

# CPA:14

CORPORATE PROPERTY ASSOCIATES 14

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2007 SECOND QUARTER  
REPORT



GENERATING INCOME  
FOR INVESTORS SINCE 1997

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A MEMBER OF THE

W. P. CAREY  
GROUP

# DEAR FELLOW SHAREHOLDERS

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We are pleased to provide you with updated information about our portfolio for the second quarter of 2007. Among the highlights were:

## PORTFOLIO UPDATE

Our current focus is on managing our existing portfolio of properties, including those properties we acquired from CPA<sup>®</sup>:12 in December 2006. We do this by selectively disposing of properties, renewing, extending or restructuring leases, and refinancing mortgages on existing properties if we can obtain such financing on attractive terms. While we are not currently seeking to make new significant investments, we may use the proceeds from such transactions to make acquisitions if attractive opportunities arise. As of June 30, 2007, our portfolio consisted of our full or partial ownership interest in 324 properties leased to 92 tenants, totaling approximately 31 million square feet. We are proud to convey that our portfolio of properties is 99.96% occupied.

During the second quarter of 2007, we provided \$142 million of a total \$446 million in financing to German Do-It-Yourself Retailer, Hellweg Die Profi-Baumärkte GmbH & Co. KG, through a partial purchase of Hellweg's real estate subsidiary and a loan collateralized by 37 operating sites. This came as a follow-on transaction to a \$154 million sale-leaseback our affiliates completed with Hellweg in 2005.

We are pleased to report that Tower Automotive, Inc., a tenant that manufactures parts for the automotive industry and that had been operating under bankruptcy protection, affirmed its lease with us upon emerging from bankruptcy protection this July.

## DISTRIBUTION INCREASE

In June 2007, our board of directors increased the 2007 second quarter distribution to \$0.1939 per share, which was paid in July to shareholders of record as of June 29, 2007.

## DISTRIBUTION REINVESTMENT AND SHARE PURCHASE PLAN (DRIP)

As a reminder, our DRIP enables you to reinvest your quarterly distributions in new CPA®:14 shares at our current Net Asset Value and enjoy the effects of compounding returns. It's a convenient and cost-effective way to increase your investment portfolio. For more information about how you can take advantage of this program, please contact our Investor Relations Department at 1-800-WP CAREY or IR@wpcarey.com.

## ONLINE ACCOUNT ACCESS

Please consider receiving your future investor correspondence, such as this quarterly report, electronically. Register at [www.wpcarey.com/ShareholderAccess](http://www.wpcarey.com/ShareholderAccess) and you will find a convenient and cost-effective way to access your CPA®:14 investment information online 24 hours a day, seven days a week. In addition to lowering shareholder expenses, you will be able to access your current investment balances and distribution history, among other options.

On behalf of the entire CPA®:14 family, we thank you for your continued confidence and support.

With best regards,



Wm. Polk Carey  
*Chairman of the Board*



Gordon F. DuGan  
*Chief Executive Officer*



Edward V. LaPuma  
*President*

*Please note that this letter provides only a summary of the information contained in our quarterly report on Form 10-Q for the three months ended June 30, 2007, which we have filed with the Securities and Exchange Commission. We encourage you to read the full report, which can be found at [www.cpa14.com](http://www.cpa14.com).*

# CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

*(in thousands)*

	Six months ended June 30,	
	2007	2006
<b>CASH FLOWS — OPERATING ACTIVITIES</b>		
Net income	\$ 17,499	\$ 38,083
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, including intangible assets and deferred financing costs	19,565	15,998
Straight-line rent adjustments	(1,277)	(1,350)
(Income) loss from equity investments in real estate in excess of distributions received	(1,321)	10,009
Minority interest in income	708	1,028
Security deposit placed in restricted account	—	—
Issuance of shares to affiliate in satisfaction of fees due	5,249	4,477
Impairment charge on real estate	345	—
Realized gain on foreign currency transactions, net	(633)	(338)
Unrealized gain on foreign currency transactions, net	(75)	(229)
Realized loss on sale of securities	—	44
Reversal of unrealized loss on derivatives	—	(229)
Unrealized loss (gain) on warrants and derivatives, net	1,068	(201)
Loss (gain) from sale of real estate	56	(14,178)
Change in other operating assets and liabilities, net	(1,431)	(588)
<b>Net cash provided by operating activities</b>	<b>39,753</b>	<b>52,526</b>
<b>CASH FLOWS — INVESTING ACTIVITIES</b>		
Equity distributions received in excess of equity income in real estate	37,896	35,707
Purchases of equity investments in real estate and other capital expenditures	(18,874)	(164)
Proceeds from sale of land	1,850	35,512
Proceeds from sale of securities	—	2,986
Funds placed in restricted account for future investment	—	(21,741)
Payment of deferred acquisition fees to an affiliate	(4,369)	(3,514)
<b>Net cash provided by investing activities</b>	<b>16,503</b>	<b>48,786</b>
<b>CASH FLOWS — FINANCING ACTIVITIES</b>		
Distributions paid	(34,267)	(26,274)
Distributions to minority interest partners	(1,290)	(1,750)
Proceeds from mortgages and credit facility	85,900	12,000
Prepayment of mortgage principal and credit facility	(85,034)	(24,167)
Scheduled payments of mortgage principal	(8,234)	(6,087)
Deferred financing costs and mortgage deposits	(200)	(156)
Proceeds from issuance of shares, net of costs	4,533	3,229
Purchase of treasury stock	(9,384)	(4,481)
<b>Net cash used in financing activities</b>	<b>(47,976)</b>	<b>(47,686)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</b>		
Effect of exchange rate changes on cash	124	99
Net increase in cash and cash equivalents	8,404	53,725
Cash and cash equivalents, beginning of period	18,991	37,871
Cash and cash equivalents, end of period	<b>\$ 27,395</b>	<b>\$ 91,596</b>

# CONSOLIDATED BALANCE SHEETS (UNAUDITED)

*(in thousands except share and per share amounts)*

	June 30, 2007	December 31, 2006 (NOTE)
<b>ASSETS</b>		
Real estate, net	\$ 1,141,092	\$ 1,154,336
Net investment in direct financing leases	137,235	137,147
Equity investments in real estate	185,439	200,332
Cash and cash equivalents	27,395	18,991
Marketable securities	14,567	14,207
Intangible assets, net	88,989	92,447
Other assets, net	54,978	57,863
Total assets	\$ 1,649,695	\$ 1,675,323
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Liabilities:		
Limited recourse mortgage notes payable	\$ 806,311	\$ 785,815
Credit facility	—	25,000
Accounts payable, accrued expenses and other liabilities	13,188	13,921
Prepaid and deferred rental income and security deposits	27,427	30,924
Due to affiliates	24,309	25,231
Distributions payable	16,997	17,327
Total liabilities	888,232	898,218
Minority interest in consolidated entities	18,883	19,465
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$0.001 par value; 120,000,000 shares authorized; 91,291,028 and 90,514,607 shares issued and outstanding, respectively	91	90
Additional paid-in capital	884,151	874,370
Distributions in excess of accumulated earnings	(115,923)	(99,405)
Accumulated other comprehensive income	12,861	11,801
	781,180	786,856
Less, treasury stock at cost, 3,630,912 and 2,861,902 shares, respectively	(38,600)	(29,216)
Total shareholders' equity	742,580	757,640
Total liabilities and shareholders' equity	\$ 1,649,695	\$ 1,675,323

*NOTE: The consolidated balance sheet at December 31, 2006 has been derived from the audited consolidated financial statements at that date.*

# CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands except share and per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
<b>REVENUES</b>				
Rental income	\$ 36,260	\$ 28,380	\$ 72,129	\$ 56,704
Interest income from direct financing leases	4,067	3,501	8,135	6,983
Other operating income	1,099	881	1,492	1,323
	<u>41,426</u>	<u>32,762</u>	<u>81,756</u>	<u>65,010</u>
<b>OPERATING EXPENSES</b>				
Depreciation and amortization	(8,400)	(9,518)	(16,619)	(15,270)
Property expenses	(8,031)	(5,381)	(15,301)	(10,662)
General and administrative	(2,089)	(1,452)	(4,099)	(3,192)
Impairment charge	(345)	—	(345)	-
	<u>(18,865)</u>	<u>(16,351)</u>	<u>(36,364)</u>	<u>(29,124)</u>
<b>OTHER INCOME AND EXPENSES</b>				
Income from equity investments in real estate	2,380	9,357	4,969	13,615
Other interest income	614	691	1,218	1,152
Minority interest in income	(305)	(485)	(708)	(1,028)
Gain (loss) on derivative instruments and real estate, net	390	10	(1,124)	386
Gain on foreign currency transactions, net	50	226	708	567
Interest expense	(16,475)	(12,479)	(32,017)	(25,054)
	<u>(13,346)</u>	<u>(2,680)</u>	<u>(26,954)</u>	<u>(10,362)</u>
Income from continuing operations before income taxes	9,215	13,731	18,438	25,524
Provision for income taxes	(457)	(89)	(939)	(17)
Income from continuing operations	<u>8,758</u>	<u>13,642</u>	<u>17,499</u>	<u>25,507</u>
<b>DISCONTINUED OPERATIONS</b>				
Loss from operations of discontinued properties	—	(1,811)	—	(1,602)
Gain on sale of real estate, net	—	14,178	—	14,178
Income from discontinued operations	<u>—</u>	<u>12,367</u>	<u>—</u>	<u>12,576</u>
<b>NET INCOME</b>	<u>\$ 8,758</u>	<u>\$ 26,009</u>	<u>\$ 17,499</u>	<u>\$ 38,083</u>
<b>EARNINGS PER SHARE</b>				
Income from continuing operations	\$ 0.10	\$ 0.20	\$ 0.20	\$ 0.38
Income from discontinued operations	—	0.18	—	0.18
Net income	<u>\$ 0.10</u>	<u>\$ 0.38</u>	<u>\$ 0.20</u>	<u>\$ 0.56</u>
<b>WEIGHTED AVERAGE SHARES</b>				
<b>OUTSTANDING</b>	<u>87,818,845</u>	<u>68,651,410</u>	<u>87,802,752</u>	<u>68,540,961</u>
<b>DISTRIBUTIONS DECLARED PER SHARE</b>	<u>\$ 0.1939</u>	<u>\$ 0.1929</u>	<u>\$ 0.3873</u>	<u>\$ 0.3853</u>



c/o Phoenix American Financial Services  
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