

Investing for the long run™



# CPA:14

Corporate Property Associates 14  
2008 Third Quarter Report

A MEMBER OF THE

W. P. CAREY  
GROUP

## Dear Fellow Shareholders

The Corporate Property Associates series of programs was founded thirty years ago based on an investment strategy intended to work in good times and in bad. Since then, we have continued to follow this strategy through a conservative risk management approach which includes:

### Diversification:

We diversify our portfolio by tenant, tenant industry and geography so that we limit exposure to any one tenant, region or single industry, given our belief that the performance of companies in the same industry or the same area tends to correlate in a down time. CPA<sup>®</sup>:14's portfolio is broadly diversified, consisting of 90 separate corporate obligors from 22 industries with 316 properties in 38 states and five European countries. And the portfolio is more than 99% occupied.

### Critical Operating Assets:

We identify and purchase assets that we deem essential for companies to maintain their core operations and stay in business in down markets—assets such as flow-through warehouses and profitable retail properties. We also look to acquire properties that contribute significantly to the overall profitability of the tenant company.

### Focus on Tenant Creditworthiness:

Each acquisition we complete undergoes a thorough underwriting process. Generally, our independent investment committee, comprised of seasoned investment professionals with a combined 200 years of experience and expertise, must review and approve all transactions.

We are pleased that our disciplined and conservative approach to building the CPA<sup>®</sup>:14 portfolio has resulted in solid, steady cash flows. In addition, while we have seen a small increase in

rent delinquencies, so far in 2008 we have not experienced a significant increase in corporate defaults. This being said, in light of current economic conditions, we believe corporate defaults may increase in the next 12 to 24 months. We will monitor our tenants closely and continue to manage the portfolio aggressively to mitigate any effect this may have on the overall portfolio.

We have much to look forward to in 2009, and on behalf of the entire W. P. Carey family, we thank you for your ongoing confidence and support. We will continue to work diligently on your behalf to maintain our track record of excellence during these challenging times.

With best regards,



Wm. Polk Carey

*Chairman of the Board*



Gordon F. DuGan

*Chief Executive Officer*



Edward V. LaPuma

*President*

*Please note that these highlights provide only a summary of the information contained in our quarterly report on Form 10-Q for the three and nine months ended September 30, 2008, 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 Flow (Unaudited)

(in thousands)

	Nine months ended September 30,	
	2008	2007
<b>Cash Flows — Operating Activities</b>		
Net income	\$ 42,024	\$ 33,009
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, including intangible assets and deferred financing costs	28,695	29,285
Straight-line rent adjustments	(1,626)	(1,754)
Income from equity investments in real estate in excess of distributions received	2,584	(3,821)
Minority interest in income	1,393	1,111
Issuance of shares to affiliate in satisfaction of fees due	9,175	8,294
Impairment charge on real estate	1,029	345
Increase (decrease) in prepaid and deferred rental income and security deposits	1,302	(2,734)
Realized gain on foreign currency transactions, net	(1,618)	(741)
Unrealized loss (gain) on foreign currency transactions, net	3	(413)
(Gain) loss from sale of real estate	(698)	56
Realized gain on sale of securities	(708)	(1,648)
Reversal of unrealized gain on warrants and derivatives	708	2,207
Unrealized loss (gain) on warrants, derivatives and other, net	351	(110)
Change in other operating assets and liabilities, net	1,687	(3,219)
<b>Net cash provided by operating activities</b>	<b>84,301</b>	<b>59,867</b>
<b>Cash Flows — Investing Activities</b>		
Equity distributions received in excess of equity income in real estate	4,884	38,044
Purchases of equity investments in real estate and other capital expenditures	—	(18,764)
Proceeds from sale of real estate	6,503	1,850
Exercise of common stock warrants	—	(999)
Proceeds from sale of securities	708	3,160
Payment of deferred acquisition fees to an affiliate	(3,846)	(4,369)
<b>Net cash provided by investing activities</b>	<b>8,249</b>	<b>18,922</b>
<b>Cash Flows — Financing Activities</b>		
Distributions paid	(51,540)	(51,263)
Distributions paid to minority interest partners	(2,737)	(2,022)
Proceeds from mortgages and credit facility	9,740	122,600
Prepayment of mortgage principal and credit facility	(14,212)	(90,644)
Scheduled payments of mortgage principal	(13,035)	(12,479)
Deferred financing costs and mortgage deposits	(1,130)	(528)
Proceeds from stock issuance, net of costs	6,840	6,811
Purchase of treasury stock	(11,153)	(13,310)
<b>Net cash used in financing activities</b>	<b>(77,227)</b>	<b>(40,835)</b>
<b>Change in Cash and Cash Equivalents During the Period</b>		
Effect of exchange rate changes on cash	(492)	541
Net decrease in cash and cash equivalents	14,831	38,495
Cash and cash equivalents, beginning of period	122,503	18,991
Cash and cash equivalents, end of period	<b>\$ 137,334</b>	<b>\$ 57,486</b>

## Consolidated Balance Sheets (Unaudited)

(in thousands except share and per share amounts)

	September 30, 2008	December 31, 2007 (NOTE)
<b>Assets</b>		
Real estate, net	\$ 1,106,737	\$ 1,139,131
Net investment in direct financing leases	127,159	128,058
Equity investments in real estate	157,773	166,125
Cash and cash equivalents	137,334	122,503
Intangible assets, net	74,521	79,353
Other assets, net	75,110	79,978
Total assets	<u>\$ 1,678,634</u>	<u>\$ 1,715,148</u>
<b>Liabilities and Shareholders' Equity</b>		
Liabilities:		
Non-recourse debt	\$ 826,506	\$ 847,587
Accounts payable, accrued expenses and other liabilities	16,340	15,515
Prepaid and deferred rental income and security deposits	28,905	27,898
Due to affiliates	20,582	26,039
Distributions payable	17,311	17,116
Total liabilities	<u>909,644</u>	<u>934,155</u>
Minority interest in consolidated entities	16,689	18,033
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$0.001 par value; 120,000,000 shares authorized; 93,269,189 and 92,112,004 shares issued and outstanding, respectively	93	92
Additional paid-in capital	910,787	894,773
Distributions in excess of accumulated earnings	(112,918)	(103,207)
Accumulated other comprehensive income	12,264	18,074
	<u>810,226</u>	<u>809,732</u>
Less, treasury stock at cost, 5,125,229 and 4,293,933 shares, respectively	(57,925)	(46,772)
Total shareholders' equity	<u>752,301</u>	<u>762,960</u>
Total liabilities and shareholders' equity	<u>\$ 1,678,634</u>	<u>\$ 1,715,148</u>

NOTE: The consolidated balance sheet at December 31, 2007 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 September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
<b>Revenues</b>				
Rental income	\$ 36,711	\$ 35,906	\$ 110,729	\$ 106,517
Interest income from direct financing leases	3,849	4,070	11,498	12,205
Other operating income	95	2,150	2,457	3,642
	<u>40,655</u>	<u>42,126</u>	<u>124,684</u>	<u>122,364</u>
<b>Operating Expenses</b>				
Depreciation and amortization	(8,190)	(8,024)	(25,003)	(24,175)
Property expenses	(6,759)	(9,353)	(22,952)	(24,653)
General and administrative	(1,418)	(1,972)	(6,573)	(6,072)
Impairment charge	(1,029)	—	(1,029)	(345)
	<u>(17,396)</u>	<u>(19,349)</u>	<u>(55,557)</u>	<u>(55,245)</u>
<b>Other Income and Expenses</b>				
Advisor settlement	—	—	10,868	—
Income from equity investments in real estate	1,541	6,447	7,668	11,416
Other interest income	1,100	1,369	3,489	2,587
Minority interest in income	(576)	(403)	(1,393)	(1,111)
Gain on foreign currency transactions, derivative instruments and other, net	631	1,065	1,803	649
Interest expense	(15,763)	(15,664)	(47,892)	(47,063)
	<u>(13,067)</u>	<u>(7,186)</u>	<u>(25,457)</u>	<u>(33,522)</u>
Income from continuing operations before income taxes	10,192	15,591	43,670	33,597
Provision for income taxes	(579)	(274)	(2,097)	(1,212)
Income from continuing operations	<u>9,613</u>	<u>15,317</u>	<u>41,573</u>	<u>32,385</u>
<b>Discontinued Operations</b>				
Income from operations of discontinued properties	—	193	292	624
Gain on sale of real estate, net	—	—	159	—
Income from discontinued operations	<u>—</u>	<u>193</u>	<u>451</u>	<u>624</u>
<b>Net Income</b>	<u>\$ 9,613</u>	<u>\$ 15,510</u>	<u>\$ 42,024</u>	<u>\$ 33,009</u>
<b>Earnings Per Share</b>				
Income from continuing operations	\$ 0.11	\$ 0.18	\$ 0.47	\$ 0.37
Income from discontinued operations	—	—	0.01	0.01
Net income	<u>\$ 0.11</u>	<u>\$ 0.18</u>	<u>\$ 0.48</u>	<u>\$ 0.38</u>
<b>Weighted Average Shares Outstanding</b>	<u>88,211,026</u>	<u>87,935,448</u>	<u>88,141,817</u>	<u>87,847,470</u>
<b>Distributions Declared Per Share</b>	<u>\$ 0.1964</u>	<u>\$ 0.1944</u>	<u>\$ 0.5877</u>	<u>\$ 0.5817</u>



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