UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended June 30, 2015, or

o **Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File Number 1-13374

REALTY INCOME CORPORATION

(Exact name of registrant as specified in its charter)

Maryland	**33-0580106**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification Number)

11995 El Camino Real, San Diego, California 92130

(Address of Principal Executive Offices)

Registrant s telephone number, including area code: **(858) 284-5000**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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.

Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

There were 234,868,966 shares of common stock outstanding as of July 23, 2015.

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REALTY INCOME CORPORATION

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June 30, 2015

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PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

REALTY INCOME CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

June 30, 2015 and December 31, 2014

(dollars in thousands, except per share data)

	2015 (unaudited)	2014
ASSETS		
Real estate, at cost:		
Land	$ 3,222,805	$ 3,046,372
Buildings and improvements	8,792,676	8,107,199
Total real estate, at cost	12,015,481	11,153,571
Less accumulated depreciation and amortization	(1,534,780)	(1,386,871)
Net real estate held for investment	10,480,701	9,766,700
Real estate held for sale, net	8,965	14,840
Net real estate	10,489,666	9,781,540
Cash and cash equivalents	18,741	3,852
Accounts receivable, net	70,318	64,386
Acquired lease intangible assets, net	1,051,713	1,039,724
Goodwill	15,386	15,470
Other assets, net	82,490	107,650
Total assets	$ 11,728,314	$ 11,012,622
LIABILITIES AND EQUITY		
Distributions payable	$ 47,089	$ 43,675
Accounts payable and accrued expenses	112,824	123,287
Acquired lease intangible liabilities, net	237,946	220,469
Other liabilities	40,458	53,145
Lines of credit payable	430,000	223,000
Term loans	320,000	70,000
Mortgages payable, net	769,461	852,575
Notes payable, net	3,786,063	3,785,372
Total liabilities	5,743,841	5,371,523
Commitments and contingencies		
Stockholders equity:		
Preferred stock and paid in capital, par value $0.01 per share, 69,900,000 shares authorized, 16,350,000 shares issued and outstanding as of June 30, 2015 and December 31, 2014	395,378	395,378
Common stock and paid in capital, par value $0.01 per share, 370,100,000 shares authorized, 234,857,578 shares issued and outstanding as of June 30, 2015 and 224,881,192 shares issued and outstanding as of December 31, 2014	6,953,679	6,464,987
Distributions in excess of net income	(1,388,854)	(1,246,964)
Total stockholders equity	5,960,203	5,613,401
Noncontrolling interests	24,270	27,698
Total equity	5,984,473	5,641,099
Total liabilities and equity	$ 11,728,314	$ 11,012,622

The accompanying notes to consolidated financial statements are an integral part of these statements.

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REALTY INCOME CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the three and six months ended June 30, 2015 and 2014

(dollars in thousands, except per share data) (unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
REVENUE				
Rental	$ 241,431	$ 221,868	$ 476,554	$ 435,989
Tenant reimbursements	11,607	6,169	21,570	12,597
Other	822	609	2,604	1,632
Total revenue	253,860	228,646	500,728	450,218
EXPENSES				
Depreciation and amortization	101,101	92,894	199,138	182,864
Interest	58,680	52,712	117,148	104,432
General and administrative	12,609	11,587	25,471	24,473
Property (including reimbursable)	14,937	10,127	28,914	20,704
Income taxes	628	570	1,702	1,661
Provisions for impairment	3,230	499	5,317	2,182
Total expenses	191,185	168,389	377,690	336,316
Gain on sales of real estate	3,675	1,964	10,893	3,236
Income from continuing operations	66,350	62,221	133,931	117,138
Income from discontinued operations	-	20	-	3,097
Net income	66,350	62,241	133,931	120,235
Net income attributable to noncontrolling interests	(263)	(339)	(581)	(671)
Net income attributable to the Company	66,087	61,902	133,350	119,564
Preferred stock dividends	(6,770)	(10,482)	(13,540)	(20,965)
Net income available to common stockholders	$ 59,317	$ 51,420	$ 119,810	$ 98,599
Amounts available to common stockholders per common share:				
Income from continuing operations:				
Basic	$ 0.26	$ 0.23	$ 0.52	$ 0.45
Diluted	$ 0.25	$ 0.23	$ 0.52	$ 0.45
Net income:				
Basic	$ 0.26	$ 0.23	$ 0.52	$ 0.46
Diluted	$ 0.25	$ 0.23	$ 0.52	$ 0.46
Weighted average common shares outstanding:				
Basic	232,403,586	220,979,955	228,932,782	214,039,692
Diluted	232,886,185	221,360,641	229,378,784	214,406,651

The accompanying notes to consolidated financial statements are an integral part of these statements.

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REALTY INCOME CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended June 30, 2015 and 2014

(dollars in thousands) (unaudited)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 133,931	$ 120,235
Adjustments to net income:		
Depreciation and amortization	199,138	182,864
Income from discontinued operations	-	(3,097)
Amortization of share-based compensation	5,362	5,449
Non-cash rental adjustments	(4,939)	(3,706)
Amortization of net premiums on mortgages payable	(3,824)	(5,394)
Amortization of deferred financing costs	6,509	5,267
Gain on sales of real estate	(10,893)	(3,236)
Provisions for impairment on real estate	5,317	2,182
Cash provided by discontinued operations	-	1,310
Change in assets and liabilities		
Accounts receivable and other assets	1,778	12,745
Accounts payable, accrued expenses and other liabilities	(10,669)	(15,843)
Net cash provided by operating activities	321,710	298,776
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in real estate	(924,541)	(899,405)
Improvements to real estate, including leasing costs	(2,470)	(2,734)
Proceeds from sales of real estate:		
Continuing operations	30,455	12,805
Discontinued operations	-	6,918
Collection of loans receivable	-	350
Restricted escrow deposits for Section 1031 tax-deferred exchanges and pending acquisitions	21,313	(5,280)
Net cash used in investing activities	(875,243)	(887,346)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash distributions to common stockholders	(258,277)	(234,643)
Cash dividends to preferred stockholders	(13,540)	(20,965)
Borrowings on line of credit	957,000	1,054,121
Payments on line of credit	(750,000)	(1,111,321)
Proceeds from notes and bonds payable issued	-	349,846
Principal payments on mortgages payable	(79,291)	(21,901)
Proceeds from term loans	250,000	-
Proceeds from common stock offerings, net	276,430	528,627
Redemption of preferred units	(6,750)	-
Distributions to noncontrolling interests	(848)	(929)
Debt issuance costs	(10,204)	(3,243)
Proceeds from dividend reinvestment and stock purchase plan, net	208,033	54,204
Other items, including shares withheld upon vesting	(4,131)	(6,575)
Net cash provided by financing activities	568,422	587,221
Net increase (decrease) in cash and cash equivalents	14,889	(1,349)
Cash and cash equivalents, beginning of period	3,852	10,257
Cash and cash equivalents, end of period	$ 18,741	$ 8,908

For supplemental disclosures, see note 17.

The accompanying notes to consolidated financial statements are an integral part of these statements.

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REALTY INCOME CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

(unaudited)

1. Management Statement

The consolidated financial statements of Realty Income Corporation (Realty Income , the Company , we , our or us) were prepare from our books and records without audit and include all adjustments (consisting of only normal recurring accruals) necessary to present a fair statement of results for the interim periods presented. Readers of this quarterly report should refer to our audited consolidated financial statements for the year ended December 31, 2014, which are included in our 2014 Annual Report on Form 10-K, as certain disclosures that would substantially duplicate those contained in the audited financial statements have not been included in this report.

At June 30, 2015, we owned 4,452 properties, located in 49 states and Puerto Rico, containing over 74.1 million leasable square feet.

2. Summary of Significant Accounting Policies and Procedures and Recent Accounting Pronouncements

A. The accompanying consolidated financial statements include the accounts of Realty Income and other entities for which we make operating and financial decisions (i.e., control), after elimination of all material intercompany balances and transactions. We consolidate entities that we control and record a noncontrolling interest for the portion that we do not own. Noncontrolling interest that was created or assumed as part of a business combination was recognized at fair value as of the date of the transaction (see note 10). We have no unconsolidated investments.

B. We have elected to be taxed as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended. We believe we have qualified and continue to qualify as a REIT. Under the REIT operating structure, we are permitted to deduct dividends paid to our stockholders in determining our taxable income. Assuming our dividends equal or exceed our net income, we generally will not be required to pay federal corporate income taxes on such income. Accordingly, no provision has been made for federal income taxes in the accompanying consolidated financial statements, except for federal income taxes of our taxable REIT subsidiaries. The income taxes recorded on our consolidated statements of income represent amounts paid by Realty Income for city and state income and franchise taxes.

C. We recognize an allowance for doubtful accounts relating to accounts receivable for amounts deemed uncollectible. We consider tenant specific issues, such as financial stability and ability to pay rent, when determining collectability of accounts receivable and appropriate allowances to record. The allowance for doubtful accounts was $484,000 at June 30, 2015 and $765,000 at December 31, 2014.

D. We assign a portion of goodwill to our applicable property sales, which results in a reduction of the carrying amount of our goodwill. In order to allocate goodwill to the carrying amount of properties that we sell, we utilize a relative fair value approach based on the original methodology for assigning goodwill. As we sell properties, our goodwill will likely continue to gradually decrease over time. During our tests for impairment of goodwill during the second quarters of 2015 and 2014, we determined that the estimated fair values of our reporting units exceeded their carrying values. We did not have an impairment on our existing goodwill in 2015 or 2014.

E. In April 2015, the Financial Accounting Standards Board, or FASB, issued ASU 2015-03, which amends Topic 835, *Other Presentation Matters*. The amendments in the ASU require that debt issuance costs be reported on the balance sheet as a direct reduction of the face amount of the debt instrument they relate to, and should not be classified as a deferred charge, as was previously required under the Accounting Standards Codification. ASU 2015-03 is effective, on a retrospective basis, for interim and annual periods beginning after December 15, 2015; early adoption is permitted. We do not expect the adoption of this ASU to have a material impact on our consolidated financial statements.

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3. Supplemental Detail for Certain Components of Consolidated Balance Sheets

[redacted]

B. Other assets, net, consist of the following (dollars in thousands) at:		June 30, 2015		December 31, 2014
Deferred financing costs, net	$	21,355	$	23,274
Notes receivable issued in connection with property sales		18,142		18,342
Prepaid expenses		12,990		14,137
Credit facility origination costs, net		12,831		4,171
Restricted escrow deposits		8,083		36,540
Impounds related to mortgages payable		6,730		5,789
Corporate assets, net		2,287		2,600
Other items		72		2,797
	$	82,490	$	107,650

[redacted]

D. Accounts payable and accrued expenses consist of the following (dollars in thousands) at:		June 30, 2015		December 31, 2014
Notes payable - interest payable	$	62,538	$	63,919
Property taxes payable		14,427		11,634
Accrued costs on properties under development		11,065		18,011
Other items		24,794		29,723
	$	112,824	$	123,287

E. Acquired lease intangible liabilities, net, consist of the following (dollars in thousands) at:		June 30, 2015		December 31, 2014
Acquired below-market leases	$	267,781	$	243,025
Accumulated amortization of acquired below-market leases		(29,835)		(22,556)
	$	237,946	$	220,469

F. Other liabilities consist of the following (dollars in thousands) at:		June 30, 2015		December 31, 2014
Rent received in advance	$	29,896	$	36,122
Security deposits		6,010		5,876
Capital lease obligation		4,552		4,397
Preferred units issued upon entity acquisition		-		6,750
	$	40,458	$	53,145

4. Investments in Real Estate

We acquire land, buildings and improvements necessary for the successful operations of commercial tenants.

A. Acquisitions during the First Six Months of 2015 and 2014

During the first six months of 2015, we invested $931.2 million in 166 new properties and properties under development or expansion with an initial weighted average contractual lease rate of 6.4%. The 166 new properties and properties under development or expansion are located in 35 states, will contain approximately 4.2 million leasable square feet, and are 100% leased with a weighted average lease term of 17.5 years. The tenants occupying the new properties operate in 16 industries and the property types consist of 92.1% retail, and 7.9% industrial, based on rental revenue. None of our investments during 2015 caused any one tenant to be 10% or more of our total assets at June 30, 2015.

The $931.2 million invested during the first six months of 2015 was allocated as follows: $184.2 million to land, $697.4 million to buildings and improvements, $64.0 million to intangible assets related to leases, $5.8 million to other assets, net, and $20.2 million to intangible liabilities related to leases and other assumed liabilities. There was no contingent consideration associated with these acquisitions.

The properties acquired during the first six months of 2015 generated total revenues of $10.0 million and income from continuing operations of $4.9 million.

Of the $931.2 million we invested during the first six months of 2015, $720.0 million of the purchase price allocation is based on a preliminary measurement of fair value that is subject to change. The allocation for these properties represents our current best estimate of fair value and we expect to finalize the valuations and complete the purchase price allocations in 2015. During the first six months of 2015, we finalized the purchase price allocations for $147.1 million invested in the fourth quarter of 2014. There were no material changes to our consolidated balance sheets or income statements as a result of these purchase price allocations being finalized.

In comparison, during the first six months of 2014, we invested $1.06 billion in 402 new properties and properties under development or expansion with an initial weighted average contractual lease rate of 7.1%. The 402 new properties and properties under development or expansion, were located in 39 states, contain over 6.9 million leasable square feet and were 100% leased with a weighted average lease term of 12.8 years. The tenants occupying the new properties operated in 24 industries and the property types consisted of 83.0% retail, 8.5% industrial, and 8.5% office, based on rental revenue.

The $1.06 billion invested during the first six months of 2014 was allocated as follows: $209.2 million to land, $721.4 million to buildings and improvements, $161.8 million to intangible assets related to leases, $901,000 to other assets, net, and $30.9 million to intangible liabilities related to leases and other assumed liabilities. We also recorded net mortgage premiums of $718,000 associated with the $159.7 million of mortgages acquired during the first six months of 2014. There was no contingent consideration associated with these acquisitions.

The properties acquired during the first six months of 2014 contributed total revenues of $24.4 million and income from continuing operations of $9.4 million for the six months ended June 30, 2014.

The estimated initial weighted average contractual lease rate for a property is generally computed as estimated contractual net operating income, which, in the case of a net leased property, is equal to the aggregate base rent for the first full year of each lease, divided by the total cost of the property. Since it is possible that a tenant could default on the payment of contractual rent, we cannot provide assurance that the actual return on the funds invested will remain at the percentages listed above.

In the case of a property under development or expansion, the contractual lease rate is generally fixed such that rent varies based on the actual total investment in order to provide a fixed rate of return. When the lease does not provide for a fixed rate of return on a property under development or expansion, the estimated initial weighted average contractual lease rate is computed as follows: estimated net operating income (determined by the lease) for the first full year of each lease, divided by our projected total investment in the property, including land, construction and capitalized interest costs. Of the $931.2 million we invested during the first six months of 2015, $30.4 million was invested in 30 properties under development or expansion with an estimated initial weighted average contractual lease rate of 9.3%. Of the $1.06 billion we invested during the first six months of 2014, $35.6 million was invested in 21 properties under development or expansion with an estimated initial weighted average contractual lease rate of 8.5%.

B. Acquisition Transaction Costs

Acquisition transaction costs of $298,000 and $645,000 were recorded to general and administrative expense on our consolidated statements of income during the first six months of 2015 and 2014, respectively.

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C. Investments in Existing Properties

During the first six months of 2015, we capitalized costs of $2.5 million on existing properties in our portfolio, consisting of $461,000 for re-leasing costs and $2.0 million for building improvements. In comparison, during the first six months of 2014, we capitalized costs of $2.7 million on existing properties in our portfolio, consisting of $467,000 for re-leasing costs and $2.3 million for building improvements.

D. Properties with Existing Leases

Of the $931.2 million we invested during the first six months of 2015, approximately $209.8 million was used to acquire 34 properties with existing leases. In comparison, of the $1.06 billion we invested in the first six months of 2014, approximately $789.8 million was used to acquire 149 properties with existing leases. The value of the in-place and above-market leases is recorded to acquired lease intangible assets, net on our consolidated balance sheets, and the value of the below-market leases is recorded to acquired lease intangible liabilities, net on our consolidated balance sheets.

The values of the in-place leases are amortized as depreciation and amortization expense. The amounts amortized to expense for all of our in-place leases, for the first six months of 2015 and 2014, were $43.5 million and $40.8 million, respectively.

The values of the above-market and below-market leases are amortized over the term of the respective leases, including any bargain renewal options, as an adjustment to rental revenue on our consolidated statements of income. The amounts amortized as a net decrease to rental revenue for capitalized above-market and below-market leases for the first six months of 2015 and 2014 were $3.7 million and $4.2 million, respectively. If a lease were to be terminated prior to its stated expiration, all unamortized amounts relating to that lease would be recorded to revenue or expense as appropriate.

The following table presents the estimated impact during the next five years and thereafter related to the amortization of the acquired above-market and below-market lease intangibles and the amortization of the in-place lease intangibles for properties held for investment at June 30, 2015 (in thousands):

		Net increase (decrease) to rental revenue		**Increase to amortization expense**
2015	$	(3,949)	$	43,978
2016		(7,895)		87,849
2017		(7,839)		86,660
2018		(7,579)		84,215
2019		(6,593)		74,157
Thereafter		34,357		437,410
Totals	$	502	$	814,269

5. Credit Facility

In June 2015, we entered into a new $2 billion unsecured revolving credit facility, or our new credit facility, which replaced our $1.5 billion credit facility that was scheduled to expire in May 2016. The initial term of our new credit facility expires in June 2019 and includes, at our option, two six-month extensions. Our new credit facility has a $1.0 billion accordion expansion option. Under our new credit facility, our current investment grade credit ratings provide for financing at the London Interbank Offered Rate, commonly referred to as LIBOR, plus 0.90% with a facility commitment fee of 0.15%, for all-in drawn pricing of 1.05% over LIBOR. The borrowing rate is subject to an interest rate floor. We also have other interest rate options available to us under our new credit facility. Our new credit facility is unsecured and, accordingly, we have not pledged any assets as collateral for this obligation.

At June 30, 2015, credit facility origination costs of $12.8 million are included in other assets, net on our consolidated balance sheet. This balance consists of $10.2 million of new credit facility origination costs incurred during the second quarter of 2015 as a result of entering into our new credit facility and term loan, as well as $2.6 million of costs incurred as a result of entering into our previous credit facilities. These costs are being amortized over the remaining term of our new $2 billion credit facility.

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At June 30, 2015, we had a borrowing capacity of $1.57 billion available on our new credit facility (subject to customary conditions to borrowing) and an outstanding balance of $430.0 million, as compared to an outstanding balance of $223.0 million at December 31, 2014.

The weighted average interest rate on outstanding borrowings under our credit facilities was 1.3% during the first six months of 2015 and 1.2% during the first six months of 2014. At June 30, 2015, the effective interest rate was 1.2%. Our new and previous credit facilities are and were subject to various leverage and interest coverage ratio limitations, and at June 30, 2015, we remain in compliance with these covenants.

6. Mortgages Payable

During the first six months of 2015, we made $79.3 million in principal payments, including the repayment of five mortgages in full for $75.6 million. No mortgages were assumed during the first six months of 2015.

During the first six months of 2014, we made $21.9 million in principal payments, including the repayment of two mortgages in full for $18.2 million, and assumed mortgages totaling $159.7 million, excluding net premiums. The mortgages are secured by the properties on which the debt was placed. We expect to pay off the mortgages as soon as prepayment penalties make it economically feasible to do so.

During the first six months of 2014, aggregate net premiums totaling $718,000 were recorded upon assumption of the mortgages for above-market interest rates. Amortization of our net premiums is recorded as a reduction to interest expense over the remaining term of the respective mortgages, using a method that approximates the effective-interest method.

These mortgages contain customary covenants, such as limiting our ability to further mortgage each applicable property or to discontinue insurance coverage without the prior consent of the lender. At June 30, 2015, we remain in compliance with these covenants.

We did not incur any deferred financing costs on our mortgages assumed in 2014. The balance of our deferred financing costs, which are classified as part of other assets, net, on our consolidated balance sheets, was $684,000 at June 30, 2015 and $827,000 at December 31, 2014. These costs are being amortized over the remaining term of each mortgage.

The following is a summary of all our mortgages payable as of June 30, 2015 and December 31, 2014, respectively (dollars in thousands):

As Of	Number of Properties(1)	Weighted Average Stated Interest Rate(2)	Weighted Average Effective Interest Rate(3)	Weighted Average Remaining Years Until Maturity	Remaining Principal Balance	Unamortized Premium Balance, net	Mortgage Payable Balance
6/30/15	220	5.0%	4.0%	3.5	$ 756,720	$ 12,741	$ 769,461
12/31/14	241	5.0%	4.0%	3.7	$ 836,011	$ 16,564	$ 852,575

(1) At June 30, 2015, there were 52 mortgages on the 220 properties, while at December 31, 2014, there were 57 mortgages on the 241 properties. The mortgages require monthly payments, with principal payments due at maturity. The mortgages are at fixed interest rates, except for four mortgages on 13 properties totaling $51.0 million at June 30, 2015, including net unamortized discounts. At December 31, 2014, five mortgages on 14 properties totaling $74.5 million, including net unamortized discounts, were at variable interest rates. After factoring in arrangements which limit our exposure to interest rate risk and effectively fix our per annum interest rates, our variable rate mortgage debt includes two mortgages totaling $15.5 million at June 30,2015 and three mortgages totaling $39.1 million at December 31,2014.

(2) Stated interest rates ranged from 2.0% to 6.9% at June 30, 2015 and December 31, 2014.

(3) Effective interest rates ranged from 2.2% to 9.0% at June 30, 2015 and December 31, 2014.

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The following table summarizes the maturity of mortgages payable, excluding net premiums of $12.7 million, as of June 30, 2015 (dollars in millions):

Year of Maturity		
2015	$	40.4
2016		248.4
2017		142.5
2018		15.1
2019		26.0
Thereafter		284.3
Totals	$	756.7

7. Term Loans

In June 2015, in conjunction with entering into our new credit facility, we entered into a $250 million senior unsecured term loan maturing on June 30, 2020. Borrowing under this term loan bears interest at the current one month LIBOR, plus 0.95%. In conjunction with this term loan, we also entered into an interest rate swap which effectively fixes our per annum interest rate on this term loan at 2.67%.

In January 2013, in conjunction with our acquisition of American Realty Capital Trust, Inc., or ARCT, we entered into a $70 million senior unsecured term loan maturing January 21, 2018. Borrowing under this term loan bears interest at the current one month LIBOR, plus 1.2%. In conjunction with this term loan, we also entered into an interest rate swap which effectively fixes our per annum interest rate on this term loan at 2.15%. Deferred financing costs of $303,000 are being amortized over the remaining term of this term loan. The net balance of these deferred financing costs, which was $156,000 at June 30, 2015, and $187,000 at December 31, 2014, is included in other assets, net on our consolidated balance sheets.

8. Notes Payable

A. General

Our senior unsecured notes and bonds consisted of the following, sorted by maturity date (dollars in millions):

		June 30, 2015		December 31, 2014
5.5% notes, issued in November 2003 and due in November 2015	$	150	$	150
5.95% notes, issued in September 2006 and due in September 2016		275		275
5.375% notes, issued in September 2005 and due in September 2017		175		175
2.0% notes, issued in October 2012 and due in January 2018		350		350
6.75% notes, issued in September 2007 and due in August 2019		550		550
5.75% notes, issued in June 2010 and due in January 2021		250		250
3.25% notes, issued in October 2012 and due in October 2022		450		450

4.65% notes, issued in July 2013 and due in August 2023		750		750
3.875% notes, issued in June 2014 and due in July 2024		350		350
4.125% notes, issued in September 2014 and due in October 2026		250		250
5.875% bonds, $100 issued in March 2005 and $150 issued in June 2011, both due in March 2035		250		250
Total principal amount		3,800		3,800
Unamortized original issuance discounts		(14)		(15)
	$	3,786	$	3,785

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The following table summarizes the maturity of our notes and bonds payable as of June 30, 2015, excluding unamortized original issuance discounts (dollars in millions):

Year of Maturity		Notes and Bonds
2015	$	150
2016		275
2017		175
2018		350
2019		550
Thereafter		2,300
Totals	$	3,800

As of June 30, 2015, the weighted average interest rate on our notes and bonds payable was 4.8% and the weighted average remaining years until maturity was 6.7 years.

9. Issuance of Common Stock

In April 2015, we issued 5,500,000 shares of common stock. After underwriting discounts and other offering costs of $1.4 million, the net proceeds of $276.4 million were used to repay borrowings under our credit facility.

In April 2014, we issued 13,800,000 shares of common stock, including 1,800,000 shares purchased by the underwriters upon the exercise of their option to purchase additional shares. After underwriting discounts and other offering costs of $22.8 million, the net proceeds of $528.6 million were used to repay borrowings under our credit facility.

10. Noncontrolling Interests

In January 2013, we completed our acquisition of ARCT. Equity issued as consideration for this transaction included common and preferred partnership units issued by Tau Operating Partnership, L.P., or Tau Operating Partnership, the consolidated subsidiary which owns properties acquired through the ARCT acquisition. Realty Income and its subsidiaries hold a 99.4% interest in Tau Operating Partnership, and consolidate the entity.

In June 2013, we completed the acquisition of a portfolio of properties by issuing common partnership units in a newly formed entity, Realty Income, L.P. The units were issued as consideration for the acquisition. At June 30, 2015, the remaining units from this issuance represent a 1.7% ownership in Realty Income, L.P. Realty Income holds the remaining 98.3% interests in this entity, and consolidates the entity.

A. Neither of the common partnership units have voting rights. Both common partnership units are entitled to monthly distributions equal to the amount paid to common stockholders of Realty Income, and are redeemable in cash or Realty Income common stock, at our option, and at a conversion ratio of one to one, subject to certain exceptions. Noncontrolling interests with redemption provisions that permit the issuer to settle in either cash or common stock, at the option of the issuer, were evaluated to determine whether temporary or permanent equity classification on the balance sheet was appropriate. We determined that the units meet the requirements to qualify for presentation as permanent equity.

The following table represents the change in the carrying value of all noncontrolling interests through June 30, 2015 (dollars in thousands):

	Tau Operating Partnership units(1)	Realty Income, L.P. units(2)	Total
Carrying value at December 31, 2014	$ 13,067	$ 14,631	$ 27,698
Reallocation of equity	836	(1,887)	(1,051)
Redemptions	-	(2,121)	(2,121)
Distributions	(360)	(477)	(837)
Allocation of net income	133	448	581
Carrying value at June 30, 2015	$ 13,676	$ 10,594	$ 24,270

	Tau Operating Partnership units(1)	Realty Income, L.P. units(2)	Total
Carrying value at December 31, 2013	$ 13,489	$ 22,422	$ 35,911
Reallocation of equity	-	(6,647)	(6,647)
Redemptions	-	(1,032)	(1,032)
Distributions	(695)	(1,144)	(1,839)
Allocation of net income	273	1,032	1,305
Carrying value at December 31, 2014	$ 13,067	$ 14,631	$ 27,698

(1) 317,022 Tau Operating Partnership units were issued on January 22, 2013 and remained outstanding as of June 30, 2015 and December 31, 2014.

(2) 534,546 Realty Income, L.P. units were issued on June 27, 2013, 499,546 units were outstanding as of December 31, 2014 and 419,546 remain outstanding as of June 30, 2015.

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During the first six months of 2015, we recorded net equity reclassification adjustments of $1.1 million between noncontrolling interests and additional paid in capital to adjust the carrying value of noncontrolling interests to be in-line with their equity ownership interests in the entities. During 2014, we recorded an equity reclassification adjustment of $6.6 million between noncontrolling interests and additional paid in capital to adjust the carrying value of the Realty Income, L.P. noncontrolling interests to be in-line with their equity ownership interest in the entity.

B. The Tau Operating Partnership preferred units were recorded at fair value as of the date of acquisition. Since they were redeemable at a fixed price on a determinable date, we initially classified them in other liabilities on our consolidated balance sheets. Payments on these preferred units were made monthly at a rate of 2% per annum and were included in interest expense. As of December 31, 2014, the preferred units had a carrying value of $6.75 million. In January 2015, we redeemed all 6,750 Tau Operating Partnership preferred units for $1,000 per unit, plus accrued and unpaid distributions.

11. Fair Value of Financial Instruments

Fair value is defined as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The disclosure for assets and liabilities measured at fair value requires allocation to a three-level valuation hierarchy. This valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Categorization within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

We believe that the carrying values reflected in our consolidated balance sheets reasonably approximate the fair values for cash and cash equivalents, accounts receivable, escrow deposits, loans receivable, line of credit payable, term loans and all other liabilities, due to their short-term nature or interest rates and terms that are consistent with market, except for our notes receivable issued in connection with property sales, mortgages payable and our senior notes and bonds payable, which are disclosed below (dollars in millions):

At June 30, 2015		**Carrying value per balance sheet**		**Estimated fair value**
Notes receivable issued in connection with property sales	$	18.1	$	19.9
Mortgages payable assumed in connection with acquisitions, net		769.5		777.6
Notes and bonds payable, net of unamortized original issuance discounts		3,786.1		3,988.6