realty Income has become known as The Monthly Dividend Company,.

In 2007, Realty Income occupied its new corporate headquarters at 600 La Terraza Boulevard, Escondido, California.

As of December 31, 2008, the company portfolio had grown to 2,355 properties in 49 states, having maintained an occupancy rate that has never fallen below 96%; and had declared its 462 consecutive monthly dividend, having raised the dividend 52 times in the last 14 years since Realty Income's listing on the New York Stock Exchange in 1994.

On January 26, 2009, Realty Income issued a press release notification that William E. Clark, Jr. would retire as Chairman of the Board of Directors effective after the regularly scheduled Board meeting, February 10, 2009. The Company also stated that the Corporate Governance and Nominating Committee had recommended, and the Board of Directors had elected, Donald R. Cameron as the new non-executive chairman effective upon Mr. Clark's retirement.

Personal Note:

The Clark's believe that the success of Realty Income has been due to several key elements:

A very simple concept: Own commercial properties without debt, occupied by successful retail tenants that pay all property expenses; and, beyond a lease agreement, have a vested interest in attracting customers by well maintaining the properties.

Collect rent and pay dividends as The Monthly Dividend Company.

Make every board and management decision based on what is best for shareholders.

Create a corporate culture based on ethics and honesty, building on the individual value of each employee.