

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D. C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

For the quarterly period ended September 30, 2005

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

*Commission File Number: 000-25771*

**CORPORATE PROPERTY ASSOCIATES 14  
INCORPORATED**

(Exact name of registrant as specified in its charter)

MARYLAND  
(State of incorporation)

13-3951476  
(I.R.S. Employer Identification No.)

50 ROCKEFELLER PLAZA  
NEW YORK, NEW YORK  
(Address of principal executive offices)

10020  
(Zip Code)

Registrant's telephone numbers, including area code:  
Investor Relations (212) 492-8920

(212) 492-1100

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 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  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes  No

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

Registrant has 68,323,437 shares of common stock, \$.001 par value outstanding at November 8, 2005.

# CORPORATE PROPERTY ASSOCIATES 14 INCORPORATED

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\* The summarized consolidated financial statements contained herein are unaudited; however, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of such financial statements have been included.

**CORPORATE PROPERTY ASSOCIATES 14 INCORPORATED**

**PART I**

**ITEM 1. - FINANCIAL STATEMENTS**

**CONSOLIDATED BALANCE SHEETS (UNAUDITED)**  
(in thousands except share amounts)

	SEPTEMBER 30, 2005	DECEMBER 31, 2004 (NOTE)
	-----	-----
<b>ASSETS:</b>		
Real estate, net of accumulated depreciation of \$102,393 at September 30, 2005 and \$86,212 at December 31, 2004	\$ 961,242	\$ 999,861
Net investment in direct financing leases	115,687	116,343
Equity investments	132,984	134,905
Asset held for sale	-	3,797
Cash and cash equivalents	43,687	36,395
Marketable securities	6,550	13,904
Other assets, net	49,115	41,150
	-----	-----
Total assets	\$ 1,309,265	\$ 1,346,355
	=====	=====
<b>LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY:</b>		
<b>Liabilities:</b>		
Mortgage notes payable	\$ 673,134	\$ 701,181
Mortgage notes payable on asset held for sale	-	2,190
Accrued interest	4,342	4,612
Due to affiliates	5,368	4,925
Accounts payable and accrued expenses	8,489	3,760
Prepaid rental income and security deposits	19,625	22,233
Deferred acquisition fees payable to affiliate	16,424	20,012
Other liabilities	1,365	1,424
Dividends payable	13,049	12,894
	-----	-----
Total liabilities	741,796	773,231
	-----	-----
Minority interest	25,387	26,426
	-----	-----
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Common stock, \$.001 par value; 120,000,000 shares authorized; issued and outstanding, 69,974,884 shares at September 30, 2005 and 68,982,023 shares at December 31, 2004	70	69
Additional paid-in capital	632,023	620,366
Dividends in excess of accumulated earnings	(80,795)	(76,301)
Accumulated other comprehensive income	8,311	13,621
	-----	-----
	559,609	557,755
Less, treasury stock at cost, 1,798,180 shares at September 30, 2005 and 1,191,490 shares at December 31, 2004	(17,527)	(11,057)
	-----	-----
Total shareholders' equity	542,082	546,698
	-----	-----
Total liabilities, minority interest and shareholders' equity	\$ 1,309,265	\$ 1,346,355
	=====	=====

NOTE: The balance sheet at December 31, 2004 has been derived from the audited consolidated financial statements at that date.

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

**CORPORATE PROPERTY ASSOCIATES 14 INCORPORATED**

**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**  
(in thousands except share and per share amounts)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2005	2004	2005	2004
REVENUES:				
Rental income	\$ 28,996	\$ 28,248	\$ 86,937	\$ 84,479
Interest income from direct financing leases	3,545	3,326	10,635	10,033
Other operating income	2,781	1,994	4,167	3,162
	-----	-----	-----	-----
	35,322	33,568	101,739	97,674
	-----	-----	-----	-----
OPERATING EXPENSES:				
Depreciation	(5,854)	(5,846)	(17,642)	(17,518)
Property expenses	(7,947)	(6,672)	(19,893)	(17,336)
General and administrative	(1,787)	(1,384)	(4,837)	(4,738)
	-----	-----	-----	-----
	(15,588)	(13,902)	(42,372)	(39,592)
	-----	-----	-----	-----
OTHER INCOME AND EXPENSES:				
Income from equity investments	3,812	3,729	11,554	10,674
Other interest income	510	292	1,681	903
Minority interest in income	(535)	(528)	(1,549)	(1,340)
Gain on sale of real estate	269	-	269	-
Gain (loss) on derivative instruments, net	385	(2)	2,983	(904)
(Loss) gain on foreign currency transactions, net	(115)	109	(366)	556
Interest expense	(13,221)	(13,409)	(39,762)	(40,311)
	-----	-----	-----	-----
	(8,895)	(9,809)	(25,190)	(30,422)
	-----	-----	-----	-----
INCOME FROM CONTINUING OPERATIONS	10,839	9,857	34,177	27,660
	-----	-----	-----	-----
DISCONTINUED OPERATIONS:				
Income from operations of discontinued properties	-	46	144	137
Gain on sale of real estate	-	-	196	-
	-----	-----	-----	-----
Income from discontinued operations	-	46	340	137
	-----	-----	-----	-----
NET INCOME	\$ 10,839	\$ 9,903	\$ 34,517	\$ 27,797
	=====	=====	=====	=====
BASIC EARNINGS PER SHARE:				
Income from continuing operations	\$ .16	\$ .15	\$ .50	\$ .41
Income from discontinued operations	-	-	.01	-
	-----	-----	-----	-----
NET INCOME	\$ .16	\$ .15	\$ .51	\$ .41
	=====	=====	=====	=====
DIVIDENDS DECLARED PER SHARE	\$ .1914	\$ .1899	\$ .5727	\$ .5690
	=====	=====	=====	=====
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC	68,266,521	67,525,951	68,153,518	67,332,252
	=====	=====	=====	=====

**CORPORATE PROPERTY ASSOCIATES 14 INCORPORATED**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**  
(in thousands)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2005	2004	2005	2004
Net income	\$ 10,839	\$ 9,903	\$ 34,517	\$ 27,797
Other comprehensive income:				
Change in foreign currency translation adjustment	(70)	588	(5,034)	(1,252)
Change in unrealized appreciation of marketable securities	(126)	225	(276)	139
	-----	-----	-----	-----
	(196)	813	(5,310)	(1,113)
	-----	-----	-----	-----
Comprehensive income	\$ 10,643	\$ 10,716	\$ 29,207	\$ 26,684
	=====	=====	=====	=====

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



**CORPORATE PROPERTY ASSOCIATES 14 INCORPORATED**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
(in thousands)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 34,517	\$ 27,797
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from discontinued operations, including gain on sale of real estate	(340)	(137)
Depreciation and amortization	18,473	18,435
Straight-line rent adjustments	(2,470)	(3,340)
Distributions from accumulated earnings of equity investments and income from equity investments in excess of distributions received	199	(599)
Issuance of shares to affiliate in satisfaction of fees due	6,447	6,144
Minority interest in income	1,549	1,340
Reversal of unrealized loss on warrants	7	-
Realized gain on sale of warrants	(2,192)	-
Unrealized (gain) loss on derivatives, net	(798)	904
Unrealized loss on foreign currency transactions, net	713	293
Gain on foreign currency transactions, net	(347)	(849)
Gain from sale of real estate	(269)	-
Change in other operating assets and liabilities, net	(3,874)	(1,685)
Net cash provided by continuing operations	51,615	48,303
Net cash provided by discontinued operations	144	133
Net cash provided by operating activities	51,759	48,436
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Distributions from operations of equity investments in excess of equity income	1,722	1,843
Purchase of real estate and additional capitalized costs	(2,044)	(15,817)
Purchases of securities	-	(10,825)
Proceeds from sales of securities	9,432	19,775
Proceeds from sale of real estate	2,000	-
Payment of deferred acquisition fees	(3,420)	(3,266)
Net cash provided by (used in) investing activities	7,690	(8,290)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Funds released by mortgage lenders	-	167
(Repayment) proceeds from note	-	(1,617)
Scheduled payments of mortgage principal	(8,758)	(8,113)
Distributions to minority interest partner	(2,588)	(1,936)
Proceeds from issuance of shares, net of costs	5,211	4,126
Dividends paid	(38,856)	(38,154)
Purchase of treasury stock	(6,470)	(3,403)
Net cash used in financing activities	(51,461)	(48,930)
Effect of exchange rate changes on cash	(696)	(325)
Net increase (decrease) in cash and cash equivalents	7,292	(9,109)
Cash and cash equivalents, beginning of period	36,395	38,725
Cash and cash equivalents, end of period	\$ 43,687	\$ 29,616

**Non-cash Investing Activity:**

In 2005, in connection with the sale of excess land at an existing property, \$1,625 was assigned to the mortgage lender and was used to reduce the outstanding principal balance on the loan.

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

## CORPORATE PROPERTY ASSOCIATES 14 INCORPORATED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands except share and per share amounts)

#### NOTE 1. BUSINESS:

Corporate Property Associates 14 Incorporated (the "Company") is a real estate investment trust ("REIT") that invests in commercial and industrial properties leased to companies domestically and internationally. The primary source of the Company's revenue is earned from leasing real estate, primarily on a net lease basis. The Company was formed in 1997 and is managed by a wholly-owned subsidiary of W. P. Carey & Co. LLC. As a REIT, the Company is not subject to federal income taxation as long as it satisfies certain requirements relating to the nature of the Company's income, the level of the Company's distributions and other factors.

#### NOTE 2. BASIS OF PRESENTATION:

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Article 10 of Regulation S-X of the United States Securities and Exchange Commission ("SEC"). They do not include all information and notes required by generally accepted accounting principles for complete financial statements. All significant intercompany balances and transactions have been eliminated. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement of the results of the interim periods presented have been included. The results of operations for the interim periods are not necessarily indicative of results for the full year. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

#### INFORMATION ABOUT GEOGRAPHIC AREAS

The Company has international investments in Finland, France, The Netherlands and the United Kingdom. These investments accounted for lease revenues (rental income and interest income from direct financing leases) of \$5,186 and \$4,938 for the three months ended September 30, 2005 and 2004, respectively, and \$15,794 and \$14,794 for the nine months ended September 30, 2005 and 2004, respectively. As of September 30, 2005 and December 31, 2004, long-lived assets related to international investments were \$179,129 and \$202,334, respectively.

#### RECLASSIFICATION

Certain prior period amounts have been reclassified to conform to current period financial statement presentation. For the periods ended September 30, 2005 and 2004, the Company purchased and sold auction-rate securities. As a result, certain amounts were reclassified in the accompanying statements of cash flows for the period ended September 30, 2004 to conform to the current period presentation.

#### RECENT ACCOUNTING PRONOUNCEMENTS

In June 2005, the Financial Accounting Standards Board ratified the Emerging Issues Task Force ("EITF") Consensus on Issue No. 04-5, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights." The EITF agreed on a framework for evaluating when a general partner controls, and should consolidate, a limited partnership or a similar entity. The EITF is effective after June 29, 2005, for all newly formed limited partnerships and for any pre-existing limited partnerships that modify their partnership agreements after that date. General partners of all other limited partnerships must apply the consensus no later than the first reporting period in fiscal years beginning after December 15, 2005. The adoption of EITF 04-5 is not expected to have a material impact on the Company's financial position or results of operations.

#### NOTE 3. TRANSACTIONS WITH RELATED PARTIES:

In connection with performing services on behalf of the Company, the advisory agreement between the Company and a wholly-owned subsidiary of W. P. Carey & Co. LLC (the "Advisor"), provides that the Advisor receive asset management and performance fees, each of which are 1/2 of 1% of average invested assets as defined in the advisory agreement. The performance fee is subordinated to the preferred return, a cumulative rate of cash flow from operations of 7%. Effective in 2005, the advisory agreement was amended to allow the Advisor to elect to receive restricted common stock for any fee due from the Company. Subsequent to this amendment, the Advisor has elected to receive the performance fees for 2005 in restricted shares of common stock of the Company at net asset value.

**CORPORATE PROPERTY ASSOCIATES 14 INCORPORATED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

(in thousands except share and per share amounts)

The Advisor is also reimbursed for the allocated cost of personnel needed to provide administrative services necessary to the operations of the Company. The Company incurred asset management fees of \$2,264 and \$2,147 for the three months ended September 30, 2005 and 2004, respectively, and \$6,790 and \$6,383 for the nine months ended September 30, 2005 and 2004, respectively, with performance fees in like amounts, both of which are included in property expenses in the accompanying financial statements. For the three months ended September 30, 2005 and 2004, the Company incurred personnel reimbursements of \$718 and \$616, respectively, and \$2,116 and \$2,165 for the nine months ended September 30, 2005 and 2004, respectively, which are included in general and administrative expenses in the accompanying financial statements.

Fees are payable to the Advisor for services provided to the Company relating to the identification, evaluation, negotiation, financing and purchase of properties. A portion of such fees is deferred and is payable in equal installments each January over no less than eight years following the first anniversary of the date a property was purchased. Such deferred fees are only payable if the preferred return is met. The unpaid portion of the deferred fees bears interest at an annual rate of 6% from the date of purchase until paid. Current and deferred fees for transactions completed during the nine months ended September 30, 2004 were \$901 and \$720, respectively. No such fees were incurred during the nine months ended September 30, 2005. An annual installment of deferred fees was paid to the Advisor in January 2005.

**NOTE 4. EQUITY INVESTMENTS:**

The Company owns interests in single-tenant net leased properties leased to corporations (i) through non controlling interests in various partnerships and limited liability companies in which its ownership interests are 50% or less and the Company exercises significant influence, and (ii) as tenants-in-common subject to joint control. The ownership interests range from 11.54% to 50%. All of the underlying investments are owned with affiliates that have similar investment objectives as the Company. The lessees are Advanced Micro Devices, Inc., Compucom Systems, Inc., Textron, Inc., CheckFree Holdings, Inc., Special Devices, Inc., Applied Materials, Inc., True Value Company, Clear Channel Communications, Inc., Starmark Camhood, LLC, U-Haul Moving Partners, Inc. and Mercury Partners, LP.

Summarized financial information of the Company's equity investees is as follows:

	AS OF SEPTEMBER 30, 2005	AS OF DECEMBER 31, 2004
Assets (primarily real estate)	\$ 1,087,152	\$ 1,122,692
Liabilities (primarily mortgage notes payable)	(656,063)	(682,377)
Partners' and members' equity	\$ 431,089	\$ 440,315
Company's share of equity investees' net assets	\$ 132,984	\$ 134,905
	=====	=====
	NINE MONTHS ENDED SEPTEMBER 30,	
	2005	2004
Revenues (primarily rental income and interest income from direct financing leases)	\$ 87,545	\$ 76,993
Expenses (primarily interest on mortgages and depreciation)	(52,118)	(46,555)
Net income	\$ 35,427	\$ 30,438
Company's share of net income from equity investments	\$ 11,554	\$ 10,674
	=====	=====

**NOTE 5. INTEREST IN MORTGAGE LOAN SECURITIZATION:**

The Company is accounting for its subordinated interest in the Carey Commercial Mortgage Trust ("CCMT") mortgage securitization as an available-for-sale marketable security, which is measured at fair value with all gains and losses from changes in fair value reported as a component of other comprehensive income as part of shareholders' equity. As of September 30, 2005, the fair value of the Company's interest was \$6,550, reflecting an aggregate unrealized gain of \$839 and cumulative net amortization of \$321 (\$78 for the nine months ended September 30, 2005). The fair value of the Company's interest in CCMT is determined using a discounted cash flow model with assumptions for market rates and the credit quality of the underlying lessees.

One of the key variables in determining the fair value of the subordinated interest is current interest rates. As required by SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," a sensitivity analysis of the current value of the interest based on adverse changes in market interest rates of 1% and 2% is as follows:

**CORPORATE PROPERTY ASSOCIATES 14 INCORPORATED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

(in thousands except share and per share amounts)

	FAIR VALUE AS OF SEPTEMBER 30, 2005	1% ADVERSE CHANGE	2% ADVERSE CHANGE
	-----	-----	-----
Fair value of the interest in CCMT	\$ 6,550	\$ 6,268	\$ 6,001

The above sensitivity analysis is hypothetical and changes in fair value, based on a 1% or 2% variation, should not be extrapolated because the relationship of the change in assumption to the change in fair value may not always be linear.

**NOTE 6. DERIVATIVE INSTRUMENTS:**

Derivative instruments include an interest rate swap agreement on a variable rate limited recourse mortgage obligation which has a notional amount of \$8,796 and matures in September 2007, common stock warrants in certain tenant companies, which provide for net settlement, and a provision in a lease contract which provides the Company with an option to receive a portion of rent in U.S. dollars or the local currency. The interest rate swap agreement was entered into for the purpose of fixing the interest rate on the limited recourse obligation for the term of that obligation; however, the swap agreement did not qualify as a hedge for financial accounting purposes and its changes in value are reflected in earnings.

For the three and nine months ended September 30, 2005 and 2004, unrealized gains and losses on derivative instruments were as follows:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	-----	-----	-----	-----
	2005	2004	2005	2004
	-----	-----	-----	-----
Unrealized gain (loss) on common stock warrants(1)	\$ 237	\$ 36	\$ 448	\$ (101)
Unrealized gain (loss) on interest rate swap agreement	148	(38)	343	(803)
Unrealized loss on foreign currency option(2)	(1)	(1)	(5)	(7)
	-----	-----	-----	-----
	\$ 384	\$ (3)	\$ 786	\$ (911)
	=====	=====	=====	=====

1. Includes the reversal of an unrealized gain of \$2,199 recognized during the three months ended March 31, 2005 in connection with the approval of a redemption transaction by American Tire Distributors, Inc. of its outstanding warrants. The redemption transaction was completed in April 2005, at which time the Company recognized a realized gain of \$2,192.

2. Included in loss (gain) on foreign currency transactions, net in the accompanying financial statements.

**NOTE 7. COMMITMENTS AND CONTINGENCIES:**

As previously reported, the Advisor and Carey Financial, LLC ("Carey Financial"), the wholly-owned broker-dealer subsidiary of the Advisor, are currently subject to an investigation by the SEC into payments made to third party broker-dealers and other matters.

In response to subpoenas and requests of the Division of Enforcement of the SEC ("Enforcement Staff"), the Advisor and Carey Financial have produced documents relating to payments made to certain broker-dealers, both during and after the offering process, for certain of the REITs managed by the Advisor (including Corporate Property Associates 10 Incorporated ("CPA(R):10"), Carey Institutional Properties Incorporated ("CIP(R)"), Corporate Property Associates 12 Incorporated ("CPA(R):12"), the Company and Corporate Property Associates 15 Incorporated ("CPA(R):15")), in addition to selling commissions and selected dealer fees.

Among the payments reflected in documents produced to the Enforcement Staff were certain payments, aggregating in excess of \$9,600, made to a broker-dealer which distributed shares of the REITs. The expenses associated with these payments, which were made during the period from early 2000 through the end of 2003, were borne by and accounted for on the books and records of the REITs. Of these payments, CPA (R):10 paid in excess of \$40; CIP(R) paid in excess of \$875; CPA(R):12 paid in excess of \$2,455; the Company paid in excess of \$4,990; and CPA(R):15 paid in excess of \$1,240. In addition, other smaller payments by the REITs to the same and other broker-dealers have been identified aggregating less than \$1,000.

Although no formal regulatory action has been initiated against the Advisor or Carey Financial in connection with the matters being investigated, the SEC may pursue such an action against either or both of them. The nature of the relief or remedies the SEC may seek cannot be predicted at this time. If such an action is brought, it could have a material adverse effect on the Advisor and Carey Financial and the magnitude of that effect would not necessarily be limited to the payments described above but could include other payments and civil monetary penalties. Any action brought against the Advisor or Carey Financial could also have a material adverse effect on the Company because of the Company's dependence on the Advisor and Carey Financial for a broad range of services.



**CORPORATE PROPERTY ASSOCIATES 14 INCORPORATED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

(in thousands except share and per share amounts)

The Company has provided indemnification in connection with divestitures. These indemnities address a variety of matters including environmental liabilities. The Company's maximum obligations under such indemnification cannot be reasonably estimated. The Company is not aware of any claims or other information that would give rise to material payments under such indemnifications.

**NOTE 8. DISCONTINUED OPERATIONS:**

In February 2005, the Company sold a property in Valencia, California formerly leased to Stellex Technologies, Inc. to a third party and received \$1,932, net of selling costs. In connection with this sale, the Company recognized a gain of \$196.

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the results of operations and gain or loss on sales of real estate for properties held for sale are reflected in the accompanying financial statements as Discontinued Operations for all periods presented and are summarized as follows:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2005	2004	2005	2004
Revenues (primarily rental revenues and other operating income)	\$ -	\$ 106	\$ 217	\$ 317
Expenses (primarily interest on mortgages, depreciation and property expenses)	-	(60)	(73)	(180)
Gain on sale of real estate	-	-	196	-
Income from discontinued operations	\$ -	\$ 46	\$ 340	\$ 137

## CORPORATE PROPERTY ASSOCIATES 14 INCORPORATED

### ITEM 2. - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(in thousands except share and per share amounts)

The following discussion and analysis of financial condition and results of operations of Corporate Property Associates 14 Incorporated contain forward-looking statements and should be read in conjunction with the consolidated financial statements and notes thereto as of September 30, 2005. As used in this quarterly report on Form 10-Q, the terms the "Company," "we," "us" and "our" include Corporate Property Associates 14 Incorporated, its consolidated subsidiaries and predecessors, unless otherwise indicated. Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements may include words such as "anticipate," "believe," "expect," "estimate," "intend," "could," "should," "would," "may," "seeks," "plans" or similar expressions. Do not unduly rely on forward-looking statements. They give our expectations about the future and are not guarantees, and speak only as of the date they are made. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievement to be materially different from the results of operations or plan expressed or implied by such forward-looking statements. While we cannot predict all of the risks and uncertainties, they include, but are not limited to, the risk factors described in Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2004. Accordingly, such information should not be regarded as representations that the results or conditions described in such statements or that our objectives and plans will be achieved. Additionally, a description of our critical accounting estimates is included in the management's discussion and analysis section in our Annual Report on Form 10-K for the year ended December 31, 2004. There has been no significant change in such critical accounting estimates.

#### EXECUTIVE OVERVIEW

#### BUSINESS OVERVIEW

We are a real estate investment trust ("REIT") that invests in commercial and industrial properties leased to companies domestically and internationally. The primary source of our revenue is earned from leasing real estate, primarily on a net lease basis. We were formed in 1997 and are managed by a wholly-owned subsidiary of W. P. Carey & Co. LLC (the "Advisor"). As a REIT, we are not subject to federal income taxation as long as we satisfy certain requirements relating to the nature of our income, the level of our distributions and other factors.

#### CURRENT DEVELOPMENTS AND TRENDS

##### Current Developments Include:

**PROPERTY ACTIVITY** - In July 2005, we completed a \$1,993 expansion at an existing property in France. In August 2005, we sold excess land at an existing property in Minnesota for \$1,625. In connection with this sale we realized a gain of \$252. Proceeds from this sale were used to pay down debt on this property. In September 2005, we entered into a new lease at a partially vacant property that will contribute approximately \$490 in initial annual rent.

**DIVIDEND** - In September 2005, our board of directors approved and increased the third quarter dividend to \$.1914 per share payable in October 2005 to shareholders of record as of September 30, 2005.

##### Current Trends Include:

We believe that the low long-term treasury rate has created greater investor demand for yield-based investments, such as net leased real estate, thus creating increased capital flows and a more competitive investment environment.

Increases in long term interest rates would likely cause the value of our real estate assets to decrease. Increases in interest rates may also have an impact on the credit quality of certain tenants. Rising interest rates would likely cause an increase in inflation and a corresponding increase in the Consumer Price Index ("CPI"). To the extent that the CPI increases, additional rental income streams may be generated for leases with CPI adjustment triggers. In addition, we constantly evaluate our debt exposure and to the extent that opportunities exist to refinance and lock in lower interest rates over a longer term, we may be able to reduce our exposure to short term interest rate fluctuation.

We have foreign operations and as such are subject to risk from the effects of exchange rate movements in foreign currencies. We benefit from a weaker U.S. dollar and are adversely affected by a stronger U.S. dollar relative to foreign currencies. Since December 31, 2004, the U.S. dollar has strengthened which has had an adverse impact on our results of operations and will continue to have such an impact while such strengthening continues.

Companies in automotive related industries (manufacturing, parts, services, etc.) are currently experiencing a challenging environment, which has resulted in several companies filing for bankruptcy protection recently. We currently have six tenants in the auto industry, of which three have filed voluntary petitions of bankruptcy during the nine months ended September 30, 2005. The tenants who have filed for bankruptcy protection have not indicated whether they will affirm their leases. These six tenants account for annual lease revenues of approximately

\$18,576 and have an aggregate carrying value of \$143,952 as of September 30, 2005. Of these totals, the three tenants that filed for bankruptcy protection account for approximately \$8,946 and \$68,998 of annual lease revenues

**CORPORATE PROPERTY ASSOCIATION 14 INCORPORATED**

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)**

(in thousands except share and per share amounts)

and carrying value at September 30, 2005, respectively. All tenants are current on their obligations. If conditions in this industry worsen, additional tenants may file for bankruptcy protection and may disaffirm their leases as part of their bankruptcy reorganization plans. The net result of these trends may have an adverse impact on our results of operations.

For the nine months ended September 30, 2005, cash flow generated from operations and equity investments were sufficient to fund distributions paid to shareholders and minority partners and scheduled mortgage principal payments. We have cash and cash equivalent balances of \$43,687 as of September 30, 2005 that can be utilized for working capital needs and other commitments and may be used for future real estate investments. Management believes that as the portfolio matures there is a potential for an increase in the value of the portfolio and that any increase may not be reflected in the financial statements; however, rising interest rates and other market conditions may have an adverse affect on the future value of the portfolio.

**HOW MANAGEMENT EVALUATES RESULTS OF OPERATIONS**

Management evaluates our results of operations with a primary focus on the ability to generate cash flow necessary to meet our objectives of funding distributions to our shareholders and overall property appreciation. As a result, management's assessment of operating results gives less emphasis to the effect of unrealized gains and losses, which may cause fluctuations in net income for comparable periods but have no impact on cash flow, and to other non-cash charges such as depreciation and impairment charges. In evaluating cash flow from operations, management includes equity distributions that are included in investing activities to the extent that the distributions in excess of equity income are the result of non-cash charges such as depreciation and amortization. Management does not consider unrealized gains and losses resulting from short-term foreign currency fluctuations or derivative instruments when evaluating our ability to fund distributions. Management's evaluation of our potential for generating cash flow includes our assessment of the long-term sustainability of our real estate portfolio.

Our operations consist of the investment in and the leasing of commercial and industrial real estate. Management's evaluation of the sources of lease revenues for the nine-month periods ended September 30, 2005 and 2004 is as follows:

	2005	2004
	-----	-----
Rental income	\$ 86,937	\$ 84,479
Interest from direct financing leases	10,635	10,033
	-----	-----
	\$ 97,572	\$ 94,512
	=====	=====

For the nine-month periods ended September 30, 2005 and 2004, we earned net lease revenues (i.e., rental income and interest income from direct financing leases) from our direct ownership of real estate from the following lease obligations:

	NINE MONTHS ENDED SEPTEMBER 30,	
	2005	2004
	-----	-----
Carrefour France, SAS (a) (d)	\$ 10,912	\$ 10,069
Petsmart, Inc. (b)	6,228	6,228
Federal Express Corporation (b)	5,044	4,990
Nortel Networks Limited	4,501	4,501
Atrium Companies, Inc.	3,582	3,417
Advance PCS, Inc.	3,225	3,225
Tower Automotive, Inc. (c)	3,050	2,921
Katun Corporation (a)	2,872	2,852
Dick's Sporting Goods, Inc.	2,858	2,858
McLane Company Foodservice, Inc. (b)	2,699	2,669
Metaldyne Company LLC (d)	2,651	2,453
Collins & Aikman Corporation (c)	2,586	2,512
Perkin Elmer, Inc. (a)	2,565	2,521
APW North America Inc.	2,265	2,209
Gibson Guitar Corp. (b)	1,943	1,896
Builders FirstSource, Inc. (b)	1,888	1,869
Amerix Corporation	1,873	1,873
Mayo Foundation	1,815	1,815
Gerber Scientific, Inc.	1,753	1,691

**CORPORATE PROPERTY ASSOCIATION 14 INCORPORATED**

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)**

(in thousands except share and per share amounts)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2005	2004
Waddington North America, Inc.	1,741	1,700
Buffets, Inc.	1,729	1,704
Institutional Jobbers Company	1,703	1,703
Best Buy	1,671	1,503
Other (a) (b)	26,418	25,333
	-----	-----
	\$ 97,572	\$ 94,512
	=====	=====

(a) Revenue amounts are subject to fluctuations in foreign currency exchange rates.

(b) Includes lease revenues applicable to minority interests. Minority interests included in the consolidated amounts above total \$6,029 and \$5,975 for the nine-month periods ended September 30, 2005 and 2004, respectively.

(c) Filed for Chapter 11 bankruptcy protection during 2005.

(d) Increase is due to a rent increase.

We recognize income from equity investments of which lease revenues are a significant component. Our ownership interests range from 11.54% to 50%. For the nine-month periods ended September 30, 2005 and 2004, our share of net lease revenues in the following lease obligations is as follows:

	NINE MONTHS ENDED SEPTEMBER 30,	
	2005	2004
Starmark Camhood, LLC	\$ 5,591	\$ 5,619
Clear Channel Communications, Inc.	4,245	4,245
True Value Company	3,799	3,799
Advanced Micro Devices, Inc. (b)	2,613	2,444
Mercury Partners and U-Haul Moving Partners (a)	2,470	1,392
Applied Materials, Inc.	2,458	2,429
CheckFree Holdings, Inc.	1,685	1,635
Special Devices, Inc.	1,549	1,529
Compucom Systems, Inc.	1,110	1,056
Textron, Inc.	995	930
	-----	-----
	\$ 26,515	\$ 25,078
	=====	=====

(a) Interest in this investment was acquired in April 2004.

(b) Increase is due to a rent increase.

**RESULTS OF OPERATIONS**

**LEASE REVENUES**

For the comparable quarters ended September 30, 2005 and 2004, lease revenues (rental income and interest income from direct financing leases) increased by \$967 primarily as a result of \$766 from rent increases at several properties and \$203 from lease activity at existing properties (leases with new tenants, lease renewals) and the completion of a build-to-suit project in 2004. Our net leases generally have rent increases based on formulas indexed to increases in the CPI or other indices for the jurisdiction in which the property is located, sales overrides or other periodic increases, which are designed to increase lease revenues in the future.

For the comparable nine-month periods ended September 30, 2005 and 2004, lease revenues increased by \$3,060 primarily due to the same factors described above. Rent increases at several properties accounted for \$2,112 of the total increase while lease activity at existing properties

and the completion of a build-to-suit project in 2004 accounted for \$592 of the total increase. In addition, lease revenue increased by \$442 from the impact of changes in foreign exchange rates (Euro and the British Pound) on rents from foreign properties.

## CORPORATE PROPERTY ASSOCIATION 14 INCORPORATED

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

(in thousands except share and per share amounts)

#### RECENT LEASE ACTIVITY

In July 2005, we completed a \$1,993 expansion at an existing property in France that will provide initial annual rent of approximately \$180 subject to foreign currency fluctuations. In September 2005, we entered into a new lease at a partially vacant property that will contribute approximately \$490 in initial annual rent.

#### OTHER OPERATING INCOME

Other operating income generally consists of costs reimbursable by tenants, lease termination payments and other non-rent related revenues including, but not limited to, settlements of claims against former lessees. We receive settlements in the ordinary course of business; however, the timing and amount of such settlements cannot always be estimated. Actual recoveries of reimbursable costs are recorded as both income and property expense and, therefore, have no impact on net income. For the comparable three and nine-month periods ended September 30, 2005 and 2004, other operating income increased \$787 and \$1,005, respectively primarily due to increased property costs which are reimbursable by tenants.

#### PROPERTY EXPENSES

For the comparable quarters ended September 30, 2005 and 2004, property expenses increased by \$1,275 primarily due to an increase in reimbursable tenant costs of \$833 and an increase in asset management and performance fees of \$234, which was the result of increases in property values pursuant to the annual third party valuation of our portfolio as of December 31, 2004.

For the comparable nine-month periods ended September 30, 2005 and 2004 property expenses increased by \$2,557 primarily due to the same factors described above. Reimbursable tenant costs increased \$1,218 and asset management and performance fees increased \$814. We also incurred a \$188 repair expenditure at a property in California.

#### GENERAL AND ADMINISTRATIVE EXPENSES

For the comparable quarters ended September 30, 2005 and 2004, general and administrative expenses increased \$403 primarily due several factors, including an increase in our share of rental expenses under an office-sharing agreement, increased state and local income taxes and an increase in investor related costs, including printing and proxy solicitation costs. These increases were partially offset by a reduction in accounting fees as, pursuant to recently clarified SEC interpretations, we are not considered an accelerated filer and therefore are not required to perform compliance testing under the Sarbanes-Oxley Act until 2007.

For the comparable nine-month periods ended September 30, 2005 and 2004, general and administrative expenses increased \$99 primarily due to an increase in our share of rental expenses under an office-sharing agreement and an increase in investor related costs as described above. These increases were partially offset by a reduction in accounting fees as described above.

#### INCOME FROM EQUITY INVESTMENTS

For the comparable quarters ended September 30, 2005 and 2004, income from equity investments increased by \$83 primarily due to rent increases at several properties as well as a reduction in interest expense due to lower mortgage balances because of scheduled mortgage principal payments.

For the comparable nine-month periods ended September 30, 2005 and 2004, income from equity investments increased by \$880 primarily due to our April 2004 purchase of an 11.54% interest in a limited partnership which purchased 78 U-Haul properties. This acquisition contributed \$424 of the total increase. Rent increases at several properties as well as a reduction in interest expense due to lower mortgage balances because of scheduled mortgage principal payments also contributed to this increase.

#### GAIN ON SALE OF REAL ESTATE

Gain on sale of real estate of \$269 for the three and nine-month periods ended September 30, 2005 primarily relates to a gain on the sale of excess land at an existing property.

## CORPORATE PROPERTY ASSOCIATION 14 INCORPORATED

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

(in thousands except share and per share amounts)

#### GAIN (LOSS) ON DERIVATIVE INSTRUMENTS, NET

Gain on derivative instruments, net, of \$385 for the quarter ended September 30, 2005 primarily relates to the increase in valuation of certain common stock warrants. The loss on derivative instruments for the comparable prior year period was primarily attributable to a decline in the fair value of an interest rate swap contract that did not qualify as a hedge for financial accounting purposes.

Gain on derivative instruments, net, of \$2,983 for the nine months ended September 30, 2005 primarily represents a realized gain of \$2,192 on common stock warrants of as a result of the completion of a redemption transaction by American Tire Distributors, Inc. of its outstanding warrants in April 2005. The loss on derivative instruments for the comparable prior year period was primarily attributable to a decline in the fair value of an interest rate swap contract that did not qualify as a hedge for financial accounting purposes.

#### INCOME FROM DISCONTINUED OPERATIONS

Included in income from discontinued operations for the three and nine-month periods ended September 30, 2005 and 2004 are the results of operations and gain of \$196 on the sale of a property in California in February 2005.

#### NET INCOME

For the comparable quarters ended September 30, 2005 and 2004, net income increased by \$936 primarily due to increases in lease revenues of \$967, other operating income of \$787, an increase in gain on derivative instruments of \$387 and a gain of \$269 from the sale of real estate. These increases were partially offset by an increase in property expenses. These variances are described above.

For the comparable nine-month periods ended September 30, 2005 and 2004, net income increased by \$6,720 primarily due to increases in lease revenues of \$3,060, other operating income of \$1,005 and income from equity investments of \$880. Net income also benefited from a realized gain of \$2,192 primarily related to the completion of a warrant redemption transaction. These increases were partially offset by an increase in property expenses. These variances are described above.

#### FINANCIAL CONDITION

##### USES OF CASH DURING THE PERIOD

There has been no material change in our financial condition since December 31, 2004. Cash and cash equivalents totaled \$43,687 as of September 30, 2005, an increase of \$7,292 from the December 31, 2004 balance. Management believes that we have sufficient cash balances to meet our working capital needs. Our use of cash during the period is described below.

**OPERATING ACTIVITIES** - In evaluating cash flow from operations, management includes cash flow from our equity distributions that are included in investing activities. For the nine-month period ended September 30, 2005, cash flows from operating activities and equity investments of \$53,481 were sufficient to pay distributions to shareholders of \$38,856, meet scheduled principal payment installments on mortgage debt of \$8,758 and distribute \$2,588 to minority partners.

Annual operating cash flow is expected to increase as a result of recent lease activity, including a new lease entered in September 2005 at a partially vacant property and a property expansion completed in July 2005. These leases will contribute additional annual cash flow of approximately \$670. Scheduled rent increases in 2005 at several existing properties should also contribute to increased cash flow.

**INVESTING ACTIVITIES** - Our investing activities are generally comprised of real estate purchases, payment of our annual installment of deferred acquisition fees and receipt of proceeds from the sale of property. In addition to receiving net proceeds of \$2,000 from the sale of our Valencia, California property, we also received net proceeds of \$7,000 from the sale of auction-rate securities, and net proceeds of \$2,432 from the sale of warrants in connection with the completion of a redemption transaction by American Tire Distributors, Inc. of its outstanding warrants in April 2005. Proceeds of \$1,625 from the sale of excess land at an existing property

**CORPORATE PROPERTY ASSOCIATION 14 INCORPORATED**

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)**

(in thousands except share and per share amounts)

were assigned to the mortgage lender and were used to reduce the outstanding principal balance on the loan. The annual installment of deferred acquisition fees is paid each January and was \$3,420 in 2005.

**FINANCING ACTIVITIES** - In addition to making scheduled mortgage principal payments, paying distributions to shareholders and minority partners, we used \$6,470 to purchase treasury shares through a redemption plan which allows shareholders to sell shares back to us, subject to certain limitations. We also obtained \$5,211 as a result of issuing shares through our Distribution Reinvestment and Share Purchase Plan.

**CASH RESOURCES**

As of September 30, 2005, we had \$43,687 in cash and cash equivalents which will primarily be used for working capital needs and other commitments and may be used for future real estate purchases. In addition, debt may be incurred on unleveraged properties with a carrying value of \$55,301 as of September 30, 2005 and any proceeds may be used to finance future real estate investments and for working capital needs.

**CASH REQUIREMENTS**

During the next twelve months, cash requirements will include scheduled mortgage principal payment installments, a balloon payment of \$10,299 due in June 2006, which represents our pro rata share of a mortgage obligation on an equity basis, paying distributions to shareholders and minority partners as well as other normal recurring operating expenses. We may also seek to use our cash to make new investments to further diversify our portfolio and maintain cash balances sufficient to meet working capital needs. Based on the projected increase in operating cash flows from new leases, the completed build-to-suit projects and scheduled rent increases, cash flow from operations and distributions from operations of equity investments in excess of equity income is expected to be sufficient to meet operating cash flow objectives during the next twelve months.

**AGGREGATE CONTRACTUAL AGREEMENTS**

The table below summarizes our contractual obligations as of September 30, 2005 and the effect that such obligations are expected to have on our liquidity and cash flow in future periods.

	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Limited recourse mortgage notes payable (1)	\$ 980,723	\$ 62,618	\$ 130,357	\$ 188,732	\$ 599,016
Deferred acquisition fees due to affiliate (1)	19,437	4,500	8,098	5,238	1,601
Subordinated disposition fees (2)	412	--	--	--	412
Operating leases (3)	7,110	515	1,071	1,308	4,216
	-----	-----	-----	-----	-----
	\$ 1,007,682	\$ 67,633	\$ 139,526	\$ 195,278	\$ 605,245
	=====	=====	=====	=====	=====

(1) Amounts are inclusive of principal and interest.

(2) Payable, subject to meeting contingencies, in connection with any liquidity event.

(3) Operating lease obligations consist primarily of our share of minimum rents payable under an office cost-sharing agreement with certain affiliates for the purpose of leasing office space used for the administration of real estate entities. Such amounts are allocated among the entities based on gross revenues and are therefore subject to fluctuation.

As of September 30, 2005, we have no material capital lease obligations, either individually or in the aggregate.

Amounts related to our foreign operations are based on the exchange rate of the local currencies as of September 30, 2005.

## CORPORATE PROPERTY ASSOCIATES 14 INCORPORATED

### ITEM 3. - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

(in thousands except share and per share amounts)

Market risk is the exposure to loss resulting from changes in interest rates, credit spreads, foreign currency exchange rates and equity prices. In pursuing our business plan, the primary market risks to which we are exposed are interest rate and foreign currency exchange rate risks.

#### INTEREST RATE RISK

The value of our real estate is subject to fluctuations based on changes in interest rates, local and regional economic conditions and changes in the creditworthiness of lessees, and which may affect our ability to refinance our debt when balloon payments are scheduled.

Our marketable securities consist of our ownership interests in Carey Commercial Mortgage Trust. The value of the marketable securities is subject to fluctuation based on changes in interest rates, economic conditions and the creditworthiness of lessees at the mortgaged properties. As of September 30, 2005, our marketable securities had a fair value of \$6,550.

At September 30, 2005, the majority of our long-term debt bears interest at fixed rates, and therefore the fair value of these instruments is affected by changes in the market interest rates. The following table presents principal cash flows based upon expected maturity dates of our debt obligations and the related weighted-average interest rates by expected maturity dates for our fixed rate debt. The interest rates on our fixed rate debt as of September 30, 2005 ranged from 5.15% to 8.85%. The interest rates on our variable rate debt as of September 30, 2005 ranged from 5.69% to 6.48%.

	2005	2006	2007	2008
Fixed rate debt	\$ 2,929	\$ 12,154	\$ 13,077	\$ 19,209
Weighted average interest rate	7.15%	7.15%	7.15%	7.32%
Variable rate debt	\$ 127	\$ 536	\$ 574	\$ 612
	2009	THEREAFTER	TOTAL	FAIR VALUE
Fixed rate debt	\$ 61,606	\$ 537,306	\$ 646,281	\$ 646,555
Weighted average interest rate	8.01%	7.39%		
Variable rate debt	\$ 660	\$ 24,344	\$ 26,853	\$ 26,853

Annual interest expense from variable rate debt would increase or decrease by approximately \$180 for each change of 1% in annual interest rates. Included in variable rate debt is an interest rate swap agreement on a variable rate obligation with a balance at September 30, 2005 of \$8,696, for which the related cash flow is therefore not affected by changes in interest rates. A change in interest rates of 1% would increase or decrease the fair value of our fixed rate debt at September 30, 2005 by approximately \$31,295.

#### FOREIGN CURRENCY EXCHANGE RATE RISK

We have foreign operations in the United Kingdom, Finland, France and The Netherlands and as such are subject to risk from the effects of exchange rate movements of foreign currencies, which may affect future costs and cash flows. Our foreign operations for the preceding year were conducted in the Euro and the British Pound. For these currencies we are a net receiver of the foreign currency (we receive more cash than we pay out) and therefore our foreign investments benefit from a weaker U.S. dollar and are adversely affected by a stronger U.S. dollar relative to the foreign currency. We recognized foreign currency translation loss of \$115 and a gain of \$109 for the three-month periods ended September 30, 2005 and 2004, respectively, and we recognized a foreign currency translation loss of \$366 and gain of \$556 for the nine-month periods ended September 30, 2005 and 2004, respectively. Such gains and losses are included in the accompanying financial statements and are primarily due to changes in foreign currency on accrued interest receivable on notes receivable from wholly-owned subsidiaries.

To date, we have not entered into any foreign currency forward exchange contracts to hedge the effects of adverse fluctuations in foreign currency exchange rates. We have obtained limited recourse mortgage financing at fixed rates of interest in the local currency. To the extent that currency fluctuations increase or decrease rental revenues as translated to dollars, the change in debt service, as translated to dollars, will partially offset the effect of fluctuations in revenue, and, to some extent mitigate the risk from changes in foreign currency rates. For the nine months ended September 30, 2005, Carrefour, which leases properties in France, contributed 11% of lease revenues. The leverage on the limited recourse financing of the Carrefour investment is higher than the average leverage on our domestic real estate investments.

## CORPORATE PROPERTY ASSOCIATES 14 INCORPORATED

### ITEM 4. - CONTROLS AND PROCEDURES

Our disclosure controls and procedures include our controls and other procedures designed to ensure that information required to be disclosed in this and other reports filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is accumulated and communicated to our management, including our Chief Executive Officer and acting Chief Financial Officer, to allow timely decisions regarding required disclosure and to ensure that such information is recorded, processed, summarized and reported, within the required time periods.

Our Chief Executive Officer and acting Chief Financial Officer have conducted an evaluation of our disclosure controls and procedures as of September 30, 2005.

Based upon this evaluation, our Chief Executive Officer and acting Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Exchange Act) are sufficiently effective to ensure that the information required to be disclosed by us in the reports we file under the Exchange Act is recorded, processed, summarized and reported with adequate timeliness.

There have been no changes during the most recent fiscal quarter in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

# CORPORATE PROPERTY ASSOCIATES 14 INCORPORATED

## PART II

### ITEM 2. - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) For the quarter ended September 30, 2005, 186,738 shares were issued to the Advisor as consideration for performance fees. Shares were issued at a per share amount of \$12.10.

#### (c) Issuer Purchases of Equity Securities

PERIOD	TOTAL NUMBER OF SHARES PURCHASED	AVERAGE PRICE PAID PER SHARE	TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS (1)
-----	-----	-----	-----
January 1, 2005 - January 31, 2005	138,585	\$ 10.16	N/A
February 1, 2005 - February 28, 2005	-	-	N/A
March 1, 2005 - March 31, 2005	-	-	N/A
April 1, 2005 - April 30, 2005	105,679	10.84	N/A
May 1, 2005 - May 31, 2005	800	11.01	N/A
June 1, 2005 - June 30, 2005	130,700	10.89	N/A
July 1, 2005 - July 31, 2005	-	-	N/A
August 1, 2005 - August 31, 2005	-	-	N/A
September 1, 2005 - September 30, 2005	230,926	10.93	N/A
	-----		
	606,690		
	=====		

(1) All shares were purchased pursuant to the Company's redemption plan. In November 1997, we announced a redemption plan under which we may elect to redeem shares subject to certain conditions and limitations. The maximum amount of shares purchasable in any period depends on the availability of funds generated by the Distribution Reinvestment and Share Purchase Plan and other factors at the discretion of the Company's Board of Directors. The redemption plan will terminate if and when our shares are listed on a national securities market.

### ITEM 6. - EXHIBITS

10.1 Amended and Restated Advisory Agreement, dated as of September 30, 2005, between Corporate Property Associates 14 Incorporated and Carey Asset Management Corp.

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**CORPORATE PROPERTY ASSOCIATES 14 INCORPORATED**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**CORPORATE PROPERTY ASSOCIATES 14 INCORPORATED**

*11/14/2005*  
*Date*

*By: /s/ Claude Fernandez*

-----  
*Claude Fernandez*  
*Managing Director and acting Chief Financial Officer*  
*(acting Principal Financial Officer)*

*11/14/2005*  
*Date*

*By: /s/ Michael D. Roberts*

-----  
*Michael D. Roberts*  
*Executive Director and Controller*  
*(acting Principal Accounting Officer)*

**Exhibit 10.1**

**AMENDED AND RESTATED ADVISORY AGREEMENT**

THIS AMENDED AND RESTATED ADVISORY AGREEMENT, dated as of September 30, 2005, is between CORPORATE PROPERTY ASSOCIATES 14 INCORPORATED, a Maryland corporation (the "COMPANY"), and CAREY ASSET MANAGEMENT CORP., a Delaware corporation and wholly-owned subsidiary of W. P. Carey & Co. LLC (the "ADVISOR").

**WITNESSETH:**

WHEREAS, the Company desires to avail itself of the experience, sources of information, advice and assistance of, and certain facilities available to, the Advisor and to have the Advisor undertake the duties and responsibilities hereinafter set forth, on behalf of, and subject to the supervision of the Board of Directors of the Company, all as provided herein; and

WHEREAS, the Advisor is willing to render such services, subject to the supervision of the Board of Directors, on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

1. DEFINITIONS. As used in this Agreement, the following terms have the definitions hereinafter indicated:

**Acquisition Expense.** To the extent not paid or to be paid by the seller or lessee in the case of a Property or the borrower in the case of a Loan, those expenses, including but not limited to travel and communications expenses, the cost of appraisals, title insurance, nonrefundable option payments on Property not acquired, legal fees and expenses, accounting fees and expenses and miscellaneous expenses, related to selection, acquisition and origination of Properties and Loans, whether or not acquired. Acquisition Expenses shall not include Acquisition Fees.

**Acquisition Fee.** Any fee or commission (including any interest thereon) paid by the Company to the Advisor or, with respect to Section 9(d), by the Company to any party, in connection with the making or investing in Loans and the purchase, development or construction of Properties by the Company. A Development Fee or a Construction Fee paid to a Person not affiliated with the Sponsor in connection with the actual development or construction of a project after acquisition of the Property by the Company shall not be deemed an Acquisition Fee. Acquisition Fees include, but are not limited to, any real estate commission, selection fee, development fee (other than as described above) or any fee of a similar nature, however designated. Acquisition Fees include

Subordinated Acquisition Fees unless the context otherwise requires. Acquisition Fees shall not include Acquisition Expenses.

**Adjusted Invested Assets.** The average during any period of the aggregate historical cost, or to the extent available for a particular asset, the most recent Appraised Value, of the Investment Assets of the Company, before accumulated reserves for depreciation or bad debt allowances or other similar non-cash reserves, computed (unless otherwise specified) by taking the average of such values at the end of each month during such period.

**Adjusted Investor Capital.** As of any date, the Initial Investor Capital reduced by any Redemptions, other than Redemptions intended to qualify as a liquidity event for purposes of this Agreement, and by any other Distributions on or prior to such date determined by the Board to be from Cash from Sales and Financings.

**Adjusted Net Income.** For any period, the total revenues recognized in such period, less the total expenses recognized in such period, excluding additions to reserves for depreciation and amortization, bad debts or other similar non-cash reserves; provided, however, if the Advisor receives a Subordinated Incentive Fee, Adjusted Net Income for purposes of calculating total allowable Operating Expenses shall exclude any gain, losses or writedowns from the sale of the Company's assets that gave rise to such Subordinated Incentive Fee.

**Advisor.** Carey Asset Management Corp, a corporation organized under the laws of the State of Delaware and wholly-owned by W. P. Carey & Co. LLC.

**Affiliate.** An Affiliate of another Person shall include any of the following: (i) any Person directly or indirectly owning, controlling, or holding, with power to vote ten percent or more of the outstanding voting securities of such other Person; (ii) any Person ten percent or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held, with power to vote, by such other Person; (iii) any Person directly or indirectly controlling, controlled by, or under common control with such other Person; (iv) any executive officer, director, trustee or general partner of such other Person; or (v) any legal entity for which such Person acts as an executive officer, director, trustee or general partner.

**Agreement. This Advisory Agreement.**

**Appraised Value.** Value according to an appraisal made by an Independent Appraiser, which may take into consideration any factor deemed appropriate by such Independent Appraiser, including, but not limited to, the terms and conditions of any lease of the relevant property, the quality of any lessee's credit and the conditions of the credit markets. The Appraised Value may be greater than the construction cost or the replacement cost of the property. For purposes

of the definition of Adjusted Invested Assets, Appraised Value shall not include the initial appraisal of any property in connection with the acquisition of that property.

Articles of Incorporation. Articles of Incorporation of the Company under the General Corporation Law of Maryland, as amended from time to time, pursuant to which the Company is organized.

Asset Management Fee. The Asset Management Fee as defined in Section 9(a) hereof.

Average Invested Assets. The average during any period of the aggregate book value of the assets of the Company invested, directly or indirectly, in Properties and in Loans, before reserves for depreciation or bad debts or other similar non-cash reserves computed by taking the average of such daily values at the end of each month during such period.

**Board or Board of Directors. The Board of Directors of the Company.**

Bylaws. The bylaws of the Company.

Cash from Financings. Net cash proceeds realized by the Company from the financing of Investment Assets or the refinancing of any Company indebtedness.

Cash from Sales. Net cash proceeds realized by the Company from the sale, exchange or other disposition of any of its assets after deduction of all expenses incurred in connection therewith. Cash from Sales shall not include Cash from Financings.

Cash from Sales and Financings. The total sum of Cash from Sales and Cash from Financings.

Cause. With respect to the termination of this Agreement, fraud, criminal conduct, willful misconduct or willful or negligent breach of fiduciary duty by the Advisor that, in each case, is determined by a majority of the Independent Directors to be materially adverse to the Company.

Change of Control. A change of control of the Company of a nature that would be required to be reported in response to the disclosure requirements of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), as enacted and in force on the date hereof, whether or not the Company is then subject to such reporting requirements; provided, however, that, without limitation, a Change of Control shall be deemed to have occurred if: (i) any "person" (within the meaning of Section 13(d) of the Exchange Act, as enacted and in force on the date hereof) is

or becomes the "beneficial owner" (as that term is defined in Rule 13d-3, as enacted and in force on the date hereof, under the Exchange Act) of securities of the Company representing 8.5% or more of the combined voting power of the Company's securities then outstanding; (ii) there occurs a merger, consolidation or other reorganization of the Company which is not approved by the Board; (iii) there occurs a sale, exchange, transfer or other disposition of substantially all of the assets of the Company to another entity, which disposition is not approved by the Board; or (iv) there occurs a contested proxy solicitation of the Shareholders of the Company that results in the contesting party electing candidates to a majority of the Board's positions next up for election.

Code. Internal Revenue Code of 1986, as amended.

Company. Corporate Property Associates 14 Incorporated, a corporation organized under the laws of the State of Maryland.

Competitive Real Estate Commission. The real estate or brokerage commission paid for the purchase or sale of a property that is reasonable, customary and competitive in light of the size, type and location of the property.

Construction Fee. A fee or other remuneration for acting as general contractor and/or construction manager to construct improvements, supervise and coordinate projects or to provide major repairs or rehabilitation on a Property.

Contract Purchase Price. The amount actually paid for, or allocated to, the purchase, development, construction or improvement of a Property or acquired Loan or, in the case of an originated Loan, the principal amount of such Loan, exclusive, in each case, of Acquisition Fees and Acquisition Expenses.

Contract Sales Price. The total consideration received by the Company for the sale of Properties and Loans.

Cumulative Return. For the period for which the calculation is being made, the percentage resulting from dividing (A) the total Distributions for such period (not including Distributions out of Cash from Sales and Financings), by (B) the product of (i) the average Adjusted Investor Capital for such period (calculated on a daily basis), and (ii) the number of years (including fractions thereof) elapsed during such period. Notwithstanding the foregoing, neither the Shares received by the Advisor or its Affiliates for any consideration other than cash, nor the Distributions in respect of such Shares, shall be included in the foregoing calculation.

Development Fee. A fee for the packaging of a Property including negotiating and approving plans, and undertaking to assist in obtaining zoning and

necessary variances and necessary financing for the specific Property, either initially or at a later date.

**Directors.** The persons holding such office, as of any particular time, under the Articles of Incorporation, whether they be the directors named therein or additional or successor directors.

**Distributions.** Distributions declared by the Board.

**Good Reason.** With respect to the termination of this Agreement, (i) any failure to obtain a satisfactory agreement from any successor to the Company to assume and agree to perform the Company's obligations under this Agreement; or (ii) any material breach of this Agreement of any nature whatsoever by the Company; provided that such breach (a) is of a material term or condition of this Agreement and (b) the Company has not cured such breach within 30 days of written notice thereof or, in the case of any breach that cannot be cured within 30 days by reasonable effort, has not taken all necessary action within a reasonable time period to cure such breach.

**Gross Offering Proceeds.** The aggregate purchase price of Shares sold in any Offering.

**Independent Appraiser.** A qualified appraiser of real estate as determined by the Board, who is not affiliated, directly or indirectly, with the Company, the Advisor or their respective Affiliates. Membership in a nationally recognized appraisal society such as the American Institute of Real Estate Appraisers or the Society of Real Estate Appraisers shall be conclusive evidence of such qualification.

**Independent Director.** A Director of the Company who meets the criteria for an Independent Director specified in the Bylaws.

**Individual.** Any natural person and those organizations treated as natural persons in Section 542(a) of the Code.

**Initial Closing Date.** The first date on which Shares were issued pursuant to an Offering.

**Initial Investor Capital.** The total amount of capital invested from time to time by Shareholders (computed at the Original Issue Price per Share), excluding any Shares received by the Advisor or its Affiliates for any consideration other than cash.

**Investment Asset. Any Property, Loan or Other Permitted Investment Asset.**

Loan Refinancing Fee. The Loan Refinancing Fee as defined in Section 9(e) hereof.

Loans. The notes and other evidences of indebtedness or obligations acquired or entered into by the Company as lender which are secured or collateralized by personal property, or fee or leasehold interests in real estate or other assets, including but not limited to first or subordinate mortgage loans, construction loans, development loans, loans secured by capital stock or any other assets or form of equity interest and any other type of loan or financial arrangement, such as providing or arranging for letters of credit, providing guarantees of obligations to third parties, or providing commitments for loans. The term "Loans" shall not include leases which are not recognized as leases for Federal income tax reporting purposes.

Market Value. The value calculated by multiplying the total number of outstanding Shares by the average closing price of the Shares over the 30 trading days beginning 180 calendar days after the Shares are first listed on a national security exchange or included for quotation on Nasdaq, as the case may be.

Nasdaq. The national automated quotation system operated by the National Association of Securities Dealers, Inc.

Offering. The offering of Shares pursuant to a Prospectus.

Operating Expenses. All operating, general and administrative expenses paid or incurred by the Company, as determined under generally accepted accounting principles, except the following: (i) interest and discounts and other cost of borrowed money; (ii) taxes (including state and Federal income tax, property taxes and assessments, franchise taxes and taxes of any other nature); (iii) expenses of raising capital, including Organization and Offering Expenses, printing, engraving, and other expenses, and taxes incurred in connection with the issuance and distribution of the Company's Shares and Securities; (iv) Acquisition Expenses, real estate commissions on resale of property and other expenses connected with the acquisition, disposition, origination, ownership and operation of real estate interests, mortgage loans, or other property, including the costs of foreclosure, insurance premiums, legal services, brokerage and sales commissions, maintenance, repair and improvement of property; (v) Acquisition Fees or Subordinated Disposition Fees payable to the Advisor or any other party; (vi) non-cash items, such as depreciation, amortization, depletion, and additions to reserves for depreciation, amortization, depletion, losses and bad debts; (vii) Termination Fees; and (viii) Subordinated Incentive Fees paid in compliance with Section 9(i). Notwithstanding anything herein to the contrary, Operating Expenses shall include the Asset Management Fee and the Loan Refinancing Fee.

**Organization and Offering Expenses.** Those expenses payable by the Company in connection with the formation, qualification and registration of the Company and in marketing and distributing Shares, including, but not limited to: (i) the preparation, printing, filing and delivery of any registration statement or Prospectus and the preparing and printing of contractual agreements between the Company and the Sales Agent and the Selected Dealers (including copies thereof); (ii) the preparing and printing of the Articles of Incorporation and Bylaws, solicitation material and related documents and the filing and/or recording of such documents necessary to comply with the laws of the State of Maryland for the formation of a corporation and thereafter for the continued good standing of a corporation; (iii) the qualification or registration of the Shares under state securities or "Blue Sky" laws; (iv) any escrow arrangements, including any compensation to an escrow agent; (v) the filing fees payable to the SEC and to the National Association of Securities Dealers, Inc.; (vi) reimbursement for the reasonable and identifiable out-of-pocket expenses of the Sales Agent and the Selected Dealers, including the cost of their counsel; (vii) the fees of the Company's counsel; (viii) all advertising expenses incurred in connection with the Offering, including the cost of all sales literature and the costs related to investor and broker-dealer sales and information meetings and marketing incentive programs; and (ix) selling commissions, marketing fees, incentive fees, due diligence fees and wholesaling fees and expenses incurred in connection with the sale of the Shares.

**Original Issue Price.** For any share issued in an Offering, \$10 per Share, regardless of whether reduced selling commissions were paid in connection with the purchase of such Shares from the Company.

**Other Permitted Investment Asset.** An asset, other than cash, cash equivalents, short term bonds, auction rate securities and similar short term investments, acquired by the Company for investment purposes that is not a Loan or a Property and is consistent with the investment objectives and policies of the Company.

**Other Permitted Investment Assets Fee.** The Other Permitted Investment Assets Fee as defined in Section 9(h).

**Person.** An Individual, corporation, partnership, joint venture, association, company, trust, bank, or other entity, or government or any agency or political subdivision of a government.

**Preferred Return.** A Cumulative Return of six percent computed from the Initial Closing Date through the date as of which such amount is being calculated.

**Property or Properties.** The Company's partial or entire interest in real property (including leasehold interests) and personal or mixed property connected therewith.

**Property Management Fee.** A fee for property management services rendered by the Advisor or its Affiliates in connection with Properties acquired directly or through foreclosure.

**Prospectus.** Any prospectus pursuant to which the Company offers Shares in a public offering, as the same may at any time and from time to time be amended or supplemented after the effective date of the registration statement in which it is included.

**Redemptions.** An amount determined by multiplying the number of Shares redeemed by the Original Issue Price.

**REIT.** A real estate investment trust, as defined in Sections 856-860 of the Code.

**Sales Agent. Carey Financial Corporation.**

**Securities.** Any stock, shares (other than currently outstanding Shares and subsequently issued Shares), voting trust certificates, bonds, debentures, notes or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise or in general any instruments commonly known as "securities" or any certificate of interest, shares or participation in temporary or interim certificates for receipts (or, guarantees of, or warrants, options or rights to subscribe to, purchase or acquire any of the foregoing), which subsequently may be issued by the Company.

**Selected Dealers.** Broker-dealers who are members of the National Association of Securities Dealers, Inc. and who have executed an agreement with the Sales Agent in which the Selected Dealers agree to participate with the Sales Agent in the Offering.

**Shareholders.** Those Persons who, at the time any calculation hereunder is to be made, are shown as holders of record of Shares on the books and records of the Company.

**Shares.** All of the shares of common stock of the Company, \$.001 par value, and any other shares of common stock of the Company.

**Sponsor.** W.P. Carey & Co. LLC and any other Person directly or indirectly instrumental in organizing, wholly or in part, the Company or any person who will control, manage or participate in the management of the Company, and any Affiliate of any such person. Sponsor does not include a

person whose only relationship to the Company is that of an independent property manager and whose only compensation is as such. Sponsor also does not include wholly independent third parties such as attorneys, accountants and underwriters whose only compensation is for professional services.

**Subordinated Acquisition Fee.** The Subordinated Acquisition Fee as defined in Section 9(c).

**Subordinated Disposition Fee.** The Subordinated Disposition Fee as defined in Section 9(g) hereof.

**Subordinated Incentive Fee.** The Subordinated Incentive Fee as defined in Section 9(i) hereof.

**Termination Date.** The effective date of any termination of this Agreement.

**Termination Fee.** An amount equal to 15% of the amount, if any, by which (1) the fair value of the Investment Assets on the Termination Date, less the amount of all indebtedness secured by such Investment Assets, exceeds (2) the total of the Adjusted Investor Capital plus an amount equal to the Preferred Return through the Termination Date reduced by the total Distributions paid by the Company from its inception through the Termination Date (other than Distributions made from Cash from Sales and Financings that are counted in determining Adjusted Investor Capital). For purposes of calculating this Fee (i) the fair value of any Property shall be its Appraised Value, and (ii) any payments in respect of redeemed Shares (other than in respect of Redemptions intended to qualify as a liquidity event for purposes of this Agreement). Shares received by the Advisor or its Affiliates for any consideration other than cash and the Distributions in respect of such Shares shall be excluded.

**Total Property Cost.** With regard to any Property or Loan, an amount equal to the sum of the Contract Purchase Price of such Property or Loan plus the Acquisition Fees paid in connection with such Property or Loan.

**Two Percent/25% Guidelines.** The requirement that, in the 12-month period immediately preceding the end of any fiscal quarter, the Operating Expenses not exceed the greater of two percent of the Company's Average Invested Assets during such 12-month period or 25% of the Company's Adjusted Net Income over the same 12-month period.

**2. APPOINTMENT.** The Company hereby appoints the Advisor to serve as its advisor on the terms and conditions set forth in this Agreement, and the Advisor hereby accepts such appointment.

3. DUTIES OF THE ADVISOR. The Advisor undertakes to use its best efforts to present to the Company potential investment opportunities and to provide a continuing and suitable investment program consistent with the investment objectives and policies of the Company as determined and adopted from time to time by the Board. In performance of this undertaking, subject to the supervision of the Board and consistent with the provisions of the Articles of Incorporation and Bylaws of the Company and any Prospectus pursuant to which Shares are offered, the Advisor shall, either directly or by engaging an Affiliate:

- (a) serve as the Company's investment and financial advisor and provide research and economic and statistical data in connection with the Company's assets and investment policies;
- (b) provide the daily management of the Company and perform and supervise the various administrative functions reasonably necessary for the management of the Company;
- (c) investigate, select, and, on behalf of the Company, engage and conduct business with such Persons as the Advisor deems necessary to the proper performance of its obligations hereunder, including but not limited to consultants, accountants, correspondents, lenders, technical advisors, attorneys, brokers, underwriters, corporate fiduciaries, escrow agents, depositaries, custodians, agents for collection, insurers, insurance agents, banks, builders, developers, property owners, mortgagors, and any and all agents for any of the foregoing, including Affiliates of the Advisor, and Persons acting in any other capacity deemed by the Advisor necessary or desirable for the performance of any of the foregoing services, including but not limited to entering into contracts in the name of the Company with any of the foregoing;
- (d) consult with Directors of the Company and assist the Board in the formulation and implementation of the Company's financial policies and, as necessary, furnish the Board with advice and recommendations with respect to the making of investments consistent with the investment objectives and policies of the Company and in connection with any borrowings proposed to be undertaken by the Company;
- (e) subject to the provisions of Sections 3(g) and 4 hereof: (i) locate, analyze and select potential investments in Investment Assets; (ii) structure and negotiate the terms and conditions of transactions pursuant to which investments in Investment Assets will be made, purchased or acquired by the Company; (iii) make investments in Investment Assets on behalf of the Company in compliance with the investment objectives and policies of the Company; (iv) arrange for financing and refinancing of, make other changes in the asset or capital structure of, dispose of, reinvest

the proceeds from the sale of, or otherwise deal with the investments in, Investment Assets; and (v) enter into leases and service contracts for Properties and, to the extent necessary, perform all other operational functions for the maintenance and administration of such Properties;

(f) provide the Board with periodic reports regarding prospective investments in Investment Assets;

(g) obtain the prior approval of the Board (including a majority of the Independent Directors) for any and all investments in Property which do not meet all of the requirements set forth in Section 4(b) hereof and obtain the prior approval of the Independent Directors for all investments in Loans;

(h) negotiate on behalf of the Company with banks or lenders for loans to be made to the Company, and negotiate on behalf of the Company with investment banking firms and broker-dealers or negotiate private sales of Shares and Securities or obtain loans for the Company, but in no event in such a way so that the Advisor shall be acting as broker-dealer or underwriter; and provided, further, that any fees and costs payable to third parties incurred by the Advisor in connection with the foregoing shall be the responsibility of the Company;

(i) obtain reports (which may be prepared by the Advisor or its Affiliates), where appropriate, concerning the value of investments or contemplated investments of the Company in Investment Assets;

(j) obtain for, or provide to, the Company such services as may be required in acquiring, managing and disposing of Investment Assets, including, but not limited to: (i) the negotiation, making and servicing of Loans; (ii) the disbursement and collection of Company monies; (iii) the payment of debts of and fulfillment of the obligations of the Company; and (iv) the handling, prosecuting and settling of any claims of or against the Company, including, but not limited to, foreclosing and otherwise enforcing mortgages and other liens securing the Loans;

(k) from time to time, or at any time reasonably requested by the Board, make reports to the Board of its performance of services to the Company under this Agreement;

(l) communicate on behalf of the Company with Shareholders as required to satisfy the reporting and other requirements of any governmental bodies or agencies to Shareholders and third parties and otherwise as requested by the Company;

(m) provide or arrange for administrative services and items, legal and other services, office space, office furnishings, personnel and other overhead items necessary and incidental to the Company's business and operations;

(n) provide the Company with such accounting data and any other information requested by the Company concerning the investment activities of the Company as shall be required to prepare and to file all periodic financial reports and returns required to be filed with the Securities and Exchange Commission and any other regulatory agency, including annual financial statements;

(o) maintain the books and records of the Company;

(p) supervise the performance of such ministerial and administrative functions as may be necessary in connection with the daily operations of the Properties and Loans;

(q) provide the Company with all necessary cash management services;

(r) do all things necessary to assure its ability to render the services described in this Agreement;

(s) perform such other services as may be required from time to time for management and other activities relating to the assets of the Company as the Advisor shall deem advisable under the particular circumstances;

(t) arrange to obtain on behalf of the Company as requested by the Board, and deliver to or maintain on behalf of the Company copies of, all appraisals obtained in connection with investments in Properties and Loans; and

(u) if a transaction, proposed transaction or other matter requires approval by the Board or by the Independent Directors, deliver to the Board or the Independent Directors, as the case may be, all documentation reasonably requested by them to properly evaluate such transaction, proposed transaction or other matter.

#### 4. AUTHORITY OF ADVISOR.

(a) Pursuant to the terms of this Agreement (including the restrictions included in this Section 4 and in Section 7 hereof), and subject to the continuing and exclusive authority of the Board over the management of the Company, the Board hereby delegates to the Advisor

the authority to: (1) locate, analyze and select investment opportunities; (2) structure the terms and conditions of transactions pursuant to which investments will be made or acquired for the Company; (3) acquire Property, make or acquire Loans and make or acquire Other Permitted Investment Assets in compliance with the investment objectives and policies of the Company; (4) arrange for financing or refinancing, or make changes in the asset or capital structure of, and dispose of or otherwise deal with, Investment Assets; (5) enter into leases and service contracts for Properties, and perform other property level operations; (6) oversee non-affiliated property managers and other non-affiliated Persons who perform services for the Company; and (7) undertake accounting and other record-keeping functions at the Investment Asset level.

(b) Notwithstanding the foregoing, any investment in Property, including any acquisition of any Property by the Company (as well as any financing acquired by the Company in connection with such acquisition), will require the prior approval of the Board unless, prior to completion of any such transaction, the Advisor provides the Company with:

(i) an appraisal for the Property indicating that the Total Property Cost of the Property does not exceed the Appraised Value of the Property; and

(ii) a representation from the Advisor that the Property, in conjunction with the Company's other investments and proposed investments, at the time the Company is committed to purchase the Property, is reasonably expected to fulfill the Company's investment objectives and policies as established by the Board and then in effect.

(c) Notwithstanding the foregoing, any investment in a Loan, including any acquisition of any Loan by the Company, shall comply with Section 3(g) hereof.

(d) Notwithstanding the foregoing, the prior approval of the Board, including a majority of the Independent Directors and a majority of the Directors not interested in the transaction, will be required for: (i) investments in Properties made through co-investment or joint venture arrangements with the Sponsor, the Advisor or any of their Affiliates; (ii) investments in Investment Assets which are not contemplated by the terms of a Prospectus; (iii) transactions that present issues which involve conflicts of interest for the Advisor or an Affiliate (other than conflicts involving the payment of fees or the reimbursement of expenses); (iv) investments in equity securities; (v) the lease of assets to the Sponsor, any Director, the Advisor or any Affiliate of the Advisor; (vi) any purchase or

sale of an Investment Asset from or to the Advisor or an Affiliate; and

(vii) the retention of any Affiliate of the Advisor to provide services to the Company not expressly contemplated by this Agreement and the terms of such services by such Affiliate. In addition, the Advisor shall comply with any further approval requirements set forth in the Bylaws.

(e) The Board may, at any time upon the giving of notice to the Advisor, modify or revoke the authority set forth in this Section 4. If and to the extent the Board so modifies or revokes the authority contained herein, the Advisor shall henceforth comply with such modification or revocation, provided however, that such modification or revocation shall be effective upon receipt by the Advisor and shall not be applicable to investment transactions to which the Advisor has committed the Company prior to the date of receipt by the Advisor of such notification.

5. **BANK ACCOUNTS.** The Advisor may establish and maintain one or more bank accounts in its own name for the account of the Company or in the name of the Company and may collect and deposit into any such account or accounts, and disburse from any such account or accounts, any money on behalf of the Company, provided that no funds shall be commingled with the funds of the Advisor; and the Advisor shall from time to time render appropriate accountings of such collections and payments to the Board and to the auditors of the Company.

6. **RECORDS; ACCESS.** The Advisor shall maintain appropriate records of all its activities hereunder and make such records available for inspection by the Board and by counsel, auditors and authorized agents of the Company, at any time or from time to time during normal business hours. The Advisor shall at all reasonable times have access to the books and records of the Company.

7. **LIMITATIONS ON ACTIVITIES.** Anything else in this Agreement to the contrary notwithstanding, the Advisor shall refrain from taking any action which, in its sole judgment made in good faith, would adversely affect the status of the Company as a REIT, subject the Company to regulation under the Investment Company Act of 1940, would violate any law, rule, regulation or statement of policy of any governmental body or agency having jurisdiction over the Company, its Shares or its Securities, or otherwise not be permitted by the Articles of Incorporation or Bylaws, except if such action shall be ordered by the Board, in which case the Advisor shall notify promptly the Board of the Advisor's judgment of the potential impact of such action and shall refrain from taking such action until it receives further clarification or instructions from the Board. In such event the Advisor shall have no liability for acting in accordance with the specific instructions of the Board so given. Notwithstanding the foregoing, the Advisor, its shareholders, directors, officers and employees, and partners, shareholders, directors and officers of the Advisor's shareholders and Affiliates of any of them, shall not be liable to the Company, or to the Directors or Shareholders for any act or omission by the Advisor, its shareholders, directors, officers and employees, or partners, shareholders,

directors or officers of the Advisor's shareholders except as provided in Sections 20 and 22 hereof.

8. RELATIONSHIP WITH DIRECTORS. There shall be no limitation on any shareholder, director, officer, employee or Affiliate of the Advisor serving as a Director or an officer of the Company, except that no employee of the Advisor or its Affiliates who also is a Director or officer of the Company shall receive any compensation from the Company for serving as a Director or officer other than for reasonable reimbursement for travel and related expenses incurred in attending meetings of the Board; for the avoidance of doubt, the limitations of this Section 8 shall not apply to any compensation paid by the Advisor or any Affiliate for which the Company reimbursed the Advisor or Affiliate in accordance with Section 10 hereof.

9. FEES.

(a) ASSET MANAGEMENT FEE. The Company shall pay to the Advisor as compensation for the advisory services rendered to the Company hereunder an amount equal to one percent per annum of the Adjusted Invested Assets of the Company (the "ASSET MANAGEMENT FEE") calculated as set forth below. The Asset Management Fee will be calculated monthly, beginning with the month in which the Company first makes an investment in Investment Assets, on the basis of one-twelfth of one percent of the Adjusted Invested Assets for that month, computed as a daily average. One-half of the Asset Management Fee calculated with respect to each month shall be payable on the first business day following such month. One-half of such Asset Management Fee shall be subordinated to the extent described below and shall be payable quarterly. The subordinated Asset Management Fee for any quarter shall be payable only if the Company has generated cash flow from operations in the aggregate of no less than 7% of Gross Offering Proceeds for the period beginning with the Initial Closing Date and ending on the last day of the most recently completed fiscal quarter. Any portion of the subordinated Asset Management Fee not paid due to the Company's failure to meet the foregoing threshold shall be paid by the Company, to the extent it is not restricted by the 2%/25% Guidelines as described below, at the end of the next fiscal quarter through which the Company has met the foregoing threshold. If at the end of any fiscal quarter, the Company's Operating Expenses exceed the 2%/25% Guidelines over the immediately preceding 12 months, payment of the subordinated Asset Management Fee will be withheld consistent with Section 13. For purposes of calculating the value per share of restricted stock given for payment of the Asset Management

Fee, the price per share shall be: (i) the net asset value per share as determined by the most recent appraisal performed by an independent third party at the time such Asset Management Fee was earned or, if an appraisal has not yet been made and accepted by the Company, (ii) \$10 per share. Any part of the Asset Management Fee that has been subordinated pursuant to this subsection (a) shall not be deemed earned until such time as payable hereunder.

(b) **ACQUISITION FEE.** The Advisor may receive as compensation for services rendered in connection with the investigation, selection, acquisition or origination (by purchase, investment or exchange) of any Property or Loan, an Acquisition Fee payable by the Company. The total such Acquisition Fees (not including Subordinated Acquisition Fees and any interest thereon) payable to the Advisor may not exceed two-and-one-half percent of the aggregate Total Property Cost of all Properties and Loans acquired or originated by the Company, measured at such time as the Company shall have completed all Offerings (other than pursuant to its dividend reinvestment plan) and invested substantially all of the net proceeds of such Offerings, unless a majority of the Board (including a majority of the Independent Directors) not otherwise interested in any transaction approves the excess as being commercially competitive, fair and reasonable to the Company. No Acquisition Fees will be payable on the reinvestment of proceeds from the sale or refinancing of Properties or Loans.

(c) **SUBORDINATED ACQUISITION FEE.** In addition to the Acquisition Fee described in Section 9(b) above, the Advisor may receive as additional compensation for services rendered in connection with the investigation, selection, acquisition or origination (by purchase, investment or exchange) of Properties and Loans a Subordinated Acquisition Fee payable by the Company to the Advisor or its Affiliates (the "SUBORDINATED ACQUISITION FEE"). The total Subordinated Acquisition Fees paid may not exceed two percent of the aggregate Total Property Cost of all Properties and Loans purchased and originated by the Company, measured at such time as the Company shall have completed all Offerings (other than pursuant to its dividend reinvestment plan) and invested substantially all of the net proceeds of such Offerings, unless a majority of the Directors (including a majority of the Independent Directors) not otherwise interested in any transaction approves the excess as being commercially competitive, fair and reasonable to the Company. The unpaid portion of the Subordinated Acquisition Fee payable to the Advisor and its Affiliates with respect to any Property or Loan shall bear interest at the rate of six percent per annum from the date of acquisition of such Property or Loan until such portion is paid. Subject to the following sentence, the Subordinated Acquisition Fee with respect to any Investment

Asset shall be payable in equal annual installments on January 1 of each of the eight calendar years following the first anniversary of the date such Asset was purchased; accrued interest on all unpaid Subordinated Acquisition Fees shall also be payable on such dates. The portion of the Subordinated Acquisition Fees, and accrued interest thereon, otherwise payable on any January 1 shall be payable only if the Preferred Return through the end of the fiscal year preceding such January 1 has been met. Any portion of the Subordinated Acquisition Fees, and accrued interest thereon, not paid due to the Company's failure to meet the Preferred Return through any fiscal year end shall be paid by the Company on the January 1 following the first fiscal year thereafter through which the Preferred Return has been met. No Subordinated Acquisition Fees will be payable on the reinvestment of proceeds from the sale or refinancing of Properties or Loans.

(d) **SIX PERCENT LIMITATION.** The total amount of Acquisition Fees (including Subordinated Acquisition Fees and any interest thereon), whether payable to the Advisor or a third party, and Acquisition Expenses may not exceed six percent of the sum of the aggregate Contract Purchase Price of all Properties and Loans unless a majority of the Directors (including a majority of the Independent Directors) not otherwise interested in any transaction approves fees in excess of this limit as being commercially competitive, fair and reasonable to the Company.

(e) **LOAN REFINANCING FEE.** The Company shall pay to the Advisor for all qualifying loan refinancings of Properties a Loan Refinancing Fee in the amount up to one percent of the principal amount of the refinanced loan. Any Loan Refinancing Fee shall be due and payable upon the funding of the related loan or as soon thereafter as is reasonably practicable. A refinancing will qualify for a Loan Refinancing Fee only if the refinanced loan is secured by Property and (i) the maturity date of the refinanced loan (which must have a term of five years or more) is less than one year from the date of the refinancing; or (ii) the terms of the new loan represent, in the judgment of a majority of the Independent Directors, an improvement over the terms of the refinanced loan; or (iii) the new loan is approved by the Board, including a majority of the Independent Directors and, in each case, the Loan Refinancing Fee is found, in the judgment of a majority of the Independent Directors, to be in the best interest of the Company.

(f) **PROPERTY MANAGEMENT FEE.** No Property Management Fee shall be paid unless approved by a majority of the Independent Directors.

(g) **SUBORDINATED DISPOSITION FEE.** If the Advisor or an Affiliate provides a substantial amount of services (as determined by a majority of the Independent Directors) in the sale of a Property, the Advisor or such Affiliate shall receive a fee equal to the lesser of: (i) 50% of the Competitive Real Estate Commission and (ii) three percent of the Contract Sales Price of such Property (the "SUBORDINATED DISPOSITION FEE"). The Subordinated Disposition Fee will be paid only if Shareholders have received in the aggregate a return of 100% of Initial Investor Capital (through liquidity or Distributions) plus a Preferred Return through the date the Subordination Disposition Fee has been paid. The return requirement will be deemed satisfied if the total Distributions paid by the Company have satisfied the Preferred Return requirement and the Market Value of the Company equals or exceeds Adjusted Investor Capital. To the extent that Subordinated Disposition Fees are not paid by the Company on a current basis due to the foregoing limitation, the unpaid fees will be due and paid at such time as the limitation has been satisfied. The Subordinated Disposition Fee may be paid in addition to real estate commissions paid to non-Affiliates, provided that the total of all real estate commissions in respect of a Property paid to all Persons by the Company and the Subordinated Disposition Fee shall not exceed an amount equal to the lesser of: (i) six percent of the Contract Sales Price of such Property or (ii) the Competitive Real Estate Commission. If this Agreement is terminated prior to such time as the Shareholders have received (through liquidity or Distributions) a return of 100% of Initial Investor Capital plus a Preferred Return through the date of termination of this Agreement, an appraisal of the Properties then owned by the Company shall be made and any unpaid Subordinated Disposition Fee on Properties sold prior to the date of termination will be payable if the Appraised Value of the Properties then owned by the Company plus Distributions to Shareholders prior to the date of termination of this Agreement (through liquidity or Distributions) is equal to or greater than 100% of Initial Investor Capital plus an amount sufficient to pay a Preferred Return through the date of termination of this Agreement. If the Company's Shares are listed on a national securities exchange or included for quotation on Nasdaq and, at the time of such listing, the Advisor or an Affiliate has provided a substantial amount of services in the sale of Property, for purposes of determining whether the subordination conditions for the payment of the Subordinated Disposition Fee have been satisfied, Shareholders will be deemed to have received a Distribution in an amount equal to the Market Value of the Company.

(h) **OTHER PERMITTED INVESTMENT ASSETS FEE.** The Advisor may receive as compensation for services rendered in connection with the investigation, selection, acquisition or origination of Other

Permitted Investments a fee (the "OTHER PERMITTED INVESTMENT ASSETS FEE") that shall be negotiated in good faith by the Advisor and the Company and approved by the Board (including a majority of the Independent Directors) on a case by case basis; provided that such compensation shall be on terms not more favorable, taken as a whole, than what the Advisor receives in respect of investments in Properties and Loans.

(i) SUBORDINATED INCENTIVE FEE. A fee shall be payable to the Advisor in an amount equal to 15% of Cash from Sales distributable to Shareholders after Shareholders have received a return of 100% of Initial Investor Capital (through liquidity or Distributions) plus a Preferred Return through the date payment is made (the "SUBORDINATED INCENTIVE FEE"). For these purposes the Shareholders will be deemed to have been provided liquidity if the Shares are listed on a national security exchange or included for quotation on Nasdaq. In the event the Shares are listed on a national securities exchange or included for quotation on Nasdaq, the Advisor shall be paid the Subordinated Incentive Fee in an amount equal to 12% of the excess (the "EXCESS RETURN") of (A) the sum (the "HYPOTHETICAL RETURN") of (i) the Market Value of the Company plus (ii) the total of the Distributions paid to Shareholders from the Initial Closing Date until the date the Shares are listed or included for quotation over (B) the sum of (i) 100% of Initial Investor Capital and (ii) the total amount of the Distributions required to be paid to Shareholders in order to pay the Preferred Return through the date the Market Value is determined. The Subordinated Incentive Fee shall be increased to 13% of the Excess Return if the Hypothetical Return is an amount sufficient to return to investors 100% of Initial Investor Capital plus a Cumulative Return of 8% or more but less than 9%; 14% if the Hypothetical Return is an amount sufficient to return 100% of Initial Investor Capital plus a Cumulative Return of 9% or more but less than 10%; and 15% if the Hypothetical Return is an amount sufficient to return 100% of Initial Investor Capital plus a Cumulative Return of 10% or more. The Cumulative Return shall be measured from the Initial Closing Date through the last day on which the Market Value is determined. The fee may only be paid if the average closing price of the Shares over any consecutive three-month period ending within 24 months of the date of listing is sufficient, when added to Distributions previously paid from the Initial Closing Date through the end of such three-month period, to return 100% of Initial Investor Capital plus a 6% Cumulative Return from the Initial Closing Date through the last day of such three-month period. The return requirement will also be deemed satisfied if the total Distributions paid by the Company has satisfied the Preferred Return requirement and the Market Value of the Company equals or exceeds Adjusted Investor Capital. The Company shall have the

option to pay such fee in the form of a promissory note or as set forth in Section 9(l). The promissory note shall be fully amortizing over five years, provide for quarterly payments and bear interest at the prime rate announced from time to time in The Wall Street Journal.

(j) **LOANS FROM AFFILIATES.** The Company shall not borrow funds from the Advisor or its Affiliates unless (A) the transaction is approved by a majority of the Independent Directors and a majority of the Directors who are not interested in the transaction as being fair, competitive and commercially reasonable, (B) the interest and other financing charges or fees received by the Advisor or its Affiliates do not exceed the amount which would be charged by non-affiliated lending institutions and (C) the terms are not less favorable than those prevailing for comparable arm's-length loans for the same purpose. The Company will not borrow on a long-term basis from the Advisor or its Affiliates unless it is to provide the debt portion of a particular investment and the Company is unable to obtain a permanent loan at that time or in the judgment of the Board, it is not in the Company's best interest to obtain a permanent loan at the interest rates then prevailing and the Board has reason to believe that the Company will be able to obtain a permanent loan on or prior to the end of the loan term provided by the Advisor or its Affiliates.

(k) **CHANGES TO FEE STRUCTURE.** In the event the Shares are listed on a national securities exchange or are included for quotation on Nasdaq, the Company and the Advisor shall negotiate in good faith to establish a fee structure appropriate for an entity with a perpetual life. A majority of the Independent Directors must approve the new fee structure negotiated with the Advisor. In negotiating a new fee structure, the Independent Directors may consider any of the factors they deem relevant, including but not limited to: (a) the size of the Advisory Fee in relation to the size, composition and profitability of the Company's portfolio; (b) the success of the Advisor in generating opportunities that meet the investment objectives of the Company; (c) the rates charged to other REITs and to investors other than REITs by Advisors performing similar services; (d) additional revenues realized by the Advisor and its Affiliates through their relationship with the Company, including loan administration, underwriting or broker commissions, servicing, engineering, inspection and other fees, whether paid by the Company or by others with whom the Company does business; (e) the quality and extent of service and advice furnished by the Advisor; (f) the performance of the investment portfolio of the Company, including income, conversion or appreciation of capital, frequency of problem investments and competence in dealing with distress situations; and (g) the quality of the portfolio of the Company in relationship to the investments generated by

the Advisor for its own account. The new fee structure can be no more favorable to the Advisor than the current fee structure.

(l) PAYMENT. Compensation payable to the Advisor pursuant to this

Section 9 shall be paid in cash; provided, however, that any fee payable pursuant to Section 9 may be paid, at the option of the Advisor, in the form of: (i) cash, (ii) common stock of the Company, or (iii) a combination of cash and common stock. The Advisor shall notify the Company in writing annually of the form in which the fee shall be paid. Such notice shall be provided no later than January 15 of each year. If no such notice is provided, the fee shall be paid in cash. For purposes of the payment of compensation to the Advisor in the form of stock, the value of each share of common stock shall be: (i) the Net Asset Value per Share as determined by the most recent appraisal of the Company's assets performed by an Independent Appraiser, or (ii) if an appraisal has not yet been performed, \$10 per share. If shares are being offered to the public at the time a fee is paid with stock, the value shall be the price of the stock without commissions. The Net Asset Value determined on the basis of such appraisal may be adjusted on a quarterly basis by the Board to account for significant capital transactions. Stock issued by the Company to the Advisor in payment of fees hereunder shall be governed by the terms set forth in Schedule A hereto, or such other terms as the Advisor and the Company may from time to time agree.

10. EXPENSES. (a) Subject to the limitations set forth in Section 9(d), to the extent applicable, in addition to the compensation paid to the Advisor pursuant to Section 9 hereof, the Company shall pay directly or reimburse the Advisor for the following expenses:

- (i) expenses other than Acquisition Expenses incurred in connection with the investment of the funds of the Company;
- (ii) interest and other costs for borrowed money, including discounts, points and other similar fees;
- (iii) taxes and assessments on income of the Company, to the extent paid or advanced by the Advisor, or on Property and taxes as an expense of doing business;
- (iv) costs associated with insurance required in connection with the business of the Company or by the Directors;

- (v) expenses of managing and operating Properties owned by the Company, whether payable to an Affiliate of the Advisor or a non-affiliated Person;
- (vi) fees and expenses of legal counsel for the Company;
- (vii) fees and expense of auditors and accountants for the Company;
- (viii) all expenses in connection with payments to the Directors and meetings of the Directors and Shareholders;
- (ix) expenses associated with listing the Shares and Securities on a securities exchange or Nasdaq if requested by the Board;
- (x) expenses connected with payments of Distributions in cash or otherwise made or caused to be made by the Board to the Shareholders;
- (xi) expenses of organizing, revising, amending, converting, modifying, or terminating the Company or the Articles of Incorporation;
- (xii) expenses of maintaining communications with Shareholders, including the cost of preparation, printing and mailing annual reports and other Shareholder reports, proxy statements and other reports required by governmental entities;
- (xiii) expenses related to the Properties and Loans and other fees relating to making investments including personnel and other costs incurred in Property or Loan transactions where a fee is not payable to the Advisor other than as provided in Section 10(b) hereof; and
- (xiv) all other expenses the Advisor incurs in connection with providing services to the Company, including reimbursement to the Advisor or its Affiliates for the cost of rent, goods, materials and personnel incurred by them based upon the compensation of the Persons involved and an appropriate share of overhead allocable to those Persons as reasonably determined by the Advisor on a basis approved annually by the Board (including a majority of the Independent Directors). No reimbursement shall be made for the cost of personnel to the extent that such personnel

are used in transactions for which the Advisor receives a separate fee.

(b) Notwithstanding anything to the contrary in Section 10(a), the Company shall be solely responsible for payment of (i) all Acquisition Expenses; (ii) all expenses of whatever nature directly connected with the proposed acquisition of any property or loan that does not result in the actual acquisition of Properties or Loans; (iii) finder's fees and similar payments to the extent not paid by the seller of Property or other third party; and (iv) costs of retaining industry or economic consultants.

(c) Expenses incurred by the Advisor on behalf of the Company and payable pursuant to this Section 10 shall be reimbursed quarterly to the Advisor within 60 days after the end of each quarter. The Advisor shall prepare a statement documenting the expenses of the Company other than Acquisition Expenses during each quarter, and shall deliver such statement to the Company within 45 days after the end of each quarter.

11. OTHER SERVICES. Should the Board request that the Advisor or any shareholder or employee thereof render services for the Company other than as set forth in Section 3 hereof, such services shall be separately compensated and shall not be deemed to be services pursuant to the terms of this Agreement.

12. FIDELITY BOND. The Advisor shall maintain a fidelity bond for the benefit of the Company which bond shall insure the Company from losses of up to \$5,000,000 and shall be of the type customarily purchased by entities performing services similar to those provided to the Company by the Advisor.

13. LIMITATION ON EXPENSES. (a) Within 60 days after the end of any fiscal quarter, if Operating Expenses of the Company during the 12-month period ending with the last month of such quarter exceed the greater of (i) two percent of the Average Invested Assets during the same 12-month period or (ii) 25% of the Adjusted Net Income of the Company during the same 12-month period, then subject to paragraph (b) of this Section 13, such excess amount shall be the sole responsibility of the Advisor and the Company shall not be liable for payment therefor.

(b) Notwithstanding the foregoing, to the extent that the Advisor becomes responsible for any such excess amount, if a majority of the Independent Directors finds such excess amount justified based on such unusual and non-recurring factors as they deem sufficient, the Company shall reimburse the Advisor in future quarters for the full amount of such excess, or any portion thereof, but only to the extent such reimbursement would not cause the Company's Operating Expenses to

exceed the 2%/25% Guidelines in the 12-month period ending on any such quarter. In no event shall the Operating Expenses paid by the Company in any 12-month period ending at the end of a fiscal quarter exceed the 2%/25% Guidelines.

(c) To the extent Organization and Offering Expenses payable by the Company exceed 15% of the Gross Offering Proceeds, the excess will be paid by the Advisor.

(d) All computations made under paragraphs (a) and (b) of this Section 13 shall be determined in accordance with generally accepted accounting principles applied on a consistent basis.

(e) If the Advisor receives a Subordinated Incentive Fee for the sale of Property, Adjusted Net Income, for purposes of calculating the Operating Expenses, shall exclude the gain from the sale of such Property.

14. OTHER ACTIVITIES OF THE ADVISOR. Nothing herein contained shall prevent the Advisor from engaging in other activities, including without limitation direct investment by the Advisor and its Affiliates in assets that would be suitable for the Company, the rendering of advice to other investors (including other REITs) and the management of other programs advised, sponsored or organized by the Advisor or its Affiliates; nor shall this Agreement limit or restrict the right of the Advisor or any of its Affiliates or of any director, officer, employee or shareholder of the Advisor or its Affiliates to engage in any other business or to render services of any kind to any other partnership, corporation, firm, individual, trust or association. The Advisor may, with respect to any investment in which the Company is a participant, also render advice and service to each other participant therein. The Advisor shall report to the Board the existence of any condition or circumstance, existing or anticipated, of which it has knowledge, which creates or could create a conflict of interest between the Advisor's obligations to the Company and its obligations to or its interest in any other partnership, corporation, firm, individual, trust or association. The Advisor or its Affiliates shall promptly disclose to the Board knowledge of such condition or circumstance. If the Sponsor, Advisor, Director or Affiliates thereof has or have sponsored other investment programs with similar investment objectives which have investment funds available at the same time as the Company, it shall be the duty of the Advisor to adopt a reasonable method by which properties are to be allocated to the competing investment entities and to use its best efforts to apply such method fairly to the Company.

The Advisor shall be required to use its best efforts to present a continuing and suitable investment program to the Company that is consistent with the investment policies and objectives of the Company, but subject to the last sentence of the preceding paragraph, neither the Advisor nor any Affiliate of the

Advisor shall be obligated generally to present any particular investment opportunity to the Company even if the opportunity is of character which, if presented to the Company, could be taken by the Company.

If the Advisor or its Affiliates is presented with a potential investment which might be made by the Company and by another investment entity which the Advisor or its Affiliates advises or manages, the Advisor shall consider the investment portfolio of each entity, cash flow of each entity, the effect of the acquisition on the diversification of each entity's portfolio, rental payments during any renewal period, the estimated income tax effects of the purchase on each entity, the policies of each entity relating to leverage, the funds of each entity available for investment, the amount of equity required to make the investment and the length of time such funds have been available for investment. To the extent that a Property might be suitable for the Company and for another investment entity which is advised or managed by the Advisor, the Advisor shall give priority to the investment entity, including the Company, which has uninvested funds for the longest period of time. The Advisor may consider the Property for private placement only if such Property is deemed inappropriate for any investment entity which is advised or managed by the Advisor, including the Company.

15. **RELATIONSHIP OF ADVISOR AND COMPANY.** The Company and the Advisor agree that they have not created and do not intend to create by this Agreement a joint venture or partnership relationship between them and nothing in this Agreement shall be construed to make them partners or joint venturers or impose any liability as partners or joint venturers on either of them.

16. **TERM; TERMINATION OF AGREEMENT.** This Agreement, as amended and restated, shall continue in force until September 30, 2006 and thereafter shall be automatically renewed from year to year, unless either party shall give notice in writing of non-renewal to the other party not less than 60 days before the end of any such year.

17. **TERMINATION BY COMPANY.** At the sole option the Board (including a majority of the Independent Directors), this Agreement may be terminated immediately by written notice of termination from the Company to the Advisor upon the occurrence of events which would constitute Cause or if any of the following events occur:

(a) If the Advisor shall breach this Agreement; provided that such breach (i) is of a material term or condition of this Agreement and (ii) the Advisor has not cured such breach within 30 days of written notice thereof or, in the case of any breach that cannot be cured within 30 days by reasonable effort, has not taken all necessary action within a reasonable time period to cure such breach;

(b) If the Advisor shall be adjudged bankrupt or insolvent by a court of competent jurisdiction, or an order shall be made by a court of competent jurisdiction for the appointment of a receiver, liquidator, or trustee of the Advisor, for all or substantially all of its property by reason of the foregoing, or if a court of competent jurisdiction approves any petition filed against the Advisor for reorganization, and such adjudication or order shall remain in force or unstayed for a period of 30 days; or

(c) If the Advisor shall institute proceedings for voluntary bankruptcy or shall file a petition seeking reorganization under the federal bankruptcy laws, or for relief under any law for relief of debtors, or shall consent to the appointment of a receiver for itself or for all or substantially all of its property, or shall make a general assignment for the benefit of its creditors, or shall admit in writing its inability to pay its debts, generally, as they become due.

Any notice of termination under Section 16 or 17 shall be effective on the date specified in such notice, which may be the day on which such notice is given or any date thereafter. The Advisor agrees that if any of the events specified in Section 17(b) or (c) shall occur, it shall give written notice thereof to the Board within 15 days after the occurrence of such event.

18. **TERMINATION BY EITHER PARTY.** This Agreement may be terminated immediately without penalty (but subject to the requirements of Section 20 hereof) by the Advisor by written notice of termination to the Company upon the occurrence of events which would constitute Good Reason or by the Company without cause or penalty (but subject to the requirements of Section 20 hereof) by action of a majority of the Independent Directors or by action of a majority of the Shareholders, in either case upon 60 days' written notice.

19. **ASSIGNMENT PROHIBITION.** This Agreement may not be assigned by the Advisor without the approval of the Board (including a majority of the Independent Directors); provided, however, that such approval shall not be required in the case of an assignment to a corporation, partnership, association, trust or organization which may take over the assets and carry on the affairs of the Advisor, provided: (i) that at the time of such assignment, such successor organization shall be owned substantially by an entity directly or indirectly controlled by the Sponsor and only if such entity has a net worth of at least \$5,000,000, and (ii) that the board of directors of the Advisor shall deliver to the Board a statement in writing indicating the ownership structure and net worth of the successor organization and a certification from the new Advisor as to its net worth. Such an assignment shall bind the assignees hereunder in the same manner as the Advisor is bound by this Agreement. The Advisor may assign any rights to receive fees or other payments under this Agreement without obtaining the

approval of the Board. This Agreement shall not be assigned by the Company without the consent of the Advisor, except in the case of an assignment by the Company to a corporation or other organization which is a successor to the Company, in which case such successor organization shall be bound hereunder and by the terms of said assignment in the same manner as the Company is bound by this Agreement.

## 20. PAYMENTS TO AND DUTIES OF ADVISOR UPON TERMINATION.

(a) After the Termination Date, the Advisor shall not be entitled to compensation for further services hereunder but shall be entitled to receive from the Company the following:

(i) all unpaid reimbursements of Organization and Offering Expenses and of Operating Expenses payable to the Advisor;

(ii) all earned but unpaid Asset Management Fees payable to the Advisor prior to the Termination Date;

(iii) all earned but unpaid Subordinated Acquisition Fees, in each case payable to the Advisor relating to the acquisition of any Property prior to the Termination Date;

(iv) all earned but unpaid Subordinated Disposition Fees payable to the Advisor relating to the sale of any Property prior to the Termination Date;

(v) all earned but unpaid Loan Refinancing Fees payable to the Advisor relating to the financing or refinancing of any Property prior to the Termination Date; and

(vi) all earned but unpaid Property Management Fees payable to the Advisor or its Affiliates relating to the management of any property prior to the termination of this Agreement.

(b) Notwithstanding the foregoing, if this Agreement is terminated by the Company for Cause, the Advisor will not be entitled to receive the sums in Section 20(a) above.

(c) If this Agreement is terminated by the Company for any reason other than Cause, by either party in connection with a Change of Control, or by the Advisor for Good Reason, the Advisor shall be entitled to payment of the Termination Fee. Notwithstanding the foregoing, the Advisor shall not be entitled to payment of the Termination Fee if:

(i) this Agreement is terminated because of failure of the Company and the Advisor to establish, following good-faith negotiations pursuant to Section 9(k) hereof, a fee structure appropriate for an entity with a perpetual life in the event the Shares are listed on a national securities exchange or are included for quotation on Nasdaq, or

(ii) the Subordinated Incentive Fee is paid to the Advisor as a result of the listing of the Shares on a national securities exchange or their inclusion for quotation on Nasdaq and this Agreement is terminated after such listing or inclusion.

(d) Any and all amounts payable to the Advisor pursuant to Section 20(a) and Section 20(c) shall be paid in a manner determined by the Board, but in no event on terms less favorable to the Advisor than those represented by a note (i) maturing upon the liquidation of the Company or three years from the Termination Date, whichever is earlier, (ii) with no less than twelve equal quarterly installments and (iii) bearing a fair, competitive and commercially reasonable interest rate (the "NOTE"). The Note, if any, may be prepaid by the Company at any time prior to maturity with accrued interest to the date of payment but without premium or penalty. Notwithstanding the foregoing, any amounts that relate to Investment Assets (i) shall be an amount which provides compensation to the Advisor only for that portion of the holding period for the respective Investment Assets during which the Advisor provided services to the Company, (ii) shall not be due and payable until the Investment Asset to which such amount relates is sold or refinanced, and (iii) shall not bear interest until the Investment Asset to which such amount relates is sold or refinanced. A portion of the amount shall be paid as each Investment Asset owned by the Company on the Termination Date is sold. The portion of such amount payable upon each such sale shall be equal to (i) such amount multiplied by (ii) the percentage calculated by dividing the fair value (at the Termination Date) of the Investment Asset sold by the Company divided by the total fair value (at the Termination Date) of all Investment Assets owned by the Company on the Termination Date. For purposes of the Termination Fee, the fair value of any Property shall be its Appraised Value.

(e) The Advisor shall promptly upon termination:

(i) pay over to the Company all money collected and held for the account of the Company pursuant to this Agreement, after deducting any accrued compensation and reimbursement for its expenses to which it is then entitled;

(ii) deliver to the Board a full accounting, including a statement showing all payments collected by it and a statement of all money held by it, covering the period following the date of the last accounting furnished to the Board;

(iii) deliver to the Board all assets, including Properties and Loans, and documents of the Company then in the custody of the Advisor; and

(iv) cooperate with the Company to provide an orderly management transition.

21. INDEMNIFICATION BY THE COMPANY. (a) The Company shall not indemnify the Advisor or any of its Affiliates for any loss or liability suffered by the Advisor or the Affiliate, or hold the Advisor or the Affiliate harmless for any loss or liability suffered by the Company, unless all of the following conditions are met:

(i) The Advisor or Affiliate has determined, in good faith, that the course of conduct which caused the loss or liability was in the best interests of the Company;

(ii) The Advisor or the Affiliate was acting on behalf of or performing services for the Company; and

(iii) Such liability or loss was not the result of negligence or misconduct by the Advisor or the Affiliate.

(b) Notwithstanding the foregoing, the Advisor and its Affiliates shall not be indemnified by the Company for any losses, liabilities or expenses arising from or out of the alleged violation of federal or state securities laws unless one or more of the following conditions are met:

(i) There has been a successful adjudication on the merits of each count involving alleged securities law violations as to the particular indemnitee;

(ii) Such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction as to the particular indemnitee; or

(iii) A court of competent jurisdiction approves a settlement of the claims against a particular indemnitee and finds that indemnification of the settlement and the related costs should be made, and the court considering the request for indemnification

has been advised of the position of the Securities and Exchange Commission and of the published position of any state securities regulatory authority in which securities of the Company were offered or sold as to indemnification for violation of securities laws.

(c) The Company shall advance funds to the Advisor or its Affiliates for legal expenses and other costs incurred as a result of any legal action for which indemnification is being sought only if all of the following conditions are satisfied:

(i) The legal action relates to acts or omissions with respect to the performance of duties or services on behalf of the Company;

(ii) The legal action is initiated by a third party who is not a Shareholder or the legal action is initiated by a Shareholder acting in his or her capacity as such and a court of competent jurisdiction specifically approves such advancement; and

(iii) The Advisor or the Affiliate undertakes to repay the advanced funds to the Company, together with the applicable legal rate of interest thereon, in cases in which such Advisor or Affiliate is found not to be entitled to indemnification.

(d) Notwithstanding the foregoing, the Advisor shall not be entitled to indemnification or be held harmless pursuant to this Section 21 for any activity which the Advisor shall be required to indemnify or hold harmless the Company pursuant to Section 22.

(e) Any amounts paid pursuant to this Section 21 shall be recoverable or paid only out the net assets of the Company and not from Shareholders.

**22. INDEMNIFICATION BY ADVISOR.** The Advisor shall indemnify and hold harmless the Company from liability, claims, damages, taxes or losses and related expenses including attorneys' fees, to the extent that such liability, claims, damages, taxes or losses and related expenses are not fully reimbursed by insurance and are incurred by reason of the Advisor's bad faith, fraud, willful misfeasance, misconduct, negligence or reckless disregard of its duties.

**23. NOTICES.** Any notice, report or other communication required or permitted to be given hereunder shall be in writing unless some other method of giving such notice, report or other communication is accepted by the party to



with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

29. GENDER. Words used herein regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires.

30. TITLES NOT TO AFFECT INTERPRETATION. The titles of Sections and subsections contained in this Agreement are for convenience only, and they neither form a part of this Agreement nor are they to be used in the construction or interpretation hereof.

31. EXECUTION IN COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories.

32. NAME. W.P. Carey & Co. LLC has a proprietary interest in the name "Corporate Property Associates" and "CPA(R)" Accordingly, and in recognition of this right, if at any time the Company ceases to retain Carey Asset Management Corp., or an Affiliate thereof to perform the services of Advisor, the Company will, promptly after receipt of written request from Carey Asset Management Corp., cease to conduct business under or use the name "Corporate Property Associates" or "CPA(R)" or any diminutive thereof and the Company shall use its best efforts to change the name of the Company to a name that does not contain the name "Corporate Property Associates" or "CPA(R)" or any other word or words that might, in the sole discretion of the Advisor, be susceptible of indication of some form of relationship between the Company and the Advisor or any Affiliate thereof. Consistent with the foregoing, it is specifically recognized that the Advisor or one or more of its Affiliates has in the past and may in the future organize, sponsor or otherwise permit to exist other investment vehicles (including vehicles for investment in real estate) and financial and service organizations having "Corporate Property Associates" or "CPA(R)" as a part of their name, all without the need for any consent (and without the right to object thereto) by the Company or its Directors.

33. INITIAL INVESTMENT. The Advisor has contributed to the Company \$200,000 in exchange for 20,000 Shares (the "INITIAL INVESTMENT"). The Advisor or its Affiliates may not sell any of the Shares purchased with the Initial Investment during the term of this Agreement. The restrictions included above shall not continue to apply to any Shares other than the Share acquired

through the Initial Investment acquired by the Advisor or its Affiliates. The Advisor shall not vote any Shares it now owns or hereafter acquires in any vote for the election of Directors or any vote regarding the approval or termination of any contract with the Advisor or any of its Affiliates.

IN WITNESS WHEREOF, the parties hereto have executed this Advisory Agreement as of the day and year first above written.

**CORPORATE PROPERTY ASSOCIATES 14  
INCORPORATED**

By:

Name: Thomas Zacharias Title: Managing Director and Chief Operating Officer

**CAREY ASSET MANAGEMENT CORP.**

By:

Name: Gordon DuGan Title: President and Chief Executive Officer

## SCHEDULE A

This Schedule sets forth the terms governing any Shares issued by the Company to the Advisor in payment of advisory fees set forth in the Agreement.

1. Restrictions. The Shares are subject to vesting over a five-year period. The Shares shall vest ratably over a five-year period with 20% of the Shares paid in each payment vesting on each of the first through fifth anniversary of the date hereof. Prior to the vesting of the ownership of the Shares in the Advisor, the Shares may not be transferred by the Advisor.

2. Immediate Vesting. Upon the expiration of the Agreement for any reason other than a termination for Cause under paragraph 17 or upon a "CHANGE OF CONTROL" of CPA(R):14 (as defined below), all Shares granted to the Advisor hereunder shall vest immediately and all restrictions shall lapse. For purposes of this Schedule A, a "Change of Control" of the Company shall be deemed to have occurred if there has been a change in the ownership of the Company of a nature that would be required to be reported in response to the disclosure requirements of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), as enacted and in force on the date hereof, whether or not the Company is then subject to such reporting requirements; provided, however, that, without limitation, a Change of Control shall be deemed to have occurred if:

(i) any "person," as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than the Company, any of its subsidiaries, any trustee, fiduciary or other person or entity holding securities under any employee benefit plan of the Company or any of its subsidiaries), together with all "affiliates" and "associates" (as such terms are defined in Rule 14b-2 under the Exchange Act) of such person, shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of either (A) the combined voting power of the Company's then outstanding securities having the right to vote in an election of the Board ("VOTING SECURITIES") or (B) the then outstanding common stock of the Company (in either such case other than as a result of acquisition of securities directly from the Company);

(ii) persons who, as of the date hereof, constitute the Board (the "INCUMBENT DIRECTORS") cease for any reason, including without limitation, as a result of a tender offer, proxy contest, merger or similar transaction, to constitute at least a majority of the Board, provided that any person becoming a director of the Company subsequent to the date hereof whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors shall be considered an Incumbent Director; or

(iii) the stockholders of the Company shall approve (A) any consolidation or merger of the Company or any subsidiary where the stockholders of the Company, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, shares representing in the aggregate 50% or more of the voting equity of the entity issuing cash or securities in the consolidation or merger (or of its ultimate parent entity, if any), (B) any sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of the Company or (C) any plan or proposal for the liquidation or dissolution of the Company.

Notwithstanding the foregoing, a "Change of Control" shall not be deemed to have occurred for purposes of the foregoing clause (i) solely as the result of an acquisition of securities by the Company which, by reducing the number of Shares of Common Stock outstanding, increases (A) the proportionate number of Shares beneficially owned by any person to 25% or more of the Shares then outstanding, or (B) the proportionate voting power represented by the Shares beneficially owned by any person to 25% or more of the combined voting power of all then outstanding voting Securities; provided, however, that if any person referred to in clause (A) or (B) of this sentence shall thereafter become the beneficial owner of any additional Shares or other Voting Securities (other than pursuant to a Share split, Share dividend, or similar transaction), then a "Change of Control" shall be deemed to have occurred for purposes of the foregoing clause (i).

**CORPORATE PROPERTY ASSOCIATES 14 INCORPORATED**

**EXHIBIT 31.1**

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO RULE 13a-14(a)**

I, Gordon F. DuGan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Corporate Property Associates 14 Incorporated (the "Registrant");
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and we have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
  - c) Disclosed in this quarterly report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls over financial reporting.

**Date 11/14/2005**

*/s/ Gordon F. DuGan*

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*Gordon F. DuGan*

*Vice Chairman and Chief Executive Officer*

**CORPORATE PROPERTY ASSOCIATES 14 INCORPORATED**

**EXHIBIT 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO RULE 13a-14(a)**

I, Claude Fernandez, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Corporate Property Associates 14 Incorporated (the "Registrant");
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and we have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
  - c) Disclosed in this quarterly report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other

*employees who have a significant role in the Registrant's internal controls over financial reporting.*

*Date 11/14/2005*

*/s/ Claude Fernandez*

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*Claude Fernandez  
acting Chief Financial Officer*

**CORPORATE PROPERTY ASSOCIATES 14 INCORPORATED**

**EXHIBIT 32.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO**

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Corporate Property Associates 14 Incorporated (the "Company") on Form 10-Q for the period ended September 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gordon F. DuGan, Chief Executive Officer of the Company, certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

*/s/ Gordon F. DuGan*

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*Gordon F. DuGan*  
*Vice Chairman and Chief Executive Officer*

*11/14/2005*  
*Date*

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO**

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Corporate Property Associates 14 Incorporated (the "Company") on Form 10-Q for the period ended September 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Claude Fernandez, acting Chief Financial Officer of the Company, certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

*/s/ Claude Fernandez*

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*Claude Fernandez*  
*acting Chief Financial Officer*

*11/14/2005*  
*Date*

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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**End of Filing**

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