

W. P. Carey Inc.
Form 10-K
March 03, 2014

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

FORM 10-K

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

For the fiscal year ended December 31, 2013

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: 001-13779

W. P. CAREY INC.

(Exact name of registrant as specified in its charter)

Maryland

(State of incorporation)

45-4549771

(I.R.S. Employer Identification No.)

50 Rockefeller Plaza

New York, New York

(Address of principal executive offices)

10020

(Zip Code)

Investor Relations (212) 492-8920

(212) 492-1100

(Registrant's telephone numbers, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Common Stock, \$0.001 Par Value

Name of exchange on which registered

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No
State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of last business day of the registrant's most recently completed second fiscal quarter: \$4.6 billion.
As of February 21, 2014 there were 98,990,247 shares of Common Stock of registrant outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant incorporates by reference its definitive Proxy Statement with respect to its 2014 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days following the end of its fiscal year, into Part III of this Annual Report on Form 10-K.

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Forward-Looking Statements

This Annual Report on Form 10-K, or the Report, including Management’s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of Part II of this Report, contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements generally are identified by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “intend,” “strategy,” “plan,” “may,” “should,” “will,” “would,” “will be,” “will likely result,” and similar expressions. It is important to note that our actual results could be materially different from those projected in such forward-looking statements. You should exercise caution in relying on forward-looking statements as they involve known and unknown risks, uncertainties and other factors that may materially affect our future results, performance, achievements or transactions. Information on factors which could impact actual results and cause them to differ from what is anticipated in the forward-looking statements contained herein is included in this Report as well as in our other filings with the Securities and Exchange Commission, or the SEC, including but not limited to those described in Item 1A. Risk Factors of this Report. Except as may be required by federal securities laws and the rules and regulations of the SEC, we do not undertake to revise or update any forward-looking statements.

All references to “Notes” throughout the document refer to the footnotes to the consolidated financial statements of the registrant in Part II, Item 8, Financial Statements and Supplementary Data.

PART I

Item 1. Business.

General Development of Business

Overview

W. P. Carey Inc., or W. P. Carey, is, together with its consolidated subsidiaries and predecessors, a leading global owner and manager of commercial properties net leased to companies on a long-term basis. In addition, we act as an advisor to a series of income-oriented non-traded real estate investment trusts, or REITs, through our investment management business. We own and manage a diversified global investment portfolio of 1,021 properties located in 21 countries. Our owned and managed diversified global investment portfolio had a combined enterprise value of more than \$15.0 billion at December 31, 2013. Our properties are generally industrial, warehouse/distribution, office or retail facilities which are essential to our corporate tenants' operations and are triple-net leased to single tenants. Our leases typically require our tenants to pay substantially all of the costs associated with operating and maintaining the property. Our corporate tenants operate in a wide variety of business sectors.

Since 1979, we have sponsored a series of seventeen income-generating investment programs that invest primarily in commercial properties net leased to single tenants, under the Corporate Property Associates, or CPA[®], brand name. We are currently the advisor to Corporate Property Associates 17 – Global Incorporated, or CPA[®]:17 – Global, and Corporate Property Associates 18 – Global Incorporated, or CPA[®]:18 – Global, and together, the CPA[®] REITs, as well as Carey Watermark Investors Incorporated, or CWI, which invests in lodging and lodging-related properties.

Originally founded in 1973, we reorganized as a REIT in September 2012 in connection with our merger with Corporate Property Associates 15 Incorporated, or CPA[®]:15. We refer to these transactions as the REIT Conversion and the CPA[®]:15 Merger, respectively. Our shares of common stock are listed on the New York Stock Exchange under the symbol “WPC.”

On July 25, 2013, we entered into a merger agreement with Corporate Property Associates 16 – Global Incorporated, or CPA[®]:16 – Global, which we refer to as the CPA[®]:16 Merger. The CPA[®]:16 Merger was approved by both the CPA[®]:16 – Global stockholders and our stockholders on January 24, 2014 and it was completed on January 31, 2014.

Headquartered in New York, we have offices in Dallas, London, Amsterdam, Hong Kong and Shanghai. At December 31, 2013, we employed 251 individuals.

Financial Information About Segments

Our business operates in two segments – Real Estate Ownership and Investment Management, as described below.

Narrative Description of Business

Business Objectives and Strategy

Our primary business objective is to increase stockholder value and earnings, which will allow us to maintain or increase our dividend by actively managing our assets and through the profitable growth of our owned real estate portfolio and our investment management operations.

Our investment strategy primarily focuses on owning and actively managing a diverse portfolio of commercial real estate that is net leased to credit-worthy companies globally. We believe that many companies prefer to lease, rather than own, their corporate real estate. We structure long-term financing for our corporate tenants in the form of sale-leaseback transactions. Typically, we acquire a company's essential real estate and then lease it back to them on a long-term basis. Our tenants are generally responsible for the ongoing operating costs of real estate ownership, including the real estate taxes, insurance, and maintenance of the facilities. Our leases generally have ten to 20-year terms and include a base rent with scheduled rent increases that are either fixed or tied to an inflation index. Properties subject to long-term net leases typically produce a more predictable income stream and require less capital than other types of real estate investments.

We actively manage our real estate portfolio to mitigate risk with respect to fluctuations in tenant credit quality and probability of lease renewal. We believe that diversification with respect to property type, geography and tenant are an important component of portfolio management. We own and manage a variety of property types, including office, industrial, warehouse/

distribution, and retail properties, throughout the United States, or the U.S., and in countries in Europe and Asia, leased to tenants in a variety of industries. See Our Portfolio below for more information on the characteristics of our properties.

In addition to managing our own real estate portfolio, we currently act as the advisor to CPA[®]:17 – Global, CPA[®]:18 – Global, and CWI, or collectively with CPA[®]:16 – Global, the Managed REITs (Note 4). We invest their funds and manage their assets. We generate fee revenue from our advisory agreements with the Managed REITs. We also own shares of the Managed REITs and co-invest in properties with them. We began the CPA[®] REIT program in 1979 and, through January 31, 2014, have raised and invested over \$7.5 billion of equity capital in 18 separate CPA[®] REIT programs since that time. Historically, our investment management business has been our primary source of equity capital.

We believe that our real estate investments provide our stockholders with a stable, growing source of income. We also believe that the fee income that we generate from our advisory contracts with the Managed REITs provides our stockholders with an attractive, albeit more variable, source of additional income.

We have two primary reportable segments, Real Estate Ownership and Investment Management. These segments are each described below.

Real Estate Ownership

We own and invest in commercial properties primarily in the U.S. and Europe that are then leased to companies, primarily on a triple-net lease basis, which requires the tenant to pay substantially all of the costs associated with operating and maintaining the property (Note 18). We earn revenues or equity income from:

- Our wholly-owned real estate investments;
- Our co-owned real estate investments;
- Our investments in the shares of the Managed REITs; and
- Our participation in the cash flows of the Managed REITs.

Investment Management

We earn revenue as the advisor to the Managed REITs. Under the advisory agreements with the Managed REITs, we perform various services, including but not limited to the day-to-day management of the Managed REITs and transaction-related services, for which we earn revenues as follows:

- We structure and negotiate investments and debt placement transactions for the Managed REITs, for which we earn structuring revenue;
- We manage the portfolios of the Managed REITs' real estate investments, for which we earn asset-based management revenue;
- The Managed REITs reimburse us for certain costs that we incur on their behalf while we are raising funds for their public offerings, consisting primarily of broker-dealer commissions, marketing costs, and certain personnel and overhead costs;
- We earn dealer manager fees in connection with the public offerings of the Managed REITs; and
- We may also earn incentive and disposition revenue and receive other compensation in connection with providing liquidity alternatives to the Managed REITs' stockholders.

From time to time, we explore alternatives for expanding our investment management operations beyond advising the existing Managed REITs. Any such expansion could involve the purchase of properties or other investments as

principal, either for our owned portfolio or with the intention of transferring such investments to a newly-created fund, as well as the sponsorship of one or more funds to make investments other than primarily net-lease investments, like CWI.

Investment Strategies

In analyzing potential investments, we review various aspects of a transaction, including tenant and real estate fundamentals, to determine whether a potential investment and lease will satisfy our investment criteria. In evaluating net-lease transactions, we generally consider, among other things, the following aspects of each transaction:

Tenant/Borrower Evaluation — We evaluate each potential tenant or borrower for its creditworthiness, typically considering factors such as management experience, industry position and fundamentals, operating history, and capital structure, as well as other factors that may be relevant to a particular investment. We seek opportunities in which we believe the tenant may have a

stable or improving credit profile or credit potential that has not been fully recognized by the market. Whether a prospective tenant or borrower is creditworthy is evaluated by our investment department and the investment committee, as described below. Creditworthy does not mean “investment grade,” as defined by the credit rating agencies.

Real Estate Evaluation — We review and evaluate the physical condition of the property and the market in which it is located. We consider a variety of factors, including current market rents, replacement cost, residual valuation, property operating history, demographic characteristics of the location and accessibility, competitive properties, and suitability for re-leasing. We perform third party environmental and engineering reports and market studies, if needed. We will also consider factors particular to the laws of foreign countries, in addition to the risks normally associated with real property investments, when considering an investment outside the U.S.

Properties Critical to Tenant/Borrower Operations — We generally will focus on properties that we believe are critical to the ongoing operations of the tenant. We believe that these properties provide better protection generally as well as in the event of a bankruptcy, since a tenant/borrower is less likely to risk the loss of a critically important lease or property in a bankruptcy proceeding or otherwise.

Diversification — We attempt to diversify our owned and managed portfolios to avoid dependence on any one particular tenant, borrower, collateral type, geographic location or tenant/borrower industry. By diversifying these portfolios, we seek to reduce the adverse effect of a single under-performing investment or a downturn in any particular industry or geographic region. While we have not endeavored to maintain any particular standard of diversity in our owned portfolio, we believe that our owned portfolio is reasonably well diversified.

Lease Terms — Generally, the net leased properties in which we invest will be leased on a full recourse basis to the tenants or their affiliates. In addition, we seek to include a clause in each lease that provides for increases in rent over the term of the lease. These increases are fixed or tied generally to increases in indices such as the Consumer Price Index, or CPI, or other similar index in the jurisdiction in which the property is located, but may contain caps or other limitations, either on an annual or overall basis. In the case of retail stores and hotels, the lease may provide for participation in gross revenues of the tenant at the property above a stated level, or percentage rent. Alternatively, a lease may provide for mandated rental increases on specific dates.

Transaction Provisions to Enhance and Protect Value — We attempt to include provisions in the leases that we believe may help protect an investment from changes in the operating and financial characteristics of a tenant that may affect its ability to satisfy its obligations or reduce the value of the investment. Such provisions include requiring our consent to specified tenant activity, requiring the tenant to provide indemnification protections, requiring the tenant to provide security deposits, and requiring the tenant to satisfy specific operating tests. We may also seek to enhance the likelihood of a tenant’s lease obligations being satisfied through a guaranty of obligations from the tenant’s corporate parent or other entity or through a letter of credit. This credit enhancement, if obtained, provides additional financial security. However, in markets where competition for net lease transactions is strong, some or all of these provisions may be difficult to negotiate. In addition, in some circumstances, tenants may retain the right to repurchase the property leased by the tenant. The option purchase price is generally the greater of the contract purchase price and the fair market value of the property at the time the option is exercised.

Other Equity Enhancements — We may attempt to obtain equity enhancements in connection with transactions. These equity enhancements may involve warrants exercisable at a future time to purchase stock of the tenant or borrower or their parent. If warrants are obtained, and become exercisable, and if the value of the stock subsequently exceeds the exercise price of the warrant, equity enhancements can help achieve the goal of increasing investor returns.

Investment Committee — We have an independent investment committee that provides services to us and to the CPA® REITs. Our investment department, under the oversight of our chief investment officer, is primarily responsible for evaluating, negotiating and structuring potential investment opportunities. The investment committee is not directly involved in originating or negotiating potential investments, but instead functions as a separate and final step in the investment process. We place special emphasis on having experienced individuals serve on our investment committee. The investment committee retains the authority to identify other categories of transactions that may be entered into without its prior approval. The investment committee may delegate its authority, such as to investment advisory committees with specialized expertise in the particular geographic market. However, we do not currently expect that the investments delegated to these advisory committees will account for a significant portion of the investments we make in the near term.

Financing Strategies

We seek to maintain a conservative capital structure that enhances equity returns, maintains financial flexibility and enables us to effectively match fund our assets and liabilities. Historically, we have entered into mortgage financings collateralized by individual property assets to finance our business. In an effort to access a wider range of capital sources, we recently received investment grade ratings from both Moody's Investors Service and Standard & Poor's Ratings Services. These ratings are predicated on reducing our reliance on secured debt and increasing the level of unencumbered assets on our balance sheet by paying off individual mortgage loans as they mature in the near-term. In January 2014, we recast our unsecured line of credit and increased the amounts available to borrow compared to the prior facility, subject to certain covenants ([Note 20](#)). In addition to funding our working capital needs, this increased line of credit capacity will assist us in transitioning to becoming an unsecured borrower by enhancing our ability to repay a portion of our mortgage debt. Going forward, we expect to have access to a wider variety of capital sources, including the public debt and equity markets.

Asset Management

We believe that effective management of our assets is essential to maintain and enhance property values. Important aspects of asset management include entering into new or modified transactions to meet the evolving needs of current tenants, re-leasing properties, refinancing debt, and selling properties.

We monitor, on an ongoing basis, compliance by tenants with their lease obligations and other factors that could affect the financial performance of any of our properties. Monitoring involves receiving assurances that each tenant has paid real estate taxes, assessments and other expenses relating to the properties it occupies and confirming that appropriate insurance coverage is being maintained by the tenant. For international compliance, we often engage third-party asset managers. We review financial statements of tenants and undertake regular physical inspections of the condition and maintenance of properties. Additionally, we periodically analyze each tenant's financial condition, the industry in which each tenant operates and each tenant's relative strength in its industry.

Our Portfolio

At December 31, 2013, our portfolio had the following characteristics:

- Number of properties – 418 net-leased properties and two self-storage properties;
- Total square footage – 39.5 million square feet; and
- Occupancy rate – approximately 98.9%.

Geographic Diversification

Information regarding the geographic diversification of our net-leased properties at December 31, 2013 is set forth below (dollars in thousands and are based on annualized contractual minimum base rent for the fourth quarter of 2013):

| Region | Consolidated Investments | | Equity Investments in Real Estate | | |
|-----------------------------------|--|---|---|--|---|
| | Annualized Contractual Minimum Base Rent | % of Annualized Contractual Minimum Base Rent | Pro Rata Annualized Contractual Minimum Base Rent | % of Pro Rata Annualized Contractual Minimum Base Rent | |
| Top Five Domestic States: | | | | | |
| California | \$32,957 | 10 | % \$3,981 | 11 | % |
| Texas | 27,269 | 8 | % — | — | % |
| Illinois | 16,720 | 5 | % 610 | 2 | % |
| Florida | 16,140 | 5 | % — | — | % |
| Georgia | 14,519 | 4 | % 115 | — | % |
| Other | 131,058 | 37 | % 8,185 | 22 | % |
| Total U.S. | 238,663 | 69 | % 12,891 | 35 | % |
| Top Five International Countries: | | | | | |
| France | 30,609 | 9 | % — | — | % |
| Finland | 23,012 | 7 | % — | — | % |
| Germany | 20,492 | 6 | % 21,808 | 59 | % |
| Poland | 18,596 | 5 | % — | — | % |
| United Kingdom | 6,109 | 2 | % — | — | % |
| Other | 7,602 | 2 | % 2,525 | 6 | % |
| Total International | 106,420 | 31 | % 24,333 | 65 | % |
| Total | \$345,083 | 100 | % \$37,224 | 100 | % |

Property Diversification

Information regarding the diversification of our net-leased properties at December 31, 2013 is set forth below (dollars in thousands and are based on annualized contractual minimum base rent for the fourth quarter of 2013):

| Property Type | Consolidated Investments | | Equity Investments in Real Estate | | |
|------------------------|--|---|---|--|---|
| | Annualized Contractual Minimum Base Rent | % of Annualized Contractual Minimum Base Rent | Pro Rata Annualized Contractual Minimum Base Rent | % of Pro Rata Annualized Contractual Minimum Base Rent | |
| Office | \$110,023 | 32 | % \$8,622 | 23 | % |
| Industrial | 63,639 | 18 | % 7,550 | 20 | % |
| Warehouse/Distribution | 53,757 | 16 | % 5,836 | 16 | % |
| Retail | 46,200 | 13 | % 15,216 | 41 | % |
| Other | 71,464 | 21 | % — | — | % |
| Total | \$345,083 | 100 | % \$37,224 | 100 | % |

Tenant/Lease Information

At December 31, 2013, our tenants/leases have the following characteristics:

- Number of tenants – 128;
- Investment-grade tenants – 31%;
- Average remaining lease term – 8.1 years;
- 91% of our leases have rent adjustments as follows:
 - CPI and similar – 67%
 - fixed – 24%

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Competition

We face active competition in both our Real Estate Ownership segment and our Investment Management segment from many sources for investment opportunities in commercial properties net leased to tenants both domestically and internationally. In general, we believe that our management's experience in real estate, credit underwriting and transaction structuring should allow us to compete effectively for commercial properties. However, competitors may be willing to accept rates of return, lease terms, other transaction terms or levels of risk that we may find unacceptable.

In our Investment Management segment, we face active competition in raising funds for investment by the Managed REITs, from other funds with similar investment objectives that seek to raise funds from investors through publicly registered, non-traded funds, publicly-traded funds and private funds, such as hedge funds. In addition, we face broad competition from other forms of investment. Currently, we raise substantially all of our funds for investment in the Managed REITs within the U.S.

Environmental Matters

We and the Managed REITs have invested, and expect to continue to invest, in properties currently or historically used as industrial, manufacturing and commercial properties. Under various federal, state and local environmental laws and regulations, current and former owners and operators of property may have liability for the cost of investigating, cleaning-up or disposing of hazardous materials released at, on, under, in or from the property. These laws typically impose responsibility and liability without regard to whether the owner or operator knew of or was responsible for the presence of hazardous materials or contamination, and liability under these laws is often joint and several. Third parties may also make claims against owners or operators of properties for personal injuries and property damage associated with releases of hazardous materials. As part of our efforts to mitigate these risks, we typically engage third parties to perform assessments of potential environmental risks when evaluating a new acquisition of property and we frequently obtain contractual protection (indemnities, cash reserves, letters of credit or other instruments) from property sellers, tenants, a tenant's parent company or another third party to address known or potential environmental issues.

Financial Information About Geographic Areas

See Our Portfolio above and Note 18 for financial information pertaining to our geographic operations.

Available Information

All filings we make with the SEC, including this Report, our quarterly reports on Form 10-Q and our current reports on Form 8-K, and any amendments to those reports, are available for free on our website, www.wpcarey.com, as soon as reasonably practicable after they are filed or furnished to the SEC. Our SEC filings are available to be read or copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information regarding the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. Our filings can also be obtained for free on the SEC's Internet site at <http://www.sec.gov>. We are providing our website address solely for the information of investors. We do not intend our website to be an active link or to otherwise incorporate the information contained on our website into this report or other filings with the SEC. We will supply to any stockholder, upon written request and without charge, a copy of this Report as filed with the SEC. Generally, we also post the dates of our upcoming scheduled financial press releases, telephonic investor calls and investor presentations on the Investor Relations portion of our website at least ten days prior to the event. Our investor calls are open to the public and remain available on our website for at least two weeks thereafter.

Item 1A. Risk Factors.

Risks Related to Our Business

Adverse changes in general economic conditions can adversely affect our business.

Our success is dependent upon economic conditions in the U.S. generally, and in the international geographic areas in which a substantial number of our investments are located. Adverse changes in national economic conditions or in the economic conditions of the regions in which we conduct substantial business likely would have an adverse effect on real estate values and, accordingly, our financial performance, the market prices of our securities and our ability to pay dividends.

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Changes in investor preferences or market conditions could limit our ability to raise funds or make new investments.

The majority of our and the CPA[®] REITs' current investments, as well as the majority of the investments that we expect to originate for the CPA[®] REITs in the near term, are investments in single-tenant commercial properties that are subject to triple-net leases. In addition, we have relied predominantly on raising funds from individual investors through the sale by participating selected dealers to their customers of publicly-registered, non-traded securities of the Managed REITs. Although we have increased the number of broker-dealers we use for fundraising, the majority of our fundraising efforts are through three major selected dealers. If, as a result of changes in market receptivity to investments that are not readily liquid and involve high selected dealer fees, or for other reasons, this capital raising method were to become less available as a source of capital, our ability to raise funds for the Managed REIT programs, and consequently our ability to make investments on their behalf, could be adversely affected. While we are not limited to this particular method of raising funds for investment (and, among other things, the Managed REITs may themselves be able to borrow additional funds to invest), our experience with other means of raising capital is limited. Also, many factors, including changes in tax laws or accounting rules, may make these types of investments less attractive to potential sellers and lessees, which could negatively affect our ability to increase the amount of assets of this type under management.

We face active competition for investments.

We face active competition for our investments from many sources, including insurance companies, credit companies, pension funds, private individuals, financial institutions, finance companies and investment companies, among others. These institutions may accept greater risk or lower returns, allowing them to offer more attractive terms to prospective tenants. In addition, our evaluation of the acceptability of rates of return on behalf of the Managed REITs is affected by such factors as the cost of raising capital, the amount of revenue we can earn and the performance hurdle rates of the relevant Managed REITs. Such factors may limit the amount of new investments that we make on behalf of the Managed REITs, which will in turn limit the growth of revenues from our investment management operations. The investment community continues to remain risk averse. We believe that the net lease financing market is perceived as a relatively conservative investment vehicle. Accordingly, we expect increased competition for investments, both domestically and internationally. It is possible that further capital inflows into our marketplace will place additional pressure on the returns that we can generate from our investments as well as our willingness and ability to execute transactions.

A significant amount of our leases will expire within the next five years, and we may have difficulty in re-leasing or selling our properties if tenants do not renew their leases.

Within the next five years, approximately 28% of our leases, based on annualized contractual minimum base rent, are due to expire. If these leases are not renewed, or if the properties cannot be re-leased on terms that yield payments comparable to those currently being received, then our lease revenues could be substantially adversely affected. The terms of any new or renewed leases of these properties may depend on market conditions prevailing at the time of lease expiration. In addition, if properties are vacated by the current tenants, we may incur substantial costs in attempting to re-lease such properties. We may also seek to sell these properties, in which event we may incur losses, depending upon market conditions prevailing at the time of sale.

Real estate investments generally lack liquidity compared to other financial assets, and this lack of liquidity may limit our ability to quickly change our portfolio in response to changes in economic or other conditions. Some of our net leases are for properties that are specially suited to the particular needs of the tenant. With these properties, we may be required to renovate the property or to make rent concessions in order to lease the property to another tenant. In addition, if we are forced to sell the property, we may have difficulty selling it to a party other than the tenant due to the special purpose for which the property may have been designed. These and other limitations may affect our ability

to re-lease or sell properties without adversely affecting returns to stockholders.

There may be competition among us and the Managed REITs for business opportunities.

We currently manage, and may in the future manage, REITs and other entities that have investment and/or rate of return objectives similar to our own. Those entities may be in competition with us with respect to properties, potential purchasers, sellers and lessees of properties and mortgage financing for properties. We have agreed to implement certain procedures to help manage any perceived or actual conflicts among us and the Managed REITs, including:

- allocating funds based on numerous factors, including cash available, diversification / concentration, transaction size, tax, leverage and fund life;

- all “split transactions” are subject to the approval of the independent directors of the CPAREITs;

investment allocations are reviewed as part of the annual advisory contract renewal process of each managed entity; and quarterly review of all of our investment activities and the investment activities of the CPA[®] REITs by the independent directors of the CPA[®] REITs.

We are not required to meet any diversification standards; therefore, our investments may become subject to concentration of risk.

Subject to our intention to maintain our qualification as a REIT, there are no limitations on the number or value of particular types of investments that we may make. We are not required to meet any diversification standards, including geographic diversification standards. Therefore, our investments may become concentrated in type or geographic location, which could subject us to significant concentration of risk with potentially adverse effects on our investment objectives.

Because we invest in properties located outside the U.S., we are exposed to additional risks.

We have invested in and may continue to invest in properties located outside the U.S. At December 31, 2013, on a combined basis with CPA[®]:16 – Global our directly-owned real estate properties located outside of the U.S. represented 33% of current annualized contractual minimum base rent. These investments may be affected by factors particular to the laws of the jurisdiction in which the property is located. These investments may expose us to risks that are different from and in addition to those commonly found in the U.S., including:

- changing governmental rules and policies;
- enactment of laws relating to the foreign ownership of property and laws relating to the ability of foreign entities to remove invested capital or profits earned from activities within the country to the U.S.;
- expropriation of investments;
- legal systems under which our ability to enforce contractual rights and remedies may be more limited than would be the case under U.S. law;
- difficulty in conforming obligations in other countries and the burden of complying with a wide variety of foreign laws, which may be more stringent than U.S. laws, including tax requirements and land use, zoning, and environmental laws, as well as changes in such laws;
- adverse market conditions caused by changes in national or local economic or political conditions;
- tax requirements vary by country and we may be subject to additional taxes as a result of our international investments;
- changes in relative interest rates;
- changes in the availability, cost and terms of mortgage funds resulting from varying national economic policies;
- changes in real estate and other tax rates and other operating expenses in particular countries;
- changes in land use and zoning laws;
- more stringent environmental laws or changes in such laws; and
- restrictions and/or significant costs in repatriating cash and cash equivalents held in foreign bank accounts.

In addition, the lack of publicly available information in certain jurisdictions in accordance with accounting principles generally accepted in the U.S., or GAAP, could impair our ability to analyze transactions and may cause us to forego an investment opportunity for ourselves or the CPA[®] REITs. It may also impair our ability to receive timely and accurate financial information from tenants necessary to meet our and the CPA[®] REITs' reporting obligations to financial institutions or governmental or regulatory agencies. Certain of these risks may be greater in emerging markets and less developed countries. Our expertise to date is primarily in the U.S. and Europe, and we have less experience in other international markets. We may not be as familiar with the potential risks to our and the CPA[®] REITs' investments outside the U.S. and Europe and we could incur losses as a result.

Also, we may engage third-party asset managers in international jurisdictions to monitor compliance with legal requirements and lending agreements with respect to properties we own or manage on behalf of the CPA® REITs. Failure to comply with applicable requirements may expose us or our operating subsidiaries to additional liabilities.

Moreover, we are subject to changes in foreign exchange rates due to potential fluctuations in exchange rates between foreign currencies and the U.S. dollar. Our principal currency exposure is to the euro. We attempt to mitigate a portion of the risk of currency fluctuation by financing our properties in the local currency denominations, although there can be no assurance that this will be effective. Because we generally place both our debt obligation to the lender and the tenant's rental obligation to us in the same currency, our results of foreign operations benefit from a weaker U.S. dollar and are adversely affected by a

stronger U.S. dollar relative to foreign currencies; that is, absent other considerations, a weaker U.S. dollar will tend to increase both our revenues and our expenses, while a stronger U.S. dollar will tend to reduce both our revenues and our expenses.

Our participation in joint ventures creates additional risk.

We have in the past participated, and may in the future participate, in joint ventures to purchase assets jointly with the Managed REITs and may do so as well with third parties. There are additional risks involved in joint venture transactions. As a co-investor in a joint venture, we may not be in a position to exercise sole decision-making authority relating to the property, joint venture or other entity. In addition, there is the potential of our joint venture partner becoming bankrupt and the possibility of diverging or inconsistent economic or business interests of us and our partner. These diverging interests could result in, among other things, exposure to liabilities of the joint venture in excess of our proportionate share of these liabilities. The partition rights of each owner in a jointly-owned property could reduce the value of each portion of the divided property. In addition, the fiduciary obligation that members of our board may owe to our partner in an affiliated transaction may make it more difficult for us to enforce our rights.

Our property portfolio has a high concentration of properties in Germany, making us more vulnerable economically to an economic downturn.

Following the consummation of the CPA[®]:16 Merger, over 12% of total rental revenue will come from properties in Germany. As a result, we may be particularly subject to risks inherent in Germany. A downturn in the commercial real estate industry generally could significantly adversely affect the value of our properties. An economic downturn in Germany could particularly negatively affect lessees' ability to make lease payments to us and our ability to make distributions to its stockholders.

If we recognize substantial impairment charges on our properties or investments, our net income may be reduced.

On a combined basis, we and CPA[®]:16 – Global recognized impairment charges totaling \$57.4 million for the year ended December 31, 2013, including \$15.4 million recognized on the special member interest in CPA[®]:16 – Global's operating partnership. In the future, we may incur substantial impairment charges, which we are required to recognize: whenever we sell a property for less than its carrying value or we determine that the carrying amount of the property is not recoverable and exceeds its fair value; for direct financing leases, whenever the unguaranteed residual value of the underlying property has declined; or, for equity investments, whenever the estimated fair value of the investment's underlying net assets in comparison with the carrying value of our interest in the investment has declined on an other-than-temporary basis. By their nature, the timing or extent of impairment charges are not predictable. We may incur non-cash impairment charges in the future, which may reduce our net income.

Because we use debt to finance investments, our cash flow could be adversely affected.

Historically, most of our investments have been made by borrowing a portion of the total investment and securing the loan with a mortgage on the property. We generally borrow on a non-recourse basis to limit our exposure on any property to the amount of equity invested in the property. If we are unable to make our debt payments as required, a lender could foreclose on the property or properties securing its debt. Additionally, lenders for our international mortgage loan transactions typically incorporate various covenants and other provisions that can cause a technical loan default, including a loan to value ratio, a debt service coverage ratio and a material adverse change in the borrower's or tenant's business. Accordingly, if the real estate value declines or the tenant defaults, the lender would have the right to foreclose on its security. If any of these events were to occur, it could cause us to lose part or all of our investment, which in turn could cause the value of our portfolio, and revenues available for distribution to our stockholders, to be reduced.

Some of our financing may also require us to make a balloon payment at maturity. Our ability to make balloon payments on debt will depend upon our ability either to refinance the obligation when due, invest additional equity in the property or to sell the related property. When a balloon payment is due, we may be unable to refinance the balloon payment on terms as favorable as the original loan or sell the property at a price sufficient to cover the balloon payment. Our ability to accomplish these goals will be affected by various factors existing at the relevant time, such as the state of the national and regional economies, local real estate conditions, available mortgage or interest rates, availability of credit, our equity in the mortgaged properties, our financial condition, the operating history of the mortgaged properties and tax laws. A refinancing or sale could affect the rate of return to stockholders and the projected time of disposition of our assets.

Our level of indebtedness increased upon the completion of the CPA[®]:16 Merger.

In connection with the CPA[®]:16 Merger, we assumed approximately \$1.7 billion of CPA[®]:16 – Global’s indebtedness, a portion of which was repaid by the New Senior Credit Facility (Note 12). Prior to the consummation of the CPA[®]:16 Merger, as of December 31, 2013, we had consolidated indebtedness of \$2.1 billion, equal to a leverage ratio (total debt less cash to earnings before interest, taxes, depreciation and amortization, or EBITDA) of 6.7. After giving effect to the CPA[®]:16 Merger, our consolidated indebtedness as of December 31, 2013 was approximately \$3.8 billion, equal to a leverage ratio (total debt less cash to EBITDA) of approximately 7.7. As a result of this assumption of debt, we may be subject to an increased risk that our cash flow could be insufficient to meet required payments on our debt. Our increased indebtedness after the CPA[®]:16 Merger, compared to our level of indebtedness prior to the CPA[®]:16 Merger, could have important consequences to our stockholders, including:

- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements;
- requiring the use of a substantial portion of our cash flow from operations for the payment of principal and interest on its indebtedness, thereby reducing our ability to use our cash flow to fund working capital, acquisitions, capital expenditures and general corporate requirements;
- limiting our flexibility in planning for, or reacting to, changes in its business and its industry; and
- putting us at a disadvantage compared to our competitors with comparatively less indebtedness

A downgrade in our credit ratings could materially adversely affect our business and financial condition.

We plan to manage our operations to maintain investment grade status with a capital structure consistent with our current profile, but there can be no assurance that we will be able to maintain our current credit ratings. Any downgrades in terms of ratings or outlook by any of the noted rating agencies could have a material adverse impact on our cost and availability of capital, which could in turn have a material adverse impact on our financial condition, results of operations and liquidity.

We may not be able to generate sufficient cash flow to meet our existing or potential future debt service obligations.

Our ability to make payments on our existing or potential future indebtedness, including credit facilities or debt securities, and to fund our operations, working capital and capital expenditures, depends on our ability to generate cash in the future. To a certain extent, our cash flow is subject to general economic, industry, financial, competitive, operating, legislative, regulatory and other factors, many of which are beyond our control.

We cannot assure you that our business will generate sufficient cash flow from operations or that future sources of cash will be available to us in an amount sufficient to enable us to pay amounts due on our existing or potential future indebtedness, or to fund our other liquidity needs. Additionally, if we incur additional indebtedness in connection with future acquisitions, development projects, or for any other purpose, our debt service obligations could increase.

We may need to refinance all or a portion of our indebtedness on or before maturity. Our ability to refinance our indebtedness or obtain additional financing will depend on, among other things (i) our financial condition and market conditions at the time, and (ii) restrictions in the agreements governing our indebtedness. As a result, we may not be able to refinance any of our indebtedness on commercially reasonable terms, or at all. If we do not generate sufficient cash flow from operations, and additional borrowings or refinancings or proceeds of asset sales or other sources of cash are not available to us, we may not have sufficient cash to enable us to meet all of our obligations or to fund dividends. Accordingly, if we cannot service our indebtedness, we may have to take actions such as seeking additional equity or debt financing or delaying capital expenditures or strategic acquisitions and alliances, any of which could

have a material adverse effect on our operations. We cannot assure you that we will be able to effect any of these actions on commercially reasonable terms, or at all.

Our leases may permit tenants to purchase a property at a predetermined price, which could limit our realization of any appreciation or result in a loss.

In some circumstances, we may grant tenants a right to repurchase the property they lease from us. The purchase price may be a fixed price or it may be based on a formula or the market value at the time of exercise. If a tenant exercises its right to purchase the property and the property's market value has increased beyond that price, we could be limited in fully realizing the appreciation on that property. Additionally, if the price at which the tenant can purchase the property is less than our carrying value (for example, where the purchase price is based on an appraised value), we may incur a loss.

Our ability to fully control the management of our net-leased properties may be limited.

The tenants or managers of net-leased properties are responsible for maintenance and other day-to-day management of the properties. If a property is not adequately maintained in accordance with the terms of the applicable lease, we may incur expenses for deferred maintenance expenditures or other liabilities once the property becomes free of the lease. While our leases generally provide for recourse against the tenant in these instances, a bankrupt or financially troubled tenant may be more likely to defer maintenance and it may be more difficult to enforce remedies against such a tenant. In addition, to the extent tenants are unable to conduct their operation of the property on a financially successful basis, their ability to pay rent may be adversely affected. Although we endeavor to monitor, on an ongoing basis, compliance by tenants with their lease obligations and other factors that could affect the financial performance of our properties, such monitoring may not in all circumstances ascertain or forestall deterioration either in the condition of a property or the financial circumstances of a tenant.

The value of our real estate is subject to fluctuation.

We are subject to all of the general risks associated with the ownership of real estate. While the revenues from our leases and those of the CPA[®] REITs are not directly dependent upon the value of the real estate owned, significant declines in real estate values could adversely affect us in many ways, including a decline in the residual values of properties at lease expiration; possible lease abandonments by tenants; a decline in the attractiveness of Managed REIT investments that may impede our ability to raise new funds for investment by the Managed REITs; and a decline in the attractiveness of triple-net lease transactions to potential sellers. We also face the risk that lease revenue will be insufficient to cover all corporate operating expenses and debt service payments on indebtedness we incur. General risks associated with the ownership of real estate include:

- adverse changes in general or local economic conditions;
- changes in the supply of or demand for similar or competing properties;
- changes in interest rates and operating expenses;
- competition for tenants;
- changes in market rental rates;
- inability to lease or sell properties upon termination of existing leases;
- renewal of leases at lower rental rates;
- inability to collect rents from tenants due to financial hardship, including bankruptcy;
- changes in tax, real estate, zoning and environmental laws that may have an adverse impact upon the value of real estate;
- uninsured property liability, property damage or casualty losses;
- unexpected expenditures for capital improvements or to bring properties into compliance with applicable federal, state and local laws;
- exposure to environmental losses;
- changes in foreign exchange rates; and
- acts of God and other factors beyond the control of our management.

Because most of our properties are occupied by a single tenant, our success is materially dependent upon the tenant's financial stability.

Most of our properties are occupied by a single tenant and, therefore, the success of our investments is materially dependent on the financial stability of our tenants. Revenues from several of our tenants/guarantors constitute a significant percentage of its lease revenues. On a combined basis with CPA[®]:16 – Global, the five largest tenants/guarantors represented approximately 26% of total lease revenues for 2013. Lease payment defaults by tenants negatively impact our net income and reduce the amounts available for distributions to stockholders. As some of our

tenants may not have a recognized credit rating, these tenants may have a higher risk of lease defaults than if those tenants had a recognized credit rating. In addition, the bankruptcy or default of a tenant could cause the loss of lease payments as well as an increase in the costs incurred to carry the property until it can be re-leased or sold. We have had, and may have in the future, tenants file for bankruptcy protection. In the event of a default, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting the investment and re-leasing the property. If a lease is terminated, there is no assurance that we will be able to re-lease the property for the rent previously received or sell the property without incurring a loss.

The bankruptcy or insolvency of tenants or borrowers may cause a reduction in our revenue and an increase in our expenses.

Bankruptcy or insolvency of a tenant or borrower could cause:

- the loss of lease or interest and principal payments;
- an increase in the costs incurred to carry the property;
- litigation;
- a reduction in the value of our shares; and
- a decrease in distributions to our stockholders.

Under U.S. bankruptcy law, a tenant who is the subject of bankruptcy proceedings has the option of assuming or rejecting any unexpired lease. If the tenant rejects the lease, any resulting claim we have for breach of the lease (excluding collateral securing the claim) will be treated as a general unsecured claim. The maximum claim will be capped at the amount owed for unpaid rent prior to the bankruptcy unrelated to the termination, plus the greater of one year's lease payments or 15% of the remaining lease payments payable under the lease (but no more than three years' lease payments). In addition, due to the long-term nature of our leases and, in some cases, terms providing for the repurchase of a property by the tenant, a bankruptcy court could recharacterize a net lease transaction as a secured lending transaction. If that were to occur, we would not be treated as the owner of the property, but we might have rights as a secured creditor. Those rights would not include a right to compel the tenant to timely perform its obligations under the lease but may instead entitle us to "adequate protection," a bankruptcy concept that applies to protect against a decrease in the value of the property if the value of the property is less than the balance owed to us.

Insolvency laws outside of the U.S. may not be as favorable to reorganization or to the protection of a debtor's rights as tenants under a lease as are the laws in the U.S. Our rights to terminate a lease for default may be more likely to be enforceable in countries other than the U.S., in which a debtor/ tenant or its insolvency representative may be less likely to have rights to force continuation of a lease without our consent. Nonetheless, such laws may permit a tenant or an appointed insolvency representative to terminate a lease if it so chooses.

However, in circumstances where the bankruptcy laws of the U.S. are considered to be more favorable to debtors and to their reorganization, entities that are not ordinarily perceived as U.S. entities may seek to take advantage of the U.S. bankruptcy laws if they are eligible. An entity would be eligible to be a debtor under the U.S. bankruptcy laws if it had a domicile (state of incorporation or registration), place of business or assets in the U.S. If a tenant became a debtor under the U.S. bankruptcy laws, then it would have the option of assuming or rejecting any unexpired lease. As a general matter, after the commencement of bankruptcy proceedings and prior to assumption or rejection of an expired lease, U.S. bankruptcy laws provide that until an unexpired lease is assumed or rejected, the tenant (or its trustee if one has been appointed) must timely perform obligations of the tenant under the lease. However, under certain circumstances, the time period for performance of such obligations may be extended by an order of the bankruptcy court.

We and certain of the CPA® REITs have had tenants file for bankruptcy protection and have been involved in bankruptcy-related litigation (including several international tenants). Four prior CPA® REITs reduced the rate of distributions to their investors as a result of adverse developments involving tenants.

Similarly, if a borrower under one of our loan transactions declares bankruptcy, there may not be sufficient funds to satisfy its payment obligations to us, which may adversely affect our revenue and distributions to our stockholders. The mortgage loans in which we may invest may be subject to delinquency, foreclosure and loss, which could result in losses to us.

Because we are subject to possible liabilities relating to environmental matters, we could incur unexpected costs and our ability to sell or otherwise dispose of a property may be negatively impacted.

We own commercial properties and are subject to the risk of liabilities under federal, state and local environmental laws. These responsibilities and liabilities also exist for properties owned by the Managed REITs and if they become liable for these costs, their ability to pay for our services could be materially affected. Some of these laws could impose the following on us:

- responsibility and liability for the cost of investigation and removal or remediation of hazardous or toxic substances released on or from our property, generally without regard to our knowledge of, or responsibility for, the presence of these contaminants;

- liability for the costs of investigation and removal or remediation of hazardous substances at disposal facilities for persons who arrange for the disposal or treatment of such substances;

liability for claims by third parties based on damages to natural resources or property, personal injuries, or costs of removal or remediation of hazardous or toxic substances in, on, or migrating from our property;
responsibility for managing asbestos-containing building materials, and third-party claims for exposure to those materials; and
claims being made against us by the Managed REITs for inadequate due diligence.

Our costs of investigation, remediation or removal of hazardous or toxic substances, or for third-party claims for damages, may be substantial. The presence of hazardous or toxic substances at any of our properties, or the failure to properly remediate a contaminated property, could give rise to a lien in favor of the government for costs it may incur to address the contamination or otherwise adversely affect our ability to sell or lease the property or to borrow using the property as collateral. While we attempt to mitigate identified environmental risks by contractually requiring tenants to acknowledge their responsibility for complying with environmental laws and to assume liability for environmental matters, circumstances may arise in which a tenant fails, or is unable, to fulfill its contractual obligations. In addition, environmental liabilities, or costs or operating limitations imposed on a tenant to comply with environmental laws, could affect its ability to make rental payments to us. Also, and although we endeavor to avoid doing so, we may be required, in connection with any future divestitures of property, to provide buyers with indemnification against potential environmental liabilities.

Revenue and earnings from our investment management operations are subject to volatility, which may cause our investment management revenue to fluctuate.

Growth in revenue from our investment management operations is dependent in large part on future capital raising in existing or future managed entities, as well as on our ability to make investments that meet the investment criteria of these entities, both of which are subject to uncertainty with respect to capital market and real estate market conditions. This uncertainty creates volatility in our earnings because of the resulting fluctuation in transaction-based revenue. Asset management revenue may be affected by factors that include not only our ability to increase the Managed REITs' portfolio of properties under management, but also changes in valuation of those properties, as well as sales of the Managed REIT properties. In addition, revenue from our investment management operations, including our ability to earn performance revenue, as well as the value of our holdings of the Managed REITs' interests and dividend income from those interests, may be significantly affected by the results of operations of the Managed REITs. Each of the CPA[®] REITs has invested the majority of its assets (other than short-term investments) in triple-net leased properties substantially similar to those we hold, and consequently the results of operations of, and cash available for distribution by, each of the CPA[®] REITs are likely to be substantially affected by the same market conditions, and subject to the same risk factors, as the properties we own. In our history, four of the seventeen CPA[®] funds temporarily reduced the rate of distributions to their investors as a result of adverse developments involving tenants.

Each of the Managed REITs that we currently manage may incur significant debt, which either due to liquidity problems or restrictive covenants contained in their borrowing agreements could restrict their ability to pay revenue owed to us when due. In addition, the revenue payable under each of our current investment advisory agreements is subject to a variable annual cap based on a formula tied to the assets and income of that Managed REIT. This cap may limit the growth of our management revenue. Furthermore, our ability to earn revenue related to the disposition of properties is primarily tied to providing liquidity events for the Managed REIT investors. Our ability to provide such liquidity, and to do so under circumstances that will satisfy the applicable subordination requirements, will depend on market conditions at the relevant time, which may vary considerably over a period of years. In any case, liquidity events typically occur several years apart, and income from our investment management operations is likely to be significantly higher in those years in which such events occur.

Because the revenue streams from the advisory agreements with the Managed REITs are subject to limitation or cancellation, any such termination could have a material adverse effect on our business, results of operations and

financial condition.

The advisory agreements under which we provide services to the Managed REITs are renewable annually and may generally be terminated by each Managed REIT upon 60 days' notice, with or without cause. The advisory agreements with CPA[®]:18 – Global and CWI are currently scheduled to expire on September 30, 2014, unless otherwise renewed. CPA[®]:17 – Global's advisory agreement is currently scheduled to expire on June 30, 2014, unless otherwise renewed. There can be no assurance that these agreements will not expire or be terminated. CPA[®]:17 – Global, CPA[®]:18 – Global and CWI all have the right, but not the obligation, upon certain terminations to repurchase our interests in their operating partnerships at fair market value. If such right is not exercised, we would remain as a limited partner of the respective operating partnerships. Nonetheless, any such termination would have a material adverse effect on our business, results of operations and financial condition.

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A potential change in U.S. accounting standards regarding operating leases may make the leasing of facilities less attractive to our potential domestic tenants, which could reduce overall demand for our leasing services.

A lease is classified by a tenant as a capital lease if the significant risks and rewards of ownership are considered to reside with the tenant. This situation is considered to be met if, among other things, the non-cancelable lease term is more than 75% of the useful life of the asset or if the present value of the minimum lease payments equals 90% or more of the leased property's fair value. Under capital lease accounting for a tenant, both the leased asset and liability are reflected on their balance sheet. If the lease does not meet any of the criteria for a capital lease, the lease is considered an operating lease by the tenant and the obligation does not appear on the tenant's balance sheet; rather, the contractual future minimum payment obligations are only disclosed in the footnotes thereto. Thus, entering into an operating lease can appear to enhance a tenant's balance sheet in comparison to direct ownership. In response to concerns caused by a 2005 SEC study that the current model does not have sufficient transparency, the Financial Accounting Standards Board, or FASB, and the International Accounting Standards Board, or IASB, issued an Exposure Draft on a joint proposal that would dramatically transform lease accounting from the existing model. In May 2013, the Boards issued a revised exposure draft for public comment and the comment period ended in September 2013. In January 2014, the Boards began their redeliberations of the proposals included in the May 2013 Exposure Draft based on the comments received. As of the date of this Report, the proposed guidance has not yet been finalized. Changes to the accounting guidance could affect both our and the CPA® REITs' accounting for leases as well as that of our and the CPA® REITs' tenants. These changes would impact most companies but are particularly applicable to those that are significant users of real estate. The proposal outlines a completely new model for accounting by lessees, whereby their rights and obligations under all leases, existing and new, would be capitalized and recorded on the balance sheet. For some companies, the new accounting guidance may influence whether or not, or the extent to which, they may enter into the type of sale-leaseback transactions in which we specialize.

We depend on key personnel for our future success, and the loss of key personnel or inability to attract and retain personnel could harm our business.

Our future success depends in large part on our ability to hire and retain a sufficient number of qualified personnel. Our future success also depends upon the continued service of our executive officers: Trevor P. Bond, our President and Chief Executive Officer; Catherine D. Rice, our Chief Financial Officer; Thomas E. Zacharias, our Chief Operating Officer and the head of our Asset Management Department; John D. Miller, our Chief Investment Officer; and Mark Goldberg, President of Carey Financial, LLC. The loss of the services of any of these officers could have a material adverse effect on our operations.

Our accounting policies and methods are fundamental to how we record and report our financial position and results of operations, and they require management to make estimates, judgments and assumptions about matters that are inherently uncertain.

Our accounting policies and methods are fundamental to how we record and report our financial position and results of operations. We have identified several accounting policies as being critical to the presentation of our financial position and results of operations because they require management to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts would be recorded under different conditions or using different assumptions. Because of the inherent uncertainty of the estimates, judgments and assumptions associated with these critical accounting policies, we cannot provide any assurance that we will not make subsequent significant adjustments to our consolidated financial statements. If our judgments, assumptions and allocations prove to be incorrect, or if circumstances change, our business, financial condition, revenues, operating expense, results of operations, liquidity, ability to pay dividends or stock price may be materially adversely affected.

Our charter and Maryland law contain provisions that may delay or prevent a change of control transaction.

Our charter contains 7.9% ownership limits. Our charter, subject to certain exceptions, authorizes our directors to take such actions as are necessary and desirable to limit any person to beneficial or constructive ownership of either (i) owning more than 7.9% in value or in number of shares, whichever is more restrictive, of the aggregate outstanding shares of our stock excluding any outstanding shares of our stock not treated as outstanding for federal income tax purposes or (ii) owning more than 7.9% in value or in number of shares, whichever is more restrictive, of our aggregate outstanding shares of common stock excluding any of our outstanding shares of common stock not treated as outstanding for federal income tax purposes. Our board of directors, in its sole discretion, may exempt a person from the ownership limits. However, our board of directors may not grant an exemption from the ownership limits to any person unless our board of directors obtains such representations, covenants and undertakings as our board of directors may deem appropriate in order to determine that granting the exemption would not result in losing our status as a REIT. Our board of directors may also increase or decrease the common stock ownership limit and/or the aggregate stock ownership limit so long as the change would not result in five or fewer persons beneficially owning more

than 49.9% in value of our outstanding stock. The ownership limits and the other restrictions on ownership of our stock contained in our charter may delay or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

Our board of directors may modify our authorized shares of stock of any class or series and may create and issue a class or series of common stock or preferred stock without stockholder approval.

Our board of directors is empowered under our charter from time to time to amend our charter to increase or decrease the aggregate number of shares of our stock or the number of shares of stock of any class or series that we have authority to issue, and from time to time to classify any unissued shares of common stock or preferred stock and to or reclassify any previously classified, but unissued, shares of common stock or preferred stock into one or more classes or series of stock and to issue such shares of stock so classified or reclassified, without stockholder approval. Our board of directors may determine the relative rights, preferences and privileges of any class or series of common stock or preferred stock issued. As a result, we may issue series or classes of common stock or preferred stock with preferences, dividends, powers and rights, voting or otherwise, senior to the rights of holders of our common stock. The issuance of any such classes or series of common stock or preferred stock could also have the effect of delaying or preventing a change of control transaction that might otherwise be in the best interests of our stockholders.

Certain provisions of Maryland law could inhibit changes in control.

Certain provisions of the Maryland General Corporation Law, or MGCL, may have the effect of inhibiting a third party from making a proposal to acquire us or impeding a change of control under circumstances that otherwise could provide our stockholders with the opportunity to realize a premium over the then-prevailing market price of our common stock, including:

“business combination” provisions that, subject to limitations, prohibit certain business combinations between us and an “interested stockholder” (defined generally as any person who beneficially owns 10% or more of the voting power of our outstanding voting stock), or an affiliate thereof for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter impose special appraisal rights and supermajority voting requirements on these combinations; and

“control share” provisions that provide that holders of “control shares” of our company (defined as voting shares which, when aggregated with all other shares owned or controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a “control share acquisition” (defined as the direct or indirect acquisition of ownership or control of issued and outstanding “control shares”) have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

The statute permits various exemptions from its provisions, including business combinations that are exempted by a board of directors prior to the time that the “interested stockholder” becomes an interested stockholder. Our board of directors has, by resolution, exempted any business combination between us and any person who is an existing, or becomes in the future, an “interested stockholder.” Consequently, the five-year prohibition and the supermajority vote requirements will not apply to business combinations between us and any such person. As a result, such person may be able to enter into business combinations with us that may not be in the best interest of our stockholders, without compliance with the super-majority vote requirements and the other provisions of the statute. Additionally, this resolution may be altered, revoked or repealed in whole or in part at any time and we may opt back into the business combination provisions of the MGCL. If this resolution is revoked or repealed, the statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer. In the case of the control share provisions of the MGCL, we have elected to opt out of these provisions of the MGCL pursuant to a provision in our bylaws.

Additionally, Title 3, Subtitle 8 of the MGCL, permits our board of directors, without stockholder approval and regardless of what is currently provided in our charter or our bylaws, to implement certain governance provisions, some of which (for example, a classified board) we do not currently have. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for our company or of delaying, deferring or preventing a change in control of our company under circumstances that otherwise could provide the holders of our common stock with the opportunity to realize a premium over the then-current market price. Our charter, our Bylaws and Maryland law also contain other provisions that may delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

Future issuances of equity securities could dilute the interest of our stockholders.

Our future growth will depend, in part, upon our ability to raise additional capital. If we were to raise additional capital through the issuance of equity securities, we could dilute the interests of a significant number of our stockholders. In addition, we issued shares of our common stock to the former stockholders of both CPA[®]:15 and CPA[®]:16 – Global (excluding us and our subsidiaries) as merger consideration in the CPA[®]:15 Merger and CPA[®]:16 Merger, respectively. The interests of our stockholders could also be diluted by the issuance of shares of common stock upon the exercise of outstanding options or pursuant to stock incentive plans. Likewise, our board of directors is empowered under our charter from time to time to amend our charter to increase or decrease the aggregate number of shares of our stock or the number of shares of stock of any class or series that we have authority to issue, and from time to time to classify any unissued shares of common stock or preferred stock and to or reclassify any previously classified, but unissued, shares of common stock or preferred stock into one or more classes or series of stock and to issue such shares of stock so classified or reclassified, without stockholder approval. See the section below titled “Our board of directors may modify our authorized shares of stock of any class or series and may create and issue a class or series of common stock or preferred stock without stockholder approval.”

The price of our common stock may fluctuate.

Our current or historical share price may not be indicative of how the market will value shares of our common stock in the future. One of the factors that may influence the price of our common stock will be the yield from distributions on our common stock compared to yields on other financial instruments. If, for example, an increase in market interest rates results in higher yields on other financial instruments, the market price of our common stock could be adversely affected. In addition, our use of taxable REIT subsidiaries, or TRSs, may cause the market to value our common stock differently than the shares of other REITs, which may not use TRSs as extensively as we currently expect to do so. The market price of our common stock will also be affected by general market conditions and will be potentially affected by the economic and market perception of REIT securities.

Compliance or failure to comply with the Americans with Disabilities Act and other similar regulations could result in substantial costs.

Under the Americans with Disabilities Act, places of public accommodation must meet certain federal requirements related to access and use by disabled persons. Noncompliance could result in the imposition of fines by the federal government or the award of damages to private litigants. If we are required to make unanticipated expenditures to one or more of our properties in order to comply with the Americans with Disabilities Act, then our cash flow and the amounts available to make distributions and payments to our stockholders may be adversely affected. We have not conducted an audit or investigation of all of our properties to determine our compliance and we cannot predict the ultimate cost of compliance with the ADA or other legislation.

Our properties are also subject to various federal, state and local regulatory requirements, such as state and local fire and life-safety requirements. We could incur fines or private damage awards if we fail to comply with these requirements. While we believe that our properties are currently in material compliance with these regulatory requirements, the requirements may change or new requirements may be imposed that could require significant unanticipated expenditures by us that will affect our cash flow and results of operations.

The occurrence of cyber incidents, or a deficiency in our cyber security, could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and/or damage to our business relationships, all of which could negatively impact our financial results.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity, or availability of our information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to systems to disrupt operations, corrupt data, or steal confidential information. As our reliance on technology has increased, so have the risks posed to our systems, both internal and those we have outsourced. Our three primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to our relationship with our tenants, and private data exposure. We have implemented processes, procedures and controls to help mitigate these risks, but these measures, as well as our increased awareness of a risk of a cyber incident, do not guarantee that our financial results will not be negatively impacted by such an incident.

Goodwill resulting from the consummation of our mergers may adversely affect our results of operations.

Potential impairment of goodwill resulting from the CPA[®]:15 Merger and CPA[®]:16 Merger could adversely affect our financial condition and results of operations. We assess our goodwill and other intangible assets for impairment annually and more frequently when required by GAAP. We are required to record an impairment charge if circumstances indicate that the asset carrying values exceed their fair values. Our assessment of goodwill or other intangible assets could indicate that an impairment of the carrying value of such assets may have occurred that could result in a material, non-cash write-down of such assets, which could have a material adverse effect on our results of operations and future earnings. We are also required to write off a portion of goodwill whenever we dispose of a property that constitutes a business under GAAP from a reporting unit with goodwill. We allocate a portion of the reporting unit's goodwill to that business in determining the gain loss on the disposal of the business. The amount of goodwill allocated to the business is based on the relative fair value of the business for the reporting unit.

Following the consummation of the CPA[®]:16 Merger, our future results may suffer if we do not effectively manage our expanded operations.

Following the consummation of the CPA[®]:16 Merger, we may continue to expand our operations through additional acquisitions and other strategic transactions, some of which may involve complex challenges. Our future success will depend, in part, upon our ability to manage our expansion opportunities, integrate new operations into our existing business in an efficient and timely manner, successfully monitoring our operations, costs, regulatory compliance and service quality, and maintaining other necessary internal controls. There can be no assurance that our expansion or acquisition opportunities will be successful, or that we will realize our expected operating efficiencies, cost savings, revenue enhancements, synergies or other benefits.

Following the consummation of the CPA[®]:16 Merger, we cannot assure you that we will be able to continue paying dividends at the current rate.

While we expect to continue our current dividend practices following the consummation of the CPA[®]:16 Merger, our stockholders may not receive the same dividends following the consummation of the CPA[®]:16 Merger for various reasons, including the following:

- as a result of the CPA[®]:16 Merger and the issuance of shares of our common stock in connection with the CPA[®]:16 Merger, the total amount of cash required for us to pay dividends at our current rate has increased;
- we may not have enough cash to pay such dividends due to changes in our cash requirements, capital plans, cash flow or financial position;
- decisions on whether, when and in which amounts to make any future distributions will remain at all times entirely at the discretion of our board of directors, which reserves the right to change our dividend practices at any time and for any reason; and
- the amount of dividends that our subsidiaries may distribute to us may be subject to restrictions imposed by state law, restrictions that may be imposed by state regulators and restrictions imposed by the terms of any current or future indebtedness that these subsidiaries may incur.

Risks Related to REIT Structure

While we believe that we are properly organized as a REIT in accordance with applicable law, we cannot guarantee that the IRS will find that we have qualified as a REIT.

We believe that we are organized in conformity with the requirements for qualification as a REIT under the Internal Revenue Code, or the Code, beginning with our 2012 taxable year, and that our current and anticipated investments

and plan of operation will enable us to meet and continue to meet the requirements for qualification and taxation as a REIT under the Code. Investors should be aware, however, that the IRS or any court could take a position different from our own. Given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of future changes in our circumstances, no assurance can be given that we will so qualify for any particular year.

Furthermore, our qualification and taxation as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. Our ability to satisfy the quarterly asset tests under applicable Code provisions and Treasury Regulations will depend in part upon the our board of directors' good faith analysis of the fair market values of our assets, some of which are not susceptible to a precise determination. Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition

of our income and assets on an ongoing basis. While we believe that we will satisfy these tests, we cannot guarantee that this will be the case on a continuing basis.

If we fail to qualify as a REIT or fail to remain qualified as a REIT, we would be subject to federal income tax at corporate income tax rates and would not be able to deduct distributions to stockholders when computing our taxable income.

Prior to the consummation of the REIT Conversion, we were not treated as a REIT for federal income tax purposes. Following the consummation of the REIT Conversion, we believe that we are organized in conformity with the requirements for qualification as a REIT under the Code beginning with our 2012 taxable year. In order to qualify as a REIT, we plan to hold our non-qualifying REIT assets and conduct our non-qualifying REIT income activities in or through one or more TRSs.

If, in any taxable year, we fail to qualify for taxation as a REIT, and are not entitled to relief under the Code:

- we will not be allowed a deduction for distributions to stockholders in computing our taxable income;
- we will be subject to federal and state income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates; and
- we would not be eligible to qualify as a REIT for the four taxable years following the year during which we were so disqualified.

Any such corporate tax liability could be substantial and would reduce the amount of cash available for distributions to our stockholders, which in turn could have an adverse impact on the value of our common stock. This adverse impact could last for five or more years because, unless we are entitled to relief under certain statutory provisions, we will be taxed as a corporation, beginning in the year in which the failure occurs, and we will not be allowed to re-elect to be taxed as a REIT for the following four years.

If we fail to qualify for taxation as a REIT, we may need to borrow funds or liquidate some investments to pay the additional tax liability. Were this to occur, funds available for investment would be reduced. REIT qualification involves the application of highly technical and complex provisions of the Code to our operations, as well as various factual determinations concerning matters and circumstances not entirely within our control. There are limited judicial or administrative interpretations of these provisions. Although we plan to continue to operate in a manner consistent with the REIT qualification rules, we cannot assure you that we will so qualify or remain so qualified.

If we fail to make required distributions, we may be subject to federal corporate income tax.

We intend to declare regular quarterly distributions, the amount of which will be determined, and is subject to adjustment, by our board of directors. To continue to qualify and be taxed as a REIT, we will generally be required to distribute at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and excluding net capital gain) each year to our stockholders. Generally, we expect to distribute all or substantially all of our REIT taxable income. If our cash available for distribution falls short of our estimates, we may be unable to maintain the proposed quarterly distributions that approximate our taxable income, and we may fail to qualify for taxation as a REIT. In addition, our cash flows from operations may be insufficient to fund required distributions as a result of differences in timing between the actual receipt of income and the recognition of income for federal income tax purposes, or the effect of nondeductible expenditures, such as capital expenditures, payments of compensation for which Section 162(m) of the Code denies a deduction, the creation of reserves or required debt service or amortization payments.

To the extent that we satisfy the 90% distribution requirement, but distribute less than 100% of our REIT taxable income, we will be subject to federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders for a calendar year is less than a minimum amount specified under the Code.

In addition, in order to continue to qualify as a REIT, any C-corporation earnings and profits to which we succeed (such as by a deemed liquidation of a taxable corporate subsidiary) must be distributed as of the close of the taxable year in which the REIT accumulates or acquires such C-corporation's earnings and profits.

Because certain covenants in our debt instruments may limit our ability to make required REIT distributions, we could be subject to taxation.

Our existing debt instruments include, and our future debt instruments may include, covenants that limit our ability to make required REIT distributions. If the limits set forth in these covenants prevent us from satisfying our REIT distribution requirements, we could fail to qualify for federal income tax purposes as a REIT. If the limits set forth in these covenants do not jeopardize our qualification for taxation as a REIT but do nevertheless prevent us from distributing 100% of our REIT taxable income, we will be subject to federal corporate income tax, and potentially a nondeductible excise tax, on the retained amounts.

Because we will be required to satisfy numerous requirements imposed upon REITs, we may be required to borrow funds, sell assets, or raise equity on terms that are not favorable to us.

In order to meet the REIT distribution requirements and maintain our qualification and taxation as a REIT, we may need to borrow funds, sell assets or raise equity, even if the then-prevailing market conditions are not favorable for these borrowings, sales or offerings. Any insufficiency of our cash flows to cover our REIT distribution requirements could adversely impact our ability to raise short and long term debt, to sell assets, or to offer equity securities in order to fund distributions required to maintain our qualification and taxation as a REIT. Furthermore, the REIT distribution requirements may increase the financing we need to fund capital expenditures, future growth and expansion initiatives. This would increase our total leverage.

In addition, if we fail to comply with certain asset ownership tests at the end of any calendar quarter, we must generally correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification. As a result, we may be required to liquidate otherwise attractive investments. These actions may reduce our income and amounts available for distribution to our stockholders.

Because the REIT rules require us to satisfy certain rules on an ongoing basis, our flexibility or ability to pursue otherwise attractive opportunities may be limited.

To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our common stock. Thus, compliance with these tests will require us to refrain from certain activities and may hinder our ability to make certain attractive investments, including the purchase of non-qualifying assets, the expansion of non-real estate activities, and investments in the businesses to be conducted by our TRSs, and to that extent limit our opportunities and our flexibility to change our business strategy. Furthermore, acquisition opportunities in domestic and international markets may be adversely affected if we need or require the target company to comply with some REIT requirements prior to closing. In addition, our conversion to a REIT may result in investor pressures not to pursue growth opportunities that are not immediately accretive.

To meet our annual distribution requirements, we may be required to distribute amounts that may otherwise be used for our operations, including amounts that may otherwise be invested in future acquisitions, capital expenditures or repayment of debt and it is possible that we might be required to borrow funds, sell assets or raise equity to fund these distributions, even if the then-prevailing market conditions are not favorable for these borrowings, sales or offerings.

Because the REIT provisions of the Code limit our ability to hedge effectively, the cost of our hedging may increase, and we may incur tax liabilities.

The REIT provisions of the Code limit our ability to hedge assets as well as liabilities that are not incurred to acquire or carry real estate. Generally, income from hedging transactions that have been properly identified for tax purposes,

and that we enter into to manage risk of interest rate changes with respect to borrowings made or to be made to acquire or carry real estate assets and income from certain currency hedging transactions related to our non-U.S. operations, does not constitute “gross income” for purposes of the REIT gross income tests. To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of the REIT gross income tests. As a result of these rules, we may need to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because our TRSs could be subject to tax on income or gains resulting from hedges entered into by them or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in any of our TRSs generally will not provide any tax benefit, except for being carried forward for use against future taxable income in the TRSs.

Because the REIT rules limit our ability to receive distributions from TRSs, our ability to fund distribution payments using cash generated through our TRSs may be limited.

Our ability to receive distributions from our TRSs is limited by the rules with which we must comply to maintain our status as a REIT. In particular, at least 75% of our gross income for each taxable year as a REIT must be derived from real estate-related sources, which principally includes gross income from the leasing of our properties. Consequently, no more than 25% of our gross income may consist of dividend income from our TRSs and other non-qualifying types of income. Thus, our ability to receive distributions from our TRSs may be limited and may impact our ability to fund distributions to our stockholders using cash flows from our TRSs. Specifically, if our TRSs became highly profitable, we might become limited in our ability to receive net income from our TRSs in an amount required to fund distributions to our stockholders commensurate with that profitability.

We intend to use TRSs, which may cause us to fail to qualify as a REIT.

The net income of our TRSs is not required to be distributed to us, and income that is not distributed to us generally will not be subject to the REIT income distribution requirement. However, there may be limitations on our ability to accumulate earnings in our TRSs and the accumulation or reinvestment of significant earnings in our TRSs could result in adverse tax treatment. In particular, if the accumulation of cash in our TRSs causes the fair market value of our securities in our TRSs and certain other non-qualifying assets to exceed 25% of the fair market value of our assets, we would fail to qualify as a REIT or not be as tax efficient.

Our ownership of our TRSs will be subject to limitations that could prevent us from growing our investment management business and our transactions with our TRSs could cause us to be subject to a 100% penalty tax on certain income or deductions if those transactions are not conducted on an arm's-length basis.

Overall, no more than 25% of the value of a REIT's assets may consist of stock or securities of one or more TRSs, and compliance with this limitation could limit our ability to grow our investment management business. In addition, the Code limits the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The Code also imposes a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis. We will monitor the value of our respective investments in our TRSs for the purpose of ensuring compliance with TRS ownership limitations and will structure our transactions with our TRSs on terms that we believe are arm's-length to avoid incurring the 100% excise tax described above. There can be no assurance, however, that we will be able to comply with the 25% TRS limitation or to avoid application of the 100% excise tax.

Because our board of directors determines in its sole discretion our dividend rate on a quarterly basis, our cash distributions are not guaranteed and may fluctuate.

Our board of directors, in its sole discretion, will determine on a quarterly basis the amount of cash to be distributed to our stockholders based on a number of factors including, but not limited to, our results of operations, cash flow and capital requirements, economic conditions, tax considerations, borrowing capacity, applicable provisions of the MGCL and other factors, including debt covenant restrictions that may impose limitations on cash payments, and future acquisitions and divestitures. Consequently, our distribution levels may fluctuate.

Because distributions payable by REITs generally do not qualify for reduced tax rates, the value of our common stock could be adversely affected.

Certain distributions payable by domestic or qualified foreign corporations to individuals, trusts and estates that are U.S. stockholders are currently eligible for federal income tax at a maximum rate of 20%. Distributions payable by

REITs, in contrast, generally are not eligible for the current reduced rates unless the distributions are attributable to dividends received by the REIT from other corporations that would be eligible for the reduced rates. The more favorable rates applicable to regular corporate distributions could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stock of non-REIT corporations that pay distributions, which could adversely affect the value of the stock of REITs, including our common stock.

Even if we continue to qualify as a REIT, certain of our business activities will be subject to corporate level income tax and foreign taxes, which will continue to reduce our cash flows, and we will have potential deferred and contingent tax liabilities.

Even if we qualify for taxation as a REIT, we may be subject to certain federal, state, local and foreign taxes on our income and assets, including alternative minimum taxes, taxes on any undistributed income, and state, local or foreign income, franchise, property and transfer taxes. In addition, we could in certain circumstances be required to pay an excise or penalty tax, which could be significant in amount, in order to utilize one or more relief provisions under the Code to maintain qualification for taxation as a REIT.

Any TRS assets and operations would continue to be subject, as applicable, to federal and state corporate income taxes and to foreign taxes in the jurisdictions in which those assets and operations are located. Any of these taxes would decrease our earnings and our cash available for distributions to stockholders.

We will also be subject to a federal corporate level tax at the highest regular corporate rate (35% for year 2013) on all or a portion of the gain recognized from a sale of assets formerly held by any C-corporation that we acquire in a carry-over basis transaction occurring within a specified period (generally, ten years) after we acquire such assets, to the extent the built-in gain based on the fair market value of those assets on the effective date of the REIT election is in excess of our then tax basis. The tax on subsequently sold assets will be based on the fair market value and built-in gain of those assets as of the beginning of our holding period. Gains from a sale of an asset occurring after the specified period ends will not be subject to this corporate level tax. We expect to have only a de minimis amount of assets subject to these corporate tax rules and do not expect to dispose of any significant assets subject to these corporate tax rules.

Because dividends received by non-U.S. stockholders are generally taxable, we may be required to withhold a portion of our distributions to such persons.

Ordinary dividends received by non-U.S. stockholders that are not effectively connected with the conduct of a U.S. trade or business generally are subject to United States withholding tax at a rate of 30%, unless reduced by an applicable income tax treaty. Additional rules will apply to any non-U.S. stockholders that will own more than 5% of our common stock with respect to certain capital gain distributions.

The ability of our board of directors to revoke our REIT qualification, without stockholder approval, may cause adverse consequences to our stockholders.

Our charter provides that the board of directors may revoke or otherwise terminate the REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. If we cease to be a REIT, we will not be allowed a deduction for dividends paid to stockholders in computing our taxable income, and we will be subject to federal income tax at regular corporate rates and state and local taxes, which may have adverse consequences on the total return to our stockholders.

Federal income tax laws governing REITs and related interpretations may change at any time, and any such legislative or other actions affecting REITs could have a negative effect on us and our stockholders.

At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. Federal and state tax laws are constantly under review by persons involved in the legislative process, the IRS, the United States Department of the Treasury, and state taxing authorities. Changes to the tax laws, regulations and administrative interpretations, which may have retroactive application, could adversely affect us or our stockholders. We cannot predict with certainty whether, when, in what forms, or with what effective dates, the tax

laws, regulations and administrative interpretations applicable to us or our stockholders may be changed. Accordingly, we cannot assure you that any such change will not significantly affect our ability to qualify for taxation as a REIT or the federal income tax consequences to you or us of such qualification.

Item 1B. Unresolved Staff Comments.

None.

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Item 2. Properties.

Our principal corporate offices are located at 50 Rockefeller Plaza, New York, NY 10020, and our primary international investment offices are located in London and Amsterdam. We also have office space domestically in Dallas, Texas and internationally in Hong Kong and Shanghai. We lease all of these offices and believe these leases are suitable for our operations for the foreseeable future.

See Item 1, Business — Our Portfolio for a discussion of the properties we hold for rental operations and Part II, Item 8, Financial Statements and Supplemental Data — Schedule III — Real Estate and Accumulated Depreciation for a detailed listing of such properties.

Item 3. Legal Proceedings.

On December 31, 2013, Ira Gaines and entities affiliated with him commenced a purported class action (Ira Gaines, et al. v. Corporate Property Associates 16 – Global Incorporated, Index. No. 650001/2014, N.Y. Sup. Ct., N.Y. County) against us, our subsidiary WPC REIT Merger Sub Inc., CPA[®]:16 – Global, and the directors of CPA[®]:16 – Global. The complaint alleges (i) that the CPA[®]:16 Merger was unfair to CPA[®]:16 – Global stockholders, (ii) breaches of fiduciary duty by the individual defendants, all of whom are members of the board of directors of CPA[®]:16 – Global, (iii) that the entity defendants aided and abetted the directors in breaching their fiduciary duties, and (iv) that the Joint Proxy Statement/Prospectus relating to the CPA[®]:16 Merger, or the Joint Proxy Statement/Prospectus, contained inadequate disclosure about certain matters.

The complaint demands (i) that a class be certified and plaintiffs named as class representatives, (ii) supplemental disclosures to the Joint Proxy Statement/Prospectus, be issued, (iii) the CPA[®]:16 Merger be rescinded, (iv) damages be awarded, and (v) plaintiffs' attorneys fees and other costs be reimbursed.

On January 10, 2014, the plaintiffs asked the court to issue a temporary restraining order enjoining the vote of the stockholders of CPA[®]:16 – Global pending the completion of expedited discovery and a preliminary injunction hearing. On January 13, 2014 after a hearing, the court denied the plaintiffs' motion for a temporary restraining order enjoining the vote of CPA[®]:16 – Global's stockholders.

We believe that these claims are without merit and are defending the case vigorously.

Various other claims and lawsuits arising in the normal course of business are pending against us. The results of these proceedings are not expected to have a material adverse effect on our consolidated financial position or results of operations.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Common Stock and Distributions

Our common stock is listed on the New York Stock Exchange under the ticker symbol "WPC." At December 31, 2013 there were 8,955 holders of record of our common stock. The following table shows the high and low prices per share and quarterly cash distributions declared for the past two fiscal years:

| Period | 2013 | | Cash Distributions Declared | 2012 | | Cash Distributions Declared |
|-------------------------------|---------|---------|-----------------------------------|---------|---------|-----------------------------------|
| | High | Low | | High | Low | |
| First quarter | \$68.99 | \$51.60 | \$0.820 | \$49.70 | \$41.28 | \$0.565 |
| Second quarter | 79.34 | 61.90 | 0.840 | 48.39 | 39.66 | 0.567 |
| Third quarter | 72.19 | 63.20 | 0.860 | 53.85 | 43.25 | 0.650 |
| Fourth quarter ^(a) | 67.84 | 59.75 | 0.980 | 54.70 | 45.94 | 0.660 |

^(a) Cash distributions declared in the fourth quarter of 2013 include a special distribution of \$0.110 per share paid in January 2014 to stockholders of record at December 31, 2013.

Our New Senior Credit Facility (as described in Item 7) contains covenants that restrict the amount of distributions that we can pay.

Stock Price Performance Graph

The graph below provides an indicator of cumulative total stockholder returns for our common stock for the period December 31, 2008 to December 31, 2013 compared with the S&P 500 Index and the FTSE NAREIT Equity REITs Index. The graph assumes a \$100 investment on December 31, 2008, together with the reinvestment of all dividends.

| | At December 31, | | | | | |
|---------------------------------|-----------------|-----------|-----------|-----------|-----------|-----------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| W. P. Carey Inc. ^(a) | \$ 100.00 | \$ 128.95 | \$ 156.15 | \$ 215.99 | \$ 289.33 | \$ 358.91 |
| S&P 500 Index | 100.00 | 126.46 | 145.51 | 148.59 | 172.37 | 228.19 |
| FTSE NAREIT Equity REITs Index | 100.00 | 127.99 | 163.78 | 177.36 | 209.39 | 214.56 |

^(a) Prices in the tables above reflect the price of the Listed Shares of our predecessor through the date of the CPA[®]:15 Merger and the REIT Conversion (Note 3) and the price of our common stock thereafter.

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Securities Authorized for Issuance Under Equity Compensation Plans

This information will be contained in our definitive proxy statement for the 2014 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated by reference.

Item 6. Selected Financial Data.

The following selected financial data should be read in conjunction with the consolidated financial statements and related notes in Item 8 (in thousands, except per share data):

| | Years Ended December 31, | | | | |
|--|--------------------------|-------------|-------------|-------------|-------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Operating Data ^(a) | | | | | |
| Revenues from continuing operations ^{(b) (c)} | \$489,851 | \$352,361 | \$309,711 | \$246,105 | \$201,734 |
| Income from continuing operations ^{(b) (c)} | 93,985 | 87,514 | 153,041 | 83,870 | 58,615 |
| Net income | 132,165 | 62,779 | 139,138 | 74,951 | 70,568 |
| Net (income) loss attributable to noncontrolling interests | (32,936) | (607) | 1,864 | 314 | 713 |
| Net income attributable to redeemable noncontrolling interests | (353) | (40) | (1,923) | (1,293) | (2,258) |
| Net income attributable to W. P. Carey | 98,876 | 62,132 | 139,079 | 73,972 | 69,023 |
| Basic Earnings Per Share: | | | | | |
| Income from continuing operations attributable to W. P. Carey | 1.22 | 1.83 | 3.78 | 2.09 | 1.44 |
| Net income attributable to W. P. Carey | 1.43 | 1.30 | 3.44 | 1.86 | 1.74 |
| Diluted Earnings Per Share: | | | | | |
| Income from continuing operations attributable to W. P. Carey | 1.21 | 1.80 | 3.76 | 2.08 | 1.47 |
| Net income attributable to W. P. Carey | 1.41 | 1.28 | 3.42 | 1.86 | 1.74 |
| Cash distributions declared per share ^(d) | 3.50 | 2.44 | 2.19 | 2.03 | 2.30 |
| Balance Sheet Data | | | | | |
| Total assets | \$4,678,950 | \$4,609,042 | \$1,462,623 | \$1,172,326 | \$1,093,336 |
| Net investments in real estate ^(e) | 3,333,654 | 3,241,199 | 1,217,931 | 946,975 | 884,460 |
| Long-term obligations ^(f) | 2,067,410 | 1,968,397 | 589,369 | 396,982 | 326,330 |
| Other Information | | | | | |
| Net cash provided by operating activities | \$207,908 | \$80,643 | \$80,116 | \$86,417 | \$74,544 |
| Cash distributions paid | 220,395 | 113,867 | 85,814 | 92,591 | 78,618 |
| Payments of mortgage principal ^(g) | 391,764 | 54,964 | 25,327 | 14,324 | 9,534 |

(a) Certain prior year amounts have been reclassified from continuing operations to discontinued operations.

(b) The years ended December 31, 2013 and 2012 include the impact of the CPA[®]:15 Merger, which was completed on September 28, 2012 (Note 3).

The year ended December 31, 2011 includes \$52.5 million of incentive, termination and subordinated disposition

(c) revenue recognized in connection with the merger between CPA[®]:16 – Global and Corporate Property Associates 14 Incorporated, or CPA[®]:14, in May 2011, referred to as the CPA[®]:14/16 Merger.

The year ended December 31, 2013 includes a special distribution of \$0.11 per share paid in January 2014 to

(d) stockholders of record at December 31, 2013. The year ended December 31, 2009 includes a special distribution of \$0.30 per share paid in January 2010 to shareholders of record at December 31, 2009.

(e) Net investments in real estate consists of Net investments in properties, Net investments in direct financing leases, Equity investments in real estate and the Managed REITs, Real estate under construction and Assets held for sale,

as applicable.

- Represents non-recourse mortgages and note obligations. The year ended December 31, 2013 includes the \$300.0 million unsecured term loan obtained in July 2013, or the Unsecured Term Loan, and the year ended December 31, (f) 2012 includes the \$175.0 million term loan facility, or the Term Loan Facility (Note 12), which was drawn down in full in connection with the CPA[®]:15 Merger (Note 3).
- (g) Represents scheduled mortgage principal payments.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's discussion and analysis of financial condition and results of operations, or MD&A, is intended to provide the reader with information that will assist in understanding our financial statements and the reasons for changes in certain key components of our financial statements from period to period. MD&A also provides the reader with our perspective on our financial position and liquidity, as well as certain other factors that may affect our future results. The discussion also provides information about the financial results of the segments of our business to provide a better understanding of how these segments and their results affect our financial condition and results of operations.

Business Overview

We provide long-term financing via sale-leaseback and build-to-suit transactions for companies worldwide and manage a global investment portfolio of 1,021 properties, including our owned portfolio. Our business operates in two segments – Real Estate Ownership and Investment Management, as described below.

Real Estate Ownership – We own and invest in commercial properties in the U.S. and Europe that are then leased to companies, primarily on a triple-net lease basis, which requires the tenant to pay substantially all of the costs associated with operating and maintaining the property. We earn lease revenues from our wholly-owned and co-owned real estate investments. In addition, we generate equity income through our investments in the shares of the Managed REITs and certain co-owned real estate investments that we do not control. In addition, through our ownership of special member interests in the operating partnerships of the Managed REITs, we participate in the cash flows of those REITs.

Investment Management – We earn revenue as the advisor to the Managed REITs. Under the advisory agreements with the Managed REITs, we perform various services, including but not limited to the day-to-day management of the Managed REITs and transaction-related services. We structure and negotiate investments and debt placement transactions for the Managed REITs, for which we earn structuring revenue, and we manage their portfolios of real estate investments, for which we earn asset-based management revenue. While we are raising funds for a Managed REIT, the REIT reimburses us for certain costs, primarily broker-dealer commissions paid on its behalf and marketing and personnel costs. We also earn dealer manager fees in connection with the initial public offerings of the Managed REITs.

2013 Economic Overview

In 2013, the economic recovery in the U.S. continued. While unemployment remained relatively high, the general business environment, the lending markets and the housing sector all improved. The CPI, which generally reflects changes in economic growth and inflation, increased 1.5% during 2013. This is a change from the negative growth, or recessionary conditions, experienced in 2009 and 2010. The slow but steady improvement in the economy caused the Federal Reserve to consider altering its current monetary policy and to slow or taper its acquisition of Treasury and other debt securities in anticipation of better economic conditions in coming quarters. This announcement in May 2013 resulted in a sharp increase in longer term interest rates, which in turn caused interest rate sensitive stocks, such as REITs, to decline. Despite this increase, both short- and long-term interest rates remain historically low. Commercial property yields, or capitalization rates, which typically react more slowly and tend to lag changes in interest rates, remained fairly steady throughout the course of the year. Competition for net-leased properties, particularly retail assets leased to investment grade tenants, remained strong despite the change in the cost of investment capital.

In Europe, the economic picture was more mixed. The northern European countries, where fiscal conditions are generally more stable, saw modest economic growth rates. However, many of the southern European countries – and

those considered emerging economies, such as the eastern European countries – experienced very low growth or recessionary conditions. The harmonized index of consumer price, or HICP, increased 0.9% during 2013. In addition, the financial sector in Europe remains under stress and lending remains constrained. The euro has strengthened since the euro crisis in 2011 and the euro/dollar exchange rate was more stable in 2013. Capitalization rates in many European markets remain attractive, particularly relative to property assets with similar risk profiles in the U.S.

The impact of these economic conditions on us is discussed under Results of Operations below.

Significant Developments

Real Estate Ownership

Investment Transactions

During 2013, we acquired seven properties for a total of \$347.1 million. Three of these properties are located in the U.S. and four are in Europe. One of these properties is a warehouse/distribution facility and the remaining six are office facilities. As part of our active asset management program, we sold 28 domestic properties and our interest in an equity investment in 2013 for total proceeds of \$175.6 million. Properties sold in 2013 included two office facilities, two education facilities, a retail property, two industrial properties, two warehouse/distribution facilities, 19 self-storage properties and a hotel.

Financing Transactions

During 2013, we obtained \$115.6 million of mortgage debt to finance our acquisitions and to refinance maturing mortgage debt.

In connection with the CPA[®]:16 Merger discussed below and to assist in our migration to becoming an unsecured borrower, we renegotiated the terms and increased the capacity of our unsecured line of credit from \$625.0 million to \$1.25 billion, which is comprised of a \$1.0 billion revolving line of credit and a \$250.0 million term loan. The revolving line of credit will mature in four years and the term loan will mature in two years. We completed this transaction in January 2014. As part of this transaction, we increased the size of our bank syndicate from ten to 14 lenders.

CPA[®]:16 Merger

On July 25, 2013, we and CPA[®]:16 – Global entered into a definitive agreement pursuant to which CPA[®]:16 – Global would merge with and into one of our wholly-owned subsidiaries, subject to the approval of our stockholders and the stockholders of CPA[®]:16 – Global. On January 24, 2014, our stockholders and the stockholders of CPA[®]:16 – Global approved the CPA[®]:16 Merger and we completed the CPA[®]:16 Merger on January 31, 2014 as described in [Note 20](#).

Credit Ratings

In January 2014, we received an investment grade corporate rating of BBB with stable outlook from Standard & Poor's Ratings Services and an investment grade issuer rating of Baa2 with stable outlook from Moody's Investors Service.

Distributions

Our quarterly cash distributions totaled \$3.18 per share in 2013. In addition, during the fourth quarter of 2013, we declared a quarterly distribution of \$0.87 per share and a special distribution of \$0.11 per share, which were paid on January 15, 2014 to stockholders of record on December 31, 2013. The special distribution was declared in order to maintain our REIT status, which requires that we distribute at least 90% of our REIT taxable income to our stockholders.

Investment Management

During 2013, we managed four active funds: CPA[®]:16 – Global, CPA[®]:17 – Global, CPA[®]:18 – Global and CWI.

Investment Transactions

On July 25, 2013, CPA[®]:16 – Global, which commenced operations in 2003, entered into a definitive merger agreement with us, which was completed on January 31, 2014 (Note 20).

We structured investments in 28 properties for a total of \$513.4 million on behalf of CPA[®]:17 – Global. Approximately \$352.4 million was invested in the U.S. and \$161.0 million was invested in Europe. The 28 properties acquired consisted of: ten self-storage properties, five office facilities, seven retail facilities, two warehouse/distribution facilities, two industrial properties, one automotive dealership and one parcel of land.

We structured investments in nine properties for a total of \$152.0 million on behalf of CPA[®]:18 – Global. Two of these investments are jointly-owned with CPA[®]:17 – Global. Approximately \$80.7 million was invested in the U.S. and \$71.3 million was invested in Europe. Of the nine properties acquired, five are retail facilities, one is an office facility and three are industrial facilities.

During 2013, we structured investments in 12 hotels located in the U.S. for a total of \$758.1 million on behalf of CWI.

Financing Transactions

During 2013, we arranged mortgage financing totaling \$16.0 million for CPA®:16 – Global, \$314.6 million for CPA®:17 – Global, \$85.1 million for CPA®:18 – Global and \$474.0 million for CWI.

Investor Capital Inflows

CPA®:17 – Global, which completed fundraising in its follow-on offering in January 2013 with a total of over \$2.9 billion raised since inception, continued to invest its offering proceeds during 2013, of which \$359.5 million remained uninvested as of December 31, 2013.

CPA®:18 – Global commenced its initial public offering in May 2013 and through December 31, 2013 raised approximately \$237.3 million.

CWI completed fundraising in September 2013 in its initial public offering, with a total of \$575.8 million raised, of which \$112.4 million remained uninvested at December 31, 2013. CWI's follow-on offering commenced in December 2013.

Financial Highlights

Our results for the years ended December 31, 2013, 2012 and 2011 included the following significant items:

A \$39.6 million gain on the sale of 19 self-storage properties during 2013, inclusive of amounts attributable to noncontrolling interests of \$24.4 million;

A decrease in total General and administrative expenses of \$2.8 million for the year ended December 31, 2013 as compared to 2012, primarily due to a decrease in offering costs related to the termination of the CPA®:17 – Global follow-on offering in January 2013, partially offset by an increase in acquisition fees paid to the subadvisor in the connection with the higher level of CWI's acquisitions during the current year;

Increased lease revenue and property level contribution of \$166.5 million and \$96.5 million, respectively, for the year ended December 31, 2013 as compared to 2012, respectively, and \$54.8 million and \$31.2 million, respectively, for the year ended December 31, 2012 as compared to 2011, respectively, primarily due to revenue generated from the properties acquired in the CPA®:15 Merger on September 28, 2012;

A decrease in Asset management revenue of \$18.5 million for the year ended December 31, 2013 as compared to 2012 and \$7.5 million for the year ended December 31, 2012 as compared to 2011, as a result of the CPA®:15 Merger in September 2012, which reduced the asset base from which we earn Asset management revenue;

Costs incurred in connection with the CPA®:16 Merger of \$5.0 million in 2013 and CPA®:15 Merger of \$31.7 million in 2012;

Increases in cash distributions paid of \$89.6 million for the year ended December 31, 2013 as compared to 2012 and \$18.3 million for the year ended December 31, 2012 as compared to 2011, primarily due to distributions made on shares issued in connection with the CPA®:15 Merger in September 2012;

Issuance of 28,170,643 shares on September 28, 2012 to stockholders of CPA®:15 in connection with the CPA®:15 Merger; and

Revenues of \$52.5 million earned in 2011 in connection with providing a liquidity event for CPA®:14 stockholders, through the CPA®:14/16 Merger, in May 2011.

(In thousands, except shares)

| | Years Ended December 31, | | |
|---|--------------------------|------------|------------|
| | 2013 | 2012 | 2011 |
| Total revenues (excluding reimbursed costs from affiliates) | \$416,279 | \$254,116 | \$244,882 |
| Net income attributable to W. P. Carey | 98,876 | 62,132 | 139,079 |
| Cash distributions paid | 220,395 | 113,867 | 85,814 |
| Net cash provided by operating activities | 207,908 | 80,643 | 80,116 |
| Net cash (used in) provided by investing activities | (6,374 |) 126,466 | (126,084 |
| Net cash (used in) provided by financing activities | (210,588 |) (113,292 |) 10,502 |
| Diluted weighted average shares outstanding | 69,708,008 | 48,078,474 | 40,098,095 |
| Supplemental financial measure: | | | |
| Funds from operations – as adjusted (AFFO) ^(a) | 294,151 | 180,631 | 188,853 |

We consider the performance metrics listed above, including Funds from operations, as adjusted, or AFFO, a supplemental measure that is not defined by GAAP, or non-GAAP, to be important measures in the evaluation of our results of operations and capital resources. We evaluate our results of operations with a primary focus on the ability to generate cash flow necessary to meet our objective of funding distributions to stockholders. See Supplemental Financial Measures below for our definition of this non-GAAP measure and a reconciliation to its most directly comparable GAAP measure.

Total revenues and Net income attributable to W. P. Carey increased significantly in 2013 as compared to 2012, due to increases within our Real Estate Ownership segment. The growth in revenues and income was generated substantially from the properties we acquired in the CPA[®]:15 Merger in September 2012 (Note 3). These increases were partially offset by decreases in Total revenues and Net income in our Investment Management segment, primarily due to the CPA[®]:15 Merger, which reduced the asset base from which we earn asset management revenue.

Net cash provided by operating activities increased in 2013 as compared to the same period in 2012, primarily due to operating cash flow generated from the properties we acquired in the CPA[®]:15 Merger, which was partially offset by a decrease in cash received for providing asset-based management services to the Managed REITs because we no longer provided such services to CPA[®]:15 after the completion of the CPA[®]:15 Merger.

AFFO increased in 2013 as compared to 2012, primarily due to income generated from the properties we acquired in the CPA[®]:15 Merger, partially offset by the cessation of asset management revenue received from CPA[®]:15 after the CPA[®]:15 Merger was completed.

Results of Operations

We have two reportable segments – Real Estate Ownership and Investment Management. We evaluate our results of operations with a primary focus on increasing and enhancing the value, quality and amount of assets in our Real Estate Ownership segment as well as assets under management by our Investment Management segment. We focus our efforts on improving underperforming assets through re-leasing efforts, including negotiation of lease renewals, or selectively selling assets in order to increase value in our real estate portfolio. The ability to increase assets under management by structuring investments on behalf of the Managed REITs is affected, among other things, by the Managed REITs' ability to raise capital and our ability to identify and enter into appropriate investments and financing.

Real Estate Ownership

The following tables present other operating data that management finds useful in evaluating results of operations:

| | As of December 31, | | | |
|--|--------------------------|--------|--------|---|
| | 2013 | 2012 | 2011 | |
| Occupancy ^(a) | 98.9 | % 98.7 | % 93.0 | % |
| Total net-leased properties ^(a) | 418 | 423 | 157 | |
| Total operating properties ^(b) | 2 | 22 | 22 | |
| | Years Ended December 31, | | | |
| | 2013 | 2012 | 2011 | |
| Financings (millions) ^(c) | 415.6 | 198.8 | 469.8 | |
| New consolidated investments (millions) ^(d) | 347.1 | 24.6 | — | |
| New equity investments (millions) | — | 1.3 | — | |
| Average U.S. dollar/euro exchange rate ^(e) | 1.3284 | 1.2861 | 1.3926 | |
| Increases in U.S. CPI ^(f) | 1.5 | % 1.7 | % 3.0 | % |
| Increases in Germany CPI ^(f) | 1.4 | % 2.0 | % 2.0 | % |
| Increases in France CPI ^(f) | 0.7 | % 1.3 | % 2.5 | % |
| Increases in Finland CPI ^(f) | 1.6 | % 2.4 | % 2.9 | % |

(a) Amounts as of December 31, 2013 and 2012 reflect 305 properties acquired from CPA[®]:15 in the CPA[®]:15 Merger in September 2012 with a total fair value of approximately \$1.8 billion (Note 3).

(b) Operating properties were a consolidated investment, that was jointly-owned with an unrelated third-party and two employees, in 20 jointly-owned self-storage properties as well as a hotel and a wholly-owned self-storage property. We sold 19 of the jointly-owned self-storage properties and the hotel in the fourth quarter of 2013.

(c) The year ended December 31, 2013 includes the \$300.0 million Unsecured Term Loan and the year ended December 31, 2012 includes the \$175.0 million Term Loan Facility obtained in connection with the CPA[®]:15 Merger (Note 3), each of which was repaid in full and terminated on January 31, 2014 when we entered into our New Senior Credit Facility. The year ended December 31, 2011 includes a \$200.0 million increase in borrowing capacity obtained on our then-existing unsecured line of credit.

(d) Amount for the year ended December 31, 2012 does not include our acquisition of a 52.63% ownership interest in Marcourt Investments Inc., or Marcourt, in connection with the CPA[®]:15 Merger.

(e) The average conversion rate for the U.S. dollar in relation to the euro increased during the year ended December 31, 2013 as compared to 2012 and decreased during the year ended December 31, 2012 as compared to 2011, resulting in a positive impact on earnings in 2013 and a negative impact on earnings in 2012 from our euro-denominated investments.

(f) Many of our lease agreements and those of the Managed REITs include contractual increases indexed to changes in the CPI or other similar index.

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Below is a summary of comparative results of our Real Estate Ownership segment (in thousands):

| | Years Ended December 31, | | | | | |
|---|--------------------------|-----------|-----------|-----------|----------|------------|
| | 2013 | 2012 | Change | 2012 | 2011 | Change |
| Revenues | | | | | | |
| Lease revenues | \$299,624 | \$119,296 | \$180,328 | \$119,296 | \$59,896 | \$59,400 |
| Other real estate income: | | | | | | |
| Reimbursed tenant costs | 13,314 | 7,468 | 5,846 | 7,468 | 5,784 | 1,684 |
| Lease termination fees and others | 2,072 | 1,492 | 580 | 1,492 | 518 | 974 |
| Operating property revenues | 955 | 925 | 30 | 925 | 866 | 59 |
| Total other real estate income | 16,341 | 9,885 | 6,456 | 9,885 | 7,168 | 2,717 |
| | 315,965 | 129,181 | 186,784 | 129,181 | 67,064 | 62,117 |
| Operating Expenses | | | | | | |
| Depreciation and amortization: | | | | | | |
| Leased properties | 117,271 | 40,479 | 76,792 | 40,479 | 16,804 | 23,675 |
| Operating properties | 178 | 204 | (26) | 204 | 213 | (9) |
| Total depreciation and amortization | 117,449 | 40,683 | 76,766 | 40,683 | 17,017 | 23,666 |
| Property expenses: | | | | | | |
| Reimbursed tenant costs | 13,314 | 7,468 | 5,846 | 7,468 | 5,784 | 1,684 |
| Leased properties | 6,349 | 3,736 | 2,613 | 3,736 | 1,668 | 2,068 |
| Property management fees | 1,156 | 325 | 831 | 325 | 1,382 | (1,057) |
| Operating property expenses | 577 | 494 | 83 | 494 | 496 | (2) |
| Total property expenses | 21,396 | 12,023 | 9,373 | 12,023 | 9,330 | 2,693 |
| General and administrative | 25,831 | 7,885 | 17,946 | 7,885 | 4,321 | 3,564 |
| Merger and acquisition expenses | 9,230 | 31,639 | (22,409) | 31,639 | 33 | 31,606 |
| Stock-based compensation expenses | 315 | 211 | 104 | 211 | — | 211 |
| Impairment charges | 4,741 | — | 4,741 | — | (1,365) | 1,365 |
| | 178,962 | 92,441 | 86,521 | 92,441 | 29,336 | 63,105 |
| Segment Net Operating Income | 137,003 | 36,740 | 100,263 | 36,740 | 37,728 | (988) |
| Other Income and Expenses | | | | | | |
| Net income from equity investments in real estate and the Managed REITs | 52,731 | 62,392 | (9,661) | 62,392 | 51,228 | 11,164 |
| Other income and (expenses) | 7,918 | 3,201 | 4,717 | 3,201 | 4,413 | (1,212) |
| Other interest income | 170 | 247 | (77) | 247 | 86 | 161 |
| Gain on change in control of interests | — | 20,744 | (20,744) | 20,744 | 27,859 | (7,115) |
| Interest expense | (103,728) | (46,448) | (57,280) | (46,448) | (18,210) | (28,238) |
| | (42,909) | 40,136 | (83,045) | 40,136 | 65,376 | (25,240) |
| Income from continuing operations before income taxes | 94,094 | 76,876 | 17,218 | 76,876 | 103,104 | (26,228) |
| Provision for income taxes | (4,703) | (4,001) | (702) | (4,001) | (2,243) | (1,758) |
| Income from continuing operations | 89,391 | 72,875 | 16,516 | 72,875 | 100,861 | (27,986) |
| Income (loss) from discontinued operations | 38,180 | (24,735) | 62,915 | (24,735) | (13,903) | (10,832) |
| Net income from Real Estate Ownership | 127,571 | 48,140 | 79,431 | 48,140 | 86,958 | (38,818) |
| Net income attributable to noncontrolling interests | (33,056) | (3,245) | (29,811) | (3,245) | (678) | (2,567) |
| Net income from Real Estate Ownership attributable to W. P. Carey | \$94,515 | \$44,895 | \$49,620 | \$44,895 | \$86,280 | \$(41,385) |

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| | | | | | | |
|------|-----------|-----------|-----------|-----------|-----------|----------|
| AFFO | \$263,657 | \$159,511 | \$104,146 | \$159,511 | \$102,748 | \$56,763 |
|------|-----------|-----------|-----------|-----------|-----------|----------|

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Lease Composition and Leasing Activities

As of December 31, 2013, 91% of our net leases, based on annualized contractual minimum base rent, have rent increases, comprised of 67% that have CPI and similar rent adjustments based on formulas indexed to changes in the CPI, or other similar indices for the jurisdiction in which the property is located, some of which have caps and/or floors, and 24% that have fixed rent increases for which contractual minimum base rent is scheduled to increase by an average of 0.3% in the next 12 months.

We own international investments and, therefore, lease revenues from these investments are subject to fluctuations in exchange rate movements in foreign currencies.

The following discussion presents a summary of our leasing activity for the periods presented and does not include new acquisitions for our portfolio during the years presented or properties acquired in the CPA®:15 Merger.

2013 — During 2013, we signed 16 leases totaling approximately 0.8 million square feet of leased space. Of these leases, four were with new tenants, nine were lease renewals or extensions with existing tenants, and three were lease restructurings. The average new rent for this leased space is \$8.49 per square foot and the average former rent was \$10.53 per square foot, reflecting current market conditions. We provided total tenant improvement allowances of \$0.6 million on two of these leases. In addition, in January 2013 we entered into a lease extension regarding a 0.4 million square foot building and committed to an expansion of 0.1 million square feet at an expected cost of \$6.4 million. The expansion was completed in September 2013.

2012 — During 2012, we signed 22 leases totaling approximately 2.0 million square feet of leased space. Of these leases, three were with new tenants and 19 were lease renewals or extensions with existing tenants. The average new rent for these leases is \$7.37 per square foot and the average former rent was \$8.80 per square foot, reflecting then-current market conditions. We provided tenant improvement allowances and other incentives totaling \$3.0 million on two of these leases.

2011 — During 2011, we signed 20 leases, totaling approximately 0.9 million square feet of leased space. Of these leases, there were two new tenants and there were 18 lease renewals or short-term extensions with existing tenants. Under the 20 leases, the average new rent is \$9.75 per square foot, and the average former rent was \$9.06 per square foot. Five of the 22 tenants had tenant improvement allowances or concessions totaling approximately \$6.9 million, of which \$6.4 million related to a lease of a repositioned asset to a tenant.

Property Level Contribution

Property level contribution includes lease and operating property revenues, less property expenses, depreciation and amortization. When a property is leased on a net-lease basis, reimbursable tenant costs are recorded as both income and property expense and, therefore, have no impact on property level contribution. The following table presents property level contribution for our consolidated leased and operating properties as well as a reconciliation to Segment net operating income (in thousands):

| | Years Ended December 31, | | | | | |
|--|--------------------------|----------|-----------|----------|----------|----------|
| | 2013 | 2012 | Change | 2012 | 2011 | Change |
| Same Store Leased Properties: | | | | | | |
| Lease revenues | \$51,673 | \$52,550 | \$(877) | \$52,550 | \$52,341 | \$209 |
| Property expenses | (1,712) | (2,182) | 470 | (2,182) | (1,629) | (553) |
| Depreciation and amortization | (11,404) | (11,036) | (368) | (11,036) | (12,107) | 1,071 |
| Property level contribution | 38,557 | 39,332 | (775) | 39,332 | 38,605 | 727 |
| Properties Acquired in the CPA[®]:15 Merger: | | | | | | |
| Lease revenues | 221,342 | 54,812 | 166,530 | 54,812 | — | 54,812 |
| Property expenses | (4,310) | (1,508) | (2,802) | (1,508) | — | (1,508) |
| Depreciation and amortization | (89,398) | (22,127) | (67,271) | (22,127) | — | (22,127) |
| Property level contribution | 127,634 | 31,177 | 96,457 | 31,177 | — | 31,177 |
| Recently Acquired Leased Properties: | | | | | | |
| Lease revenues | 26,609 | 11,934 | 14,675 | 11,934 | 7,555 | 4,379 |
| Property expenses | (327) | (46) | (281) | (46) | (39) | (7) |
| Depreciation and amortization | (16,469) | (7,316) | (9,153) | (7,316) | (4,696) | (2,620) |
| Property level contribution | 9,813 | 4,572 | 5,241 | 4,572 | 2,820 | 1,752 |
| Operating Properties: | | | | | | |
| Revenues | 955 | 925 | 30 | 925 | 866 | 59 |
| Property expenses | (577) | (494) | (83) | (494) | (496) | 2 |
| Depreciation and amortization | (178) | (204) | 26 | (204) | (214) | 10 |
| Property level contribution | 200 | 227 | (27) | 227 | 156 | 71 |
| Total Property Level Contribution: | | | | | | |
| Lease revenues | 299,624 | 119,296 | 180,328 | 119,296 | 59,896 | 59,400 |
| Property expenses | (6,349) | (3,736) | (2,613) | (3,736) | (1,668) | (2,068) |
| Operating property — revenues | 955 | 925 | 30 | 925 | 866 | 59 |
| Operating property — expenses | (577) | (494) | (83) | (494) | (496) | 2 |
| Depreciation and amortization | (117,449) | (40,683) | (76,766) | (40,683) | (17,017) | (23,666) |
| Property Level Contribution | 176,204 | 75,308 | 100,896 | 75,308 | 41,581 | 33,727 |
| Lease termination fees and Others | 2,072 | 1,492 | 580 | 1,492 | 518 | 974 |
| Property management fees | (1,156) | (325) | (831) | (325) | (1,382) | 1,057 |
| General and administrative | (25,831) | (7,885) | (17,946) | (7,885) | (4,321) | (3,564) |
| Merger and acquisition expenses | (9,230) | (31,639) | 22,409 | (31,639) | (33) | (31,606) |
| Stock-based compensation expenses | (315) | (211) | (104) | (211) | — | (211) |
| Impairment charges | (4,741) | — | (4,741) | — | 1,365 | (1,365) |
| Segment Net Operating Income | \$137,003 | \$36,740 | \$100,263 | \$36,740 | \$37,728 | \$(988) |

Same Store Leased Properties

Same store leased properties are those we owned for 36 months or more.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, property level contribution from same store leased properties decreased by \$0.8 million, primarily due to a decrease in lease revenues of \$0.9 million. Lease revenues decreased by \$1.8 million as a result of restructuring of leases at several properties. This decrease was partially offset by an increase in lease revenues of \$0.9 million as a result of scheduled rent increases at several properties.

2012 vs. 2011 — For the year ended December 31, 2012 as compared to 2011, property level contribution from same store leased properties increased by \$0.7 million, primarily due to a year-over-year decrease in depreciation and amortization expenses as a result of an out-of-period adjustment recorded in 2011 (Note 2). Lease revenues increased by \$0.5 million as a result of scheduled rent increases at several properties. This increase in lease revenues was substantially offset by a decrease in lease revenues as a result of fluctuation in foreign currency exchange rates.

Leased Properties Acquired in the CPA[®]:15 Merger

In September 2012, we acquired 305 properties in the CPA[®]:15 Merger, of which one was sold in 2012 and nine were sold or held for sale in 2013.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, property level contribution from leased properties acquired in the CPA[®]:15 Merger in September 2012 increased by \$96.5 million, primarily due to the impact of a full year of ownership of the assets acquired as compared to that of one quarter in the prior year.

2012 vs. 2011 — For the year ended December 31, 2012, property level contribution from leased properties acquired in the CPA[®]:15 Merger was \$31.2 million representing one quarter of activity since the date of the CPA[®]:15 Merger on September 28, 2012.

Recently Acquired Leased Properties

Recently acquired leased properties are those that we owned for less than 36 months.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, property level contribution from leased properties acquired recently increased by \$5.2 million. During 2013, we acquired seven investments with a total annual contractual minimum base rent of approximately \$21.5 million. During 2012, we acquired one investment with annual contractual minimum base rent of \$1.7 million.

2012 vs. 2011 — For the year ended December 31, 2012 as compared to 2011, property level contribution from recently acquired leased properties increased by \$1.8 million. During 2011, in connection with the CPA[®]:14/16 Merger in May 2011, we purchased the remaining interests in two jointly-owned investments from CPA[®]:14. Since the acquisition, we consolidate these two investments, which had a contractual minimum base rent of \$10.8 million at the time of purchase.

Operating Properties

Operating properties consist of two self-storage properties as of December 31, 2013. In November 2013, we sold 19 self-storage properties (Note 17). Results of operations for these properties are reflected in Income (loss) from discontinued operations.

For the years ended December 31, 2013, 2012 and 2011, property level contribution from operating properties was substantially unchanged.

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Other Revenues and Expenses

General and Administrative

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, general and administrative expenses in the Real Estate Ownership segment increased by \$17.9 million. Effective October 1, 2012, personnel costs and other shared expenses such as office rent expenses have been charged to CPA[®]:16 – Global and CPA[®]:17 – Global based on the trailing 12-month reported revenues of the CPA[®] REITs, CWI and us rather than the method utilized before that date, which involved an allocation of personnel costs based on the time incurred by our personnel for CPA[®]:14, CPA[®]:15, CPA[®]:16 – Global, and CPA[®]:17 – Global (Note 4). This new methodology reflected changes in our advisory agreements with the CPA[®] REITs. Prior to this change, CPA[®]:15 was also charged general and administrative expenses based on the former methodology. After the CPA[®]: 15 Merger on September 28, 2012, the portfolio that was formerly held by CPA[®]:15 was included in our Real Estate Ownership Segment and, as such, the Real Estate Ownership's entire portfolio was subject to the new allocation methodology based on revenues. As a result, \$14.2 million of additional general and administrative expenses were allocated to the Real Estate Ownership segment from the Investment Management Segment during 2013 as compared to 2012.

2012 vs. 2011 — For the year ended December 31, 2012 as compared to 2011, general and administrative expenses in the Real Estate Ownership segment increased by \$3.6 million, primarily due an increase in personnel costs of \$2.9 million as a result of the higher allocation of personnel costs to the Real Estate Ownership segment described above.

Merger and Acquisition Expenses

2013 — For the year ended December 31, 2013, merger and acquisition expenses were \$9.2 million, which consisted of merger-related expenses of \$5.0 million and acquisition-related expenses of \$4.2 million. Merger-related expenses during 2013 represent costs incurred in connection with the CPA[®]:16 Merger. Acquisition expenses consist of acquisition-related costs incurred on three investments we entered into during 2013 that were accounted for as business combinations, for which such costs were required to be expensed under current accounting guidance.

2012 — For the year ended December 31, 2012, merger and acquisition expenses were \$31.6 million, which comprised costs incurred in connection with the CPA[®]:15 Merger.

Impairment Charges

For the year ended December 31, 2013, we recognized an impairment charge of \$4.7 million on a French property. This impairment was the result of writing down the property's carrying value to its estimated fair value in connection with the tenant vacating the property. Our impairment charges are more fully described in Note 10.

Where the undiscounted cash flows for an asset, when considering and evaluating the various alternative courses of action that may occur, are less than the asset's carrying value, we recognize an impairment charge to reduce the carrying value of the asset to its estimated fair value. Further, it is possible that we may sell an asset for a price below its estimated fair value and record a loss on sale.

See Net Income from Equity Investments in Real Estate and the Managed REITs and Loss from Discontinued Operations below for additional impairment charges incurred.

Net Income from Equity Investments in Real Estate and the Managed REITs

Net income from equity investments in real estate and the Managed REITs is recognized in accordance with each respective investment agreement. In addition, we are entitled to receive distributions of Available Cash (Note 4) from the operating partnerships of each of the Managed REITs. The net income of our unconsolidated investments fluctuates based on the timing of transactions, such as new leases and property sales, as well as the level of impairment charges. The following table presents the details of our net income from equity investments in real estate and the Managed REITs (in thousands):

| | Years Ended December 31, | | |
|--|--------------------------|----------|----------|
| | 2013 | 2012 | 2011 |
| Equity earnings from equity investments in the Managed REITs: | | | |
| CPA [®] :14 (a) | \$— | \$— | \$8,243 |
| CPA [®] :15 (b) | — | 4,541 | 3,394 |
| CPA [®] :16 – Global ^(a) (c) | 2,732 | 610 | 4,993 |
| Other Managed REITs | 154 | 358 | 298 |
| Other-than-temporary impairment charges on the Special Member Interest in CPA [®] :16 – Global’s operating partnership ^(g) | (15,383) | (9,910) | — |
| Distributions of Available Cash ^(d) | 34,121 | 30,009 | 15,535 |
| Deferred revenue earned (a) | 8,492 | 8,492 | 5,662 |
| Equity income from the Managed REITs | 30,116 | 34,100 | 38,125 |
| Equity earnings from other equity investments: | | | |
| Equity investments sold (e) | 17,486 | 16,480 | 2,648 |
| Equity investments acquired in the CPA [®] :15 Merger (b) (f) | (1,950) | 1,113 | — |
| Equity investments consolidated after the CPA [®] :15 Merger and CPA [®] :14/16 Merger (b) | — | 3,853 | 3,892 |
| Same store equity investments (g) | 7,079 | 6,846 | 6,563 |
| Total equity earnings from other equity investments | 22,615 | 28,292 | 13,103 |
| Total income from equity investments in real estate and the Managed REITs | \$52,731 | \$62,392 | \$51,228 |

CPA[®]:14 merged with and into CPA[®]:16 – Global on May 2, 2011 (Note 4). In connection with the CPA[®]:14/16 Merger, we acquired a special member interest, or the Special Member Interest, in CPA[®]:16 – Global’s operating partnership, which we recorded as an equity investment at fair value with an equal amount recorded as deferred revenue (Note 4).

CPA[®]:15 merged with and into us on September 28, 2012 (Note 3). See Gain on Change in Control of Interests below for discussion on the gain recognized.

Amount for 2012 includes a loss of \$4.4 million representing our share of the \$23.9 million of impairment charges recognized by CPA[®]:16 – Global.

We are entitled to receive distributions of our proportionate share of earnings up to 10% of the Available Cash, as defined in the respective advisory agreements, from the operating partnerships of each of the Managed REITs.

Distributions of Available Cash received and earned increased primarily as a result of new investments that CPA[®]:17 – Global entered into during 2012 and 2013. Distributions of Available Cash received and earned from CPA[®]:16 – Global increased in 2012 as compared to 2011 as a result of its reorganization as an umbrella partnership real estate investment trust, or the UPREIT Reorganization, in May 2011 (Note 4). We also received our first distribution of Available Cash from CWI of \$1.9 million during 2013.

Amount for 2013 includes a net gain of \$19.5 million recognized on the sale of an investment, partially offset by an other-than-temporary impairment charge of \$3.9 million recognized on another investment in connection with the sale of its properties (Note 7). Amount for 2012 includes our \$15.1 million share of the net gain recognized by a jointly-owned entity upon selling its equity shares in an investment in the second quarter of 2012 (Note 7).

- (f) Amount for 2013 includes our \$8.4 million share of the German real estate transfer tax incurred by Hellweg Die Profi-Baumärkte GmbH & Co. KG, or Hellweg 2, in connection with its restructuring (Note 7).
- (g) Represents equity investments we held for 36 months or more.

Other Income and (Expenses)

Other income and (expenses) consists primarily of gains and losses on foreign currency transactions and derivative instruments. We and certain of our foreign consolidated subsidiaries have intercompany debt and/or advances that are not denominated in the functional currency of those subsidiaries. When the intercompany debt or accrued interest thereon is remeasured against the functional currency of the respective subsidiaries, an unrealized gain or loss on foreign currency translation may result. For intercompany transactions that are of a long-term investment nature, the gain or loss is recognized as a cumulative translation adjustment in other comprehensive income. We also recognize gains or losses on foreign currency transactions when we repatriate cash from our foreign investments.

2013 — For the year ended December 31, 2013, other income was \$7.9 million, primarily due to unrealized gains of \$5.1 million recognized on the interest rate swaps acquired from CPA[®]:15 in the CPA[®]:15 Merger that did not qualify for hedge accounting, as well as net realized gains of \$1.5 million on foreign currency transactions as a result of changes in foreign currency exchange rates on notes receivable from international subsidiaries. We also recognized a \$1.2 million net gain on extinguishment of debt in connection with the settlement of several mortgage loans on the aforementioned disposed properties.

2012 — For the year ended December 31, 2012, other income was \$3.2 million, comprised of a net gain of \$2.5 million recorded on the disposals of three parcels of land, a net realized and unrealized gain of \$0.5 million on foreign currency transactions and a \$0.4 million gain on derivatives acquired in the CPA[®]:15 Merger.

2011 — For the year ended December 31, 2011, other income was \$4.4 million. In connection with the CPA[®]14/16 Merger, we agreed to receive shares of CPA[®]:16 – Global in respect of our shares of CPA[®]:14. As a result, during 2011, we recognized a gain of \$2.8 million on the conversion of our shares of CPA[®]:14 to shares of CPA[®]:16 – Global in order to reflect the carrying value of our investment at its estimated fair value. In addition, we recognized a gain of \$1.0 million on the conversion of our termination revenue to shares of CPA[®]:14 because the fair value of the shares received exceeded the termination revenue. Other income during 2011 also included a net gain of \$0.6 million as a result of exercising certain warrants granted to us by lessees.

Gain on Change in Control of Interests

2012 — In connection with the CPA[®]15 Merger in September 2012, we acquired additional interests in five investments from CPA[®]:15, which we had previously accounted for under the equity method, and we adjusted the carrying value of our previously held interest in shares of CPA[®]:15 common stock to its estimated fair market value. In connection with our acquisition of these investments, we recognized a net gain of \$20.7 million during the year ended December 31, 2012 in order to adjust the carrying value of previously-held equity interests in these investments to their estimated fair values (Note 3).

2011 — In connection with the CPA[®]14/16 Merger in May 2011, we purchased the remaining interests in two investments from CPA[®]:14, which we had previously accounted for under the equity method. In connection with our purchase of these properties, we recognized a net gain of \$27.9 million during the year ended December 31, 2011 to adjust the carrying value of our existing interests in these investments to their estimated fair values.

Interest Expense

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, interest expense increased by \$57.3 million, primarily due to an increase of \$53.1 million as a result of mortgage loans assumed in connection with our acquisition of properties from CPA[®]:15 in the CPA[®]:15 Merger and \$2.5 million of interest expense incurred in 2013 on mortgage loans acquired and assumed in connection with our acquisition of properties. In addition, interest expense

on our Prior Senior Credit Facility and Unsecured Term Loan increased by \$2.6 million in the aggregate as a result of a higher average outstanding balance in the current year period.

2012 vs. 2011 — For the year ended December 31, 2012 as compared to 2011, interest expense increased by \$28.2 million. Interest expense increased by \$20.2 million and \$1.7 million as a result of mortgage loans assumed in connection with our acquisition of properties from CPA[®]:15 in the CPA[®]:15 Merger and from CPA[®]:14 in the CPA[®]:14/16 Merger, respectively. In addition, interest expense on our Prior Senior Credit Facility increased by \$5.5 million as a result of the amortization of financing costs incurred in connection with obtaining the facility in December 2011, as well as a higher average outstanding balance and a higher average interest rate on our Prior Senior Credit Facility in 2012, compared to those under our prior lines of credit in 2011 (Note 12).

Provision for Income Taxes

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, provision for income taxes increased by \$0.7 million, primarily due to increases in foreign income taxes of \$3.1 million related to the foreign properties we acquired in the CPA®:15 Merger, partially offset by a deferred income tax benefit of \$2.7 million recognized in connection with an out-of-period adjustment (Note 2).

2012 vs. 2011 — For the year ended December 31, 2012 as compared to 2011, provision for income taxes increased by \$1.8 million, primarily due to increases in foreign income taxes related to the foreign properties we acquired in the CPA®:15 Merger.

Income (Loss) from Discontinued Operations

During 2013, we sold 27 properties and reclassified nine properties to Assets held for sale. During 2012 and 2011, we sold 14 and seven properties, respectively. We also deconsolidated a subsidiary during 2011 (Note 17). Results of operations from these properties are included in Income (loss) from discontinued operations.

2013 — For the year ended December 31, 2013, income from discontinued operations was \$38.2 million, primarily due to a net gain on the sale of properties of \$40.0 million, including a net gain of \$39.6 million on the sale of 19 self-storage properties (Note 17), and income generated from the operations of discontinued properties of \$9.0 million. The income was partially offset by impairment charges of \$8.4 million recorded on several properties to reduce their carrying values to their expected selling prices (Note 10) and a net loss on extinguishment of debt of \$2.4 million in connection with the repayment of several mortgage loans on the aforementioned disposed properties.

2012 — For the year ended December 31, 2012, loss from discontinued operations was \$24.7 million, primarily due to impairment charges of \$23.0 million recorded on several properties to reduce their carrying values to their expected selling prices and a net loss on the sale of properties totaling \$5.0 million. These losses were partially offset by income generated from the operations of discontinued properties of \$3.2 million.

2011 — For the year ended December 31, 2011, loss from discontinued operations was \$13.9 million, primarily due to impairment charges recognized of \$11.8 million on several properties to reduce their carrying values to their expected selling prices and a net loss on the sale of properties of \$3.4 million. These losses were partially offset by a \$1.0 million gain recognized during the third quarter of 2011 on the deconsolidation of a subsidiary because we ceased to exercise control over the activities that most significantly impact its economic performance when a receiver took possession of the property and income generated from the operations of discontinued properties of \$1.4 million.

Net Income Attributable to Noncontrolling Interests

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, net income attributable to noncontrolling interests increased by \$29.8 million. Net income attributable to noncontrolling interests increased by \$23.2 million as result of net gain recognized in connection with selling 19 self-storage properties owned by our Carey Storage subsidiary with a third party and two employees (Note 17). In addition, net income attributable to noncontrolling interests increased by \$7.2 million as a result of noncontrolling interests in income generated from the properties we acquired from CPA®:15 in the CPA®:15 Merger.

2012 vs. 2011 — For the year ended December 31, 2012 as compared to 2011, net income attributable to noncontrolling interests increased by \$2.6 million primarily due to noncontrolling interests in income generated from the properties we acquired from CPA®:15 in the CPA®:15 Merger.

Net Income from Real Estate Ownership Attributable to W. P. Carey

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, the resulting net income from Real Estate Ownership attributable to W. P. Carey increased by \$49.6 million.

2012 vs. 2011 — For the year ended December 31, 2012 as compared to 2011, the resulting net income from Real Estate Ownership attributable to W. P. Carey common stockholders decreased by \$41.4 million.

AFFO

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, AFFO from Real Estate Ownership increased by \$104.1 million, primarily as a result of income earned from the properties we acquired in the CPA[®]:15 Merger. AFFO is a

supplemental measure that is non-GAAP that we use to evaluate our business. For a definition of AFFO and reconciliation to net income attributable to W. P. Carey, see Supplemental Financial Measures below.

2012 vs. 2011 — For the year ended December 31, 2012 as compared to 2011, AFFO from Real Estate Ownership increased by \$56.8 million, primarily as a result of income earned from the properties we acquired from CPA[®]:14 in May 2011 in connection with the CPA[®]:14/16 Merger and in the CPA[®]:15 Merger in September 2012, as well as increased income generated from our equity interests in the Managed REITs, primarily as a result of our incremental investment in CPA[®]:16 – Global in connection with the CPA[®]:14/16 Merger.

Investment Management

We earn revenue as the advisor to the Managed REITs. For the periods presented (except as noted), we acted as advisor to the following affiliated, publicly-owned, non-listed Managed REITs: CPA[®]:14 (through May 2, 2011, the date of the CPA[®]:14/16 Merger), CPA[®]:15 (through September 28, 2012, the date of the CPA[®]:15 Merger), CPA[®]:16 – Global, CPA[®]:17 – Global, CPA[®]:18 – Global (since May 2013) and CWI.

The following tables present other operating data that management finds useful in evaluating result of operations (dollars in millions):

| | As of December 31, | | |
|--|----------------------------------|-----------|-----------|
| | 2013 | 2012 | 2011 |
| Total properties - Managed REITs ^(a) | 789 | 774 | 865 |
| Assets under management - Managed REITs ^(b) | \$9,728.4 | \$7,870.8 | \$9,486.1 |
| Cumulative funds raised - CPA [®] :17 – Global offerings ^{(c) (d)} | 2,884.5 | 2,883.1 | 1,955.9 |
| Cumulative funds raised - CPA [®] :18 – Global offering ^{(d) (e)} | 237.3 | — | — |
| Cumulative funds raised - CWI offerings ^{(d) (f)} | 575.8 | 159.6 | 47.5 |
| | For the Years Ended December 31, | | |
| | 2013 | 2012 | 2011 |
| Financings structured - Managed REITs | \$1,012.0 | \$669.5 | \$387.8 |
| Consolidated investments structured - Managed REITs | 1,337.9 | 1,240.3 | 944.9 |
| Equity investments structured - Managed REITs | 165.3 | 32.6 | 284.6 |
| Funds raised - CPA [®] :17 – Global offerings ^{(c) (d)} | 1.3 | 927.3 | 584.5 |
| Funds raised - CPA [®] :18 – Global offering ^{(d) (e)} | 237.3 | — | — |
| Funds raised - CWI offerings ^{(d) (f)} | 418.3 | 112.1 | 47.5 |

^(a) Includes properties owned by CPA[®]:18 – Global in 2013, and by CPA[®]:16 – Global and CPA[®]:17 – Global for all periods. Includes properties owned by CPA[®]:14 through the CPA[®]:14/16 Merger on May 2, 2011. Includes properties owned by CPA[®]:15 through the date of the CPA[®]:15 Merger on September 28, 2012. Includes hotels owned by CWI from the date of its first investment in May 2011.

^(b) Represents the estimated fair value of the real estate assets owned by the Managed REITs, which was calculated by us as the advisor to the Managed REITs based in part upon third-party appraisals.

^(c) The follow-on offering of CPA[®]:17 – Global commenced in April 2011 and was terminated in January 2013.

^(d) Excludes reinvested distributions through the distribution reinvestment plan.

^(e) Reflects funds raised since the commencement of CPA[®]:18 – Global's initial public offering in May 2013.

^(f) Reflects funds raised in CWI's initial public offering, which was terminated on September 15, 2013. CWI's follow-on offering commenced on December 20, 2013, but no funds were raised in 2013.

Below is a summary of comparative results of our Investment Management segment (in thousands):

| | Years Ended December 31, | | | 2012 | 2011 | Change |
|---|--------------------------|----------|-------------|----------|-----------|-------------|
| | 2013 | 2012 | Change | | | |
| Revenues | | | | | | |
| Reimbursed costs from affiliates | \$73,572 | \$98,245 | \$(24,673) | \$98,245 | \$64,829 | \$33,416 |
| Structuring revenue | 46,589 | 48,355 | (1,766) | 48,355 | 46,831 | 1,524 |
| Dealer manager fees | 10,856 | 19,914 | (9,058) | 19,914 | 11,664 | 8,250 |
| Asset management revenue | 42,670 | 56,666 | (13,996) | 56,666 | 66,808 | (10,142) |
| Incentive, termination and subordinated disposition revenue | 199 | — | 199 | — | 52,515 | (52,515) |
| | 173,886 | 223,180 | (49,294) | 223,180 | 242,647 | (19,467) |
| Operating Expenses | | | | | | |
| Depreciation and amortization | 4,373 | 3,744 | 629 | 3,744 | 3,464 | 280 |
| General and administrative | 58,281 | 79,031 | (20,750) | 79,031 | 71,529 | 7,502 |
| Reimbursable costs | 73,572 | 98,245 | (24,673) | 98,245 | 64,829 | 33,416 |
| Stock-based compensation expenses | 36,965 | 26,030 | 10,935 | 26,030 | 17,750 | 8,280 |
| Impairment charge | 553 | — | 553 | — | — | — |
| | 173,744 | 207,050 | (33,306) | 207,050 | 157,572 | 49,478 |
| Other Income and Expenses | | | | | | |
| Other income and (expenses) | 79 | 195 | (116) | 195 | 166 | 29 |
| Other interest income | 922 | 1,085 | (163) | 1,085 | 1,910 | (825) |
| | 1,001 | 1,280 | (279) | 1,280 | 2,076 | (796) |
| Income from continuing operations before income taxes | 1,143 | 17,410 | (16,267) | 17,410 | 87,151 | (69,741) |
| Benefit from (provision for) income taxes | 3,451 | (2,771) | 6,222 | (2,771) | (34,971) | 32,200 |
| Net income from investment management | 4,594 | 14,639 | (10,045) | 14,639 | 52,180 | (37,541) |
| Net loss attributable to noncontrolling interests | 120 | 2,638 | (2,518) | 2,638 | 2,542 | 96 |
| Net income attributable to redeemable noncontrolling interest | (353) | (40) | (313) | (40) | (1,923) | 1,883 |
| Net income from Investment Management attributable to W. P. Carey | \$4,361 | \$17,237 | \$(12,876) | \$17,237 | \$52,799 | \$(35,562) |
| AFFO | \$30,494 | \$21,120 | \$9,374 | \$21,120 | \$86,105 | \$(64,985) |

Reimbursed and Reimbursable Costs

Reimbursed costs (revenue) from affiliates and reimbursable costs (expenses) represent costs incurred by us on behalf of the Managed REITs, consisting primarily of broker-dealer commissions and marketing and personnel costs, which are reimbursed by the Managed REITs. Revenue from reimbursed costs from affiliates is offset by corresponding charges to reimbursable costs.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, reimbursed and reimbursable costs decreased by \$24.7 million, primarily due to a decrease of \$72.5 million in commissions paid to broker-dealers as a result of the termination of the CPA[®]:17 – Global follow-on offering on January 31, 2013. This decrease was partially offset by (i) an increase of \$24.4 million in commissions paid to broker-dealers related to the CWI initial public offering due to the corresponding increase in funds raised year-over-year; (ii) the \$18.2 million paid to broker-dealers related to the CPA[®]:18 – Global initial public offering, which commenced in May 2013; and (iii) an increase of \$3.1

million in personnel costs reimbursed to us by the Managed REITs under the terms of their respective advisory agreements.

2012 vs. 2011 — For the year ended December 31, 2012 as compared to 2011, reimbursed and reimbursable costs increased by \$33.4 million, primarily due to an increase of \$30.1 million in commissions paid to broker-dealers related to the CPA[®]:17 – Global and CWI offerings as a result of corresponding increases in funds raised year-over-year. In addition, personnel costs

reimbursed to us by the Managed REITs increased by \$3.3 million, primarily as a result of an increase in CPA[®]:17 – Global’s allocation base during 2012 under the terms of the advisory agreements with the Managed REITs.

Structuring Revenue

We earn structuring revenue when we structure investments and debt placement transactions for the Managed REITs. Structuring revenue is dependent on investment activity, which is subject to significant period-to-period variation.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, structuring revenue decreased by \$1.8 million. Structuring revenue from CPA[®]:17 – Global decreased by \$24.8 million during 2013 as a result of lower investment volume in the current year as compared to the prior year. Structuring revenue from CWI increased by \$16.4 million during 2013 as compared to 2012 due to higher investment volume in the current year as compared to the prior year. In addition, we received structuring revenue of \$6.9 million from CPA[®]:18 – Global during 2013 as a result of investments we structured on its behalf.

2012 vs. 2011 — For the year ended December 31, 2012 as compared to 2011, structuring revenue increased by \$1.5 million. We structured real estate investments on behalf of the Managed REITs totaling approximately \$1.2 billion during 2012. The increase was due to the fee rates applicable to the types of transactions structured.

Dealer Manager Fees

We earned a wholesaling fee of \$0.15 per share sold in connection with CPA[®]:17 – Global’s initial public offering through the termination of that offering on April 7, 2011. As discussed in Note 4, we earned a dealer manager fee of \$0.35 per share sold in connection with CPA[®]:17 – Global’s follow-on offering, which commenced on April 7, 2011 and terminated on January 31, 2013. We also earned a \$0.30 dealer manager fee per share sold in connection with CWI’s initial public offering, which was terminated on September 15, 2013. In addition, we receive selling commissions, depending on the class of common stock sold, of \$0.70 or \$0.14 per share sold, and a dealer manager fee of \$0.30 or \$0.21 per share sold, for its class A common stock and class C common stock, respectively, in connection with CPA[®]:18 – Global’s public offering. We also receive an annual distribution and shareholder servicing fee of 1% paid in connection with shares of class C common stock. We re-allow all or a portion of the dealer manager fees to selected dealers in the offerings. Wholesaling fees, dealer manager fees that are not re-allowed and the Shareholder Servicing Fee are classified as Dealer manager fees from affiliates in the consolidated financial statements. Dealer manager fees earned are generally offset by underwriting costs incurred in connection with the offerings, which are included in General and administrative expenses.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, dealer manager fees decreased by \$9.1 million. The decrease was primarily due to the termination of the CPA[®]:17 – Global follow-on offering on January 31, 2013, partially offset by an increase in fees earned due to the higher level of CWI shares sold during the current year period through the termination of its offering on September 15, 2013 compared to the prior year, as well as the fees earned in connection with the sale of CPA[®]:18 – Global shares in its initial public offering, which commenced in May 2013.

2012 vs. 2011 — For the year ended December 31, 2012 as compared to 2011, dealer manager fees increased by \$8.3 million, primarily due to increases in shares sold in connection with CPA[®]:17 – Global and CWI offerings in 2012 compared to the prior year.

Asset Management Revenue

We earn asset management revenue from the Managed REITs based on the value of their real estate-related and lodging-related assets under management. This asset management revenue may increase or decrease depending upon (i) increases in the Managed REITs' asset bases as a result of new investments and; (ii) decreases in the Managed REITs' asset bases as a result of sales of investments; and (iii) increases or decreases in the appraised value of the real estate-related and lodging-related assets in the Managed REIT investment portfolios. The availability of funds for new investments is substantially dependent on our ability to raise funds for investment by the Managed REITs.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, asset management revenue decreased by \$14.0 million. We received asset management revenue from CPA[®]:15 of \$18.5 million during 2012 through the date of the CPA[®]:15 Merger in September 2012. As a result of the cessation of asset management revenue earned from CPA[®]:15 after the CPA[®]:15 Merger, we did not receive any asset management revenue from CPA[®]:15 during 2013. This decrease was partially offset by an aggregate increase of \$5.2 million during 2013 as compared to 2012 from CPA[®]:17 – Global and CWI as a result of new investments that they entered into during 2012 and 2013. We also received asset management revenue of \$0.1 million from CPA[®]:18 – Global during 2013 since the commencement of its offering in May 2013.

2012 vs. 2011 — For the year ended December 31, 2012 as compared to 2011, asset management revenue decreased by \$10.1 million. Combined asset management revenue from CPA[®]:14 and CPA[®]:16 – Global decreased by \$8.5 million, primarily due to a change in our fee arrangement with CPA[®]:16 – Global in connection with the CPA[®]:14/16 Merger. As discussed in Note 4, immediately after the CPA[®]:14/16 Merger in May 2011, our asset management revenue from CPA[®]:16 – Global was reduced from 1% to 0.5% of the property value of the assets under management and we subsequently received a distribution of 10% of the Available Cash of CPA[®]:16 – Global’s operating partnership, which we recorded as Income from equity investments in the Managed REITs within the Real Estate Ownership segment. Asset management revenue from CPA[®]:15 also decreased by \$7.5 million during the year ended December 31, 2012 as a result of the CPA[®]:15 Merger on September 28, 2012 and prior property sales. These decreases were partially offset by an increase in revenue of \$5.5 million during the year ended December 31, 2012 from CPA[®]:17 – Global as a result of new investments that it entered into during 2011 and 2012.

Incentive, Termination and Subordinated Disposition Revenue

Incentive, termination and subordinated disposition revenue is generally earned in connection with events in which we provide liquidity or alternatives to the Managed REITs’ stockholders. These events do not occur every year, although one occurred in each of 2011 and 2012. As described in Note 4, we waived the subordinated disposition fees that we would have been entitled to receive from CPA[®]:15 upon its liquidity event through the CPA[®]:15 Merger pursuant to the terms of our advisory agreement with CPA[®]:15.

In connection with providing a liquidity event for CPA[®]:14 shareholders through the CPA[®]:14/16 Merger in May 2011, we earned termination revenue of \$31.2 million and subordinated disposition revenue of \$21.3 million, which we received in shares of CPA[®]:14 and cash, respectively. These CPA[®]:14 shares were subsequently converted to shares of CPA[®]:16 – Global in connection with the CPA[®]:14/16 Merger.

General and Administrative

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, general and administrative expenses decreased by \$20.8 million. Effective October 1, 2012, personnel costs and other shared expenses such as office rent expenses have been charged to CPA[®]:16 – Global and CPA[®]:17 – Global based on the trailing 12-month reported revenues of the CPA[®] REITs, CWI and us rather than the method utilized before that date, which involved an allocation of personnel costs based on the time incurred by our personnel for CPA[®]:14, CPA[®]:15, CPA[®]:16 – Global, and CPA[®]:17 – Global (Note 4). This new methodology reflected changes in our advisory agreements with the CPA REITs. The impact of this change was an increase in the total amount of general and administrative expenses charged to CPA[®]:16 – Global and CPA[®]:17 – Global during the year ended December 31, 2013 as compared to 2012 of \$5.6 million, which reduced amounts that would otherwise have been borne by the Investment Management segment. Prior to this change, CPA[®]:15 was also charged general and administrative expenses based on the former methodology. After the CPA[®]:15 Merger on September 28, 2012, the portfolio that was formerly held by CPA[®]:15 was included in our Real Estate Ownership Segment and, as such, the Real Estate Ownership’s entire portfolio was subject to the new allocation methodology based on revenues. As a result, \$14.2 million of additional general and administrative expenses were allocated to the Real Estate Ownership segment from the Investment Management Segment during 2013 as compared to 2012. Through December 31, 2013, we have not allocated any personnel costs to CPA[®]:18 - Global or CWI. General and administrative expenses also decreased as a result of a \$4.8 million decrease in offering costs primarily related to the termination of the CPA[®]:17 – Global follow-on offering in January 2013. These decreases were partially offset by an increase of \$3.6 million in acquisition fees paid to the subadvisor in the connection with the higher level of CWI’s acquisitions during the current year.

2012 vs. 2011 — For the year ended December 31, 2012 as compared to 2011, general and administrative expenses increased by \$7.5 million primarily due to an increase of \$5.8 million in compensation expense and an aggregate increase of \$5.8 million in offering costs related to the CPA[®]:17 – Global and CWI offerings. These increases were partially offset by an increase of \$5.8 million in cost reimbursements from the Managed REITs, including personnel costs and office rent as described above. Compensation costs increased primarily due to an increase in the number of personnel during 2012.

Stock-based Compensation Expenses

For a description of our equity plans and awards, please see [Note 15](#).

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, stock based compensation expenses increased by \$10.9 million primarily due to (i) an increase of \$5.8 million as a result of an upward adjustment during 2013 in the estimated payout of performance share units or PSUs that were granted during 2012 and 2013, (ii) an increase of \$2.5 million

as a result of changes in our forfeiture rate assumptions in the third quarter of 2012, and (iii) an increase of \$2.1 million related to actual forfeitures in 2013 compared to those previously estimated.

2012 vs. 2011 — For the year ended December 31, 2012 as compared to 2011, stock-based compensation expenses increased by \$8.3 million primarily due to (i) an increase of \$8.1 million due to awards issued during 2012 with higher fair values as a result of the increase in our stock price between the two years, (ii) an increase of \$2.8 million as a result of our adjustment of the expected vesting of PSUs granted during 2009 and 2010, and (iii) a reduction of \$2.5 million as a result of changes in our forfeiture rate assumptions.

Impairment Charge

During the year ended December 31, 2013, we recognized an other-than-temporary impairment charge of \$0.6 million on a investment in an equity fund. During the fourth quarter of 2013, we received information that indicated the fair value of the equity fund was less than its carrying value. Since the fund is being wound down and the remaining investments have fair values less than their cost, this impairment was deemed other-than-temporary and the carrying value was written down to the estimated fair value ([Note 10](#)).

Benefit from (Provision for) Income Taxes

2013 vs. 2012 — For the year ended December 31, 2013, we recognized a benefit from income taxes of \$3.5 million, compared to a provision for income taxes of \$2.8 million recognized during 2012, primarily due to losses recognized by our TRSs in the Investment Management segment in 2013 compared to income recognized in the prior year.

2012 vs. 2011 — For the year ended December 31, 2012 as compared to 2011, provision for income taxes decreased by \$32.2 million, primarily due to (i) a deferred tax benefit of \$4.0 million recorded in 2012 as a result of expenses incurred in connection with the CPA[®]:15 Merger; (ii) a deferred tax benefit of \$3.8 million as a result of an increase in stock-based compensation expenses; (iii) a tax savings of \$2.8 million as a result of the absence of asset management revenue and performance revenue received from CPA[®]:15 after the completion of the CPA[®]:15 Merger in September 2012; (iv) a tax savings of \$2.4 million as a result of replacing the performance revenue from CPA[®]:16 – Global with the distributions of Available Cash in the second quarter of 2011; (v) a tax savings of \$1.1 million as a result of an increase in interest expense incurred due to higher levels of borrowings in 2012 under our Prior Senior Credit Facility; and (vi) \$9.3 million of income taxes incurred during 2011 as a result of the \$52.5 million incentive, termination and subordinated disposition income that we recognized in connection with the CPA[®]:14/16 Merger.

Net Income from Investment Management Attributable to W. P. Carey

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, the resulting net income from Investment Management attributable to W. P. Carey decreased by \$12.9 million.

2012 vs. 2011 — For the year ended December 31, 2012 as compared to 2011, the resulting net income from Investment Management attributable to W. P. Carey decreased by \$35.6 million.

Funds from Operations — as Adjusted (AFFO)

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, AFFO from our Investment Management segment increased by \$9.4 million, primarily due to additional personnel costs charged to the Managed REITs and our Real Estate Ownership segment in 2013 as described above. AFFO is a non-GAAP measure that we use to evaluate our business. For a definition of AFFO and reconciliation to net income attributable to W. P. Carey, see Supplemental

Financial Measures below.

2012 vs. 2011 — For the year ended December 31, 2012 as compared to 2011, AFFO from our Investment Management segment decreased by \$65.0 million, primarily as a result of the \$52.5 million incentive, termination and subordinated disposition income recognized in connection with the CPA[®]:14/16 Merger in 2011, as well as performance fees for CPA[®]:14 and CPA[®]:16 – Global that were no longer received from CPA[®]:14 or CPA[®]:16 – Global after the CPA[®]:14/16 Merger, which occurred in May 2011 (Note 4) and, in the case of CPA[®]:16 – Global, was replaced by the 10% distribution of Available Cash of CPA[®]:16 – Global’s operating partnership that is now recorded in the Real Estate Ownership segment, and the end of asset management fees and performance fees received from CPA[®]:15 after the CPA[®]:15 Merger in September 2012.

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Financial Condition

Sources and Uses of Cash During the Year

We use the cash flow generated from our investments primarily to meet our operating expenses, service debt and fund distributions to stockholders. Our cash flows fluctuate from period to period due to a number of factors, which may include, among other things, the timing of purchases and sales of real estate, the timing of the receipt of proceeds from, and the repayment of, mortgage loans and receipt of lease revenues, the receipt of the annual installment of deferred acquisition revenue and interest thereon from the CPA[®] REITs, our election to receive asset management fees in either shares of the Managed REITs' common stock or cash, the timing and characterization of distributions from equity investments in real estate and the Managed REITs, the receipt of distributions of Available Cash from certain Managed REITs, and changes in foreign currency exchange rates. Despite these fluctuations, we believe that we will generate sufficient cash from operations and from equity distributions in excess of equity income in real estate to meet our normal recurring short-term and long-term liquidity needs. We may also use existing cash resources, the proceeds of mortgage loans, unused capacity on our credit facility, net contributions from noncontrolling interests, and the issuance of additional debt or equity securities to meet these needs. We assess our ability to access capital on an ongoing basis. Our sources and uses of cash during the year are described below.

Operating Activities

Cash flow from operating activities increased by \$127.3 million during 2013 as compared to 2012, primarily due to operating cash flow generated from the properties we acquired in the CPA[®]:15 Merger, partially offset by a decrease in cash received for providing asset management services to the Managed REITs due to the cessation of such fees earned from CPA[®]:15 after the CPA[®]:15 Merger in September 2012.

Investing Activities

Our investing activities are generally comprised of real estate-related transactions (purchases and sales) and capitalized property-related costs. During 2013, we purchased seven investments for \$265.4 million, which we partially funded with \$51.7 million from the escrowed proceeds of the sales of properties in exchange transactions under Section 1031 of the Code. Funds totaling \$131.7 million and \$149.2 million were invested in and released from, respectively, lender-held investment accounts. We also used \$14.0 million primarily to make capital improvements to various properties and used \$15.0 million to make a loan to our affiliate, CPA[®]:18 – Global, in order to facilitate its property acquisition, which it repaid in full during 2013. We received \$58.0 million in distributions from equity investments in real estate and the Managed REITs in excess of cumulative equity income. We also received cash proceeds totaling \$171.3 million from the sale of 28 properties and an equity investment, including \$111.1 million from the sale of 19 self-storage properties. We also placed \$92.4 million in escrow for future acquisitions and \$118.0 million was released from escrow in connection with our 2013 acquisitions.

Financing Activities

During 2013, we paid distributions to stockholders of \$220.4 million and paid distributions of \$72.1 million to affiliates who hold noncontrolling interests in various entities with us, including \$40.8 million in connection with the sale of 19 self-storage properties (Note 17). We made scheduled mortgage loan principal payments of \$391.8 million and received mortgage financing proceeds of \$115.6 million. We received \$300.0 million from the draw-down of the Unsecured Term Loan (Note 12), which we used primarily to pay off the outstanding balance on the Revolver at that time. Net borrowings under our Revolver increased overall by \$22.0 million in 2013 and were comprised of gross borrowings of \$435.0 million and repayments of \$413.0 million. Net borrowings under our Revolver were primarily used for new investments. We also used \$40.0 million to purchase shares of our common stock from the Estate (Note

4). In connection with obtaining the Unsecured Term Loan and mortgage financing, we paid financing costs totaling \$2.4 million. We received contributions of \$65.1 million from affiliates who hold noncontrolling interests in various entities with us, including \$62.3 million received to repay a maturing mortgage loan. We recognized windfall tax benefits of \$12.8 million in connection with the exercise of employee stock options and the vesting of PSUs and restricted share units, or RSUs, which reduced our tax liability to various taxing authorities.

Summary of Financing

The table below summarizes our non-recourse debt and our Revolver and Term Loan Facility, which collectively we refer to as the Prior Senior Credit Facility (dollars in thousands):

| | December 31, | | |
|---|--------------|--------------|---|
| | 2013 | 2012 | |
| Carrying Value | | | |
| Fixed rate | \$ 1,139,122 | \$ 1,322,168 | |
| Variable rate ^(a) ^(b) | 928,288 | 646,229 | |
| Total | \$ 2,067,410 | \$ 1,968,397 | |
| Percent of Total Debt | | | |
| Fixed rate | 55 | % 67 | % |
| Variable rate ^(a) | 45 | % 33 | % |
| | 100 | % 100 | % |
| Weighted-Average Interest Rate at End of Year | | | |
| Fixed rate | 5.3 | % 5.6 | % |
| Variable rate ^(a) | 2.7 | % 3.4 | % |

Variable-rate debt at December 31, 2013 included (i) \$575.0 million outstanding under our Prior Senior Credit Facility and Unsecured Term Loan, which includes \$100.0 million outstanding under the Revolver, \$175.0 million outstanding under the Term Loan Facility and \$300.0 million outstanding under the Unsecured Term Loan, (ii) \$321.4 million that has been effectively converted to fixed rates through interest rate swap and cap derivative instruments, (iii) \$4.3 million in non-recourse mortgage loan obligations that bore interest at fixed rates but have interest rate reset features that may change the interest rates to then-prevailing market fixed rates (subject to specified caps) at certain points during their term, and (iv) \$27.6 million in non-recourse mortgage loan obligations that bore interest at floating rates.

^(a) As described below, in January 2014, the Prior Senior Credit Facility and Unsecured Term Loan were repaid and terminated with borrowings under the New Senior Credit Facility.

Cash Resources

At December 31, 2013, our cash resources consisted of the following:

Cash and cash equivalents totaling \$117.5 million. Of this amount, \$41.2 million, at then-current exchange rates, was held in foreign subsidiaries and we could be subject to restrictions or significant costs should we decide to repatriate these amounts;

Our Revolver, with unused capacity of \$346.8 million, excluding amounts reserved for outstanding letters of credit. Our lender has issued letters of credit totaling \$3.2 million on our behalf in connection with certain contractual obligations, which reduce amounts that may be drawn under the facility; and

We also had unleveraged properties that had an aggregate carrying value of \$14.1 million at December 31, 2013, although there can be no assurance that we would be able to obtain financing for these properties.

As discussed below and in Note 20, in January 2014, we entered into the Second Amended and Restated Credit Agreement, or the New Senior Credit Facility, to increase the maximum aggregate principal amount available from \$625.0 million that was available under our Prior Senior Credit Facility to \$1.25 billion. This New Senior Credit

Facility and our other cash resources can be used for working capital needs and other commitments and may be used for future investments. We continue to evaluate fixed-rate financing options, such as obtaining non-recourse financing on our unleveraged properties.

Prior Senior Credit Facility and Unsecured Term Loan

Our Prior Senior Credit Facility and Unsecured Term Loan are more fully described in Note 12. A summary of our New Senior Credit Facility and Unsecured Term Loan is provided below (in thousands):

| | December 31, 2013 | | December 31, 2012 | |
|---------------------|---------------------|-------------------|---------------------|-------------------|
| | Outstanding Balance | Maximum Available | Outstanding Balance | Maximum Available |
| Revolver | \$100,000 | \$ 450,000 | \$78,000 | \$ 450,000 |
| Term Loan Facility | 175,000 | 175,000 | 175,000 | 175,000 |
| Unsecured Term Loan | 300,000 | 300,000 | — | — |

New Senior Credit Facility

In January 2014, we entered into the Second Amended and Restated Credit Agreement to increase the maximum aggregate principal amount available to us under our primary borrowing facility from \$625.0 million to \$1.25 billion. The New Senior Credit Facility is comprised of a \$1.0 billion unsecured revolving credit facility and a \$250.0 million term loan facility. The revolving credit facility matures in four years but may be extended by one year at our option, subject to the conditions provided in the Second Amended and Restated Credit Agreement. The term loan facility matures in two years but we have two options to extend the maturity by another year. At our election, the principal amount available under the New Senior Credit Facility may be increased by up to an additional \$500.0 million, subject to the conditions provided in the Second Amended and Restated Credit Agreement. The New Senior Credit Facility also permits (i) up to \$250.0 million to be borrowed in certain currencies other than the U.S. dollar, (ii) swing line loans of up to \$50.0 million, and (iii) the issuance of letters of credit in an aggregate amount not to exceed \$50.0 million.

The revolving credit facility provides for an annual interest rate, at our election, of either (i) the Eurocurrency Rate (as defined in the Second Amended and Restated Credit Agreement) plus 1.10%, or (ii) the Base Rate (as defined in the Second Amended and Restated Credit Agreement) plus 0.10%. The term loan facility provides for an annual interest rate, at our election, of either (i) the Eurocurrency Rate plus 1.25%, or (ii) the Base Rate plus 0.25%. We also pay a facility fee of 0.20% on the unsecured revolving credit facility.

The New Senior Credit Facility includes customary financial maintenance covenants, including a maximum leverage ratio, maximum secured debt ratio, minimum equity value ratio, minimum fixed charge coverage ratio and minimum unsecured interest coverage ratio. The New Senior Credit Facility also contains various customary affirmative and negative covenants applicable to us and our subsidiaries, subject to materiality and other qualifications, baskets and exceptions as outlined in the New Senior Credit Facility.

We are required to ensure that the total Restricted Payments (as defined in the Second Amended and Restated Credit Agreement) in an aggregate amount in any fiscal year, does not exceed the greater of (i) 95% of Adjusted Funds from Operations (as defined in the Second Amended and Restated Credit Agreement) and (ii) the amount of Restricted Payments required in order for us to maintain our REIT status. Restricted Payments include quarterly dividends and the total amount of shares repurchased by us, if any, in excess of \$100.0 million per year.

Obligations under the New Senior Credit Facility may be declared immediately due and payable upon the occurrence of certain events of default as defined in the Second Amended and Restated Credit Agreement, including failure to pay any principal when due and payable, failure to pay interest within five business days after becoming due, failure to comply with any covenant, representation or condition of any loan document, any change of control, cross-defaults, and certain other events as set forth in the New Senior Credit Facility, with grace periods in some cases.

At January 31, 2014, we had drawn \$765.0 million on the New Senior Credit Facility to repay and terminate our Prior Senior Credit Facility, our Unsecured Term Loan and CPA[®]:16 – Global’s line of credit.

See Note 20 for further information about our indebtedness.

Cash Requirements

During the next 12 months, we expect that cash payments will include paying distributions to our stockholders and to our affiliates who hold noncontrolling interests in entities we control and making scheduled mortgage loan principal payments, including mortgage balloon payments totaling \$216.1 million, as well as other normal recurring operating expenses. We currently expect to use the proceeds from our New Senior Credit Facility to pay off these maturing mortgage loans. There are no mortgage balloon payments due on our equity investments during the next 12 months.

As discussed in Note 20, we paid merger consideration of approximately \$1.3 million in cash to CPA[®]:16 – Global’s stockholders for their fractional shares. We also used proceeds from the New Senior Credit Facility to repay CPA[®]:16 – Global’s line of credit.

We expect to fund future investments, built-to-suit commitments, any capital expenditures on existing properties, scheduled debt maturities on non-recourse mortgage loans and any loans to CWI and CPA[®]:18 – Global through cash generated from operations, the use of our cash reserves or unused amounts on our New Senior Credit Facility and equity or debt offerings.

Projected Impact of the CPA[®]:16 Merger

The CPA[®]:16 Merger is expected to have the following impact on our results of operations in 2014 as compared to 2013 (in thousands):

- An increase in annual Lease revenues and property level cash flow (cash rental income less non-reimbursable property expenses) of approximately \$324.6 million and \$317.5 million, respectively, due to the properties we acquired from CPA[®]:16 – Global;
- A decrease in annual Asset management revenue from affiliates of approximately \$18.1 million as a result of purchasing the properties from CPA[®]:16 – Global, which decreased the asset base from which we earn asset management revenue;
- A reduction in annual Net income from equity investments in real estate and the Managed REITs of approximately \$25.7 million as a result of consolidating CPA[®]:16 – Global after the CPA[®]:16 Merger;
- A reduction in annual Net income from equity investments in real estate and the Managed REITs of approximately \$12.0 million as a result of purchasing the remaining interests in eight jointly-owned investments and increasing ownership interest in one additional investment. Subsequent to the CPA[®]:16 Merger, we consolidate these investments;
- An increase in annual Net income from equity investments in real estate and the Managed REITs of approximately \$8.1 million as a result of increasing ownership interest in one jointly-owned investment and purchasing CPA[®]:16 – Global’s interests in two jointly-owned investments;
- An increase in annual Interest expense of approximately \$82.4 million as a result of assuming the mortgage loans from CPA[®]:16 – Global; and
- A net increase in annual Interest expense of approximately \$3.0 million as a result of drawing down on our New Senior Credit Facility to repay CPA[®]:16 – Global’s line of credit.

Off-Balance Sheet Arrangements and Contractual Obligations

The table below summarizes our debt, off-balance sheet arrangements and other contractual obligations at December 31, 2013 and the effect that these arrangements and obligations are expected to have on our liquidity and cash flow in the specified future periods (in thousands):

| | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
|--|--------------|---------------------|------------|------------|----------------------|
| Non-recourse debt — principal ^(a) | \$ 1,504,698 | \$ 260,086 | \$ 324,749 | \$ 335,194 | \$ 584,669 |
| Unsecured Term Loan — principal ^(a) | 300,000 | 300,000 | — | — | — |
| Senior Credit Facility — principal ^(a) | 275,000 | 275,000 | — | — | — |
| Interest on borrowings ^(d) | 354,895 | 77,191 | 111,063 | 72,426 | 94,215 |
| Build-to-suit commitments | 61,093 | 61,093 | — | — | — |
| Operating and other lease commitments ^(e) | 30,347 | 3,029 | 6,165 | 6,443 | 14,710 |
| Property improvement commitments | 6,493 | 6,493 | — | — | — |
| | \$ 2,532,526 | \$ 982,892 | \$ 441,977 | \$ 414,063 | \$ 693,594 |

(a) Excludes an unamortized discount of \$12.3 million (Note 12).

Our \$625.0 million Prior Senior Credit Facility was scheduled to mature in December 2014. Amount in the table

(b) includes borrowings under our Revolver and \$175.0 million outstanding under the Term Loan Facility. The Prior Senior Credit Facility was replaced with the New Senior Credit Facility in January 2014 (Note 20).

(c) Our \$300.0 million Unsecured Term Loan was scheduled to mature in July 2014 but was repaid in full with borrowings under the New Senior Credit Facility and terminated in January 2014 (Note 20).

(d) Interest on unhedged variable-rate debt obligations was calculated using the applicable annual variable interest rates and balances outstanding at December 31, 2013.

(e) Operating and other lease commitments consist primarily of the future minimum rents payable on the lease for our principal offices. We are reimbursed by the Managed REITs for their share of the future minimum rents pursuant to their respective advisory agreements with us. These amounts are allocated among the entities based on gross revenues and are adjusted quarterly.

Amounts in the table above relate to our foreign operations are based on the exchange rate of the local currencies at December 31, 2013, which consisted primarily of the euro. At December 31, 2013, we had no material capital lease obligations for which we were the lessee, either individually or in the aggregate.

Equity Method Investments

We have investments in unconsolidated investments that own single-tenant properties net leased to companies. Generally, the underlying investments are jointly-owned with our affiliates. Summarized financial information for these investments and our ownership interest in the investments at December 31, 2013 is presented below. Cash requirements with respect to our share of these debt obligations are discussed above under Cash Requirements. Summarized financial information provided represents the total amounts attributable to the investments and does not represent our proportionate share (dollars in thousands):

| Lessee | Ownership Interest | | Total Third-Party Debt | Maturity Date |
|---|----------------------|--------------|------------------------|---------------|
| | at December 31, 2013 | Total Assets | | |
| Waldaschaff Automotive GmbH and Wagon Automotive Nagold GmbH ^(a) | 33 | % \$44,924 | \$19,515 | 8/2015 |
| Del Monte Corporation ^(c) | 50 | % 12,274 | 10,535 | 8/2016 |
| Consolidated Systems, Inc. ^(c) | 60 | % 15,917 | 10,798 | 11/2016 |
| SaarOTEC ^{(a) (c)} | 50 | % 6,121 | 9,247 | 1/2017 |
| Hellweg Die Profi-Baumärkte GmbH & Co. KG (Hellweg 2) ^{(a) (c)} | 38 | % 410,455 | 336,157 | 1/2017 |
| Wanbishi Archives Co. Ltd ^(b) | 3 | % 39,925 | 24,700 | 12/2017 |
| The New York Times Company | 18 | % 249,730 | 115,507 | 3/2018 |
| Advanced Micro Devices ^(c) | 33 | % 83,265 | 54,091 | 9/2017 |
| C1000 Logistiek Vastgoed B. V. ^(a) | 15 | % 192,348 | 95,608 | 3/2020 |
| PetSmart, Inc. ^(c) | 30 | % 21,300 | 19,271 | 9/2021 |
| Builders FirstSource, Inc. ^(c) | 40 | % 9,889 | — | N/A |
| The Upper Deck Company ^(c) | 50 | % 21,788 | — | N/A |
| Schuler A.G. ^{(a) (c)} | 67 | % 70,232 | — | N/A |
| | | \$1,178,168 | \$695,429 | |

(a) Dollar amounts shown are based on the exchange rate of the euro at December 31, 2013.

(b) Dollar amounts shown are based on the exchange rate of the Japanese yen at December 31, 2013.

(c) Subsequent to the CPA[®]:16 Merger in January 2014, we consolidate these wholly-owned or majority-owned investments (Note 20).

Environmental Obligations

In connection with the purchase of many of our properties, we required the sellers to perform environmental reviews. We believe, based on the results of these reviews, that our properties were in substantial compliance with Federal, state, and foreign environmental statutes at the time the properties were acquired. However, portions of certain properties have been subject to some degree of contamination, principally in connection with leakage from underground storage tanks, surface spills or other on-site activities. In most instances where contamination has been identified, tenants are actively engaged in the remediation process and addressing identified conditions. Tenants are generally subject to environmental statutes and regulations regarding the discharge of hazardous materials and any related remediation obligations. In addition, our leases generally require tenants to indemnify us from all liabilities and losses related to the leased properties and the provisions of such indemnifications specifically address environmental matters. The leases generally include provisions that allow for periodic environmental assessments, paid for by the tenant, and allow us to extend leases until such time as a tenant has satisfied its environmental

obligations. Certain of our leases allow us to require financial assurances from tenants, such as performance bonds or letters of credit, if the costs of remediating environmental conditions are, in our estimation, in excess of specified amounts. Accordingly, we believe that the ultimate resolution of environmental matters should not have a material adverse effect on our financial condition, liquidity or results of operations.

Critical Accounting Estimates

Our significant accounting policies are described in Note 2. Many of these accounting policies require judgment and the use of estimates and assumptions when applying these policies in the preparation of our consolidated financial statements. On a quarterly basis, we evaluate these estimates and judgments based on historical experience as well as other factors that we believe to be reasonable under the circumstances. These estimates are subject to change in the future if underlying assumptions

or factors change. Certain accounting policies, while significant, may not require the use of estimates. Those accounting policies that require significant estimation and/or judgment are listed below.

Accounting for Acquisitions

In connection with our acquisition of properties, we allocate the purchase price to tangible and intangible assets and liabilities acquired based on their estimated fair values. We determine the value of tangible assets, consisting of land and buildings and record intangible assets, including the above- and below-market value of leases, and the value of in-place leases, at their estimated fair values.

Tangible Assets

We determine the value attributed to tangible assets and additional investments in equity interests by applying a discounted cash flow model that is intended to approximate both what a third party would pay to purchase the vacant property and rent at current estimated market rates at a selected capitalization rate. In applying the model, we assume that the disinterested party would sell the property at the end of an estimated market lease term. Assumptions used in the model are property-specific where this information is available; however, when certain necessary information is not available, we use available regional and property-type information. Assumptions and estimates include the following:

- discount rate or internal rate of return;
- the marketing period necessary to put a lease in place;
- carrying costs during the marketing period;
- leasing commissions and tenant improvement allowances;
- market rents and growth factors of these rents; and
- a market lease term and a capitalization rate to be applied to an estimate of market rent at the end of the market lease term.

The discount rates and residual capitalization rates used to value the properties are selected based on several factors, including:

- the creditworthiness of the lessees;
- industry surveys;
- property type;
- property location and age;
- current lease rates relative to market lease rates; and
- anticipated lease duration.

In the case where a tenant has a purchase option deemed to be favorable to the tenant, or the tenant has long-term renewal options at rental rates below estimated market rental rates, we assume the exercise of such purchase option or long-term renewal options in the determination of residual value.

Where a property is deemed to have excess land, the discounted cash flow analysis includes the estimated excess land value at the assumed expiration of the lease, based upon an analysis of comparable land sales or listings in the general market area of the property grown at estimated market growth rates through the year of lease expiration.

The remaining economic life of leased assets is estimated by relying in part upon third-party appraisals of the leased assets, industry standards and based on our experience. Different estimates of remaining economic life will affect the depreciation expense that is recorded.

Intangible Assets

When we acquire properties subject to net leases, we determine the value of above- and below-market lease intangibles based on the difference between (i) the contractual rents to be paid pursuant to the leases negotiated and in place at the time of acquisition of the properties and (ii) our estimate of fair market lease rates for the property or a similar property, both of which are measured over a period equal to the estimated lease term, which includes any renewal options with rental rates below estimated market rental rates. We discount the difference between the estimated market rent and contractual rent to a present value using an interest rate reflecting our current assessment of the risk associated with the lease acquired, which includes a consideration of the credit of the lessee. Estimates of market rent are generally determined by us relying in part upon a third-party appraisal obtained in connection with the property acquisition and can include estimates of market rent increase factors, which are generally provided in the appraisal or by local real estate brokers. We measure the fair value of below-market purchase option liabilities we acquire as the excess of the present value of the fair value of the real estate over the present value of the tenant's exercise price.

We evaluate the specific characteristics of each tenant's lease and any pre-existing relationship with each tenant in determining the value of in-place lease intangibles. To determine the value of in-place lease intangibles, we consider the following:

- estimated market rent;
- estimated lease term including renewal options at rental rates below estimated market rental rates;
- estimated carrying costs of the property during a hypothetical expected lease-up period; and
- current market conditions and costs to execute similar leases, including tenant improvement allowances and rent concessions.

Estimated carrying costs of the property include real estate taxes, insurance, other property operating costs, and estimates of lost rentals at market rates during the market participants' expected lease-up periods, based on assessments of specific market conditions.

We determine these values using our estimates or by relying in part upon third-party appraisals conducted by independent appraisal firms.

Debt

When we acquire leveraged properties, the fair value of debt instruments assumed is determined using a discounted cash flow model with rates that take into account the credit of the tenants, where applicable, and interest rate risk. Such resulting premium or discount is amortized over the remaining term of the obligation. We also consider the value of the underlying collateral taking into account the quality of the collateral, the credit quality of the tenant, the time until maturity and the current interest rate.

Goodwill

In the case of a business combination, after identifying all tangible and intangible assets and liabilities, the excess consideration paid over the fair value of the assets and liabilities acquired and assumed, respectively, represents goodwill. We allocate goodwill to the respective reporting units in which such goodwill arose.

Impairments

We periodically assess whether there are any indicators that the value of our long-lived and indefinite-lived assets, including goodwill, may be impaired or that their carrying value may not be recoverable. These impairment indicators include, but are not limited to, the vacancy of a property that is not subject to a lease; a lease default by a tenant that is experiencing financial difficulty; the termination of a lease by a tenant; or the rejection of a lease in a bankruptcy proceeding. We may incur impairment charges on real estate, direct financing leases, assets held for sale and equity investments in real estate. We may also incur impairment charges on marketable securities and goodwill. Estimates and judgments used when evaluating whether these assets are impaired are presented below.

Real Estate

For real estate assets that we intend to hold and use in which an impairment indicator is identified, we follow a two-step process to determine whether an asset is impaired and to determine the amount of the charge. First, we compare the carrying value of the property's asset group to the future net undiscounted cash flow that we expect the property's asset group will

generate, including any estimated proceeds from the eventual sale of the property's asset group. The undiscounted cash flow analysis requires us to make our best estimate of market rents, residual values and holding periods. We estimate market rents and residual values using market information from outside sources such as broker quotes or recent comparable sales. In cases where the available market information is not deemed appropriate, we perform a future net cash flow analysis discounted for inherent risk associated with each asset to determine an estimated fair value. As our investment objective is to hold properties on a long-term basis, holding periods used in the undiscounted cash flow analysis are approximately ten years. Depending on the assumptions made and estimates used, the future cash flow projected in the evaluation of long-lived assets can vary within a range of outcomes. We consider the likelihood of possible outcomes in determining our estimate of future cash flows. If the future net undiscounted cash flow of the property's asset group is less than the carrying value, the carrying value of the property's asset group is considered not recoverable. We then measure the impairment loss as the excess of the carrying value of the property's asset group over its estimated fair value. The property's asset group's estimated fair value is primarily determined using market information from outside sources such as broker quotes or recent comparable sales.

Assets Held for Sale

We classify real estate assets that are accounted for as operating leases as held for sale when we have entered into a contract to sell the property, all material due diligence requirements have been satisfied and we believe it is probable that the disposition will occur within one year. When we classify an asset as held for sale, we carry the investment at the lower of its current carrying value or the expected sale price, less estimated costs to sell. We base the expected sale price on the contract and the estimated costs to sell on information provided by brokers and legal counsel. We then compare the asset's expected sales price, less estimated costs to sell to its carrying value, and if the expected sales price, less estimated costs to sell is less than the property's carrying value, we reduce the carrying value to the expected sales price, less estimated costs to sell. We will continue to review the initial impairment for subsequent changes in the expected sales price, and may recognize an additional impairment charge if warranted.

Direct Financing Leases

We review our direct financing leases at least annually to determine whether there has been an other-than-temporary decline in the current estimate of residual value of the property. The residual value is our estimate of what we could realize upon the sale of the property at the end of the lease term, based on market information and third-party estimates where available. If this review indicates that a decline in residual value has occurred that is other-than-temporary, we recognize an impairment charge.

When we enter into a contract to sell the real estate assets that are recorded as direct financing leases, we evaluate whether we believe it is probable that the disposition will occur. If we determine that the disposition is probable and therefore the asset's holding period is reduced, we record an allowance for credit losses to reflect the change in the estimate of the undiscounted future rents. Accordingly, the net investment balance is written down to fair value.

Equity Investments in Real Estate and the Managed REITs

We evaluate our equity investments in real estate and in the Managed REITs on a periodic basis to determine if there are any indicators that the value of our equity investments may be impaired and to establish whether or not that impairment is other-than-temporary. To the extent impairment has occurred, we measure the charge as the excess of the carrying value of our investment over its estimated fair value, which is determined by multiplying the estimated fair value of the underlying investment's net assets by our ownership interest percentage. For our equity investments in real estate, we calculate the estimated fair value of the underlying investment's real estate or net investment in direct financing lease as described in Real Estate and Direct Financing Leases above. The fair value of the underlying investment's debt, if any, is calculated based on market interest rates and other market information. The fair value of

the underlying investment's other financial assets and liabilities (excluding net investment in direct financing leases) have fair values that approximate their carrying values. For our investments in certain Managed REITs, we calculate the estimated fair value of our investment using the most recently published net asset value per share, or NAV, of each Managed REIT, which for CPA[®]:18 – Global is deemed to be the initial public offering price through December 31, 2013.

Goodwill

We evaluate goodwill for possible impairment at least annually or upon the occurrence of a triggering event using a two-step process. To identify any impairment, we first compare the estimated fair value of each of our reporting units with their respective carrying amount, including goodwill. We calculate the estimated fair value of the Investment Management reporting unit by applying a price-to-EBITDA multiple to earnings. For both reporting units, the multiples are based on comparable companies. For the Real Estate Ownership reporting unit, we calculate its estimated fair value by applying an AFFO multiple.

The selection of the comparable companies and transactions to be used in our evaluation process could have a significant impact on the fair value of our reporting units and possible impairments. If the fair value of the reporting unit exceeds its carrying amount, we do not consider goodwill to be impaired and no further analysis is required. If the carrying amount of the reporting unit exceeds its estimated fair value, we then perform the second step to determine and measure the amount of the potential impairment charge.

For the second step, we compare the implied fair value of the goodwill for each reporting unit with its respective carrying amount and record an impairment charge equal to the excess of the carrying amount over the implied fair value. We determine the implied fair value of the goodwill by allocating the estimated fair value of the reporting unit to its assets and liabilities. The excess of the estimated fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of the goodwill.

Our annual impairment test for the goodwill recorded in our Investment reporting unit is evaluated in the fourth quarter of every year. As discussed in Note 3 in the accompanying consolidated financial statements, in connection with the CPA[®]:15 Merger we recorded goodwill in our Real Estate Ownership reporting unit. Prior to the CPA[®]:15 Merger, there was no goodwill recorded in our Real Estate Ownership reporting unit. We initially elected to evaluate the goodwill recorded in our Real Estate Ownership reporting unit in the second quarter of every year. During the fourth quarter of 2013, we elected to change the date of our annual impairment test for goodwill in our Real Estate Ownership reporting unit from the second quarter to the fourth quarter of every year. In connection with the CPA[®]:16 Merger in January 2014, we recorded additional goodwill in our Real Estate Ownership reporting unit.

Proposed Accounting Changes

The following proposed accounting changes may potentially impact our Real Estate Ownership and Investment Management segments if the outcome has a significant influence on sale-leaseback demand in the marketplace:

The IASB and FASB, or the Boards, have issued an Exposure Draft on a joint proposal that would dramatically transform lease accounting from the existing model. These changes would impact most companies but are particularly applicable to those that are significant users of real estate. The proposal outlines a completely new model for accounting by lessees, whereby their rights and obligations under substantially all leases, existing and new, would be capitalized and recorded on the balance sheet. For some companies, the new accounting guidance may influence whether or not, or the extent to which, they may enter into the type of sale-leaseback transactions in which we specialize. In May 2013, the Boards issued a revised exposure draft for public comment and the comment period ended in September 2013. In January 2014, the Boards began their redeliberations of the proposals included in the May 2013 Exposure Draft based on the comments received. As of the date of this Report, the proposed guidance has not yet been finalized, and as such we are unable to determine whether this proposal will have a material impact on our business.

Supplemental Financial Measures

In the real estate industry, analysts and investors employ certain non-GAAP supplemental financial measures in order to facilitate meaningful comparisons between periods and among peer companies. Additionally, in the formulation of our goals and in the evaluation of the effectiveness of our strategies, we employ the use of supplemental non-GAAP measures, which are uniquely defined by our management. We believe that these measures are useful to investors to consider because they may assist them to better understand and measure the performance of our business over time and against similar companies. A description of these non-GAAP financial measures and reconciliations to the most directly comparable GAAP measures are provided below.

Funds from Operations — as Adjusted

Funds from Operations, or FFO, is a non-GAAP measure defined by the National Association of Real Estate Investment Trusts, or NAREIT. NAREIT defines FFO as net income or loss (as computed in accordance with GAAP) excluding: depreciation and amortization expense from real estate assets, impairment charges on real estate, gains or losses from sales of depreciated real estate assets and extraordinary items; however, FFO related to assets held for sale, sold or otherwise transferred and included in the results of discontinued operations are included. These adjustments also incorporate the pro rata share of unconsolidated subsidiaries. FFO is used by management, investors and analysts to facilitate meaningful comparisons of operating performance between periods and among our peers. Although NAREIT has published this definition of FFO, companies often modify this definition as they seek to provide financial measures that meaningfully reflect their distinctive operations.

We modify the NAREIT computation of FFO to include other adjustments to GAAP net income to adjust for certain non-cash charges such as amortization of real estate-related intangibles, deferred income tax benefits and expenses, straight-line rents, stock compensation, gains or losses from extinguishment of debt and deconsolidation of subsidiaries and unrealized foreign currency exchange gains and losses. Our assessment of our operations is focused on long-term sustainability and not on such non-cash items, which may cause short-term fluctuations in net income but have no impact on cash flows. Additionally, we exclude acquisition expenses and non-core expenses such as merger and restructuring expenses. Merger expenses are related to the CPA[®]:15 Merger and the CPA[®]:16 Merger, and restructuring expenses are related to the restructuring of Hellweg 2. We also exclude realized gains/losses on foreign exchange and derivatives, which are not considered fundamental attributes of our business plan and do not affect our overall long-term operating performance. We refer to our modified definition of FFO as AFFO. We exclude these items from GAAP net income as they are not the primary drivers in our decision making process and excluding those items provides investors a view of our portfolio performance over time and make it more comparable to other REITs which are currently not engaged in acquisitions, mergers and restructuring which are not part of our normal business operations. We use AFFO as one measure of our operating performance when we formulate corporate goals, evaluate the effectiveness of our strategies, and determine executive compensation.

We believe that AFFO is a useful supplemental measure for investors to consider because it will help them to better assess the sustainability of our operating performance without the potentially distorting impact of these short-term fluctuations. However, there are limits on the usefulness of AFFO to investors. For example, impairment charges and unrealized foreign currency losses that we exclude may become actual realized losses upon the ultimate disposition of the properties in the form of lower cash proceeds or other considerations. We use our FFO and AFFO measures as supplemental financial measures of operating performance. We do not use our FFO and AFFO measures as, nor should they be considered to be, alternatives to net earnings computed under GAAP or as alternatives to cash from operating activities computed under GAAP or as indicators of our ability to fund our cash needs.

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FFO and AFFO were as follows (in thousands):

| | Years Ended December 31, | | | |
|---|--------------------------|-----------|-----------|---|
| | 2013 | 2012 | 2011 | |
| Real Estate Ownership | | | | |
| Net income from Real Estate Ownership attributable to W. P. Carey | \$94,515 | \$44,895 | \$86,280 | |
| Adjustments: | | | | |
| Depreciation and amortization of real property | 121,730 | 45,982 | 25,324 | |
| Impairment charges | 13,156 | 22,962 | 10,473 | |
| (Gain) loss on sale of real estate, net | (39,711 |) 2,676 | 3,391 | |
| Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at FFO: | | | | |
| Depreciation and amortization of real property | 10,588 | 5,545 | 5,257 | |
| Impairment charges | — | — | 1,090 | |
| (Gain) loss on sale of real estate, net | (16,456 |) (15,233 |) 34 | |
| Proportionate share of adjustments for noncontrolling interests to arrive at FFO | 5,783 | (5,504 |) (1,984 |) |
| Total adjustments | 95,090 | 56,428 | 43,585 | |
| FFO (as defined by NAREIT) - Real Estate Ownership | 189,605 | 101,323 | 129,865 | |
| Adjustments: | | | | |
| Gain on change in control of interests ^{(a)(b)} | — | (20,734 |) (27,859 |) |
| Gain on deconsolidation of a subsidiary | — | — | (1,008 |) |
| Loss on extinguishment of debt | 1,189 | — | — | |
| Other (gains) losses, net | (399 |) (2 |) 25 | |
| Other depreciation, amortization and non-cash charges | (334 |) (1,662 |) 176 | |
| Stock-based compensation | 347 | 211 | 220 | |
| Deferred tax benefit | (5,555 |) (2,745 |) (3,184 |) |
| Acquisition expenses ^(c) | 4,074 | — | — | |
| Realized losses on foreign currency, derivatives and other ^(d) | 724 | 828 | — | |
| Amortization of deferred financing costs | 2,565 | 1,843 | — | |
| Straight-line and other rent adjustments | (8,019 |) (4,446 |) (4,255 |) |
| Above- and below-market rent intangible lease amortization, net ^(d) | 29,197 | 7,696 | — | |
| CPA [®] :15 Merger and CPA [®] :16 Merger expenses ^(e) | 5,030 | 41,338 | — | |
| Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at AFFO: | | | | |
| Other depreciation, amortization and non-cash charges | 691 | 624 | — | |
| Straight-line rent and other rent adjustments | (516 |) (1,468 |) (1,641 |) |
| Above- and below-market rent intangible lease amortization, net | 1,086 | 163 | — | |
| AFFO adjustments to equity earnings from equity investments | 41,587 | 37,234 | 10,137 | |
| Hellweg 2 restructuring ^(f) | 8,357 | — | — | |
| Proportionate share of adjustments for noncontrolling interests to arrive at AFFO | (5,972 |) (692 |) 272 | |
| Total adjustments | 74,052 | 58,188 | (27,117 |) |
| AFFO - Real Estate Ownership | \$263,657 | \$159,511 | \$102,748 | |
| Investment Management | | | | |
| Net income from Investment Management attributable to W. P. Carey | \$4,361 | \$17,237 | \$52,799 | |
| FFO (as defined by NAREIT) - Investment Management | 4,361 | 17,237 | 52,799 | |
| Adjustments: | | | | |
| Other depreciation, amortization and other non-cash charges | 1,050 | 961 | 3,791 | |

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| | | | |
|---|-----------|-----------|-----------|
| Stock-based compensation | 36,848 | 25,841 | 17,496 |
| Deferred tax (benefit) expense | (13,815 |) (24,055 |) 12,019 |
| Impairment charge on marketable security | 553 | — | — |
| Realized gains on foreign currency ^(d) | (7 |) (61 |) — |
| Amortization of deferred financing costs ^(d) | 1,504 | 1,197 | — |
| Total adjustments | 26,133 | 3,883 | 33,306 |
| AFFO - Investment Management | \$30,494 | \$21,120 | \$86,105 |
| Total Company | | | |
| FFO - as defined by NAREIT | \$193,966 | \$118,560 | \$182,664 |
| AFFO | \$294,151 | \$180,631 | \$188,853 |

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Gain on change in control of interests for the year ended December 31, 2011 represents gain recognized on purchase of the remaining interests in two investments from CPA[®]:14 (Note 4), which we had previously (a) accounted for under the equity method. In connection with purchasing these properties, we recognized a net gain of \$27.9 million during the year ended December 31, 2011 to adjust the carrying value of our existing interests in these investments to their estimated fair values.

Gain on change in control of interests for the year ended December 31, 2012 represents a gain of \$14.6 million recognized on our previously held interest in shares of CPA[®]:15 common stock, and a gain of \$6.1 million (b) recognized on the purchase of the remaining interests in five investments from CPA[®]:15, which we had previously accounted for under the equity method. We recognized a net gain of \$20.7 million to adjust the carrying value of our existing interests in these investments to their estimated fair values.

(c) Prior to the second quarter of 2013, this amount was insignificant and therefore not included in the AFFO calculation.

(d) These adjustments were not significant prior to the CPA[®]:15 Merger, therefore, they were not included in the calculation of AFFO in 2011.

(e) Amount for the year ended December 31, 2012 included \$31.7 million of general and administrative expenses and \$9.6 million of income tax expenses incurred in connection with the CPA[®]:15 Merger.

(f) In connection with the Hellweg 2 restructuring in October 2013, our share of the German real estate transfer tax incurred by Hellweg 2 was \$8.4 million (Note 7).

While we believe that FFO and AFFO are important supplemental measures, they should not be considered as alternatives to net income as an indication of a company's operating performance. These non-GAAP measures should be used in conjunction with net income as defined by GAAP. FFO and AFFO, or similarly titled measures disclosed by other real estate investment trusts, may not be comparable to our FFO and AFFO measures.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Market Risk

Market risk is the exposure to loss resulting from changes in interest rates, foreign currency exchange rates and equity prices. The primary risks to which we are exposed are interest rate risk and foreign currency exchange risk. We are also exposed to further market risk as a result of concentrations of tenants in certain industries and/or geographic regions. Adverse market factors can affect the ability of tenants in a particular industry/region to meet their respective lease obligations. In order to manage this risk, we view our collective tenant roster as a portfolio, and in our investment decisions we attempt to diversify our portfolio so that we are not overexposed to a particular industry or geographic region.

Generally, we do not use derivative instruments to hedge credit/market risks or for speculative purposes. However, from time to time, we may enter into foreign currency forward contracts to hedge our foreign currency cash flow exposures.

Interest Rate Risk

The fair value of our real estate and related fixed rate debt obligations is subject to fluctuations based on changes in interest rates. The carrying value of our real estate and related fixed rate debt obligations is subject to fluctuations based on changes in interest rates. The value of our real estate is also subject to fluctuations based on local and regional economic conditions and changes in the creditworthiness of lessees, all of which may affect our ability to refinance property-level mortgage debt when balloon payments are scheduled. Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political conditions, and other factors beyond our control. An increase in interest rates would likely cause the fair value of our owned and managed assets to decrease, which would create lower revenues from managed assets and lower investment performance for the managed funds. Increases in interest rates may also have an impact on the credit profile of certain tenants.

We are exposed to the impact of interest rate changes primarily through our borrowing activities. To limit this exposure, we attempt to obtain non-recourse mortgage financing on a long-term, fixed-rate basis. However, from time to time, we or our joint investment partners may obtain variable-rate non-recourse mortgage loans and, as a result, may enter into interest rate swap agreements or interest rate cap agreements with lenders that effectively convert the variable-rate debt service obligations of the loan to a fixed rate or limit the underlying interest rate from exceeding a specified strike rate, respectively. Interest rate swaps are agreements in which one party exchanges a stream of interest payments for a counterparty's stream of cash flows over a specific period, and interest rate caps limit the effective borrowing rate of variable-rate debt obligations while allowing participants to share in downward shifts in interest rates. These interest rate swaps and caps are derivative instruments designated as cash flow hedges on the forecasted interest payments on the debt obligation. The notional, or face, amount on which the swaps or caps are based is not exchanged. Our objective in using these derivatives is to limit our exposure to interest rate movements. At December 31, 2013, we estimated that the net fair value of our interest rate swaps and caps, which are included in Other assets, net and Accounts payable, accrued expenses and other liabilities in the consolidated financial statements, was in a net liability position of \$13.1 million ([Note 11](#)).

At December 31, 2013, a significant portion (approximately 89%) of our long-term debt either bore interest at fixed rates, was swapped or capped to a fixed rate, or bore interest at fixed rates that were scheduled to convert to then-prevailing market fixed rates at certain future points during their term. The effective annual interest rates on our fixed-rate debt at December 31, 2013 ranged from 2.7% to 7.8%. The annual interest rates on our variable-rate debt at

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December 31, 2013 ranged from 1.3% to 7.6%. Our debt obligations are more fully described under Financial Condition in Item 7 above. The following table presents principal cash flows based upon expected maturity dates of our debt obligations outstanding at December 31, 2013 (in thousands):

| | 2014 | 2015 | 2016 | 2017 | 2018 | Thereafter | Total | Fair value |
|-----------------------------------|------------|------------|-----------|------------|------------|------------|--------------|--------------|
| Fixed-rate debt ^(a) | \$ 143,262 | \$ 231,820 | \$ 74,058 | \$ 117,690 | \$ 62,096 | \$ 523,018 | \$ 1,151,944 | \$ 1,134,823 |
| Variable-rate debt ^(a) | \$ 691,824 | \$ 12,720 | \$ 6,150 | \$ 8,598 | \$ 146,811 | \$ 61,651 | \$ 927,754 | \$ 917,674 |

^(a) Amounts are based on the exchange rate at December 31, 2013, as applicable. As described in Note 20, the Prior Senior Credit Facility and Unsecured Term Loan were repaid in January 2014.

The estimated fair value of our fixed-rate debt and our variable-rate debt that currently bears interest at fixed rates or has effectively been converted to a fixed rate through the use of interest rate swaps or that has been subject to interest rate caps is affected by changes in interest rates. A decrease or increase in interest rates of 1% would change the estimated fair value of this

debt at December 31, 2013 by an aggregate increase of \$54.8 million or an aggregate decrease of \$52.4 million, respectively. Annual interest expense on our unhedged variable-rate debt that does not bear interest at fixed-rates at December 31, 2013 would increase or decrease by \$6.0 million for each respective 1% change in annual interest rates. As more fully described under Financial Condition — Summary of Financing in Item 7 above, a portion of the debt classified as variable-rate debt in the tables above bore interest at fixed rates at December 31, 2013 but has interest rate reset features that will change the fixed interest rates to then-prevailing market fixed rates at certain points during their term. Such debt is generally not subject to short-term fluctuations in interest rates.

Foreign Currency Exchange Rate Risk

We own investments in the European Union and Asia and as a result are subject to risk from the effects of exchange rate movements in various foreign currencies, primarily the euro and the British pound sterling, which may affect future costs and cash flows. We manage foreign currency exchange rate movements by generally placing our debt service obligation on an investment in the same currency as the tenant's rental obligation to us. This reduces our overall exposure to the net cash flow from that investment. In addition, we may use currency hedging to further reduce the exposure to our equity cash flow. We are generally a net receiver of various foreign currencies (we receive more cash than we pay out), and therefore our foreign operations benefit from a weaker U.S. dollar, and are adversely affected by a stronger U.S. dollar, relative to the foreign currency. For the year ended December 31, 2013, we recognized net realized loss and unrealized foreign currency transaction gain of \$0.2 million and \$1.6 million, respectively. These losses and gains are included in Other income and (expenses) in the consolidated financial statements and were primarily due to changes in the value of the euro on accrued interest receivable on notes receivable from consolidated subsidiaries.

We enter into foreign currency forward contracts to hedge certain of our foreign currency cash flow exposures. A foreign currency forward contract is a commitment to deliver a certain amount of foreign currency at a certain price on a specific date in the future. The net estimated fair value of our foreign currency forward contracts, which are included in Accounts payable, accrued expenses and other liabilities in the consolidated financial statements, was in a liability position of \$7.1 million at December 31, 2013. We obtain non-recourse mortgage financing in the local currency. To the extent that currency fluctuations increase or decrease rental revenues as translated to U.S. dollars, the change in debt service, as translated to U.S. dollars, will partially offset the effect of fluctuations in revenue and, to some extent, mitigate the risk from changes in foreign currency exchange rates.

Scheduled future minimum rents, exclusive of renewals, under non-cancelable operating leases, for our consolidated foreign operations as of December 31, 2013, during each of the next five years and thereafter, are as follows (in thousands):

| Lease Revenues ^(a) | 2014 | 2015 | 2016 | 2017 | 2018 | Thereafter | Total |
|-------------------------------|-----------|----------|----------|----------|----------|------------|-----------|
| Euro | \$100,462 | \$86,633 | \$72,291 | \$62,946 | \$62,767 | \$423,585 | \$808,684 |
| British pound sterling | 6,109 | 6,108 | 6,109 | 6,109 | 6,163 | 74,063 | 104,661 |
| | \$106,571 | \$92,741 | \$78,400 | \$69,055 | \$68,930 | \$497,648 | \$913,345 |

Scheduled debt service payments (principal and interest) for mortgage notes payable for our consolidated foreign operations as of December 31, 2013 during each of the next five years and thereafter, are as follows (in thousands):

| Debt service ^{(a) (b)} | 2014 | 2015 | 2016 | 2017 | 2018 | Thereafter | Total |
|---------------------------------------|-----------|-----------|----------|----------|-----------|------------|-----------|
| Euro ^(c) | \$221,863 | \$190,162 | \$28,868 | \$14,269 | \$154,738 | \$76,340 | \$686,240 |
| British pound sterling ^(d) | 841 | 11,287 | — | — | — | — | 12,128 |
| | \$222,704 | \$201,449 | \$28,868 | \$14,269 | \$154,738 | \$76,340 | \$698,368 |

(a)

Amounts are based on the applicable exchange rates at rents, exclusive of renewals, under non-cancelable operating leases, for our consolidated foreign operations as of December 31, 2013. Contractual rents and debt obligations are denominated in the functional currency of the country of each property.

(b) Interest on unhedged variable-rate debt obligations was calculated using the applicable annual interest rates and balances outstanding at rents, exclusive of renewals, under non-cancelable operating leases, for our consolidated foreign operations as of December 31, 2013.

(c) We estimate that, for a 1% increase or decrease in the exchange rate between the euro and the U.S. dollar, there would be a corresponding change in the projected estimated property level cash flow at rents, exclusive of renewals, under non-cancelable operating leases, for our consolidated foreign operations as of December 31, 2013 of \$1.2 million.

We estimate that, for a 1% increase or decrease in the exchange rate between the British pound sterling and the U.S. dollar, there would be a corresponding change in the projected estimated property level cash flow at rents, (d) exclusive of renewals, under non-cancelable operating leases, for our consolidated foreign operations as of December 31, 2013 of \$0.9 million.

As a result of scheduled balloon payments on our international non-recourse mortgage loans, projected debt service obligations exceed projected lease revenues in 2014, 2015 and 2018. In 2014, 2015 and 2018 balloon payments totaling \$175.9 million, \$99.5 million and \$143.7 million, respectively, are due on seven, five and three non-recourse mortgage loans, respectively, that are collateralized by properties that we own with affiliates. We currently anticipate that, by their respective due dates, we will have refinanced certain of these loans, but there can be no assurance that we will be able to do so on favorable terms, if at all. If that has not occurred, we would expect to use our cash resources, including unused capacity on our new line of credit, to make these payments, if necessary.

Item 8. Financial Statements and Supplementary Data.

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Financial statement schedules other than those listed above are omitted because the required information is given in the financial statements, including the notes thereto, or because the conditions requiring their filing do not exist.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of W. P. Carey Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of W. P. Carey Inc. and its subsidiaries at December 31, 2013 and December 31, 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the accompanying index present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedules, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedules, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
New York, New York
March 3, 2014

W. P. CAREY INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

| | December 31, | |
|---|--------------|-------------|
| | 2013 | 2012 |
| Assets | | |
| Investments in real estate: | | |
| Real estate, at cost (inclusive of \$78,782 and \$78,745, respectively, attributable to variable interest entities, or VIEs) | \$2,516,325 | \$2,334,488 |
| Operating real estate, at cost | 6,024 | 99,703 |
| Accumulated depreciation (inclusive of \$18,238 and \$16,110, respectively, attributable to VIEs) | (168,958) | (136,068) |
| Net investments in properties | 2,353,391 | 2,298,123 |
| Net investments in direct financing leases (inclusive of \$18,089 and \$23,921, respectively, attributable to VIEs) | 363,420 | 376,005 |
| Assets held for sale | 86,823 | 1,445 |
| Equity investments in real estate and the Managed REITs | 530,020 | 565,626 |
| Net investments in real estate | 3,333,654 | 3,241,199 |
| Cash and cash equivalents (inclusive of \$37 and \$17, respectively, attributable to VIEs) | 117,519 | 123,904 |
| Due from affiliates | 32,034 | 36,002 |
| Goodwill | 350,208 | 329,132 |
| In-place lease intangible assets, net (inclusive of \$3,385 and \$3,823, respectively, attributable to VIEs) | 467,127 | 447,278 |
| Above-market rent intangible assets, net (inclusive of \$2,544 and 2,773, respectively, attributable to VIEs) | 241,975 | 279,885 |
| Other assets, net (inclusive of \$4,246 and \$4,529, respectively, attributable to VIEs) | 136,433 | 151,642 |
| Total assets | \$4,678,950 | \$4,609,042 |
| Liabilities and Equity | | |
| Liabilities: | | |
| Non-recourse debt (inclusive of \$29,042 and \$30,326, respectively, attributable to VIEs) | \$1,492,410 | \$1,715,397 |
| Senior credit facility and unsecured term loan | 575,000 | 253,000 |
| Below-market rent and other intangible liabilities (inclusive of \$3,481 and \$3,887, respectively, attributable to VIEs) | 128,202 | 106,448 |
| Accounts payable, accrued expenses and other liabilities (inclusive of \$2,988 and \$3,772, respectively, attributable to VIEs) | 161,369 | 158,684 |
| Income taxes, net | 44,056 | 24,959 |
| Distributions payable | 67,746 | 45,700 |
| Total liabilities | 2,468,783 | 2,304,188 |
| Redeemable noncontrolling interest | 7,436 | 7,531 |
| Redeemable securities - related party | — | 40,000 |
| Commitments and contingencies (<u>Note 13</u>) | | |
| Equity: | | |
| W. P. Carey stockholders' equity: | | |
| Preferred stock, \$0.001 par value, 50,000,000 shares authorized; none issued | — | — |
| Common stock, \$0.001 par value, 450,000,000 shares authorized; 69,299,949 and 68,901,933 shares issued, | 69 | 69 |
| respectively; and 68,266,570 and 68,485,525 shares outstanding, respectively | | |
| Additional paid-in capital | 2,256,503 | 2,175,820 |
| Distributions in excess of accumulated earnings | (318,577) | (172,182) |

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| | | |
|--|-------------|-------------|
| Deferred compensation obligation | 11,354 | 8,358 |
| Accumulated other comprehensive income (loss) | 15,336 | (4,649) |
| Less: treasury stock at cost, 1,033,379 and 416,408 shares, respectively | (60,270) | (20,270) |
| Total W. P. Carey stockholders' equity | 1,904,415 | 1,987,146 |
| Noncontrolling interests | 298,316 | 270,177 |
| Total equity | 2,202,731 | 2,257,323 |
| Total liabilities and equity | \$4,678,950 | \$4,609,042 |

See Notes to Consolidated Financial Statements.

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W. P. CAREY INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except share and per share amounts)

| | Years Ended December 31, | | |
|---|--------------------------|-----------|-----------|
| | 2013 | 2012 | 2011 |
| Revenues | | | |
| Lease revenues: | | | |
| Rental income | \$262,330 | \$104,079 | \$49,618 |
| Interest income from direct financing leases | 37,294 | 15,217 | 10,278 |
| Total lease revenues | 299,624 | 119,296 | 59,896 |
| Reimbursed costs from affiliates | 73,572 | 98,245 | 64,829 |
| Structuring revenue from affiliates | 46,589 | 48,355 | 46,831 |
| Asset management revenue from affiliates | 42,670 | 56,666 | 66,808 |
| Other real estate income | 16,341 | 9,885 | 7,168 |
| Dealer manager fees from affiliates | 10,856 | 19,914 | 11,664 |
| Incentive, termination and subordinated disposition revenue from affiliates | 199 | — | 52,515 |
| | 489,851 | 352,361 | 309,711 |
| Operating Expenses | | | |
| Depreciation and amortization | 121,822 | 44,427 | 20,481 |
| General and administrative | 84,112 | 86,916 | 75,850 |
| Reimbursable costs | 73,572 | 98,245 | 64,829 |
| Stock-based compensation expenses | 37,280 | 26,241 | 17,750 |
| Property expenses | 20,840 | 11,534 | 8,852 |
| Merger and acquisition expenses | 9,230 | 31,639 | 33 |
| Other real estate expenses | 556 | 489 | 478 |
| Impairment charges | 5,294 | — | (1,365) |
| | 352,706 | 299,491 | 186,908 |
| Other Income and Expenses | | | |
| Net income from equity investments in real estate and the Managed REITs | 52,731 | 62,392 | 51,228 |
| Other income and (expenses) | 7,997 | 3,396 | 4,579 |
| Other interest income | 1,092 | 1,332 | 1,996 |
| Gain on change in control of interests | — | 20,744 | 27,859 |
| Interest expense | (103,728) | (46,448) | (18,210) |
| | (41,908) | 41,416 | 67,452 |
| Income from continuing operations before income taxes | 95,237 | 94,286 | 190,255 |
| Provision for income taxes | (1,252) | (6,772) | (37,214) |
| Income from continuing operations | 93,985 | 87,514 | 153,041 |
| Discontinued Operations | | | |
| Gain (loss) on sale of real estate, net of tax | 40,043 | (5,015) | (3,391) |
| Income from operations of discontinued properties, net of tax | 8,967 | 3,242 | 318 |
| Gain on deconsolidation of a subsidiary, net of tax | — | — | 1,008 |
| Impairment charges, net of tax | (8,415) | (22,962) | (11,838) |
| Loss on extinguishment of debt, net of tax | (2,415) | — | — |
| Income (loss) from discontinued operations, net of tax | 38,180 | (24,735) | (13,903) |
| Net Income | 132,165 | 62,779 | 139,138 |
| Net (income) loss attributable to noncontrolling interests | (32,936) | (607) | 1,864 |
| Net income attributable to redeemable noncontrolling interests | (353) | (40) | (1,923) |
| Net Income Attributable to W. P. Carey | \$98,876 | \$62,132 | \$139,079 |
| Basic Earnings Per Share | | | |

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| | | | |
|--|------------|------------|------------|
| Income from continuing operations attributable to W. P. Carey | \$ 1.22 | \$ 1.83 | \$ 3.78 |
| Income (loss) from discontinued operations attributable to W. P. Carey | 0.21 | (0.53) | (0.34) |
| Net Income Attributable to W. P. Carey | \$ 1.43 | \$ 1.30 | \$ 3.44 |
| Diluted Earnings Per Share | | | |
| Income from continuing operations attributable to W. P. Carey | \$ 1.21 | \$ 1.80 | \$ 3.76 |
| Income (loss) from discontinued operations attributable to W. P. Carey | 0.20 | (0.52) | (0.34) |
| Net Income Attributable to W. P. Carey | \$ 1.41 | \$ 1.28 | \$ 3.42 |
| Weighted Average Shares Outstanding | | | |
| Basic | 68,691,046 | 47,389,460 | 39,819,475 |
| Diluted | 69,708,008 | 48,078,474 | 40,098,095 |
| Amounts Attributable to W. P. Carey | | | |
| Income from continuing operations, net of tax | \$ 84,637 | \$ 87,571 | \$ 153,011 |
| Income (loss) from discontinued operations, net of tax | 14,239 | (25,439) | (13,932) |
| Net Income | \$ 98,876 | \$ 62,132 | \$ 139,079 |

See Notes to Consolidated Financial Statements.

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W. P. CAREY INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

| | Years Ended December 31, | | |
|--|--------------------------|----------|-----------|
| | 2013 | 2012 | 2011 |
| Net Income | \$132,165 | \$62,779 | \$139,138 |
| Other Comprehensive Income (Loss) | | | |
| Foreign currency translation adjustments | 21,835 | 7,809 | (1,796) |
| Realized and unrealized gain (loss) on derivative instruments | 20 | (2,262) | (3,588) |
| Change in unrealized depreciation on marketable securities | — | (7) | (11) |
| | 21,855 | 5,540 | (5,395) |
| Comprehensive Income | 154,020 | 68,319 | 133,743 |
| Amounts Attributable to Noncontrolling Interests | | | |
| Net (income) loss | (32,936) | (607) | 1,864 |
| Foreign currency translation adjustments | (1,883) | (1,676) | 346 |
| Comprehensive (income) loss attributable to noncontrolling interests | (34,819) | (2,283) | 2,210 |
| Amounts Attributable to Redeemable Noncontrolling Interest | | | |
| Net income | (353) | (40) | (1,923) |
| Foreign currency translation adjustments | 13 | (6) | 5 |
| Comprehensive income attributable to redeemable noncontrolling interests | (340) | (46) | (1,918) |
| Comprehensive Income Attributable to W. P. Carey | \$118,861 | \$65,990 | \$134,035 |

See Notes to Consolidated Financial Statements.

W. P. CAREY INC.

CONSOLIDATED STATEMENTS OF EQUITY

Years Ended December 31, 2013, 2012 and 2011

(in thousands, except share and per share amounts)

| W. P. Carey Stockholders | | | | | | | | | | |
|--|--------------|-------------------|------------|--------------|---------------|---------------|----------|---------------|----------------|-----------|
| | Common Stock | | Additional | | Distributions | Accumulated | Total | | | |
| | No Par Value | \$0.001 Par Value | Paid-in | in Excess of | Deferred | Other | Treasury | W. P. Carey | Noncontrolling | |
| | Shares | Shares | Capital | Earnings | Obligation | Comprehensive | Stock | Stockholders' | Interests | |
| | | | | | | Income | | | | |
| | | | | | | (Loss) | | | | |
| Balance at January 1, 2011 | 39,454,847 | | \$763,734 | \$(145,769) | \$10,511 | \$(3,463) | | \$625,013 | \$40,461 | \$665,474 |
| Exercise of stock options and employee purchase under the employee share purchase plan | 45,674 | | 1,488 | | | | | 1,488 | | 1,488 |
| Grants issued in connection with services rendered | 5,285 | | | | 700 | | | 700 | | 700 |
| Shares issued under share incentive plans | 576,148 | | | | | | | — | | — |
| Contributions | | | | | | | | — | 3,223 | 3,223 |
| Forfeitures of shares | (3,562) | | (274) | | | | | (274) | | (274) |
| Distributions declared (\$2.19 per share) | | | | (88,356) | 301 | | | (88,055) | | (87,754) |
| Distributions to noncontrolling interests | | | | | | | | — | (6,000) | (6,000) |
| Windfall tax benefits - share incentive plans | | | 2,569 | | | | | 2,569 | | 2,569 |
| Stock-based compensation expenses | | | 21,739 | | (4,449) | | | 17,290 | | 17,290 |
| Repurchase and retirement of shares | (349,374) | | (4,761) | | | | | (4,761) | | (4,761) |
| Redemption value adjustment | | | 455 | | | | | 455 | | 455 |
| Purchase of noncontrolling | | | (5,879) | | | | | (5,879) | (1,612) | (7,491) |

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| | | | | | | | | | | | |
|---|--------------|------------|----|-----------|-----------|----------|----------|-----------|----------|----------|-----------|
| interest | | | | | | | | | | | |
| Net income | | | | 139,079 | | | | 139,079 | (1,864) | 139,079 | |
| Other comprehensive loss: | | | | | | | | | | | |
| Foreign currency translation adjustments | | | | | | (1,445) | | (1,445) | (387) | (1,832) | |
| Realized and unrealized loss on derivative instruments | | | | | | (3,588) | | (3,588) | | (3,588) | |
| Change in unrealized depreciation on marketable securities | | | | | | (11) | | (11) | | (11) | |
| Balance at December 31, 2011 | 39,729,018 | — | — | 779,071 | (95,046) | 7,063 | (8,507) | — | 682,581 | 33,821 | 716,402 |
| Exchange of shares of W. P. Carey & Co. LLC for shares of W. P. Carey Inc. in connection with the CPA [®] :15 Merger | (39,834,827) | 39,834,827 | 40 | (40) | | | | — | | | — |
| Shares issued to stockholders of CPA [®] :15 in connection with the CPA [®] :15 Merger | | 28,170,643 | 28 | 1,380,333 | | | | | | | 1,380,333 |
| Purchase of noncontrolling interests in connection with the Merger | | | | | (154) | | | (154) | 237,513 | | 237,359 |
| Reclassification of Estate Shareholders shares | | | | | (40,000) | | | (40,000) | | | (40,000) |
| Exercise of stock options and employee | 30,993 | 13,768 | | 1,553 | | | | 1,553 | | | 1,553 |

| | | | | | | | | |
|--|------------|------------|---|-----------|------------|-----------|-----------|------------|
| purchase under the employee share purchase plan | | | | | | | | |
| Cash proceeds on issuance of shares to third party | | 937,500 | 1 | 44,999 | | 45,000 | | 45,000 |
| Grants issued in connection with services rendered | 427,425 | 3,822 | | | | — | | — |
| Shares issued under share incentive plans | 238,728 | 27,044 | | 646 | | 646 | | 646 |
| Contributions | | | | | | — | 3,291 | 3,291 |
| Forfeitures of shares | (29,919) | | | | | — | | — |
| Windfall tax benefits - share incentive plans | | | | 10,185 | | 10,185 | | 10,185 |
| Stock-based compensation expenses | | | | 25,067 | 971 | 26,038 | | 26,038 |
| Redemption value adjustment | | | | (840) | | (840) | | (840) |
| Distributions to noncontrolling interests | | | | | | — | (6,649) | (6,649) |
| Distributions declared (\$2.44 per share) | | | | | (139,268) | 324 | | (138,944) |
| Purchase of treasury stock from related parties | (561,418) | (416,408) | | | | (45,270) | (45,270) | (45,270) |
| Cancellation of shares | | (85,671) | | (25,000) | | 25,000 | — | — |
| Net income | | | | 62,132 | | 62,132 | 607 | 62,739 |
| Other comprehensive income (loss): | | | | | | | | |
| Foreign currency translation adjustments | | | | | 6,127 | 6,127 | 1,594 | 7,721 |
| Realized and unrealized loss on derivative instruments | | | | | (2,262) | (2,262) | | (2,262) |

| | | | | | | | | |
|--|---|------------|--------------|------------|-------|----------|----------|-----------------------|
| Change in unrealized depreciation on marketable securities | | | | | | (7) | (7) | (7) |
| Balance at December 31, 2012 | — | 68,485,525 | 69 2,175,820 | (172,182) | 8,358 | (4,649) | (20,270) | 1,987,146 270,177 2,2 |

(Continued)

W. P. CAREY INC.

CONSOLIDATED STATEMENTS OF EQUITY (Continued)
 Years Ended December 31, 2013, 2012 and 2011

(in thousands, except share and per share amounts)

| | W. P. Carey Stockholders | | | Distributions in Excess of Accumulated Earnings | Deferred Compensation Obligation | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Total W. P. Carey Stockholders Interests | Noncontrolling Interests | Total |
|--|----------------------------------|---------------------|----------------------------------|--|--|---|-------------------|---|-----------------------------|-----------|
| | Common Stock No. of Shares | Par Value Amount | Additional Paid-in Capital | | | | | | | |
| Balance at January 1, 2013 | 68,485,525 | \$69 | \$2,175,820 | \$(172,182) | \$8,358 | \$(4,649) | \$(20,270) | \$1,987,146 | \$270,177 | \$2,257,3 |
| Reclassification of Estate Shareholders' shares from temporary equity to permanent equity | | | 40,000 | | | | | 40,000 | | 40,000 |
| Exercise of stock options and employee purchase under the employee share purchase plan | 55,423 | | 2,312 | | | | | 2,312 | | 2,312 |
| Grants issued in connection with services rendered | 295,304 | | | | | | | — | | — |
| Shares issued under share incentive plans | 47,289 | | (9,183) | | | | | (9,183) | | (9,183) |
| Contributions from noncontrolling interests | | | | | | | | — | 65,145 | 65,145 |
| Windfall tax benefits - share incentive plans | | | 12,817 | | | | | 12,817 | | 12,817 |
| Stock-based compensation expenses | | | 34,737 | | 2,459 | | | 37,196 | | 37,196 |
| Distributions to noncontrolling interests | | | | | | | | — | (71,820) | (71,820) |

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| | | | | | | | | | | |
|--|-------------|------|-------------|-------------|----------|-----------|------------|-------------|-----------|------------|
| Distributions declared (\$3.39 per share) | | | | (245,271) | 537 | | | (244,734) | | (244,734) |
| Purchase of treasury stock from related party | (616,971) | | | | | (40,000) | (40,000) | | | (40,000) |
| Foreign currency translation | | | | | | | | — | (5) | (5) |
| Net income | | | | 98,876 | | | | 98,876 | 32,936 | 131,812 |
| Other comprehensive income (loss): | | | | | | | | | | |
| Foreign currency translation adjustments | | | | | | 19,965 | | 19,965 | 1,883 | 21,848 |
| Realized and unrealized loss on derivative instruments | | | | | | 20 | | 20 | | 20 |
| Balance at December 31, 2013 | -68,266,570 | \$69 | \$2,256,503 | \$(318,577) | \$11,354 | \$15,336 | \$(60,270) | \$1,904,415 | \$298,316 | \$2,202,7 |

See Notes to Consolidated Financial Statements.

W. P. CAREY INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

| | Years Ended December 31, | | |
|--|--------------------------|------------|------------|
| | 2013 | 2012 | 2011 |
| Cash Flows — Operating Activities | | | |
| Net income | \$ 132,165 | \$ 62,779 | \$ 139,138 |
| Adjustments to net income: | | | |
| Depreciation and amortization, including intangible assets and deferred financing costs | 140,316 | 55,114 | 29,616 |
| (Income) loss from equity investments in real estate and the Managed REITs in excess of distributions received | (10,177) | (17,271) | 310 |
| Straight-line rent and amortization of rent-related intangibles | 21,333 | 2,831 | (3,698) |
| Amortization of deferred revenue | (9,436) | (9,436) | (6,291) |
| Gain on deconsolidation of a subsidiary | — | — | (1,008) |
| (Gain) loss on sale of real estate | (39,711) | 2,773 | 3,391 |
| Unrealized (gain) loss on derivatives and others | (7,529) | (1,861) | 138 |
| Realized loss (gain) on extinguishment of debt and others | 1,375 | 610 | (965) |
| Management and disposition income received in shares of Managed REITs | (33,572) | (28,477) | (73,936) |
| Gain on conversion of shares | — | (15) | (3,806) |
| Gain on change in control of interests | — | (20,794) | (27,859) |
| Impairment charges | 13,709 | 22,962 | 10,473 |
| Stock-based compensation expenses | 37,195 | 26,038 | 17,716 |
| Deferred acquisition revenue received | 18,633 | 21,059 | 21,546 |
| Increase in structuring revenue receivable | (13,788) | (20,304) | (19,537) |
| (Increase) decrease in income taxes, net | (21,978) | (6,936) | 3,242 |
| Increase in prepaid taxes | (5,967) | (11,341) | (2,998) |
| Payments for withholding taxes upon delivery of equity-based awards and exercises of stock options | (11,476) | (6,135) | (4,760) |
| Net changes in other operating assets and liabilities | (3,184) | 9,047 | (596) |
| Net Cash Provided by Operating Activities | 207,908 | 80,643 | 80,116 |
| Cash Flows — Investing Activities | | | |
| Cash paid to stockholders of CPA®:15 in the CPA®:15 Merger | — | (152,356) | — |
| Cash acquired in connection with the CPA®:15 Merger | — | 178,945 | — |
| Distributions received from equity investments in real estate and the Managed REITs in excess of equity income | 58,018 | 46,294 | 20,807 |
| Capital contributions to equity investments | (1,945) | (726) | (2,297) |
| Purchase of interests in CPA®:16 – Global | — | — | (121,315) |
| Purchases of real estate and equity investments in real estate | (265,383) | (3,944) | (24,315) |
| Value added taxes, or VAT, refunded in connection with acquisition of real estate | — | — | 5,035 |
| Capital expenditures | (14,039) | (6,204) | (13,239) |
| Proceeds from sale of real estate and equity investments | 171,300 | 73,204 | 12,516 |
| Funding of short-term loans to affiliates | (15,000) | — | (96,000) |
| Proceeds from repayment of short-term loans to affiliates | 15,000 | — | 96,000 |
| Funds placed in escrow | (224,122) | (46,951) | (6,735) |
| Funds released from escrow | 267,189 | 37,832 | 2,584 |
| Other investing activities, net | 2,608 | 372 | 875 |
| Net Cash (Used in) Provided by Investing Activities | (6,374) | 126,466 | (126,084) |

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| Cash Flows — Financing Activities | | | |
|--|------------|------------|--------------|
| Distributions paid | (220,395 |) (113,867 |) (85,814) |
| Contributions from noncontrolling interests | 65,145 | 3,291 | 3,223 |
| Distributions paid to noncontrolling interests | (72,059 |) (7,314 |) (7,258) |
| Purchase of noncontrolling interest | — | — | (7,502) |
| Purchase of treasury stock from related party | (40,000 |) (45,270 |) — |
| Scheduled payments of mortgage principal | (391,764 |) (54,964 |) (25,327) |
| Proceeds from mortgage financing | 115,567 | 23,750 | 45,491 |
| Proceeds from senior credit facility and unsecured term loan | 735,000 | 300,000 | 251,410 |
| Repayments of senior credit facility | (413,000 |) (280,160 |) (160,000) |
| Payment of financing costs and mortgage deposits, net of deposits refunded | (2,368 |) (2,557 |) (7,778) |
| (Return) receipt of tenant security deposits | (1,843 |) 1,970 | — |
| Proceeds from exercise of stock options and employee purchase under the employee share purchase plan | 2,312 | 51,644 | 1,488 |
| Windfall tax benefit associated with stock-based compensation awards | 12,817 | 10,185 | 2,569 |
| Net Cash (Used in) Provided by Financing Activities | (210,588 |) (113,292 |) 10,502 |
| Change in Cash and Cash Equivalents During the Year | | | |
| Effect of exchange rate changes on cash | 2,669 | 790 | 70 |
| Net (decrease) increase in cash and cash equivalents | (6,385 |) 94,607 | (35,396) |
| Cash and cash equivalents, beginning of year | 123,904 | 29,297 | 64,693 |
| Cash and cash equivalents, end of year | \$ 117,519 | \$ 123,904 | \$ 29,297 |

See Notes to Consolidated Financial Statements.

W. P. CAREY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Business and Organization

W. P. Carey Inc. is a REIT that provides long-term financing via sale-leaseback and build-to-suit transactions for companies worldwide and manages a global investment portfolio. We invest primarily in commercial properties domestically and internationally. We earn revenue principally by leasing the properties we own to single corporate tenants, primarily on a triple-net leased basis, which requires each tenant to pay substantially all of the costs associated with operating and maintaining the property. Through our TRSs, we also earn revenue as the advisor to publicly-owned, non-listed REITs, which are sponsored by us under the Corporate Property Associates brand name and invest in similar properties. At December 31, 2013, we were the advisor to the following CPA® REITs: CPA®:16 – Global, CPA®:17 – Global and CPA®:18 – Global. We were also the advisor to CWI, which acquires interests in lodging and lodging-related properties. At December 31, 2013, we owned and/or managed 1,021 properties domestically and internationally. Our owned portfolio was comprised of our full or partial ownership interest in 418 properties, substantially all of which were net leased to 128 tenants, with an occupancy rate of 98.9%, and totaled approximately 39.5 million square feet. All references to occupancy and square feet are unaudited.

We were formed as a corporation under the laws of Maryland on February 15, 2012. On September 28, 2012, CPA®:15 merged with and into us, with CPA®:15 surviving as an indirect, wholly-owned subsidiary of ours. In connection with the CPA®:15 Merger, W. P. Carey & Co. LLC, our predecessor, which was formed under the laws of Delaware on July 15, 1996, completed an internal reorganization whereby W. P. Carey & Co. LLC and its subsidiaries merged with and into us, with W. P. Carey as the surviving corporation, succeeding to and continuing to operate the existing business of our predecessor. Upon completion of the CPA®:15 Merger and the REIT Reorganization, the shares of our predecessor were delisted from the NYSE and canceled, and our common stock became listed on the NYSE under the same symbol, “WPC.”

On January 31, 2014, CPA®:16 – Global merged with and into us based on a merger agreement, dated as of July 25, 2013 ([Note 20](#)).

We have elected to be taxed as a REIT under Section 856 through 860 of the Internal Revenue Code. As a REIT, we are not generally subject to U.S. federal income taxation as long as we satisfy certain requirements, principally relating to the nature of our income and the level of our distributions, as well as other factors. We now hold substantially all of our real estate assets attributable to our Real Estate Ownership segment under the REIT structure, while the activities conducted by our Investment Management segment subsidiaries have been organized under TRSs.

Primary Reportable Segments

Real Estate Ownership — We own and invest in commercial properties principally in the U.S. and the European Union that are then leased to companies, primarily on a triple-net lease basis. We may also invest in other properties if opportunities arise. We earn revenues from our wholly-owned and co-owned real estate investments. In addition, we generate equity income through co-owned real estate investments that we do not control and our investments in the shares of the Managed REITs ([Note 7](#)). Through our special member interests in the operating partnerships of the Managed REITs, we also participate in their cash flows ([Note 4](#)).

Investment Management — Through our TRSs, we structure and negotiate investments and debt placement transactions for the Managed REITs, for which we earn structuring revenue, and manage their portfolios of real estate investments, for which we earn asset-based management and performance revenue. We may also earn incentive and disposition

revenue and receive other compensation in connection with providing liquidity alternatives to the Managed REITs' stockholders.

Note 2. Summary of Significant Accounting Policies

Basis of Consolidation

Our consolidated financial statements reflect all of our accounts, including those of our controlled subsidiaries. The portion of equity in a consolidated subsidiary that is not attributable, directly or indirectly, to us is presented as noncontrolling interests. All significant intercompany accounts and transactions have been eliminated. The consolidated financial statements include the historical results of our predecessor prior to the REIT Reorganization and the CPA[®]:15 Merger.

Notes to Consolidated Financial Statements

When we obtain an economic interest in an entity, we evaluate the entity to determine if it is deemed a VIE and, if so, whether we are deemed to be the primary beneficiary and are therefore required to consolidate the entity. We apply accounting guidance for consolidation of VIEs to certain entities in which the equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. Fixed price purchase and renewal options within a lease as well as certain decision-making rights within a loan can cause us to consider an entity a VIE. We review the contractual arrangements provided for in the partnership agreement or other related contracts to determine whether the entity is considered a VIE, and to establish whether we have any variable interests in the VIE. We then compare our variable interests, if any, to those of the other variable interest holders to determine which party is the primary beneficiary of a VIE based on whether the entity (i) has the power to direct the activities that most significantly impact the economic performance of the VIE, and (ii) has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE.

For an entity that is not considered to be a VIE, the general partners in a limited partnership (or similar entity) are presumed to control the entity regardless of the level of their ownership and, accordingly, may be required to consolidate the entity. We evaluate the partnership agreements or other relevant contracts to determine whether there are provisions in the agreements that would overcome this presumption. If the agreements provide the limited partners with either (a) the substantive ability to dissolve or liquidate the limited partnership or otherwise remove the general partners without cause or (b) substantive participating rights, the limited partners' rights overcome the presumption of control by a general partner of the limited partnership, and, therefore, the general partner must account for its investment in the limited partnership using the equity method of accounting.

We have investments in tenancy-in-common interests in various domestic and international properties. Consolidation of these investments is not required as such interests do not qualify as VIEs and do not meet the control requirement required for consolidation. Accordingly, we account for these investments using the equity method of accounting. We use the equity method of accounting because the shared decision-making involved in a tenancy-in-common interest investment provides us with significant influence on the operating and financial decisions of these investments.

Additionally, we own interests in single-tenant net lease properties leased to companies through noncontrolling interests in partnerships and limited liability companies that we do not control but over which we exercise significant influence. We account for these investments under the equity method of accounting. At times, the carrying value of our equity investments may fall below zero for certain investments. We intend to fund our share of the jointly-owned investments' future operating deficits should the need arise. However, we have no legal obligation to pay for any of the liabilities of such investments nor do we have any legal obligation to fund operating deficits.

In November 2012, we filed a registration statement with the SEC to sell up to \$1.0 billion of common stock of CPA®:18 – Global in an initial public offering plus up to an additional \$400.0 million of its common stock under a dividend reinvestment plan. This registration statement was declared effective by the SEC on May 7, 2013. Through July 25, 2013, the financial activity of CPA®:18 – Global, which at that time had no significant assets, liabilities or operations, was included in our consolidated financial statements as we owned 100% of its outstanding common stock. On July 25, 2013, upon CPA®:18 – Global reaching its minimum offering proceeds and admitting new stockholders, our ownership of its outstanding common stock was immediately reduced to 8.5%, and we deconsolidated CPA®:18 – Global and began to account for our interests in it under the equity method. As its advisor, we do not exert control over, but we have the ability to exercise significant influence on, CPA®:18 – Global (Note 7).

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. The consolidated financial statements included in this Report have been retrospectively adjusted to reflect the disposition (or planned disposition) of certain properties as discontinued operations and certain adjustments related to purchase price allocation for all periods presented.

Accounting for Acquisitions

In accordance with the guidance for business combinations, we determine whether a transaction or other event is a business combination, which requires that the assets acquired and liabilities assumed constitute a business. Each business combination is then accounted for by applying the acquisition method. If the assets acquired are not a business, we account for the transaction or other event as an asset acquisition. Under both methods, we recognize the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquired entity. In addition, for transactions that are business combinations, we

Notes to Consolidated Financial Statements

evaluate the existence of goodwill or a gain from a bargain purchase. We immediately expense acquisition-related costs and fees associated with business combinations.

Purchase Price Allocation

When we acquire properties with leases classified as operating leases, we allocate the purchase price to the tangible and intangible assets and liabilities acquired based on their estimated fair values. We determine the value of the tangible assets, consisting of land, buildings, and site improvements, and intangible assets, including the above- and below-market value of leases and the value of in-place leases at their estimated fair values. Land is typically valued utilizing the sales comparison (or market approach). Buildings are valued, as if vacant, using the cost and/or income approach. Site improvements are valued using the cost approach. The fair value of real estate is determined by reference to portfolio appraisals which determines their values, on a property level, by applying a discounted cash flow analysis to the estimated net operating income, or NOI, for each property in the portfolio during the remaining anticipated lease term, and the estimated residual value. The estimated residual value of each property is based on a hypothetical sale of the property upon expiration of a lease factoring in the re-tenanting of such property at estimated current market rental rates, applying a selected capitalization rate and deducting estimated costs of sale. The discount rates and residual capitalization rates used to value the properties are selected based on several factors, including the creditworthiness of the lessees, industry surveys, property type, location and age, current lease rates relative to market lease rates and anticipated lease duration. In the case where a tenant has a purchase option deemed to be materially favorable to the tenant, or the tenant has long-term renewal options at rental rates below estimated market rental rates, the appraisal assumes the exercise of such purchase option or long-term renewal options in its determination of residual value. Where a property is deemed to have excess land, the discounted cash flow analysis includes the estimated excess land value at the assumed expiration of the lease, based upon an analysis of comparable land sales or listings in the general market area of the property grown at estimated market growth rates through the year of lease expiration. For those properties that are under contract for sale, the appraised value of the portfolio reflects the current contractual sale price of such properties. See Real Estate Leased to Others and Depreciation below for a discussion of our significant accounting policies related to tangible assets.

We record above- and below-market lease values for owned properties based on the present value (using a discount rate reflecting the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the leases negotiated and in place at the time of acquisition of the properties and (ii) our estimate of fair market lease rates for the property or equivalent property, both of which are measured over a period equal to the estimated lease term which includes renewal options with rental rates below estimated market rental rates. We amortize the capitalized above-market lease value as a reduction of rental income over the estimated market lease term. We amortize the capitalized below-market lease value as an increase to rental income over the initial term and any fixed rate renewal periods in the respective leases. We include the value of below-market leases in Accounts payable, accrued expenses and other liabilities in the consolidated financial statements.

We measure the fair value of the below-market purchase option liability we acquired in connection with the Merger as the excess of the present value of the fair value of the real estate over the present value of the tenant's exercise price at the option date.

The value of any in-place lease is estimated to be equal to the property owners' avoidance of costs necessary to release the property for a lease term equal to the remaining primary in-place lease term and the value of investment grade tenancy. The cost avoidance to the property owners' of vacancy/leasing costs necessary to lease the property for a lease term equal to the remaining in-place lease term is derived first by determining the in-place lease term on the subject lease. Then, based on our review of the market, the cost to be borne by a property owner to replicate a market lease to the remaining in-place term is estimated. These costs consist of: (i) rent lost during downtime (i.e. assumed periods of

vacancy), (ii) estimated expenses that would be incurred by the property owner during periods of vacancy (iii) rent concessions (i.e. free rent) (iv) leasing commissions and (v) tenant improvements allowances given to tenants. We determine these values using our estimates or by relying in part upon third-party appraisals. We amortize the capitalized value of in-place lease intangibles to expense over the remaining initial term of each lease. No amortization period for intangibles will exceed the remaining depreciable life of the building.

If a lease is terminated, we charge the unamortized portion of above- and below-market lease values to lease revenue, and in-place lease and tenant relationship values to amortization expense. We amortize the capitalized value of in-place lease intangibles and tenant relationships to expense over the respective term of each lease.

When we acquire leveraged properties, the fair value of debt instruments assumed is determined using a discounted cash flow model with rates that take into account the credit of the tenants, where applicable, and interest rate risk. Such resulting premium

Notes to Consolidated Financial Statements

or discount is amortized over the remaining term of the obligation. We also consider the value of the underlying collateral, taking into account the quality of the collateral, the credit quality of the tenant, the time until maturity and the current interest rate.

Goodwill

In the case of a business combination, after identifying all tangible and intangible assets and liabilities, the excess consideration paid over the fair value of the assets and liabilities acquired and assumed, respectively, represents goodwill. We allocated goodwill to the respective reporting units in which such goodwill arose. Goodwill acquired in the CPA®:15 Merger was attributed to the Real Estate Ownership segment which comprises one reporting unit. In the event we dispose of a property that constitutes a business under GAAP from a reporting unit with goodwill, we allocate a portion of the reporting unit's goodwill to that business in determining the gain or loss on the disposal of the business. The amount of goodwill allocated to the business is based on the relative fair value of the business to the fair value of the reporting unit.

Operating Real Estate

We carry land and buildings and personal property at cost less accumulated depreciation. We capitalize improvements and significant renovations that increase the useful life of the properties, while we expense replacements, maintenance and repairs that do not improve or extend the lives of the respective assets as incurred.

Assets Held for Sale

We classify those assets that are associated with operating leases as held for sale when we have entered into a contract to sell the property, all material due diligence requirements have been satisfied and we believe it is probable that the disposition will occur within one year. Assets held for sale are recorded at the lower of carrying value or estimated fair value, less estimated costs to sell. The results of operations and the related gain or loss on sale of properties that have been sold or that are classified as held for sale and in which we will have no significant continuing involvement are included in discontinued operations ([Note 17](#)).

If circumstances arise that we previously considered unlikely and, as a result, we decide not to sell a property previously classified as held for sale, we reclassify the property as held and used. We measure and record a property that is reclassified as held and used at the lower of (i) its carrying amount before the property was classified as held for sale, adjusted for any depreciation expense that would have been recognized had the property been continuously classified as held and used or (ii) the estimated fair value at the date of the subsequent decision not to sell.

We recognize gains and losses on the sale of properties when, among other criteria, we no longer have continuing involvement, the parties are bound by the terms of the contract, all consideration has been exchanged and all conditions precedent to closing have been performed. At the time the sale is consummated, a gain or loss is recognized as the difference between the sale price, less any selling costs, and the carrying value of the property.

Cash and Cash Equivalents

We consider all short-term, highly liquid investments that are both readily convertible to cash and have a maturity of three months or less at the time of purchase to be cash equivalents. Items classified as cash equivalents include commercial paper and money market funds. Our cash and cash equivalents are held in the custody of several financial institutions, and these balances, at times, exceed federally insurable limits. We seek to mitigate this risk by depositing funds only with major financial institutions.

Internal-Use Software Development Costs

We expense costs associated with the assessment stage of software development projects. Upon completion of the preliminary project assessment stage, we capitalize internal and external costs associated with the application development stage, including the costs associated with software that allows for the conversion of our old data to our new system. We expense the costs of training and data conversion. We also expense costs associated with the post-implementation and operation stage, including maintenance and specified upgrades; however, we capitalize internal and external costs associated with significant upgrades to existing systems that result in additional functionality. Capitalized costs are amortized on a straight-line basis over the software's estimated useful life, which is three to five years. Periodically, we reassess the useful life considering technology, obsolescence and other factors.

Notes to Consolidated Financial Statements

Other Assets and Liabilities

We include prepaid expenses, deferred rental income, tenant receivables, deferred charges, escrow balances held by lenders, restricted cash balances, marketable securities, derivative assets, other intangible assets and corporate fixed assets in Other assets. We include derivative instruments; miscellaneous amounts held on behalf of tenants; and deferred revenue in Other liabilities. Deferred charges are costs incurred in connection with mortgage financings and refinancings that are amortized over the terms of the mortgages and included in Interest expense in the consolidated financial statements. Deferred rental income is the aggregate cumulative difference for operating leases between scheduled rents that vary during the lease term, and rent recognized on a straight-line basis. Marketable securities are classified as available-for-sale securities and reported at fair value with unrealized gains and losses on these securities reported as a component of Other comprehensive income (loss) until realized.

Allowance for Doubtful Accounts

We consider direct financing leases to be past-due or delinquent when a contractually required principal or interest payment is not remitted in accordance with the provisions of the underlying agreement. We evaluate each account individually and set up an allowance when, based upon current information and events, it is probable that we will be unable to collect all amounts due according to the existing contractual terms, and the amount can be reasonably estimated.

Revenue Recognition

Real Estate Leased to Others

We lease real estate to others primarily on a triple-net leased basis, whereby the tenant is generally responsible for all operating expenses relating to the property, including property taxes, insurance, maintenance, repairs and improvements. We charge expenditures for maintenance and repairs, including routine betterments, to operations as incurred. For the years ended December 31, 2013, 2012 and 2011, although we are legally obligated for payment pursuant to our lease agreements with our tenants, lessees were responsible for the direct payment to the taxing authorities of real estate taxes of approximately \$37.3 million, \$18.7 million and \$6.4 million, respectively.

Substantially all of our leases provide for either scheduled rent increases, periodic rent adjustments based on formulas indexed to changes in the CPI or similar indices or percentage rents. CPI-based adjustments are contingent on future events and are therefore not included in straight-line rent calculations. We recognize rents from percentage rents as reported by the lessees, which is after the level of sales requiring a rental payment to us is reached. Percentage rents were insignificant for the periods presented.

We account for leases as operating or direct financing leases, as described below:

Operating leases — We record real estate at cost less accumulated depreciation; we recognize future minimum rental revenue on a straight-line basis over the non-cancelable lease term of the related leases and charge expenses to operations as incurred (Note 5).

Direct financing method — We record leases accounted for under the direct financing method at their net investment (Note 5). We defer and amortize unearned income to income over the lease term so as to produce a constant periodic rate of return on our net investment in the lease.

Investment Management Operations

We earn structuring revenue and asset management revenue in connection with providing services to the Managed REITs. We earn structuring revenue for services we provide in connection with the analysis, negotiation and structuring of transactions, including acquisitions and dispositions and the placement of mortgage financing obtained by the Managed REITs. Asset management revenue consists of property management, leasing and advisory revenue. Receipt of the incentive revenue portion of the asset management revenue or performance revenue, however, which we received from CPA[®]:15 prior to the date of the CPA[®]:15 Merger on September 28, 2012 and from CPA[®]:14 and CPA[®]:16 – Global prior to the CPA[®]:14/16 Merger on May 2, 2011, was subordinated to the achievement of specified cumulative return requirements by the stockholders of those CPA[®] REITs. At our option, the performance revenue could be collected in cash or shares of the CPA[®] REIT (Note 4). In addition, we earn subordinated incentive and disposition revenue related to the disposition of properties. We may also earn termination revenue in connection with the termination of the advisory agreements for the Managed REITs.

Notes to Consolidated Financial Statements

We recognize all revenue as earned. We earn structuring revenue upon the consummation of a transaction and asset management revenue when services are performed. We recognize revenue subject to subordination only when the performance criteria of the Managed REIT is achieved and contractual limitations are not exceeded.

We earned subordinated disposition and incentive revenue from CPA[®]:15 until the completion of the CPA[®]:15 Merger on September 28, 2012 (Note 4), through which its stockholders received their initial investment plus a specified preferred return. We may earn termination revenue if a liquidity event is consummated by any of the other Managed REITs. As a condition of the CPA[®]:15 Merger and CPA[®]:16 Merger, we waived the subordinated disposition and termination fees that we would have been entitled to receive from CPA[®]:15 and CPA[®]:16 - Global upon their liquidation pursuant to the terms of our advisory agreements with CPA[®]:15 and CPA[®]:16 - Global, respectively (Note 4).

We are also reimbursed for certain costs incurred in providing services, including broker-dealer commissions paid on behalf of the Managed REITs, marketing costs and the cost of personnel provided for the administration of the Managed REITs. We record reimbursement income as the expenses are incurred, subject to limitations on a Managed REIT's ability to incur offering costs.

Depreciation

We compute depreciation of building and related improvements using the straight-line method over the estimated remaining useful lives of the properties (not to exceed 40 years) and furniture, fixtures and equipment (generally up to seven years). We compute depreciation of tenant improvements using the straight-line method over the lesser of the remaining term of the lease or the estimated useful life.

Impairments

We periodically assess whether there are any indicators that the value of our long-lived assets, including goodwill, may be impaired or that their carrying value may not be recoverable. These impairment indicators include, but are not limited to, the vacancy of a property that is not subject to a lease; a lease default by a tenant that is experiencing financial difficulty; the termination of a lease by a tenant; or the rejection of a lease in a bankruptcy proceeding. We may incur impairment charges on long-lived assets, including real estate, direct financing leases, assets held for sale and equity investments in real estate. We may also incur impairment charges on marketable securities and goodwill. Our policies for evaluating whether these assets are impaired are presented below.

Real Estate

For real estate assets, which include intangibles, in which an impairment indicator is identified, we follow a two-step process to determine whether an asset is impaired and to determine the amount of the charge. First, we compare the carrying value of the property's asset group to the future net undiscounted cash flow that we expect the property's asset group will generate, including any estimated proceeds from the eventual sale of the property's asset group. The undiscounted cash flow analysis requires us to make our best estimate of, among other things, market rents, residual values, and holding periods. Depending on the assumptions made and estimates used, the future cash flow projected in the evaluation of long-lived assets can vary within a range of outcomes. We consider the likelihood of possible outcomes in determining our estimate of future cash flows. If the future net undiscounted cash flow of the property's asset group is less than the carrying value, the property's asset group is considered to be impaired. We then measure the loss as the excess of the carrying value of the property's asset group over its estimated fair value.

Direct Financing Leases

We review our direct financing leases at least annually to determine whether there has been an other-than-temporary decline in the current estimate of residual value of the property. The residual value is our estimate of what we could realize upon the sale of the property at the end of the lease term, based on market information. If this review indicates that a decline in residual value has occurred that is other-than-temporary, we recognize an impairment charge equal to the difference between the fair value and carrying amount of the residual value.

Assets Held for Sale

When we classify an asset as held for sale, we compare the asset's estimated fair value less estimated cost to sell to its carrying value, and if the estimated fair value less estimated cost to sell is less than the property's carrying value, we reduce the carrying

Notes to Consolidated Financial Statements

value to the estimated fair value less estimated cost to sell. We will continue to review the property for subsequent changes in the estimated fair value, and may recognize an additional impairment charge, if warranted.

Equity Investments in Real Estate and the Managed REITs

We evaluate our equity investments in real estate and in the Managed REITs on a periodic basis to determine if there are any indicators that the value of our equity investment may be impaired and whether or not that impairment is other-than-temporary. To the extent an other-than-temporary impairment has occurred, we measure the charge as the excess of the carrying value of our investment over its estimated fair value, which is determined by multiplying the estimated fair value of the underlying investment's net assets by our ownership interest percentage. For our equity investments in real estate, we calculate the estimated fair value of the underlying investment's real estate or net investment in direct financing lease as described in Real Estate and Direct Financing Leases above. The fair value of the underlying investment's debt, if any, is calculated based on market interest rates and other market information. The fair value of the underlying investment's other financial assets and liabilities (excluding net investment in direct financing leases) have fair values that generally approximate their carrying values. For certain investments in the Managed REITs, we calculate the estimated fair value of our investment using the most recently published NAV of each Managed REIT, which for CPA[®]:18 – Global is deemed to be the initial public offering price.

Goodwill

We evaluate goodwill for possible impairment at least annually or upon the occurrence of a triggering event using a two-step process. To identify any impairment, we first compare the estimated fair value of each of our reporting units with their respective carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, we do not consider goodwill to be impaired and no further analysis is required. If the carrying amount of the reporting unit exceeds its estimated fair value, we then perform the second step to determine and measure the amount of the potential impairment charge.

We calculate the estimated fair value of the Investment Management reporting unit by applying a price-to-EBITDA multiple to earnings. For both reporting units, the multiples are based on comparable companies. For the Real Estate Ownership reporting unit, we calculate its estimated fair value by applying an AFFO multiple. The selection of the comparable companies and transactions to be used in our evaluation process could have a significant impact on the fair value of our reporting units and possible impairments. The testing did not indicate any goodwill impairment as each of the reporting units with goodwill had fair value that was substantially in excess of the carrying value.

For the second step, we compare the implied fair value of the goodwill for each reporting unit with its respective carrying amount and record an impairment charge equal to the excess of the carrying amount over the implied fair value. We determine the implied fair value of the goodwill by allocating the estimated fair value of the reporting unit to its assets and liabilities. The excess of the estimated fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of the goodwill.

The goodwill recorded in our Investment Management reporting unit is evaluated in the fourth quarter of every year. In connection with the CPA[®]:15 Merger, we recorded goodwill in our Real Estate Ownership reporting unit. Prior to the CPA[®]:15 Merger, there was no goodwill recorded in our Real Estate Ownership reporting unit. We initially elected to evaluate the goodwill recorded in our Real Estate Ownership reporting unit in the second quarter of every year. During the fourth quarter of 2013, we elected to change the date of our annual impairment test for goodwill in our Real Estate Ownership reporting unit from the second quarter to the fourth quarter of each year. This change is preferable because moving the test to the fourth quarter aligns the goodwill testing of the Real Estate Ownership reporting unit with that of our Investment Management reporting unit, which is also tested annually in the fourth

quarter. Additionally, fourth quarter is more closely aligned with our business planning and forecasting cycle. As a result of this change, there was not more than a 12-month span between testing dates because our last goodwill test for the Real Estate Ownership reporting unit was completed on June 30, 2013 for the goodwill that was acquired on September 28, 2012. The change in testing dates does not accelerate, delay or avoid a potential impairment charge. Additional goodwill impairment testing may be required at interim dates when and if triggering events occur in the future (Note 9).

Notes to Consolidated Financial Statements

Stock-Based Compensation

We have granted restricted shares, stock options, RSUs and PSUs to certain employees and independent directors. Grants were awarded in the name of the recipient subject to certain restrictions of transferability and a risk of forfeiture. Stock-based compensation expense for all equity-classified stock-based compensation awards is based on the grant date fair value estimated in accordance with current accounting guidance for share-based payments. We recognize these compensation costs for only those shares expected to vest on a straight-line or graded-vesting basis, as appropriate, over the requisite service period of the award. We include stock-based compensation within the listed shares caption of equity.

Foreign Currency

Translation

We have interests in real estate investments in the European Union and United Kingdom for which the functional currency is the euro and the British pound sterling, respectively. We perform the translation from the euro or the British pound sterling to the U.S. dollar for assets and liabilities using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted-average exchange rate during the period. We report the gains and losses resulting from such translation as a component of other comprehensive income in equity. These translation gains and losses are released to net income when we have substantially exited from all investments in the related currency.

Transaction Gains or Losses

A transaction gain or loss (measured from the transaction date or the most recent intervening balance sheet date, whichever is later), realized upon settlement of a foreign currency transaction generally will be included in net income for the period in which the transaction is settled. Also, foreign currency intercompany transactions that are scheduled for settlement, consisting primarily of accrued interest and the translation to the reporting currency of subordinated intercompany debt with scheduled principal payments, are included in the determination of net income.

Intercompany foreign currency transactions of a long term nature (that is, settlement is not planned or anticipated in the foreseeable future), in which the entities to the transactions are consolidated or accounted for by the equity method in our financial statements, are not included in net income but are reported as a component of other comprehensive income in equity.

Net realized gains or (losses) are recognized on foreign currency transactions in connection with the transfer of cash from foreign operations of subsidiaries to the parent company. For the years ended December 31, 2013, 2012 and 2011, we recognized net realized (losses) gains on such transactions of \$(0.2) million, \$(0.6) million and \$0.4 million, respectively.

Derivative Instruments

We measure derivative instruments at fair value and record them as assets or liabilities, depending on our rights or obligations under the applicable derivative contract. Derivatives that are not designated as hedges must be adjusted to fair value through earnings. For a derivative designated and qualified as a cash flow hedge, the effective portion of the change in fair value of the derivative is recognized in Other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings.

We made an accounting policy election effective January 1, 2011, or the “effective date”, to use the portfolio exception in Accounting Standards Codification, or ASC, 820-10-35-18D, Application to Financial Assets and Financial Liabilities with Offsetting Positions in Market Risk or Counterparty Credit Risk, the “portfolio exception,” with respect to measuring counterparty credit risk for all of our derivative transactions subject to master netting arrangements.

Income Taxes

We have elected to be taxed as a REIT under Sections 856 through 860 of the Code. As a REIT, we are not subject to federal income taxes on our income and gains that we distribute to our stockholders as long as we satisfy certain requirements, principally relating to the nature of our income and the level of our distributions, as well as other factors. We believe that we have operated, and we intend to continue to operate, in a manner that allows us to continue to qualify as a REIT. Deferred income taxes are recorded for the corporate subsidiaries based on earnings reported. The provision for income taxes differs from the amounts currently payable because of temporary differences in the recognition of certain income and expense items for financial reporting and tax reporting purposes. Income taxes are computed under the asset and liability method. The asset

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and liability method requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between tax bases and financial bases of assets and liabilities (Note 16).

Deferred Income Taxes

We recognize deferred income taxes in certain of our subsidiaries taxable in the U.S. or in foreign jurisdictions. Deferred income taxes are generally the result of temporary differences (items that are treated differently for tax purposes than for U.S. GAAP purposes as described in Note 16). In addition, deferred tax assets arise from unutilized tax net operating losses generated in prior years. We provide a valuation allowance against our deferred income tax assets when we believe that it is more likely than not that all or some portion of the deferred income tax asset may not be realized. Whenever a change in circumstances causes a change in the estimated realizability of the related deferred income tax asset, the resulting increase or decrease in the valuation allowance is included in deferred income tax expense.

Real Estate Ownership Operations

We derive most of our REIT income from our real estate operations under our Real Estate Ownership segment. As such, our real estate operations are generally not subject to federal tax, and accordingly, no provision has been made for U.S. federal income taxes in the consolidated financial statements for these operations. These operations are subject to certain state, local and foreign taxes, as applicable.

Investment Management Operations

We conduct our Investment Management operations primarily through TRSs. These operations are subject to federal, state, local and foreign taxes, as applicable. Our financial statements are prepared on a consolidated basis including these TRSs and include a provision for current and deferred taxes on these operations.

Earnings Per Share

Basic earnings per share is calculated by dividing net income available to common stockholders, as adjusted for unallocated earnings attributable to the unvested RSUs and restricted shares by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share reflects potentially dilutive securities (options, restricted shares and RSUs) using the treasury stock method, except when the effect would be anti-dilutive.

Recent Accounting Requirements

The following Accounting Standards Update, or ASU, promulgated by the FASB is applicable to us, as indicated:

ASU 2013-01, Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities — In January 2013, the FASB issued an update to ASU 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. ASU 2013-01 clarifies that the scope of ASU 2011-11 applies to derivatives accounted for in accordance with Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting or similar arrangement. These amendments did not have a significant impact on our financial position or results of operations and were applicable to us for our interim and annual reports beginning in 2013.

ASU 2013-02, Other Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income — In February 2013, the FASB issued ASU 2013-02 requiring entities to disclose additional information about items reclassified out of accumulated other comprehensive income. This ASU impacts the form of our disclosures only, is applicable to us for our interim and annual reports beginning in 2013 and has been applied retrospectively. The related additional disclosures are located in Note 14.

ASU 2013-04, Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date, a Consensus of the FASB Emerging Issues Task Force — In February 2013, the FASB issued ASU 2013-04, which requires entities to measure obligations resulting from joint and several liability arrangements (in our case, tenancy-in-common arrangements, Note 7) for which the total amount of the obligation is fixed as the sum of the amount the entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. This ASU is applicable to us for our interim and annual reports

Notes to Consolidated Financial Statements

beginning in 2014 and shall be applied retrospectively; however, we elected to adopt this ASU early in 2013 and it did not have a significant impact on our financial position or results of operations for any of the periods presented.

ASU 2013-10, Derivatives and Hedging (Topic 815): Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes, a Consensus of the FASB Emerging Issues Task Force — In July 2013, the FASB issued ASU 2013-10, which permits the Fed Funds Effective Swap Rate, also referred to as the “Overnight Index Swap Rate,” to be used as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815, in addition to the U.S. government and London Interbank Offered Rate, or LIBOR, swap rate. The update also removes the restriction on the use of different benchmark rates for similar hedges. This ASU will be applicable to us for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. Through the date of this Report, we had not entered into any transactions to which this ASU applies.

Out-of-Period Adjustments

In the fourth quarter of 2013, we identified an error in the consolidated financial statements related to accounting for deferred foreign income taxes in connection with the initial acquisition accounting for 95 properties acquired in the CPA[®]:15 Merger and seven other properties acquired during 2000-2013 (Note 16). We concluded that this adjustment was not material to our financial position or results of operations for the current period or any of the prior periods. As such, we recorded an out-of-period adjustment of \$2.3 million and \$37.5 million to reflect the cumulative deferred tax assets and liabilities, respectively, associated with the initial basis differential that resulted from the tax-basis carry-over of these properties as well as an aggregate corresponding increase to total assets of \$32.4 million primarily comprised of \$31.4 million to Goodwill and \$1.0 million to Net investments in properties. Additionally, this adjustment resulted in a net decrease of \$2.3 million to Net income, including primarily a deferred income tax expense of \$2.0 million.

During 2012, we identified errors in the consolidated financial statements related to prior years. The errors were primarily attributable to the misapplication of guidance in accounting for and clerical errors related to the expropriation of land related to two investments and our reimbursement of certain affiliated costs. We concluded that these adjustments were not material, individually or in the aggregate, to our results for this or any of the prior periods, and as such, we recorded an out-of-period adjustment to increase our income from operations by \$2.5 million within continuing operations primarily attributable to an increase in Gain on sale of real estate of \$2.0 million in the consolidated statement of income.

In 2011, we identified an error in the consolidated financial statements related to prior years. The error relates to the misapplication of accounting guidance related to the modifications of certain leases. We concluded that this adjustment, with a net impact of \$0.2 million on our statement of operations for the fourth quarter of 2011, was not material to our results for the prior year periods or to the period of adjustment. Accordingly, this cumulative change was recorded in the consolidated financial statements in the fourth quarter of 2011 as an out-of-period adjustment as follows: a reduction to Net investment in direct financing leases of \$17.6 million and an increase in net Operating real estate of \$17.9 million on the consolidated balance sheet; and an increase in Lease revenues of \$0.9 million, a reduction of Impairment charges of \$1.6 million, and an increase in Depreciation expense of \$2.2 million on the consolidated statement of operations.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and the disclosure of contingent amounts in our consolidated financial statements and the accompanying notes. Actual results could differ from those estimates.

Notes to Consolidated Financial Statements

Note 3. Merger with CPA[®]:15

On February 17, 2012, our predecessor, W. P. Carey & Co. LLC, and CPA[®]:15 entered into a definitive agreement, or the CPA[®]:15 Merger Agreement, pursuant to which CPA[®]:15 would merge with and into W. P. Carey Inc. On September 28, 2012, or the acquisition date, CPA[®]:15 merged with and into W. P. Carey Inc., with CPA[®]:15 surviving as an indirect, wholly-owned subsidiary of W. P. Carey Inc. In the CPA[®]:15 Merger, CPA[®]:15's stockholders received for each share of CPA[®]:15's common stock owned 0.2326 shares of W. P. Carey Inc. common stock, which equated to \$11.40 per share of CPA[®]:15 common stock based on the \$49.00 per share closing price of W. P. Carey & Co. LLC's shares on the NYSE on that date, and \$1.25 in cash for total consideration of \$12.65 per share of CPA[®]:15. We paid total Merger consideration of \$1.5 billion, including cash of \$152.4 million and the issuance of 28,170,643 shares of our common stock with a fair value of \$1.4 billion on the acquisition date, or the Merger Consideration, to the stockholders of CPA[®]:15 in exchange for 121,194,272 shares of CPA[®]:15 common stock that we did not previously own. In order to fund the cash portion of the Merger Consideration, we drew down the full amount of our then existing \$175.0 million Term Loan Facility (Note 12). As a condition of the CPA[®]:15 Merger, we waived the subordinated disposition and termination fees that we would have been entitled to receive from CPA[®]:15 upon its liquidation pursuant to the terms of our advisory agreement with CPA[®]:15 (Note 4).

Immediately prior to the CPA[®]:15 Merger, CPA[®]:15's portfolio was comprised of full or partial ownership interests in 305 properties, substantially all of which were triple-net leased to 76 tenants, and totaled approximately 27 million square feet, with an occupancy rate of approximately 99%. In the CPA[®]:15 Merger, we acquired these properties and their related leases with an average remaining life of 9.7 years. In 2011, CPA[®]:15 recorded lease revenues of \$242.2 million. We also assumed the related property debt comprised of 58 fixed-rate and nine variable-rate non-recourse mortgage loans with a preliminary aggregate fair value of \$1.2 billion and a weighted-average annual interest rate of 5.6%. During the period from January 1, 2012 through September 28, 2012, we earned \$19.0 million in fees from CPA[®]:15 and recognized \$4.5 million in equity earnings based on our ownership of shares in CPA[®]:15 prior to the CPA[®]:15 Merger. The lease revenues and income from operations contributed from the properties acquired from the date of the CPA[®]:15 Merger through December 31, 2012 were \$57.3 million and \$9.5 million (inclusive of \$2.5 million attributable to noncontrolling interests), respectively.

We accounted for the CPA[®]:15 Merger as a business combination under the acquisition method of accounting. After consideration of all applicable factors pursuant to the business combination accounting rules, we were considered the "accounting acquirer" due to various factors, including the fact that the shareholders of W. P. Carey & Co. LLC, our predecessor, held the largest portion of the voting rights in W. P. Carey Inc., upon completion of the CPA[®]:15 Merger. Acquisition costs of \$31.7 million related to the CPA[®]:15 Merger have been expensed as incurred and classified within General and administrative expense in the consolidated statements of income for the year ended December 31, 2012.

On September 19, 2012, we acquired a 52.63% ownership interest in Marcourt, from an unrelated third party. At that time, CPA[®]:15 held a 47.37% ownership interest in Marcourt. Marcourt owns 12 Marriott Courtyard hotels located throughout the U.S. that are leased to and operated by Marriott International, Inc. We obtained this investment in contemplation of the CPA[®]:15 Merger and accounted for this step acquisition as part of the CPA[®]:15 Merger. Accordingly, the assets acquired and liabilities assumed from Marcourt in this transaction are included in the table below.

Initially, the purchase price in the CPA[®]:15 Merger was allocated to the assets acquired and liabilities assumed, based upon their preliminary fair values. The fair values of the lease intangibles acquired were measured in a manner consistent with our purchase price allocation policy described in Note 2. During the fourth quarter of 2012, we identified certain measurement period adjustments that impacted the provisional accounting, which increased the fair

value of the identifiable real estate acquired and the non-controlling interests acquired by \$5.6 million and \$0.7 million, respectively, resulting in a \$6.3 million reduction in goodwill. The following table summarizes the fair values of the assets acquired and liabilities assumed in the acquisition.

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(in thousands):

| | | |
|---|------------|-------------|
| Total Consideration | | |
| Fair value of W. P. Carey shares of common stock issued | | \$1,380,362 |
| Cash consideration paid | | 152,356 |
| Merger Consideration | | 1,532,718 |
| Fair value of our equity interest in CPA [®] :15 prior to the CPA [®] :15 Merger | | 107,147 |
| Fair value of our equity interest in jointly-owned investments with CPA [®] :15 prior to the CPA [®] :15 Merger | | 54,822 |
| | | \$1,694,687 |
| Assets Acquired at Fair Value | | |
| Net investment in properties | | \$1,762,872 |
| Net investment in direct financing leases | | 315,789 |
| Equity investments in real estate | | 166,247 |
| Intangible assets (Note 9) | | 695,310 |
| Cash and cash equivalents | | 178,945 |
| Other assets | | 81,750 |
| | | 3,200,913 |
| Liabilities Assumed at Fair Value | | |
| Non-recourse debt | (1,350,755 |) |
| Below-market rent and other intangible liabilities | (102,155 |) |
| Accounts payable, accrued expenses and other liabilities | (84,640 |) |
| | (1,537,550 |) |
| Total identifiable net assets | | 1,663,363 |
| Amounts attributable to noncontrolling interests | (237,359 |) |
| Goodwill | | 268,683 |
| | | \$1,694,687 |

Goodwill

Two items comprise a majority of the \$268.7 million of goodwill recorded in the CPA[®]:15 Merger. First, at the time we entered into the CPA[®]:15 Merger Agreement, the market value of our stock was \$45.07 per share. The increase in the market value of our stock of \$3.93 per share from the date of the CPA[®]:15 Merger Agreement to \$49.00 per share on the transaction date gave rise to approximately \$110.8 million of the goodwill recorded, based on the fixed amount of 28,170,643 shares issued. Second, at the time we entered into the CPA[®]:15 Merger Agreement, the consideration of 0.2326 shares of our common stock plus \$1.25 in cash per common share of CPA[®]:15 represented a premium of approximately \$1.33 per share over the September 30, 2011 estimated NAV of CPA[®]:15, which was \$10.40. Management believes that the premium was supported by several factors of the combined entity, including the fact that (i) as a result of the CPA[®]:15 Merger, we became one of the largest publicly traded REITs, with greater operating and financial flexibility and better access to capital markets and with a lower cost of capital than CPA[®]:15 had on a stand-alone basis; (ii) the CPA[®]:15 Merger eliminated costs associated with the advisory structure that CPA[®]:15 had previously; and (iii) the combined portfolio has greater tenant and geographic diversification and an improved overall weighted-average debt maturity and interest rate than either company had on a stand-alone basis. Based on the number of CPA[®]:15 shares ultimately exchanged of 121,194,272, this premium comprised approximately \$121.2 million of the goodwill. In addition to these factors, since the September 30, 2011 valuation date there was a reduction in the fair value of CPA[®]:15's net assets primarily attributable to the impact of foreign currency exchange rates during the period from September 30, 2011 to the acquisition date.

The fair value of our 28,170,643 common shares issued in the CPA[®]:15 Merger as part of the consideration paid for CPA[®]:15 of \$1.5 billion was derived from the closing market price of our common stock on the acquisition date. As required by GAAP, the fair value related to the assets acquired and liabilities assumed, as well as the shares exchanged, has been computed as of the date we gained control, which was the closing date of the CPA[®]:15 Merger, in a manner consistent with the methodology described above.

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Goodwill is not deductible for income tax purposes.

Equity Investments and Noncontrolling Interests

Additionally, we recognized a gain on change in control of interests of \$14.7 million for the year ended December 31, 2012 related to the difference between the carrying value of \$92.4 million and the fair value of \$107.1 million of our previously-held equity interest in 10,389,079 shares of CPA[®]:15's common stock.

The CPA[®]:15 Merger also resulted in our acquisition of the remaining interests in four investments in which we already had a joint interest and accounted for under the equity method (Note 7). Upon acquiring the remaining interests in these investments, we owned 100% of these investments and thus accounted for these acquisitions as step acquisitions utilizing the purchase method of accounting. Due to the change in control of the four jointly-owned investments that occurred, we recorded an aggregate gain of approximately \$6.1 million related to the difference between our carrying values and the fair values of our previously-held equity interests on the acquisition date of \$48.7 million and \$54.8 million, respectively. Subsequent to the CPA[®]:15 Merger, we consolidate these wholly-owned investments.

The fair values of our previously-held equity interests and our noncontrolling interests were based on the estimated fair market values of the underlying real estate and mortgage debt, both of which were determined by management relying in part on a third party. Real estate valuation requires significant judgment. We determined the significant inputs to be Level 3 with ranges for the entire portfolio as follows:

- Discount rates applied to the estimated NOI of each property ranged from approximately 3.5% to 14.75%;
- Discount rates applied to the estimated residual value of each property ranged from approximately 5.75% to 12.5%;
- Residual capitalization rates applied to the properties ranged from approximately 7.0% to 11.5%.
- The fair market value of such property level debt was determined based upon available market data for comparable liabilities and by applying selected discount rates to the stream of future debt payments; and
- Discount rates applied to cash flows ranged from approximately 2.7% to 10%.

No illiquidity adjustments to the equity interests or noncontrolling interests were deemed necessary as the investments are held with affiliates and do not allow for unilateral sale or financing by any of the affiliated parties. Furthermore, the discount and/or capitalization rates utilized in the appraisals also reflect the illiquidity of real estate assets. Lastly, there were no control premiums contemplated as the investments were in individual, or a portfolio of, underlying real estate and debt, as opposed to a business operation.

Pro Forma Financial Information (Unaudited)

The following consolidated pro forma financial information has been presented as if the CPA[®]:15 Merger, including the acquisition of Marcourt, had occurred on January 1, 2011 for the years ended 2012 and 2011. The pro forma financial information is not necessarily indicative of what the actual results would have been had the CPA[®]:15 Merger occurred on that date, nor does it purport to represent the results of operations for future periods.

Notes to Consolidated Financial Statements

(in thousands, except share and per share amounts):

| | Years Ended December 31, | |
|---|--------------------------|------------|
| | 2012 | 2011 |
| Pro forma total revenues | \$512,822 | \$528,257 |
| Pro forma income attributable to W. P. Carey | \$138,157 | \$116,746 |
| Pro forma earnings per share: ^(a) | | |
| Basic | \$2.00 | \$1.69 |
| Diluted | \$1.98 | \$1.68 |
| Pro forma weighted average shares: ^(b) | | |
| Basic | 68,382,378 | 67,990,118 |
| Diluted | 69,071,391 | 68,268,738 |

The pro forma income attributable to W. P. Carey reflects combined general and administrative expenses of \$31.7 (a) million and income tax expenses of \$9.6 million incurred related to the CPA[®]:15 Merger for the year ended December 31, 2011 as if the CPA[®]:15 Merger had taken place on January 1, 2011.

The pro forma weighted average shares outstanding for the years ended December 31, 2012 and 2011 were (b) determined as if the 28,170,643 shares of our common stock issued to CPA[®]:15 stockholders in the CPA[®]:15 Merger were issued on January 1, 2011.

Note 4. Agreements and Transactions with Related Parties

Advisory Agreements with the Managed REITs

We have advisory agreements with each of the Managed REITs, pursuant to which we earn fees and are entitled to receive cash distributions. The following tables present a summary of revenue earned and/or cash received from the Managed REITs, as well as from CPA[®]:15 and CPA[®]:14 for the periods indicated, included in the consolidated statements of income (in thousands):

| | Years Ended December 31, | | |
|--|--------------------------|-----------|-----------|
| | 2013 | 2012 | 2011 |
| Reimbursed costs from affiliates ^(a) | \$73,592 | \$97,638 | \$63,940 |
| Structuring revenue | 46,589 | 48,355 | 46,831 |
| Asset management revenue ^(a) | 42,579 | 56,576 | 66,712 |
| Dealer manager fees | 10,856 | 19,914 | 11,664 |
| Incentive, termination and subordinated disposition revenue | 199 | — | 52,515 |
| Distributions of Available Cash | 34,121 | 30,009 | 15,535 |
| Deferred revenue earned | 8,492 | 8,492 | 5,662 |
| Interest income on deferred acquisition fees and loans to affiliates | 949 | 1,064 | 1,522 |
| | \$217,377 | \$262,048 | \$264,381 |
| | Years Ended December 31, | | |
| | 2013 | 2012 | 2011 |
| CPA [®] :14 ^(b) | \$— | \$— | \$59,655 |
| CPA [®] :15 ^(c) | — | 21,593 | 31,616 |
| CPA [®] :16 – Global ^(d) | 53,166 | 50,929 | 40,695 |
| CPA [®] :17 – Global ^(e) | 69,275 | 174,192 | 125,659 |
| CPA [®] :18 – Global ^(f) | 29,293 | — | — |

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| | | | |
|---------|-----------|-----------|-----------|
| CWI (g) | 65,643 | 15,334 | 6,756 |
| | \$217,377 | \$262,048 | \$264,381 |

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(a) Excludes amounts received from third parties.

(b) CPA[®]:14 merged with and into CPA[®]:16 – Global on May 2, 2011.

(c) CPA[®]:15 merged with and into us on September 28, 2012.

Upon completion of the CPA[®]:16 Merger, we terminated the advisory agreement with CPA[®]:16 – Global. Pursuant to the terms of the merger agreement that we entered into with CPA[®]:16 – Global, we waived the incentive or termination fee that we would have been entitled to receive from CPA[®]:16 – Global pursuant to the terms of the advisory agreement.

(d) The current form of the advisory agreement with CPA[®]:17 – Global is scheduled to expire on June 30, 2014, unless renewed pursuant to its terms.

(e) The current form of the advisory agreement with CPA[®]:18 – Global is scheduled to expire on September 30, 2014, unless renewed pursuant to its terms.

(f) The current form of the advisory agreement with CWI is scheduled to expire on September 30, 2014, unless renewed pursuant to its terms.

The following table presents a summary of Due from affiliates (in thousands):

| | December 31, | |
|--------------------------------------|--------------|-----------|
| | 2013 | 2012 |
| Deferred acquisition fees receivable | \$ 19,684 | \$ 28,654 |
| Current acquisition fees receivable | 4,149 | — |
| Reimbursable costs | 334 | 1,457 |
| Organization and offering costs | 2,700 | 4,920 |
| Accounts receivable | 3,716 | 182 |
| Asset management fee receivable | 1,451 | 789 |
| | \$ 32,034 | \$ 36,002 |

Asset Management Revenue

We earn asset management revenue from each Managed REIT, which is based on average invested assets and is calculated according to the respective advisory agreement. For CPA[®]:16 – Global prior to the CPA[®]:14/16 Merger and for CPA[®]:15 prior to the CPA[®]:15 Merger, this revenue generally totaled 1% per annum, with a portion of this revenue, or 0.5%, contingent upon the achievement of specific performance criteria. For CPA[®]:16 – Global subsequent to the CPA[®]:14/16 Merger, we earned asset management revenue of 0.5% of average invested assets. For CPA[®]:17 – Global, we earn asset management revenue ranging from 0.5% of average market value for long-term net leases and certain other types of real estate investments up to 1.75% of average equity value for certain types of securities. For CPA[®]:18 – Global, we earn asset management revenue ranging from 0.5% to 1.5%, depending on the type of investment and based on the average market value or average equity value, as applicable. For CWI, we earn asset management revenue of 0.5% of the average market value of lodging-related investments. We do not earn performance revenue from CPA[®]:17 – Global, CPA[®]:18 – Global, CWI and, subsequent to the CPA[®]:14/16 Merger, from CPA[®]:16 – Global, but we receive up to 10% of distributions of Available Cash from their operating partnerships.

Under the terms of the advisory agreements, we may elect to receive cash or shares of stock for asset management revenue due from each of the Managed REIT. In 2013, we elected to receive all asset management revenue from CPA[®]:17 – Global, CPA[®]:18 – Global and CWI in their respective shares. For 2013, we had initially elected to receive asset management revenue from CPA[®]:16 – Global in its shares. However, in light of the announcement of the CPA[®]:16 Merger in July 2013 ([Note 20](#)), a Special Committee of the Board of Directors of CPA[®]:16 – Global, or the CPA[®]:16 – Global Special Committee, requested that we elect to receive the asset management revenue in cash, which became effective as of August 1, 2013. In 2012, we elected to receive all asset management revenue from CPA[®]:15

prior to the CPA[®]:15 Merger in cash, while for CPA[®]:16 – Global, we elected to receive 50% of asset management revenue in its shares with the remaining 50% payable in cash. For CPA[®]:17 – Global and CWI, we elected to receive asset management revenue in 2012 in their shares.

Structuring Revenue

Under the terms of the advisory agreements, we earn revenue in connection with structuring and negotiating investments and related financing for the Managed REITs, which we call acquisition revenue. We may receive acquisition revenue of 4.5% of the total aggregate cost of long-term net lease investments made by each CPA[®] REIT. A portion of this revenue (generally 2.5%) is paid when the transaction is completed, while the remainder (generally 2%) is payable in annual installments ranging

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from three to eight years, provided the relevant CPA® REIT meets its performance criterion. For certain types of non-long term net lease investments acquired on behalf of CPA®:17 – Global, initial acquisition revenue may range from 0% to 1.75% of the equity invested plus the related acquisition revenue, with no deferred acquisition revenue being earned. For CWI, we earn initial acquisition revenue of 2.5% of the total investment cost of the properties acquired and loans originated by us not to exceed 6% of the aggregate contract purchase price of all investments and loans with no deferred acquisition revenue being earned. We may also be entitled to fees for structuring loan refinancing transactions of up to 1% of the principal amount. This loan refinancing revenue, together with the acquisition revenue, is referred to as structuring revenue.

Unpaid transaction fees, including accrued interest, are included in Due from affiliates in the consolidated financial statements. Unpaid transaction fees bear interest at annual rates ranging from 2% to 7%.

Incentive, Termination and Subordinated Disposition Revenue

We earn revenue related to the disposition of properties by the Managed REITs, subject to subordination provisions, which will only be recognized as the relevant conditions are met. Such revenue may include subordinated disposition revenue of no more than 3% of the value of any assets sold, payable only after stockholders have received back their initial investment plus a specified preferred return, and subordinated incentive revenue of 15% of the net cash proceeds distributable to stockholders from the disposition of properties, after recoupment by stockholders of their initial investment plus a specified preferred return. We may also, in connection with the termination of the advisory agreements for the Managed REITs, be entitled to a termination payment based on the amount by which the fair value of a Managed REITs' properties, less indebtedness, exceeds investors' capital plus a specified preferred return.

We waived any acquisition fees payable by CPA®:16 – Global under its advisory agreement with us in respect of the properties it acquired in the CPA®:14/16 Merger and also waived any disposition fees that may subsequently be payable by CPA®:16 – Global upon a sale of such assets. As the advisor to CPA®:14, we earned acquisition fees related to those properties when they were acquired by CPA®:14 and disposition fees on those properties to CPA®:16 – Global by CPA®:14 in the CPA®:14/16 Merger and, as a result, we and CPA®:16 – Global agreed that we should not receive fees upon the acquisition or disposition of the same properties by CPA®:16 – Global.

In connection with providing a liquidity event for CPA®:14 stockholders during the second quarter of 2011 with the completion of the CPA®:14/16 Merger, we earned termination revenue of \$31.2 million and subordinated disposition revenue of \$21.3 million, which we elected to receive in shares of CPA®:14 and cash, respectively. In connection with the CPA®:15 Merger with CPA®:15 and the CPA®:16 Merger with CPA®:16 – Global, we waived the subordinated disposition and termination fees we would have been entitled to receive from CPA®:15 and CPA®:16 – Global upon their liquidations pursuant to the terms of our advisory agreement with each of CPA®:15 and CPA®:16 – Global. There was no gain or loss recognized in connection with waiving these subordinated disposition and termination fees.

Reimbursed Costs from Affiliates and Dealer Manager Fees

The Managed REITs reimburse us for certain costs we incur on their behalf, primarily broker-dealer commissions, marketing costs, and certain personnel and overhead costs. Since October 1, 2012, personnel costs have been charged to CPA®:16 – Global and CPA®:17 – Global based on the trailing 12-month reported revenues of the CPA® REITs, CWI and us rather than the method utilized before that date, which involved an allocation of personnel costs based on the time incurred by our personnel for CPA®:16 – Global and CPA®:17 – Global. Through December 31, 2013, we have not allocated any personnel costs to CPA®:18 – Global or CWI.

During CPA[®]:17 – Global’s follow-on offering, which was terminated in January 2013, we earned a selling commission of \$0.65 per share sold and a dealer manager fee of \$0.35 per share sold. In addition, during CWI’s initial public offering, which was terminated in September 2013, we earned a selling commission of \$0.70 per share sold and a dealer manager fee of \$0.30 per share sold.

For CPA[®]:18 – Global’s initial public offering, we receive selling commissions, depending on the class of common stock sold, of \$0.70 or \$0.14 per share sold, and a dealer manager fee of \$0.30 or \$0.21 per share sold, for its class A common stock and class C common stock, respectively. We also receive an annual distribution and shareholder servicing fee, or Shareholder Servicing Fee, paid in connection with investor purchases of shares of class C common stock. The amount of the Shareholder Servicing Fee is 1.0% of the purchase price per share (or, once reported, the amount of the estimated NAV per share) for the shares of class C common stock sold in the offering. The Shareholder Servicing Fee is accrued daily and is payable quarterly in arrears. CPA[®]:18 – Global will cease paying the Shareholder Servicing Fee on the date at which, in the aggregate, underwriting compensation from all sources, including the Shareholder Servicing Fee, any organizational and offering fee paid for

Notes to Consolidated Financial Statements

underwriting, and underwriting compensation paid by us, equals 10% of the gross proceeds from the initial public offering. We re-allow all or a portion of the dealer manager fees to selected dealers in the offering. Dealer manager fees that are not re-allowed and the Shareholder Servicing Fee are classified as Dealer manager fees.

We also received a commission of 5% of the distribution amount from CPA[®]:16 – Global pursuant to its distribution reinvestment and stock purchase plan, or the DRIP plan. In March 2012, CPA[®]:16 – Global amended the DRIP plan to remove the commission and pay DRIP at 95% of its most recently published NAV. We no longer receive DRIP commissions from CPA[®]:16 – Global after the amendment.

Pursuant to its advisory agreement, CWI is obligated to reimburse us for all organization costs and a portion of offering costs incurred in connection with its initial and follow-on public offerings up to a maximum amount (excluding selling commissions and the dealer manager fee) of 2% and 4%, respectively, of the gross proceeds of its offering and distribution reinvestment plan. Through December 31, 2013, we incurred organization and offering costs on behalf of CWI of approximately \$10.4 million, of which CWI is obligated to reimburse us \$9.5 million, and \$9.4 million had been reimbursed as of December 31, 2013.

Pursuant to its advisory agreement, CPA[®]:18 – Global is obligated to reimburse us for all organization costs and a portion of offering costs incurred in connection with its initial public offering. CPA[®]:18 – Global is obligated to reimburse us up to 4% of the gross proceeds of its offering if the gross proceeds are less than \$500.0 million, 2% of the gross proceeds if the gross proceeds are \$500.0 million or more but less than \$750.0 million, and 1.5% of the gross proceeds if the gross proceeds are \$750.0 million or more within 60 days after the end of the quarter in which the offering terminates. Through December 31, 2013, we incurred organization and offering costs on behalf of CPA[®]:18 – Global of approximately \$5.1 million, and based on current fundraising projections, the entire amount is expected to be reimbursed by CPA[®]:18 – Global. As of December 31, 2013, \$3.4 million had been reimbursed.

Distributions of Available Cash and Deferred Revenue Earned

We are entitled to receive distributions of our proportionate share of earnings up to 10% of available cash from CPA[®]:17 – Global, CPA[®]:18 – Global, CWI, and after the UPREIT reorganization, CPA[®]:16 – Global through the date of the CPA[®]:16 Merger, as defined in the respective advisory agreements, from their operating partnerships. As discussed under “CPA[®]:16 – Global UPREIT Reorganization” below, we acquired the Special Member Interest in CPA[®]:16 – Global’s operating partnership for \$0.3 million during the second quarter of 2011. We initially recorded the Special Member Interest at its fair value of \$28.3 million, which is net of approximately \$6.0 million related to our ownership interest in CPA[®]:16 – Global that was eliminated in our consolidated financial statement, to be amortized into earnings over the expected period of performance. Cash distributions of our proportionate share of earnings from the CPA[®]:16 – Global and CPA[®]:17 – Global operating partnerships as well as deferred revenue earned from our Special Member Interest in CPA[®]:16 – Global’s operating partnership are recorded as Income from equity investments in real estate and the Managed REITs within the Investment Management segment. We have not yet earned or received any distributions of our proportionate share of earnings from CPA[®]:18 – Global and CWI’s operating partnerships.

Other Transactions with Affiliates

Transactions with Estate of Wm. Polk Carey

Voting Agreement

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In July 2012, we entered into a Voting Agreement with the Estate of Wm. Polk Carey, our Chairman and founder who passed away on January 2, 2012, pursuant to which the Estate and W. P. Carey & Co., Inc., a wholly-owned corporation of the Estate, had agreed, among other things, to vote their share of our predecessor's common stock, or the Listed Shares, at the special meeting of W. P. Carey & Co. LLC's shareholders regarding the REIT Conversion and CPA®:15 Merger in favor of those transactions. The REIT Conversion and CPA®:15 Merger were approved by those shareholders on September 13, 2012 and the transactions closed on September 28, 2012.

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Share Purchase Agreement

Concurrently with the execution of the Voting Agreement, we entered into a Share Purchase Agreement with the Estate pursuant to which we agreed to purchase, at the option of the Estate, up to an aggregate amount of \$85.0 million of our common stock — or, prior to the Merger, the Listed Shares of our predecessor — beneficially owned by the Estate. The Estate had three sale options.

On August 2, 2012, we repurchased 561,418 Listed shares for \$25.0 million from the Estate at a price of \$44.53 per share pursuant to the first sale option. On October 9, 2012, we repurchased an additional 410,964 shares of our common stock for \$20.0 million from the Estate at a price of \$48.67 per share pursuant to the second sale option. On April 4, 2013, we repurchased 616,971 shares of our common stock for \$40.0 million from the Estate at a price of \$64.83 per share pursuant to the final sale option.

Because the Share Purchase Agreement contained put options that, if exercised, would obligate us to settle the transactions in cash, we accounted for the shares of our common stock owned by the Estate as redeemable securities in accordance with Accounting Standards Codification 480, or ASC 480 “Distinguishing Liabilities from Equity” and Accounting Series Release No. 268, or ASR 268, “Presentation in Financial Statements of Redeemable Preferred Stocks.” ASR 268 requires us to reclassify a portion of our permanent equity to redeemable equity in order to reflect the future cash obligations that could arise if the Estate were to exercise the put options requiring us to purchase its shares. When the Estate exercised its sale options, we reclassified the amount from temporary equity to permanent equity, and reclassify the amount from Additional paid-in capital stock to Treasury stock. Accordingly, on the date of the execution of the Share Repurchase Agreement, we reclassified \$85.0 million from Additional paid-in capital to Redeemable securities – related party, which represented the maximum amount that we would be required to pay should the Estate exercise all its sale options. Additionally, during 2013 and 2012, when we purchased our common stock in connection with the Estate’s exercise of the three sale options, we reclassified \$40.0 million and \$45.0 million, respectively, from Redeemable securities – related party to Additional paid-in capital and reclassified the shares from Additional paid-in capital to Treasury stock.

The following table presents a reconciliation of our Redeemable securities – related party (in thousands):

| | Years Ended December 31. | |
|--|--------------------------|-----------|
| | 2013 | 2012 |
| Beginning balance | \$40,000 | \$— |
| Reclassification from permanent equity to temporary equity | — | 85,000 |
| Redemptions of securities | (40,000 |) (45,000 |
| Ending balance | \$— | \$40,000 |

Registration Rights Agreement

Concurrently with the execution of the Voting Agreement and the Share Purchase Agreement, we and the Estate Shareholders entered into a Registration Rights Agreement.

The Registration Rights Agreement provides the Estate with, on or before September 28, 2015, subject to certain exceptions and limitations, three demand rights, or the Demand Registration Rights, for the registration via an underwritten public offering of, in each instance, between a minimum of (i)(a) \$50.0 million with respect to one Demand Registration Right, and (b) \$75.0 million with respect to two Demand Registration Rights, and a maximum of (ii) \$250.0 million, worth of shares of our common stock received in the REIT Conversion in exchange for the Listed Shares of our predecessor that were owned by the Estate as of the date of the Registration Rights Agreement.

Additionally, the Registration Rights Agreement provides the Estate Shareholders with, subject to certain exceptions and limitations, unlimited “piggyback” registration rights, or the Piggyback Registration Rights, and together with the Demand Registration Rights, the Estate Shareholders’ Registration Rights pertaining to the shares of our common stock received in the REIT conversion in exchange for the Listed Shares of our predecessor that were owned by the Estate as of the date of the Registration Rights Agreement.

The Estate Shareholders’ Registration Rights are subject to customary lock-up and cutback provisions, and the Registration Rights Agreement contains customary indemnification provisions. We have agreed to bear the expenses incurred in connection with the filing of any registration statements attributable to the exercise of the Estate’s Registration Rights, other than any (i) underwriting fees, discounts and sales commissions, (ii) fees, expense and disbursements of legal counsel of the Estate, and

Notes to Consolidated Financial Statements

(iii) transfer taxes, in each case relating to the sale or disposition by the Estate of shares of our common stock pursuant to the Registration Rights Agreement. We accounted for our obligations under the Registration Rights Agreement in accordance with ASC 450 "Contingencies," which requires us to record a liability if the contingent loss is probable and the amount can be estimated. At December 31, 2013 and 2012, we had not recorded a liability pertaining to our obligations under the Registration Rights Agreement because the amount cannot be reasonably estimated at this time and is not deemed probable.

CPA[®]:14/16 Merger

On May 2, 2011, CPA[®]:14 merged with and into a subsidiary of CPA[®]:16 – Global. In connection with the CPA[®]:14/16 Merger, on May 2, 2011, we purchased the remaining interests in three jointly-owned investments from CPA[®]:14, in which we already had a partial ownership interest, for an aggregate purchase price of \$31.8 million, plus the assumption of \$87.6 million of indebtedness.

In the CPA[®]:14/16 Merger, CPA[®]:14 shareholders were entitled to receive \$11.50 per share, which was equal to the estimated NAV of CPA[®]:14 as of September 30, 2010. For each share of CPA[®]:14 stock owned, each CPA[®]:14 shareholder received a \$1.00 per share special cash dividend and a choice of either (i) \$10.50 in cash or (ii) 1.1932 shares of CPA[®]:16 – Global. The merger consideration of \$954.5 million was paid by CPA[®]:16 – Global, including payment of \$444.0 million to liquidating shareholders and issuing 57,365,145 shares of common stock with a fair value of \$510.5 million on the date of closing to shareholders of CPA[®]:14 in exchange for 48,076,723 shares of CPA[®]:14 common stock. The \$1.00 per share special cash distribution, totaling \$90.4 million in the aggregate, was funded from the proceeds of the CPA[®]:14 Asset Sales. In connection with the CPA[®]:14/16 Merger, we agreed to purchase a sufficient number of shares of CPA[®]:16 – Global common stock from CPA[®]:16 – Global to enable it to pay the merger consideration if the cash on hand and available to CPA[®]:14 and CPA[®]:16 – Global, including the proceeds of the CPA[®]:14 Asset Sales and a new \$320.0 million senior credit facility of CPA[®]:16 – Global, were not sufficient. Accordingly, we purchased 13,750,000 shares of CPA[®]:16 – Global on May 2, 2011 for \$121.0 million, which we funded, along with other obligations, with cash on hand and \$121.4 million drawn on our then-existing unsecured line of credit.

Upon consummation of the CPA[®]:14/16 Merger, we earned revenues of \$31.2 million in connection with the termination of the advisory agreement with CPA[®]:14 and \$21.3 million of subordinated disposition revenues. We elected to receive our termination revenue in 2,717,138 shares of CPA[®]:14, which were exchanged into 3,242,089 shares of CPA[®]:16 – Global in the CPA[®]:14/16 Merger. Upon closing of the CPA[®]:14/16 Merger, we received 13,260,091 shares of common stock of CPA[®]:16 – Global in respect of our shares of CPA[®]:14.

Carey Asset Management Corp., or CAM, waived any acquisition fees payable by CPA[®]:16 – Global under its advisory agreement with CAM in respect of the properties acquired in the CPA[®]:14/16 Merger and also waived any disposition fees that may subsequently be payable by CPA[®]:16 – Global upon a sale of such assets. As the advisor to CPA[®]:14, CAM earned acquisition fees related to those properties acquired by CPA[®]:14 and disposition fees on those properties upon the liquidation of CPA[®]:14 and, as a result, CAM and CPA[®]:16 – Global agreed that CAM should not receive fees upon the acquisition or disposition of the same properties by CPA[®]:16 – Global.

CPA[®]:16 – Global UPREIT Reorganization

Immediately following the CPA[®]:14/16 Merger on May 2, 2011, CPA[®]:16 – Global completed an internal reorganization whereby CPA[®]:16 – Global formed an UPREIT, which was approved by CPA[®]:16 – Global stockholders in connection with the CPA[®]:14/16 Merger, which is referred to as the CPA[®]:16 – Global UPREIT Reorganization. In connection with the formation of the UPREIT, CPA[®]:16 – Global contributed substantially all of its assets and

liabilities to an operating partnership in exchange for a managing member interest and units of membership interest in the operating partnership, which together represent a 99.985% capital interest of the Managing Member. Through a subsidiary, we acquired a Special Member Interest of 0.015% in the operating partnership for \$0.3 million, entitling us to receive certain profit allocations and distributions of cash.

As consideration for the Special Member Interest, we amended our advisory agreement with CPA[®]:16 – Global to give effect to this UPREIT reorganization and to reflect a revised fee structure whereby (i) our asset management fees are prospectively reduced to 0.5% from 1.0% of the asset value of a property under management, (ii) the former 15% subordinated incentive fee and termination fees have been eliminated and replaced by (iii) a 10% Special General Partner Available Cash Distribution and (iv) the 15% Final Distribution, each defined below. The sum of the new 0.5% asset management fee and the Available Cash Distribution is expected to be lower than the original 1.0% asset management fee; accordingly, the Available Cash Distribution is contractually limited to 0.5% of the value of CPA[®]:16 – Global’s assets under management.

Notes to Consolidated Financial Statements

As Special General Partner, we were entitled to 10% of the operating partnership's available cash, or the Available Cash Distribution, which was defined as the operating partnership's cash generated from operations, excluding capital proceeds, as reduced by operating expenses and debt service, excluding prepayments and balloon payments.

We initially recorded the Special Member Interest as an equity investment at its fair value of \$28.3 million and an equal amount of deferred revenues (Note 7), which was net of approximately \$6.0 million related to our ownership interest of approximately 17.5% in CPA[®]:16 – Global that was eliminated in our consolidated financial statements. We recognize the deferred revenue earned from our Special Member Interest in CPA[®]:16 – Global's operating partnership into earnings on a straight-line basis over the expected period of performance, which is currently estimated at three years based on the stated intended life of CPA[®]:16 – Global as described in its offering documents. The amount of deferred revenue recognized during each of the years ended December 31, 2013 and 2012 was \$8.5 million. The amount of deferred revenue recognized in both 2013 and 2012 was net of \$0.9 million in amortization associated with the basis differential generated by the Special Member Interest in CPA[®]:16 – Global's operating partnership and our underlying claim on the net assets of CPA[®]:16 – Global. We determined the fair value of the Special Member Interest based upon a discounted cash flow model, which included assumptions related to estimated future cash flows of CPA[®]:16 – Global and the estimated duration of the fee stream of three years. The equity investment is evaluated for impairment consistent with the policy described in Note 2. At December 31, 2013 and 2012, the unamortized balance of the deferred revenue was \$3.1 million and \$12.6 million, respectively. The remaining unamortized balance was amortized through the consummation of the CPA[®]:16 Merger in January 2014.

CPA[®]:16 Merger

On July 25, 2013, we and CPA[®]:16 – Global entered into a definitive agreement pursuant to which CPA[®]:16 – Global would merge with and into one of our wholly-owned subsidiaries, subject to the approval of our stockholders and the stockholders of CPA[®]:16 – Global. On January 24, 2014, our stockholders and the stockholders of CPA[®]:16 – Global approved the CPA[®]:16 Merger and the CPA[®]:16 Merger closed on January 31, 2014 as described in Note 20.

Loans to Managed REITs

During 2013, our board of directors approved unsecured loans from us to CWI and CPA[®]:18 – Global of up to \$50.0 million and up to \$100.0 million, respectively, each at a rate of LIBOR plus 1.75%, which is equal to the rate at which we were able to borrow funds under our Prior Senior Credit Facility (Note 12), for the purpose of facilitating acquisitions approved by their respective investment committees, that they would not otherwise have sufficient available funds to complete, with any loans to be made solely at our Management's discretion. On August 20, 2013, in order to facilitate an acquisition by CPA[®]:18 – Global, we made a \$15.0 million loan to CPA[®]:18 – Global, which was repaid in full prior to maturity on October 4, 2013.

During February 2011, we loaned \$90.0 million at an annual interest rate of 1.15% to CPA[®]:17 – Global, which was repaid on April 8, 2011, its maturity date. During May 2011, we loaned \$4.0 million at the 30-day LIBOR plus 2.5% to CWI, which was repaid on June 6, 2011. In addition, during September 2011, we loaned \$2.0 million at LIBOR plus 0.9% to CWI, of which \$1.0 million was repaid on September 13, 2011 and the remaining \$1.0 million was repaid on October 6, 2011.

Other

As discussed in Note 17, in November 2013, an entity in which we, two of our employees and a third-party owned 38.3%, 1.7% and 60.0%, respectively, and which we consolidated, sold 19 of its 20 self-storage properties. In connection with the sale, we made distributions aggregating \$3.8 million to the two employees, representing their

share of the net proceeds from the sale.

We own interests in entities ranging from 3% to 95%, as well as jointly-controlled tenancy-in-common interests in properties, with the remaining interests generally held by affiliates, and own common stock in each of the Managed REITs. We consolidate certain of these investments and account for the remainder under the equity method of accounting.

Family members of one of our directors have an ownership interest in certain companies that own noncontrolling interests in one of our French majority-owned subsidiaries. These ownership interests are subject to substantially the same terms as all other ownership interests in the subsidiary companies.

Notes to Consolidated Financial Statements

Note 5. Net Investments in Properties

Real Estate

Real estate, which consists of land and buildings leased to others, at cost, and which are subject to operating leases, and real estate under construction, is summarized as follows (in thousands):

| | December 31, | |
|--------------------------------|--------------|-------------|
| | 2013 | 2012 |
| Land | \$534,697 | \$509,530 |
| Buildings | 1,972,107 | 1,824,958 |
| Real estate under construction | 9,521 | — |
| Less: Accumulated depreciation | (168,076) | (116,075) |
| | \$2,348,249 | \$2,218,413 |

During 2013, the U.S. dollar weakened against the euro, as the end-of-period rate for the U.S. dollar in relation to the euro at December 31, 2013 increased by 4.2% to \$1.3768 from \$1.3218 at December 31, 2012. The impact of this weakening was a \$25.5 million increase in the carrying value of Real estate from December 31, 2012 to December 31, 2013.

In connection with restructuring six leases, we reclassified \$14.0 million of properties from Net investments in direct financing leases to Real estate during 2013 (Note 6). In connection with the anticipated sales of certain properties during 2013, we reclassified one international and 12 domestic properties with an aggregate carrying value of \$91.7 million to Assets held for sale. At December 31, 2013, total Assets held for sale were \$86.8 million, which includes real estate, net of \$62.4 million and net lease intangibles of \$24.4 million. We completed the sale of six of these properties in January 2014. There can be no assurance that the remaining properties will be sold at the contracted price or at all.

Assets disposed of and reclassified as held-for-sale during 2013 are discussed in Note 17. Impairment charges recognized on these properties are discussed in Note 10.

In December 2013, one of our properties in France was partially damaged by a fire. Any loss due to the fire cannot be estimated at this time as the event is still under investigation, but we currently expect that our insurance will cover the full amount of the damages sustained. At December 31, 2013, this property had a carrying value of \$18.7 million. Total dollar amount is based on the exchange rate of the euro at December 31, 2013.

Real Estate Acquired During 2013 – We entered into the following investments, which were deemed to be real estate asset acquisitions because we entered into new leases with the sellers, at a total cost of \$124.4 million, including net lease intangibles of \$26.5 million (Note 9) and acquisition-related costs of \$1.5 million, which were capitalized:

- a domestic investment for \$72.4 million for an office building; and
- an investment in Finland for \$52.1 million for an office and research and development facility.

We also entered into the following investments, which were deemed to be business combinations because we assumed the existing leases on the properties, at a total cost of \$157.7 million, including land of \$17.2 million, buildings of \$99.0 million, and net lease intangibles of \$41.5 million (Note 9):

- an investment in the United Kingdom for \$63.3 million for an office building;

a domestic investment for \$33.6 million for an office building. We are also committed to funding a tenant improvement allowance of \$5.2 million;
an investment in the Netherlands for \$35.3 million for a logistics facility; and
a domestic investment for \$25.5 million for an office building.

In connection with these business combinations, we expensed aggregate acquisition-related costs of \$4.2 million, which are included in Merger and acquisition expenses in the consolidated financial statements.

We also entered into a build-to-suit transaction for the construction of an office building located in Germany for a total cost of up to \$65.0 million, including acquisition expenses, of which we funded \$3.9 million through December 31, 2013 and incurred \$5.6 million of unpaid construction costs.

Notes to Consolidated Financial Statements

Dollar amounts above are based on the exchange rate of the euro and the British pound sterling on the dates of acquisition, as applicable.

Real Estate Acquired During 2012 – As discussed in Note 3, we acquired properties in the CPA®:15 Merger, which increased the carrying value of our real estate by \$1.8 billion during the year ended December 31, 2012.

On September 13, 2012, we acquired a domestic investment at a total cost of \$24.8 million, including net lease intangible assets totaling \$6.6 million (Note 9) and acquisition-related costs. We updated our purchase price allocation during the fourth quarter of 2012, and recorded a measurement period adjustment of \$5.3 million to reduce land and buildings and to increase net lease intangibles. We deemed this investment to be a real estate asset acquisition, and as such, we capitalized acquisition-related costs of \$0.2 million.

Real Estate Acquired During 2011 – As discussed in Note 4, in connection with the CPA®:14/16 Merger in May 2011, we purchased the remaining interests in certain investments, in which we already had a joint interest, from CPA®:14. These three investments' properties had an aggregate fair value of \$174.8 million at the date of acquisition. Prior to this purchase, we had consolidated one of these investments and accounted for the other two investments under the equity method. As part of the transaction, we assumed the related non-recourse mortgages on the two investments previously accounted for under the equity method. These two mortgages and the mortgage on the investment we already consolidated, had an aggregate fair value of \$117.1 million at the date of acquisition (Note 12). Amounts provided are the total amounts attributable to the jointly-owned investments' properties and do not represent the proportionate share that we purchased. Upon acquiring the remaining interests in the two equity investments, we owned 100% of these investments and accounted for these acquisitions as step acquisitions utilizing the purchase method of accounting. Due to the change in control of the investments that occurred, and in accordance with ASC 810 involving a step acquisition where control is obtained and there is a previously held equity interest, we recorded an aggregate gain of approximately \$27.9 million related to the difference between our respective carrying values and the fair values of our previously-held interests on the acquisition date. Subsequent to this acquisition, we consolidate all of these wholly-owned investments. The consolidation of these investments resulted in an increase of \$90.2 million and \$40.8 million to Real estate, net and net lease intangibles, respectively, in May 2011.

During 2011, we reclassified real estate with a net carrying value of \$17.9 million to Real estate in connection with an out-of-period adjustment (Note 2).

Scheduled Future Minimum Rents

Scheduled future minimum rents, exclusive of renewals and expenses paid by tenants and future CPI-based adjustments under non-cancelable operating leases, at December 31, 2013 are as follows (in thousands):

| Years Ending December 31, | Total |
|---------------------------|-------------|
| 2014 | \$308,433 |
| 2015 | 286,443 |
| 2016 | 262,604 |
| 2017 | 248,578 |
| 2018 | 232,315 |
| Thereafter | 1,074,170 |
| Total | \$2,412,543 |

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Operating Real Estate

Operating real estate, which consisted of our investments in 21 self-storage properties through our Carey Storage Management LLC, or Carey Storage, subsidiary and our Livho Inc., or Livho, hotel subsidiary, at cost, is summarized as follows (in thousands):

| | December 31, | |
|--------------------------------|--------------|-----------|
| | 2013 | 2012 |
| Land | \$1,097 | \$22,158 |
| Buildings | 4,927 | 77,545 |
| Less: Accumulated depreciation | (882 |) (19,993 |
| | \$5,142 | \$79,710 |

During 2013, we sold 19 self-storage properties and the Livho hotel ([Note 4](#) and [Note 17](#), respectively).

Depreciation expense, including the effect of foreign currency translation, on our real estate and operating real estate for the years ended December 31, 2013, 2012 and 2011 was \$61.8 million, \$25.7 million and \$15.0 million, respectively.

Note 6. Finance Receivables

Assets representing rights to receive money on demand or at fixed or determinable dates are referred to as finance receivables. Our finance receivable portfolios consist of our Net investments in direct financing leases and deferred acquisition fees. Operating leases are not included in finance receivables as such amounts are not recognized as an asset in the consolidated balance sheets.

Net Investment in Direct Financing Leases

Net investment in direct financing leases is summarized as follows (in thousands):

| | December 31, | |
|-----------------------------------|--------------|------------|
| | 2013 | 2012 |
| Minimum lease payments receivable | \$466,182 | \$430,514 |
| Unguaranteed residual value | 363,903 | 375,706 |
| | 830,085 | 806,220 |
| Less: unearned income | (466,665 |) (430,215 |
| | \$363,420 | \$376,005 |

2013 — During 2013, we reclassified \$14.0 million of properties from Net investment in direct financing leases to Real estate ([Note 5](#)) in connection with the restructuring of six leases. Additionally, during 2013, we sold our net investment in a direct financing lease, which we acquired in the CPA[®]:15 Merger, for \$5.5 million, net of selling costs, and recognized a loss on the sale of \$0.3 million. We also recognized an impairment charge of \$0.1 million on a property accounted for as Net investments in direct financing leases in connection with an other-than-temporary decline in the estimated fair value of the property's residual value.

2012 — During 2012, we sold our net investment in a direct financing lease for \$2.0 million, net of selling costs, and recognized a net loss on sale of \$0.2 million. In connection with the CPA[®]:15 Merger in September 2012, we acquired 15 direct financing leases with a total fair value of \$315.8 million ([Note 3](#)).

2011 — During 2011, we reclassified \$17.7 million out of Net investments in direct financing leases in connection with an out-of-period adjustment (Note 2). We also reversed impairment charges of \$1.6 million in connection with the out-of-period adjustment.

Notes to Consolidated Financial Statements

Scheduled Future Minimum Rents

Scheduled future minimum rents, exclusive of renewals and expenses paid by tenants, percentage of sales rents and future CPI-based adjustments, under non-cancelable direct financing leases at December 31, 2013 are as follows (in thousands):

| | |
|---------------------------|-----------|
| Years Ending December 31, | Total |
| 2014 | \$35,865 |
| 2015 | 35,885 |
| 2016 | 34,273 |
| 2017 | 34,106 |
| 2018 | 34,125 |
| Thereafter | 291,928 |
| Total | \$466,182 |

Deferred Acquisition Fees Receivable

As described in Note 4, we earn revenue in connection with structuring and negotiating investments and related mortgage financing for the Managed REITs. A portion of this revenue is due in equal annual installments ranging from three to eight years, provided the Managed REITs meet their respective performance criteria. Unpaid deferred installments, including accrued interest, from all of the Managed REITs were included in Due from affiliates in the consolidated financial statements.

Credit Quality of Finance Receivables

We generally seek investments in facilities that we believe are critical to a tenant's business and that we believe have a low risk of tenant defaults. At both December 31, 2013 and 2012, none of our finance receivables were past due and we had not established any allowances for credit losses. There were no modifications of finance receivables for either of the years ended December 31, 2013 and 2012. We evaluate the credit quality of our finance receivables utilizing an internal five-point credit rating scale, with one representing the highest credit quality and five representing the lowest. The credit quality evaluation of our finance receivables was last updated in the fourth quarter of 2013. We believe the credit quality of our deferred acquisition fees receivable falls under category one, as the CPA[®] REITs are expected to have the available cash to make such payments.

A summary of our finance receivables by internal credit quality rating is as follows (dollars in thousands):

| Internal Credit Quality Indicator | Number of Tenants at December 31, | | Net Investments in Direct Financing Leases at December 31, | |
|-----------------------------------|-----------------------------------|------|--|------------|
| | 2013 | 2012 | 2013 | 2012 |
| 1 | 3 | 3 | \$ 42,812 | \$ 46,398 |
| 2 | 3 | 4 | 27,869 | 49,764 |
| 3 | 8 | 8 | 284,968 | 257,281 |
| 4 | 1 | 4 | 7,771 | 22,562 |
| 5 | — | — | — | — |
| | | | \$ 363,420 | \$ 376,005 |

Note 7. Equity Investments in Real Estate and the Managed REITs

We own interests in certain unconsolidated real estate investments with the Managed REITs and also own interests in the Managed REITs. We account for our interests in these investments under the equity method of accounting (i.e., at

cost, increased or decreased by our share of earnings or losses, less distributions, plus contributions and other adjustments required by equity method accounting, such as basis differences.

Notes to Consolidated Financial Statements

The following table presents net income from equity investments in real estate and the Managed REITs, which represents our proportionate share of the income or losses of these investments as well as certain adjustments related to other-than-temporary impairment charges and amortization of basis differences related to purchase accounting adjustments (in thousands):

| | Years Ended December 31, | | |
|--|--------------------------|----------|----------|
| | 2013 | 2012 | 2011 |
| Proportionate share of earnings from equity investments in the Managed REITs | \$7,057 | \$8,867 | \$19,912 |
| Amortization of basis differences on equity investments in the Managed REITs | (5,115) | (4,302) | (3,613) |
| Other-than-temporary impairment charges on the Special Member Interest in | (15,383) | (9,910) | — |
| CPA®:16 – Global’s operating partnership | | | |
| Distributions of Available Cash (Note 4) | 34,121 | 30,009 | 15,535 |
| Deferred revenue earned (Note 4) | 9,436 | 9,436 | 6,291 |
| Total equity earnings from the Managed REITs | 30,116 | 34,100 | 38,125 |
| Equity earnings from other equity investments | 26,928 | 29,864 | 13,602 |
| Amortization of basis differences on other equity investments | (4,313) | (1,572) | (499) |
| Net income from equity investments in real estate and the Managed REITs | \$52,731 | \$62,392 | \$51,228 |

Managed REITs

We own interests in the Managed REITs and account for these interests under the equity method because, as their advisor and through our ownership of their common stock, we do not exert control over, but we do have the ability to exercise significant influence on, the Managed REITs.

The following table sets forth certain information about our investments in the Managed REITs (dollars in thousands):

| Fund | % of Outstanding Shares Owned at | | Carrying Amount of Investment at | |
|---|----------------------------------|-----------|----------------------------------|---------------------|
| | December 31, | | December 31, | |
| | 2013 | 2012 | 2013 ^{(a) (b)} | 2012 ^(a) |
| CPA®:16 – Global ^(c) | 18.533 | % 18.330 | % \$282,520 | \$296,301 |
| CPA®:16 – Global operating partnership ^(d) | 0.015 | % 0.015 | % 813 | 17,140 |
| CPA®:17 – Global ^(e) | 1.910 | % 1.290 | % 57,753 | 38,977 |
| CPA®:17 – Global operating partnership ^(f) | 0.009 | % 0.015 | % — | — |
| CPA®:18 – Global ^(g) | 0.127 | % 100.000 | % 320 | — |
| CPA®:18 – Global operating partnership ^(h) | 0.015 | % N/A | 209 | — |
| CWI | 0.538 | % 0.400 | % 3,369 | 727 |
| CWI operating partnership | 0.015 | % 0.015 | % — | — |
| | | | \$344,984 | \$353,145 |

^(a) Includes asset management fees receivable, for which 197,231 shares, 3,781 class A shares and 43,850 shares of CPA®:17 – Global, CPA®:18 – Global and CWI, respectively, were issued during the first quarter of 2014.

^(b) At December 31, 2013, the aggregate unamortized basis differences on our equity investments in the Management REITs were \$9.7 million.

^(c)

We received distributions of \$25.3 million, \$24.3 million and \$12.4 million from this affiliate during 2013, 2012, and 2011, respectively. At December 31, 2011, our investment in CPA[®]:16 – Global comprised more than 20% of our total assets. Therefore, the audited consolidated financial statements of CPA[®]:16 – Global are included in this Report.

- (d) During 2013 and 2012, we recognized other-than-temporary impairment charges of \$15.4 million and \$9.9 million respectively, on this investment to reduce the carrying value of our interest in the investment to its estimated fair value (Note 10). In addition, we received distributions of \$15.2 million, \$15.4 million and \$6.2 million from this investment during 2013, 2012, and 2011, respectively.
- (e) We received distributions of \$3.0 million, \$1.6 million, and \$0.6 million from this affiliate during 2013, 2012, and 2011, respectively.
- (f) We received distributions of \$16.9 million, \$14.6 million, and \$9.4 million from this affiliate during 2013, 2012, and 2011, respectively.

Notes to Consolidated Financial Statements

On September 13, 2012, we purchased 1,000 shares of CPA[®]:18 – Global common stock, par value \$0.001 per share, for an aggregate purchase price of \$9,000. On December 14, 2012, we made a capital contribution of \$0.2 (g) million in exchange for 22,222 shares of CPA[®]:18 – Global common stock. We consolidated this investment until July 25, 2013, when CPA[®]:18 – Global reached its minimum offering proceeds and began admitting new stockholders. We currently account for our interests under the equity method of accounting (Note 2).

On July 3, 2013, we purchased a 0.015% special general partnership interest in CPA[®]:18 – Global’s operating partnership for \$0.2 million. This special general partnership interest entitles us to receive distributions of our (h) proportionate share of earnings up to 10% of the Available Cash from CPA[®]:18 – Global’s operating partnership (Note 4).

The following tables present estimated combined summarized financial information for the Managed REITs. Certain prior year amounts have been retrospectively adjusted to reflect the impact of discontinued operations. Amounts provided are expected total amounts attributable to the Managed REITs and do not represent our proportionate share (in thousands):

| | December 31, | | |
|---|--------------|--------------|--|
| | 2013 | 2012 | |
| Real estate, net | \$7,218,177 | \$6,049,926 | |
| Other assets | 2,128,862 | 2,002,620 | |
| Total assets | 9,347,039 | 8,052,546 | |
| Debt | (4,237,044) | (3,509,394) | |
| Accounts payable, accrued expenses, and other liabilities | (571,097) | (450,362) | |
| Total liabilities | (4,808,141) | (3,959,756) | |
| Redeemable noncontrolling interest | — | (21,747) | |
| Noncontrolling interests | (192,492) | (170,140) | |
| Stockholders’ equity | \$4,346,406 | \$3,900,903 | |

| | Years Ended December 31, | | |
|--|--------------------------|------------|------------|
| | 2013 | 2012 | 2011 |
| Revenues | \$796,637 | \$860,983 | \$734,870 |
| Expenses (a) (b) | (701,830) | (759,435) | (611,417) |
| Income from continuing operations | \$94,807 | \$101,548 | \$123,453 |
| Net income attributable to the Managed REITs (c) (d) | \$104,342 | \$128,455 | \$116,560 |

Total net expenses recognized by the Managed REITs during the year ended December 31, 2012 included \$3.1 (a) million of CPA[®]:15 Merger-related expenses incurred by CPA[®]:15, of which our share was approximately \$0.2 million.

Total net expenses recognized by the Managed REITs during the year ended December 31, 2011 included the following items related to the CPA[®]:14/16 Merger: (i) \$78.8 million of net gains recognized by CPA[®]:14 in connection with selling certain properties to us, CPA[®]:17 – Global and third parties, of which our share was approximately \$7.4 million; (ii) a net gain of \$28.7 million recognized by CPA[®]:16 – Global in connection with the (b) CPA[®]:14/16 Merger as a result of the fair value of CPA[®]:14 exceeding the total merger consideration, of which our share was approximately \$5.0 million; (iii) \$13.6 million of expenses incurred by CPA[®]:16 – Global related to the CPA[®]:14/16 Merger, of which our share was approximately \$2.4 million; and (iv) a \$2.8 million net loss recognized by CPA[®]:16 – Global in connection with the prepayment of certain non-recourse mortgage loans, of which our share was approximately \$0.5 million.

(c) Inclusive of impairment charges recognized by the Managed REITs totaling \$25.6 million, \$25.0 million and \$57.7 million during the years ended December 31, 2013, 2012 and 2011, respectively. These impairment charges reduced our income earned from these investments by approximately \$4.7 million, \$4.2 million and \$7.8 million

during the years ended December 31, 2013, 2012 and 2011, respectively.

(d) Amounts included net gains on sale of real estate recorded by the Managed REITs totaling \$7.7 million, \$35.4 million and \$45.4 million during the years ended December 31, 2013, 2012 and 2011, respectively.

Interests in Other Unconsolidated Real Estate Investments

We own equity interests in single-tenant net leased properties that are generally leased to companies through noncontrolling interests (i) in partnerships and limited liability companies that we do not control but over which we exercise significant influence or (ii) as tenants-in-common subject to common control. Generally, the underlying investments are jointly-owned

Notes to Consolidated Financial Statements

with affiliates. We account for these investments under the equity method of accounting. Earnings for each investment are recognized in accordance with each respective investment agreement. Investments in unconsolidated investments are required to be evaluated periodically. We periodically compare an investment's carrying value to its estimated fair value and recognize an impairment charge to the extent that the carrying value exceeds fair value and such decline is determined to be other than temporary.

The following table sets forth our ownership interests in our equity investments in real estate, excluding the Managed REITs, and their respective carrying values (dollars in thousands):

| Lessee | Co-owner(s) | Ownership Interest | Carrying Value at December 31, | |
|---|---------------------------------------|----------------------|--------------------------------|------------|
| | | at December 31, 2013 | 2013 | 2012 |
| Schuler A.G. (a) (b) (c) | CPA®:16 – Global | 67 | % \$ 65,798 | \$ 62,006 |
| Hellweg Die Profi-Baumärkte GmbH & Co. KG (Hellweg 2) (a) (c) (d) (e) | CPA®:16 – Global/ CPA®:17 – Global | 38 | % 27,923 | 42,387 |
| Advanced Micro Devices (b) (c) | CPA®:16 – Global | 33 | % 22,392 | 23,667 |
| The New York Times Company | CPA®:16 – Global/CPA®:17 – | 18 | % 21,543 | 20,584 |
| C1000 Logistiek Vastgoed B.V. (a) (b) (d) | Global | | | |
| | CPA®:17 – Global | 15 | % 13,673 | 14,929 |
| The Upper Deck Company (c) | CPA®:16 – Global | 50 | % 7,518 | 7,198 |
| Del Monte Corporation (b) (c) (d) | CPA®:16 – Global | 50 | % 7,145 | 8,318 |
| Waldaschaff Automotive GmbH and Wagon Automotive Nagold GmbH (a) | CPA®:17 – Global | 33 | % 7,267 | 6,323 |
| Builders FirstSource, Inc. (c) | CPA®:16 – Global | 40 | % 4,968 | 5,138 |
| PetSmart, Inc. (c) | CPA®:16 – Global | 30 | % 3,877 | 3,808 |
| Consolidated Systems, Inc. (b) (c) | CPA®:16 – Global | 60 | % 3,176 | 3,278 |
| Wanbishi Archives Co. Ltd. (a) (f) (g) | CPA®:17 – Global | 3 | % 395 | (736) |
| U.S. Airways Group, Inc. (h) | Third party | 75 | % — | 7,995 |
| The Talaria Company (Hinckley) (h) | CPA®:16 – Global | — | — | 7,702 |
| SaarOTEC (a) (c) (g) | CPA®:16 – Global | 50 | % (639) | (116) |
| | | | \$ 185,036 | \$ 212,481 |

(a) The carrying value of the investment is affected by the impact of fluctuations in the exchange rate of the foreign currency.

Represents a tenancy-in-common interest, under which the investment is under common control by us and our investment partner. With the exception of Schuler A.G., these investments are tenancy-in-common interests whereby the property is encumbered by debt for which we are jointly and severally liable. The aggregate amount due under the arrangements was approximately \$171.0 million at December 31, 2013. Of this amount, \$43.9 million represents the aggregate amount we agreed to pay and is included within the carrying value of each of these investments, where applicable.

(b) Subsequent to the CPA®:16 Merger in January 2014, we consolidate these wholly-owned or majority-owned investments (Note 20).

(c) The decrease in carrying value is due to the distributions made to us.

(d) The decrease in carrying value is primarily due to our share of the German real estate transfer tax incurred by the investment. Please see “Hellweg 2 Restructuring” below for more information.

(e) We acquired our interest in this investment in December 2012.

(f) At December 31, 2013 and 2012, as applicable, we intended to fund our share of the investment's future operating (g) deficits if the need arose. However, we had no legal obligation to pay for any of the investment's liabilities nor did we have any legal obligation to fund operating deficits.

- (h) These investments were sold in 2013. Please see “Disposition of Unconsolidated Real Estate Investment” below for more information.

Notes to Consolidated Financial Statements

The following tables present combined summarized financial information of our equity investments. Amounts provided are the total amounts attributable to the investments and do not represent our proportionate share (in thousands):

| | December 31, | | |
|---|--------------|-------------|------------|
| | 2013 | 2012 | |
| Real estate, net | \$1,038,422 | \$1,106,640 | |
| Other assets | 146,635 | 179,654 | |
| Total assets | 1,185,057 | 1,286,294 | |
| Debt | (695,429 |) | (740,595) |
| Accounts payable, accrued expenses, and other liabilities | (77,819 |) | (58,827) |
| Total liabilities | (773,248 |) | (799,422) |
| Redeemable noncontrolling interest | — | (21,747) | |
| Noncontrolling interests | 176 | — | |
| Stockholders' equity | \$411,985 | \$465,125 | |

| | Years Ended December 31, | | |
|---|--------------------------|-----------|-----------|
| | 2013 | 2012 | 2011 |
| Revenues | \$117,278 | \$108,242 | \$118,819 |
| Expenses | (50,907 |) | (64,453) |
| Impairment charge ^(b) | — | — | (8,602) |
| Income from continuing operations | \$66,371 | \$43,789 | \$34,225 |
| Net income attributable to the Managed REITs ^{(a) (b)} | \$15,762 | \$79,591 | \$34,225 |

Amount during the year ended December 31, 2012 included a net gain of approximately \$34.0 million recognized (a) by a jointly-owned investment as a result of selling its interests in the Médica investment. Our share of the gain was approximately \$15.1 million.

Amount during the year ended December 31, 2011 included an impairment charge of \$8.6 million incurred by a (b) jointly-owned investment that leased property to Symphony IRI Group, Inc. in connection with a potential sale of the property owned by the investment, of which our share was approximately \$0.4 million. The investment completed the sale in June 2011.

We received aggregate distributions of \$25.9 million, \$20.0 million, and \$15.3 million from our other unconsolidated real estate investments for the years ended December 31, 2013, 2012 and 2011, respectively. At December 31, 2013, the aggregate unamortized basis differences on our unconsolidated real estate investments were \$8.9 million.

Hellweg 2 Restructuring

In 2007, CPA[®]:14, CPA[®]:15 and CPA[®]:16 – Global, acquired a 33%, 40% and 27% interest, respectively, in an entity, or Purchaser, for purposes of acquiring a 25% interest in a property holding company, or PropCo, that owns 37 do-it yourself stores located in Germany. This is referred to as the Hellweg 2 transaction. The remaining 75% interest in PropCo was owned by a third party, or the Partner. In November 2010, CPA[®]:14, CPA[®]:15 and CPA[®]:16 – Global obtained a 70% additional interest in PropCo from the Partner resulting in Purchaser owning approximately 95% of PropCo. In 2011, CPA[®]:17 – Global acquired CPA[®]:14's interests, and in 2012, we acquired CPA[®]:15's interests. We account for our investment under the equity method of accounting.

In October 2013, the Partner's remaining 5% equity interest in PropCo was acquired by CPA[®]:17 – Global, which resulted in PropCo incurring a German real estate transfer tax of \$22.1 million of which our share was approximately

\$8.4 million and was recorded within Net income from equity investments in real estate and the Managed REITs in our consolidated statement of income for the year ended December 31, 2013. PropCo intends to appeal the real estate transfer tax upon assessment, but there is no certainty it will be successful in appealing its obligation.

Notes to Consolidated Financial Statements

Acquisition of Unconsolidated Real Estate Investment During 2012

In December 2012, an entity in which we and CPA[®]:17 – Global hold 3% and 97% interests, respectively, purchased a warehouse/distribution facility in Japan for \$52.1 million. Our share of the purchase price was approximately \$1.5 million. We account for this investment under the equity method of accounting, as we do not have a controlling interest in the entity but exercise significant influence over it. In connection with this investment, the entity obtained mortgage financing on the property of \$31.6 million at an annual interest rate of 2% and term of five years. Our share of the financing was approximately \$0.9 million. Amounts are based on the exchange rate of the Japanese yen on the date of acquisition.

Disposition of Unconsolidated Real Estate Investment During 2013

In June 2013, we contributed \$2.9 million to partially repay the existing \$17.1 million mortgage loan on our U.S. Airways investment. We refinanced the remaining mortgage loan with new financing of \$13.9 million. Immediately after the refinancing, we sold our interest in the investment to a third party for \$28.4 million, net of closing costs and our contribution to partially repay the loan, and recognized a gain on sale of \$19.5 million. The proceeds were placed into escrow for the purpose of executing an exchange transaction under Section 1031 of the Code. The gain was included in Net income from equity investments in real estate and the Managed REITs in the consolidated financial statements.

In October 2013, an entity in which we and CPA[®]:16 – Global held 30% and 70% interests, respectively, sold the five properties it owned for \$41.4 million and recognized a net gain on sale of \$0.5 million. The entity used a portion of the proceeds to repay the related mortgage loan, which had a carrying value of \$25.7 million on the date of sale. Amounts presented are total amounts attributable to the whole entity and do not represent our proportionate share. In connection with the sale, the entity made a distribution of \$4.2 million to us, representing our share of the net proceeds from the sale.

Note 8. Cash Flow Information

Supplemental Non-cash Investing and Financing Activities:

A summary of our non-cash investing and financing activities for the periods presented is as follows (in thousands):

| | Years Ended December 31, | | |
|--|--------------------------|-----------|-------------|
| | 2013 | 2012 | 2011 |
| Reclassification from Net investments in direct financing leases (<u>Note 6</u>) | \$(13,952) | \$— | \$(17,651) |
| Reclassification to Real estate (<u>Note 5</u>) | 13,952 | — | 17,651 |
| Reclassification from Real estate, net (<u>Note 5</u>) | (63,697) | (14,016) | — |
| Reclassification from Intangible assets, net (<u>Note 5</u>) | (24,423) | (852) | — |
| Reclassification from Operating real estate, net (<u>Note 5</u>) | (3,627) | — | — |
| Reclassification to Assets held for sale (<u>Note 5</u>) | 91,747 | 14,868 | — |
| Build-to-suit construction costs incurred but unpaid (<u>Note 5</u>) | 5,614 | — | — |
| Reclassification to (from) Additional paid-in capital (<u>Note 4</u>) | 40,000 | (40,000) | — |
| Reclassification to (from) Redeemable securities (<u>Note 4</u>) | (40,000) | 40,000 | — |
| Fourth quarter distributions declared | 67,746 | 45,700 | 22,314 |
| Fair value of special member interest in CPA [®] :16 – Global's operating partnership (<u>Note 4</u>) | — | — | 28,308 |
| Non-recourse mortgages assumed on acquisition (<u>Note 4</u>) | — | — | 87,590 |

Notes to Consolidated Financial Statements

2013 — In November 2013, we purchased a domestic office building for \$33.6 million (Note 5). This transaction consisted of the acquisition and assumption of certain assets and liabilities, respectively, as detailed in the table below (in thousands).

| | | |
|--|-----------|---|
| Cash Consideration | \$ 13,748 | |
| Assets Acquired at Fair Value: | | |
| Net investments in real estate | \$ 33,625 | |
| In-place lease intangible assets, net | 872 | |
| Above-market rent intangible assets, net | 722 | |
| Other assets | 1,170 | |
| Liabilities Assumed at Fair Value: | | |
| Non-recourse debt | (21,023 |) |
| Below-market rent and other intangible liabilities | (1,618 |) |
| Net assets acquired | \$ 13,748 | |

2012 — On September 28, 2012, we merged with CPA[®]15. In the CPA[®]:15 Merger, CPA[®]:15 stockholders received \$1.25 in cash and 0.2326 shares of our common stock for each share of CPA[®]:15 common stock held at the completion of the CPA[®]:15 Merger (Note 3). The purchase price was allocated to the assets acquired and liabilities assumed, based upon their fair values. The following table summarizes estimated fair values of the assets acquired and liabilities assumed in the acquisition (in thousands):

| | | |
|---|--------------|---|
| Total Consideration | | |
| Fair value of common shares issued | \$ 1,380,362 | |
| Cash consideration | 152,356 | |
| Fair value of W. P. Carey & Co. LLC equity interest in CPA [®] :15 prior to the CPA [®] :15 Merger | 107,147 | |
| Fair value of W. P. Carey & Co. LLC equity interest in jointly-owned investments with CPA [®] :15 prior to the CPA [®] :15 Merger | 54,822 | |
| | 1,694,687 | |
| Assets Acquired at Fair Value | | |
| Net investments in real estate | 1,762,872 | |
| Net investments in direct financing leases | 315,789 | |
| Equity investments in real estate | 166,247 | |
| Goodwill | 268,683 | |
| Intangible assets | 695,310 | |
| Other assets | 81,750 | |
| Liabilities Assumed at Fair Value | | |
| Non-recourse debt | (1,350,755 |) |
| Below-market rent and other intangible liabilities | (102,155 |) |
| Accounts payable, accrued expenses and other liabilities | (84,640 |) |
| Amounts attributable to noncontrolling interests | (237,359 |) |
| Net assets acquired excluding cash | 1,515,742 | |
| Cash acquired on acquisition of subsidiaries | \$ 178,945 | |

Notes to Consolidated Financial Statements

2011 — Prior to our implementation of Emerging Issues Task Force, or EITF, 10-E “Accounting for Deconsolidation of a Subsidiary That Is In-Substance Real Estate,” we deconsolidated a wholly-owned subsidiary in 2011 because we no longer had control over the activities that most significantly impact its economic performance following possession of the subsidiary’s property by a receiver (Note 17). The following table presents the assets and liabilities of the subsidiary on the date of deconsolidation (in thousands):

| | | |
|--|-----|-----------|
| Assets | | |
| Net investments in properties | | \$5,340 |
| Intangible assets and goodwill, net | (15 |) |
| Total | | \$5,325 |
| Liabilities | | |
| Non-recourse debt | | \$(6,311) |
| Accounts payable, accrued expenses and other liabilities | (22 |) |
| Total | | \$(6,333) |

Supplemental cash flow information
(In thousands)

| | Years Ended December 31, | | |
|-------------------|--------------------------|----------|----------|
| | 2013 | 2012 | 2011 |
| Interest paid | \$98,599 | \$38,092 | \$21,168 |
| Income taxes paid | \$14,405 | \$12,501 | \$33,641 |

Note 9. Goodwill and Other Intangibles

In connection with our acquisitions of properties, we have recorded net lease intangibles that are being amortized over periods ranging from one to 40 years. In addition, we have several ground leases that are being amortized over periods up to 134 years. In-place lease and above-market rent are included in In-place lease intangible assets, net and Above-market rent intangible assets, net, respectively, in the consolidated balance sheets. Tenant relationship, below-market ground lease (as lessee), trade name, management contracts and software license intangibles are included in Other intangible assets, net in the consolidated balance sheets. Below-market rent, above-market ground lease (as lessor), and below-market purchase option intangibles are included in Accounts payable, accrued expenses and other liabilities in the consolidated balance sheets.

In connection with our investment activity during 2013, we have recorded net lease intangibles comprised as follows (life in years, dollars in thousands):

| | Weighted-Average Life | Amount |
|------------------------------------|--------------------------|------------|
| Amortizable Intangible Assets | | |
| In-place lease | 12.3 | \$85,759 |
| Above-market rent | 16.5 | 10,917 |
| Below-market ground lease | 118.1 | 3,998 |
| | | \$100,674 |
| Amortizable Intangible Liabilities | | |
| Below-market rent | 21.1 | \$(32,716) |

Notes to Consolidated Financial Statements

In connection with the CPA[®]:15 Merger, we recorded goodwill of \$268.7 million as a result of the Merger Consideration exceeding the fair value of the assets acquired and liabilities assumed (Note 3). The goodwill was attributed to our Real Estate Ownership reporting unit as it relates to the real estate assets we acquired. The following table presents a reconciliation of our goodwill (in thousands):

| | Real Estate Ownership | Investment Management | Total |
|---|--------------------------|--------------------------|-----------|
| Balance at January 1, 2011 | \$— | \$ 63,607 | \$63,607 |
| Activity | — | — | — |
| Balance at December 31, 2011 | — | 63,607 | 63,607 |
| Acquisition of CPA [®] :15 | 268,683 | — | 268,683 |
| Allocation of goodwill to the cost basis of properties sold or held for sale ^(a) | (3,158 |) — | (3,158) |
| Balance at December 31, 2012 | 265,525 | 63,607 | 329,132 |
| Allocation of goodwill to the cost basis of properties sold or held for sale ^(a) | (13,118 |) — | (13,118) |
| Adjustments related to deferred foreign income taxes ^(b) | 32,715 | — | 32,715 |
| Adjustment to purchase price ^(c) | 1,479 | — | 1,479 |
| Balance at December 31, 2013 ^(d) | \$286,601 | \$ 63,607 | \$350,208 |

(a) Amount is included within Gain (loss) on sale of real estate for assets sold or Impairment charges for assets classified as held for sale, both of which are included in discontinued operations (Note 17).

(b) In the fourth quarter of 2013, we recorded an out-of-period adjustment related to accounting for deferred foreign income taxes (Note 2).

(c) In the fourth quarter of 2013, we recorded an immaterial out-of-period adjustment to correct an error in the purchase price allocation for the CPA[®]:15 Merger.

(d) We recorded goodwill in the Real Estate Ownership segment in connection with the CPA[®]:16 Merger in January 2014 (Note 20).

Current accounting guidance requires that we test for the recoverability of goodwill at the reporting unit level. The test for recoverability must be conducted at least annually, or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. We performed our annual test for impairment during the fourth quarter of 2013 for goodwill recorded in both segments, and no impairment was indicated.

Notes to Consolidated Financial Statements

Intangible assets and liabilities and goodwill are summarized as follows (in thousands):

| | December 31, 2013 | | | 2012 | | |
|--|-----------------------------|-----------------------------|------------------------|-----------------------------|-----------------------------|------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Amortizable Intangible Assets | | | | | | |
| Management contracts | \$32,765 | \$(32,395) | \$370 | \$32,765 | \$(31,283) | \$1,482 |
| Internal-use software development costs | 3,255 | — | 3,255 | — | — | — |
| | 36,020 | (32,395) | 3,625 | 32,765 | (31,283) | 1,482 |
| Lease Intangibles: | | | | | | |
| In-place lease | 551,737 | (84,610) | 467,127 | 474,630 | (27,352) | 447,278 |
| Tenant relationship | 6,247 | (1,656) | 4,591 | 8,149 | (3,406) | 4,743 |
| Above-market rent | 292,132 | (50,157) | 241,975 | 293,627 | (13,742) | 279,885 |
| Below-market ground lease | 4,386 | (22) | 4,364 | — | — | — |
| | 854,502 | (136,445) | 718,057 | 776,406 | (44,500) | 731,906 |
| Unamortizable Goodwill and Indefinite-Lived Intangible Assets | | | | | | |
| Goodwill | 350,208 | — | 350,208 | 329,132 | — | 329,132 |
| Trade name | 3,975 | — | 3,975 | 3,975 | — | 3,975 |
| | 354,183 | — | 354,183 | 333,107 | — | 333,107 |
| Total intangible assets | \$1,244,705 | \$(168,840) | \$1,075,865 | \$1,142,278 | \$(75,783) | \$1,066,495 |
| Amortizable Intangible Liabilities | | | | | | |
| Below-market rent | \$(116,939) | \$11,832 | \$(105,107) | \$(86,171) | \$3,227 | \$(82,944) |
| Above-market ground lease | (6,896) | 512 | (6,384) | (6,896) | 103 | (6,793) |
| | (123,835) | 12,344 | (111,491) | (93,067) | 3,330 | (89,737) |
| Unamortizable Intangible Liabilities | | | | | | |
| Below-market purchase option | (16,711) | — | (16,711) | (16,711) | — | (16,711) |
| Total intangible assets | \$(140,546) | \$12,344 | \$(128,202) | \$(109,778) | \$3,330 | \$(106,448) |

Net amortization of intangibles, including the effect of foreign currency translation, was \$86.1 million, \$24.9 million and \$4.7 million for the years ended December 31, 2013, 2012 and 2011, respectively. Amortization of below-market rent and above-market rent is recorded as an adjustment to Lease revenues, while amortization of management contracts, in-place lease and tenant relationship intangibles is included in Depreciation and amortization, and amortization of above-market ground lease and below-market ground lease is included in Property expenses.

Based on the intangible assets and liabilities recorded at December 31, 2013, scheduled annual net amortization of intangibles for each of the next five years and thereafter is as follows (in thousands):

| Years Ending December 31, | Total |
|---------------------------|----------|
| 2014 | \$84,921 |
| 2015 | 76,725 |
| 2016 | 74,872 |
| 2017 | 71,474 |

| | |
|------------|-----------|
| 2018 | 65,170 |
| Thereafter | 237,029 |
| Total | \$610,191 |

Note 10. Fair Value Measurements

The fair value of an asset is defined as the exit price, which is the amount that would either be received when an asset is sold or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The guidance

Notes to Consolidated Financial Statements

establishes a three-tier fair value hierarchy based on the inputs used in measuring fair value. These tiers are: Level 1, for which quoted market prices for identical instruments are available in active markets, such as money market funds, equity securities and U.S. Treasury securities; Level 2, for which there are inputs other than quoted prices included within Level 1 that are observable for the instrument, such as certain derivative instruments including interest rate caps and swaps; and Level 3, for securities that do not fall into Level 1 or Level 2 and for which little or no market data exists, therefore requiring us to develop our own assumptions.

Items Measured at Fair Value on a Recurring Basis

The methods and assumptions described below were used to estimate the fair value of each class of financial instrument. For significant Level 3 items we have also provided the unobservable inputs along with their weighted-average ranges.

Money Market Funds — Our money market funds, which are included in Cash and cash equivalents in the consolidated financial statements, are comprised of government securities and U.S. Treasury bills. These funds were classified as Level 1 as we used quoted prices from active markets to determine their fair values.

Derivative Assets — Our derivative assets, which are included in Other assets, net in the consolidated financial statements, are comprised of an interest rate cap, interest rate swaps and stock warrants (Note 11). The interest rate cap and interest rate swaps were measured at fair value using readily observable market inputs, such as quotations on interest rates, and were classified as Level 2 as these instruments are custom, over-the-counter contracts with various bank counterparties that are not traded in the open market. The stock warrants were measured at fair value using internal valuation models that incorporate market inputs and our own assumptions about future cash flows. We classified these assets as Level 3 because these assets are not traded in an active market.

Derivative Liabilities — Our derivative liabilities, which are included in Accounts payable, accrued expenses and other liabilities in the consolidated financial statements, are comprised of interest rate swaps and foreign currency forward contracts (Note 11). These derivative instruments were measured at fair value using readily observable market inputs, such as quotations on interest rates. These derivative instruments were classified as Level 2 because they are custom, over-the-counter contracts with various bank counterparties that are not traded in an active market.

Redeemable Noncontrolling Interest — We account for the noncontrolling interest in W. P. Carey International, LLC, or WPCI, held by a third party as a redeemable noncontrolling interest (Note 14). We determined the valuation of the redeemable noncontrolling interest using widely accepted valuation techniques, including expected discounted cash flows of the investment as well as the income capitalization approach, which considers prevailing market capitalization rates. We classified this liability as Level 3. At December 31, 2013, unobservable inputs for WPCI include a discount for lack of marketability, a discount rate and EBITDA multiples with weighted-average ranges of 20% - 30%, 22% - 26% and 3x - 5x, respectively. Significant increases or decreases in any one of these inputs in isolation would result in significant changes in the fair value measurement.

We did not have any transfers into or out of Level 1, Level 2, and Level 3 measurements during the years ended December 31, 2013, 2012, and 2011.

Our other financial instruments had the following carrying values and fair values as of the dates shown (in thousands):

| | Level | December 31, 2013 | | December 31, 2012 | |
|---|-------|-------------------|-------------|-------------------|-------------|
| | | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Non-recourse debt ^(a) | 3 | \$1,492,410 | \$1,477,497 | \$1,715,397 | \$1,727,985 |
| Prior Senior Credit Facility ^(b) | 3 | 275,000 | 275,000 | 253,000 | 253,000 |

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| | | | | | |
|---|---|---------|---------|--------|--------|
| Unsecured Term Loan ^(b) | 3 | 300,000 | 300,000 | — | — |
| Deferred acquisition fees receivable ^(c) | 3 | 19,684 | 20,733 | 28,654 | 33,632 |

(a) We determined the estimated fair value of our debt instruments using a discounted cash flow model with rates that take into account the credit of the tenants, where applicable, and interest rate risk. We also considered the value of the underlying collateral taking into account the quality of the collateral, the credit quality of the company, the time until maturity and the current market interest rate.

(b) As described in Note 20, the Prior Senior Credit Facility and Unsecured Term Loan were repaid and terminated in January 2014.

Notes to Consolidated Financial Statements

We determined the estimated fair value of our deferred acquisition fees based on an estimate of discounted cash flows using two significant unobservable inputs, which are the leverage adjusted unsecured spread and an (c) illiquidity adjustment with a weighted-average range of 100 - 380 bps and 50 - 100 bps, respectively at December 31, 2013. Significant increases or decreases to these inputs in isolation would result in a significant change in the fair value measurement.

We estimated that our other financial assets and liabilities (excluding net investments in direct financing leases) had fair values that approximated their carrying values at both December 31, 2013 and 2012.

Items Measured at Fair Value on a Non-Recurring Basis (Including Impairment Charges)

We periodically assess whether there are any indicators that the value of our real estate investments may be impaired or that their carrying value may not be recoverable. For investments in real estate for which an impairment indicator is identified, we follow a two-step process to determine whether the investment is impaired and to determine the amount of the charge. First, we compare the carrying value of the property's asset group to the future undiscounted net cash flows that we expect the property's asset group will generate, including any estimated proceeds from the eventual sale of the property's asset group. If this amount is less than the carrying value, the property's asset group is considered to be impaired. We then measure the impairment charge as the excess of the carrying value of the property's asset group over the estimated fair value of the property's asset group, which is primarily determined using market information such as recent comparable sales or broker quotes. If relevant market information is not available or is not deemed appropriate, we perform a future net cash flow analysis, discounted for inherent risk associated with each investment. We determined that the significant inputs used to value these investments fall within Level 3 for fair value accounting. As a result of our assessments, we calculated impairment charges based on market conditions and assumptions that existed at the time. The valuation of real estate is subject to significant judgment and actual results may differ materially if market conditions or the underlying assumptions change.

The following tables present information about our other assets that were measured on a fair value basis (in thousands):

| | Year Ended December 31, 2013 | | Year Ended December 31, 2012 | | Year Ended December 31, 2011 | |
|---|---------------------------------|--------------------------------|---------------------------------|--------------------------------|---------------------------------|--------------------------------|
| | Fair Value Measurements | Total Impairment Charges | Fair Value Measurements | Total Impairment Charges | Fair Value Measurements | Total Impairment Charges |
| Impairment Charges from Continuing Operations: | | | | | | |
| Real estate | \$15,495 | \$4,673 | \$— | \$— | \$380 | \$243 |
| Net investments in direct financing leases | 891 | 68 | — | — | — | (1,608) |
| Equity investments in real estate | 5,111 | 19,256 | 17,140 | 9,910 | 1,554 | 206 |
| Marketable security | 483 | 553 | — | — | — | — |
| | | 24,550 | | 9,910 | | (1,159) |
| Impairment Charges from Discontinued Operations: | | | | | | |
| Real estate | 19,413 | 6,192 | 39,642 | 12,495 | 42,207 | 11,838 |
| Operating real estate | 3,709 | 1,071 | 5,002 | 10,467 | — | — |
| | | 7,263 | | 22,962 | | 11,838 |
| | | \$31,813 | | \$32,872 | | \$10,679 |

Significant impairment charges, and their related triggering events and fair value measurements, recognized during 2013, 2012, and 2011 were as follows:

Real Estate

During the year ended December 31, 2013, we recognized an impairment charge of \$4.7 million on a property in France. This impairment was the result of writing down the property's carrying value to its estimated fair value in connection with the tenant vacating the property. The fair value measurements related to the impairment charge were determined by estimating discounted cash flows using three significant unobservable inputs, which are the cash flow discount rate, the residual discount rate, and the residual capitalization rate equal to 12.75%, 11.75% and 10.0%, respectively. Significant increases or decreases to these inputs in isolation would result in a significant change in the fair value measurement.

Notes to Consolidated Financial Statements

Direct Financing Leases

During the year ended December 31, 2013, we recognized an impairment charge of \$0.1 million on a property accounted for as Net investments in direct financing leases in order to reduce the carrying value of the property to its estimated fair value, which approximated its estimated selling price.

During the year ended December 31, 2011, we recorded an out-of-period adjustment of \$1.6 million (Note 2).

Equity Investments in Real Estate

During the years ended December 31, 2013 and 2012, we recognized other-than-temporary impairment charges totaling \$15.4 million and \$9.9 million, respectively, on the Special Member Interest in CPA[®]:16 – Global’s operating partnership to reduce its carrying value to its estimated fair value, which had declined. The fair value was obtained by estimating discounted cash flows using two significant unobservable inputs, which are the discount rate and the estimated general and administrative costs as a percentage of assets under management with a weighted-average range of 12.75% - 15.75% and 35 bps - 45 bps, respectively. Significant increases or decreases to these inputs in isolation would result in a significant change in the fair value measurement. The valuation was also dependent upon the estimated date of a liquidity event for CPA[®]:16 – Global because cash flows attributable to this investment would cease upon such event.

During the year ended December 31, 2013, we recognized an other-than-temporary impairment charge of \$3.9 million on a jointly-owned investment to reduce the carrying value of our investment to its estimated fair value, which was based on the contracted selling price of the properties held by the jointly-owned investment. The properties were sold in October 2013.

During the year ended December 31, 2011, we recognized an other-than-temporary impairment charge of \$0.2 million on a jointly-owned investment to reduce the carrying value of our investment to its estimated fair value.

Marketable Security

During the year ended December 31, 2013, we recognized an other-than-temporary impairment charge of \$0.6 million on a investment in an equity fund. During the fourth quarter of 2013, we received information that indicated the fair value of the equity fund was less than its carrying value. Since the fund is being wound down and the remaining investments have fair values less than their cost, this impairment was deemed other-than-temporary and the carrying value was written down to the estimated fair value.

Properties Sold

During the years ended December 31, 2013, 2012, and 2011, we recognized impairment charges on properties sold, including our hotel, totaling \$7.3 million, \$23.0 million, and \$11.8 million, respectively, to reduce the carrying values of the properties to their selling prices. These impairment charges, which are included in discontinued operations, were the result of reducing these properties’ carrying values to their estimated fair values (Note 17), which approximated their estimated selling prices, in connection with anticipated sales. The fair value measurement related to these impairment charges, other than the fair value of the hotel, was determined in part by third-party sources, subject to our corroboration for reasonableness. The fair value of the hotel property was obtained using an estimate of discounted cash flows using three significant inputs, which are capitalization rate, cash flow discount rate and residual discount rate of 9.5%, 7.5% and 10.0%, respectively.

Note 11. Risk Management and Use of Derivative Financial Instruments

In the normal course of our ongoing business operations, we encounter economic risk. There are three main components of economic risk that impact us: interest rate risk, credit risk and market risk. We are primarily subject to interest rate risk on our interest-bearing liabilities, including our Prior Senior Credit Facility and Unsecured Term Loan (Note 12) at December 31, 2013. Credit risk is the risk of default on our operations and our tenants' inability or unwillingness to make contractually required payments. Market risk includes changes in the value of our properties and related loans, as well as changes in the value of our other securities and the shares we hold in the Managed REITs due to changes in interest rates or other market factors. In addition, we own investments in the European Union and are subject to the risks associated with changing foreign currency exchange rates.

Notes to Consolidated Financial Statements

Derivative Financial Instruments

When we use derivative instruments, it is generally to reduce our exposure to fluctuations in interest rates and foreign currency exchange rate movements. We have not entered, and do not plan to enter into, financial instruments for trading or speculative purposes. The primary risks related to our use of derivative instruments include default by a counterparty to a hedging arrangement on its obligation and a downgrade in the credit quality of a counterparty to such an extent that our ability to sell or assign our side of the hedging transaction is impaired. While we seek to mitigate these risks by entering into hedging arrangements with counterparties that are large financial institutions that we deem to be creditworthy, it is possible that our hedging transactions, which are intended to limit losses, could adversely affect our earnings. Furthermore, if we terminate a hedging arrangement, we may be obligated to pay certain costs, such as transaction or breakage fees. We have established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities.

We measure derivative instruments at fair value and record them as assets or liabilities, depending on our rights or obligations under the applicable derivative contract. Derivatives that are not designated as hedges must be adjusted to fair value through earnings. For a derivative designated and that qualified as a cash flow hedge, the effective portion of the change in fair value of the derivative is recognized in Other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings.

The following table sets forth certain information regarding our derivative instruments (in thousands):

| Derivatives Designated as Hedging Instruments | Balance Sheet Location | Asset Derivatives Fair Value at | | Liability Derivatives Fair Value at | |
|--|--|---------------------------------|----------------------|-------------------------------------|----------------------|
| | | December 31, 2013 | December 31, 2012 | December 31, 2013 | December 31, 2012 |
| Interest rate cap | Other assets, net | \$2 | \$25 | \$— | \$— |
| Interest rate swaps | Other assets, net | 1,618 | — | — | — |
| Foreign currency forward contracts | Accounts payable, accrued expenses and other liabilities | — | — | (7,083 |) (2,067 |
| Interest rate swaps | Accounts payable, accrued expenses and other liabilities | — | — | (2,734 |) (5,825 |
| Derivatives Not Designated as Hedging Instruments | | | | | |
| Stock warrants ^(a) | Other assets, net | 2,160 | 1,720 | — | — |
| Interest rate swaps ^(b) | Accounts payable, accrued expenses and other liabilities | — | — | (11,995 |) (16,686 |
| Total derivatives | | \$3,780 | \$1,745 | \$(21,812 |) \$(24,578 |

In connection with the CPA[®]:15 Merger, we acquired warrants from CPA[®]:15, which were granted by Hellweg to CPA[®]:15. These warrants give us participation rights to any distributions made by Hellweg 2 and we are entitled to a cash distribution that equals a certain percentage of the liquidity event price of Hellweg 2, should a liquidity event occur.

These interest rate swaps were acquired from CPA[®]:15 in the CPA[®]:15 Merger. They do not qualify for hedge accounting; however, they do protect against fluctuations in interest rates related to the variable-rate debt we acquired in the CPA[®]:15 Merger.

All derivative transactions with an individual counterparty are governed by a master International Swap and Derivatives Association agreement, which can be considered as a master netting arrangement; however, we report all our derivative instruments on a gross basis on our consolidated balance sheets. At both December 31, 2013 and 2012, no cash collateral had been posted nor received for any of our derivative positions.

Notes to Consolidated Financial Statements

The following tables present the impact of derivative instruments on the consolidated financial statements (in thousands):

| | Amount of Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivatives (Effective Portion) ^(a) | | |
|--|--|-------------|-------------|
| | Years Ended December 31, | | |
| | 2013 | 2012 | 2011 |
| Derivatives in Cash Flow Hedging Relationships | | | |
| Interest rate swaps | \$ 4,720 | \$ (1,059) | \$ (3,564) |
| Interest rate cap | (15) | 277 | — |
| Foreign currency forward contracts | (5,211) | (1,480) | — |
| Total | \$ (506) | \$ (2,262) | \$ (3,564) |

| | Amount of Gain (Loss) Reclassified from Other Comprehensive Income (Loss) into Income (Effective Portion) ^(b) | | |
|--|---|----------|--------|
| | Years Ended December 31, | | |
| | 2013 | 2012 | 2011 |
| Derivatives in Cash Flow Hedging Relationships | | | |
| Interest rate swaps | \$ 1,745 | \$ 1,539 | \$ 344 |
| Foreign currency forward contracts | 537 | 239 | — |
| Total | \$ 2,282 | \$ 1,778 | \$ 344 |

| | Location of Gain (Loss) Recognized in Income | Amount of Gain (Loss) Recognized in Income on Derivatives | | |
|--|---|--|-------|------|
| | | Years Ended December 31, | | |
| | | 2013 | 2012 | 2011 |
| Derivatives Not in Cash Flow Hedging Relationships | | | | |
| Interest rate swaps | Interest expense | \$5,249 | \$429 | \$— |
| Stock warrants | Other income and (expenses) | 440 | 108 | — |
| Total | | \$5,689 | \$537 | \$— |

(a) Excludes net gains (losses) of \$0.5 million, \$0.3 million and less than \$(0.1) million recognized on unconsolidated jointly-owned investments for the years ended December 31, 2013, 2012 and 2011, respectively.

(b) Excludes net gains of \$0.5 million, \$0.4 million and \$0.2 million recognized on unconsolidated jointly-owned investments for the years ended December 31, 2013, 2012 and 2011 respectively.

See below for information on our purposes for entering into derivative instruments and for information on derivative instruments owned by unconsolidated investments, which are excluded from the tables above.

Interest Rate Swaps and Caps

We are exposed to the impact of interest rate changes primarily through our borrowing activities. To limit this exposure, we attempt to obtain mortgage financing on a long-term, fixed-rate basis. However, from time to time, we or our investment partners may obtain variable-rate non-recourse mortgage loans and, as a result, may enter into interest rate swap agreements or interest rate cap agreements with counterparties. Interest rate swaps, which effectively convert the variable-rate debt service obligations of the loan to a fixed rate, are agreements in which one party exchanges a stream of interest payments for a counterparty's stream of cash flow over a specific period. The notional, or face, amount on which the swaps are based is not exchanged. Interest rate caps limit the effective borrowing rate of variable-rate debt obligations while allowing participants to share in downward shifts in interest rates. Our objective in using these derivatives is to limit our exposure to interest rate movements.

Notes to Consolidated Financial Statements

The interest rate swaps and cap that we had outstanding on our consolidated subsidiaries at December 31, 2013 are summarized as follows (currency in thousands):

| Interest Rate Derivatives | Number of Instruments | Notional Amount | Fair Value at December 31, 2013 ^(a) |
|---|-----------------------|-----------------|--|
| Designated as Cash Flow Hedging Instruments | | | |
| Interest rate swaps | 5 | \$ 72,240 | \$ (24) |
| Interest rate swaps | 2 | € 8,375 | (1,092) |
| Interest rate cap ^(b) | 1 | € 64,543 | 2) |
| Not Designated as Cash Flow Hedging Instruments | | | |
| Interest rate swaps ^{(c) (d)} | 3 | € 109,959 | (11,995) |
| | | | \$ (13,109) |

(a) Amounts are based on the exchange rate of the euro at December 31, 2013, as applicable.

(b) The applicable interest rate of the related debt was 1.3%, which was below the strike price of the cap of 2.0% at December 31, 2013.

These interest rate swaps were acquired from CPA[®]:15 in the CPA[®]:15 Merger. They do not qualify for hedge (c) accounting; however, they do protect against fluctuations in interest rates related to the variable-rate debt we acquired in the CPA[®]:15 Merger.

(d) Notional and fair value amounts include, on a combined basis, portions attributable to noncontrolling interests totaling \$27.5 million and \$3.0 million, respectively.

Foreign Currency Contracts

We are exposed to foreign currency exchange rate movements, primarily in the euro and, to a lesser extent, the British pound sterling. We manage foreign currency exchange rate movements by generally placing our debt service obligation on an investment in the same currency as the tenant's rental obligation to us. This reduces our overall exposure to the net cash flow from that investment. However, we are subject to foreign currency exchange rate movements to the extent of the difference in the timing and amount of the rental obligation and the debt service. Realized and unrealized gains and losses recognized in earnings related to foreign currency transactions are included in Other income and (expenses) in the consolidated financial statements.

In order to hedge certain of our foreign currency cash flow exposures, we enter into foreign currency forward contracts. A foreign currency forward contract is a commitment to deliver a certain amount of currency at a certain price on a specific date in the future. By entering into forward contracts and holding them to maturity, we are locked into a future currency exchange rate for the term of the contract.

The following table presents the foreign currency derivative contracts we had outstanding at December 31, 2013, which were designated as cash flow hedges (currency in thousands):

| Foreign Currency Derivatives | Number of Instruments | Notional Amount | Fair Value at December 31, 2013 ^(a) |
|------------------------------------|-----------------------|-----------------|--|
| Foreign currency forward contracts | 58 | € 100,737 | \$ (6,357) |
| Foreign currency forward contracts | 19 | £ 10,773 | (726) |
| | | | \$ (7,083) |

(a) Amounts are based on the applicable exchange rate of the foreign currency at December 31, 2013.

Other

Amounts reported in Other comprehensive (loss) income related to interest rate swaps will be reclassified to Interest expense as interest payments are made on our variable-rate debt. Amounts reported in Other comprehensive (loss) income related to foreign currency derivative contracts will be reclassified to Other income and (expenses) when the hedged foreign currency proceeds from foreign operations are repatriated to the U.S. At December 31, 2013, we estimate that an additional \$1.8 million and \$1.4 million will be reclassified as interest expense and other income, respectively, during the next 12 months.

Notes to Consolidated Financial Statements

We measure our credit exposure on a counterparty basis as the net positive aggregate estimated fair value of our derivatives, net of collateral received, if any. No collateral was received as of December 31, 2013. At December 31, 2013, both our total credit exposure and the maximum exposure to any single counterparty was \$1.4 million, inclusive of amounts attributable to noncontrolling interests.

Some of the agreements we have with our derivative counterparties contain certain credit contingent provisions that could result in a declaration of default against us regarding our derivative obligations if we either default or are capable of being declared in default on certain of our indebtedness. At December 31, 2013, we had not been declared in default on any of our derivative obligations. The estimated fair value of our derivatives that were in a net liability position was \$22.9 million and \$25.7 million at December 31, 2013 and 2012, respectively, which included accrued interest and any adjustment for nonperformance risk. If we had breached any of these provisions at either December 31, 2013 or December 31, 2012, we could have been required to settle our obligations under these agreements at their aggregate termination value of \$24.4 million or \$27.3 million, respectively.

Portfolio Concentration Risk

Concentrations of credit risk arise when a group of tenants is engaged in similar business activities or is subject to similar economic risks or conditions that could cause them to default on their lease obligations to us. We regularly monitor our portfolio to assess potential concentrations of credit risk. While we believe our portfolio is reasonably well diversified, it does contain concentrations in excess of 10%, based on the percentage of our annualized contractual minimum base rent for the fourth quarter of 2013, in certain areas, as shown in the table below. The percentages in the table below represent our directly-owned real estate properties and do not include our share of equity investments.

| | December 31, 2013 | |
|------------------------|-------------------|---|
| Region: | | |
| California | 10 | % |
| Other U.S. | 60 | % |
| Total U.S. | 70 | % |
| Total Europe | 30 | % |
| Total | 100 | % |
| Asset Type: | | |
| Office | 32 | % |
| Industrial | 18 | % |
| Warehouse/Distribution | 16 | % |
| Retail | 13 | % |
| All others | 21 | % |
| Total | 100 | % |
| Tenant Industry: | | |
| Retail | 19 | % |
| All other | 81 | % |
| Total | 100 | % |

Except for our investment in CPA[®]:16 – Global, there were no significant concentrations, individually or in the aggregate, related to our unconsolidated jointly-owned investments. At December 31, 2013, we owned approximately 18.5% of CPA[®]:16 – Global, which had total assets at that date of approximately \$3.2 billion consisting of a portfolio

comprised of full or partial ownership interests in 467 properties, as well as two hotel properties, and has certain concentrations within its portfolio, which are outlined in its consolidated financial statements provided with this Report. The CPA[®]:16 Merger was completed on January 31, 2014 (Note 20).

Notes to Consolidated Financial Statements

Note 12. Debt

New Senior Credit Facility

As discussed in Note 20, in January 2014, we entered into the Second Amended and Restated Credit Agreement to increase the maximum aggregate principal amount from \$625.0 million to \$1.25 billion and drew down \$765.0 million to repay the Prior Senior Credit Facility and Unsecured Term Loan discussed below.

Prior Senior Credit Facility

In February 2012, we amended and restated our existing credit agreement, or the Amended and Restated Credit Agreement, to increase the maximum aggregate principal amount from \$450.0 million to \$625.0 million, which was comprised of a \$450.0 million Revolver and a \$175.0 million Term Loan Facility. The Prior Senior Credit Facility was scheduled to mature in December 2014, and we had the ability to extend it by one year at our option, subject to the conditions provided in the Amended and Restated Credit Agreement. The Prior Senior Credit Facility also permitted (i) up to \$150.0 million to be borrowed in certain currencies other than the U.S. dollar, (ii) swing line loans of up to \$35.0 million, and (iii) the issuance of letters of credit in an aggregate amount not to exceed \$50.0 million.

The Prior Senior Credit Facility provided for an annual interest rate, at our election, of either (i) the Eurocurrency Rate or (ii) the Base Rate, in each case plus the Applicable Rate (each as defined in the Amended and Restated Credit Agreement). Prior to us obtaining an Investment Grade Debt Rating (as defined in the Amended and Restated Credit Agreement), the Applicable Rate on Eurocurrency Rate loans and letters of credit ranged from 1.75% to 2.50% (based on LIBOR) and the Applicable Rate on Base Rate loans ranged from 0.75% to 1.50% (based on the “prime rate,” defined in the Amended and Restated Credit Agreement as a rate of interest set by the Bank of America based upon various factors including Bank of America’s costs and desired returns). If an Investment Grade Debt Rating were obtained, the Applicable Rate on Eurocurrency Rate loans and letters of credit ranged from 1.10% to 2.00% (based on LIBOR) and the Applicable Rate on Base Rate loans ranged from 0.10% to 1.00% (based on the “prime rate”). Swing line loans will bear interest at the Base Rate plus the Applicable Rate then in effect. In addition, we paid a quarterly fee ranging from 0.30% to 0.40% of the unused portion of the line of credit, depending on our leverage ratio. In connection with the amendments of the credit agreement in July 2013, we incurred costs of \$7.0 million, which were being amortized over the remaining term of the facility.

Availability under the Prior Senior Credit Facility was dependent upon a number of factors, including the Unencumbered Property NOI, the Unencumbered Management EBITDA and the Total Unsecured Outstanding Indebtedness (each as defined in the Amended and Restated Credit Agreement). As discussed below, on July 31, 2013, we used the proceeds from the Unsecured Term Loan (as defined below) to repay the \$250.0 million outstanding balance on the Revolver on that date. At December 31, 2013 and 2012, availability under the Prior Senior Credit Facility was \$925.0 million and \$625.0 million, respectively, of which we had drawn \$275.0 million and \$253.0 million, respectively, including \$175.0 million under the Term Loan, which we drew down in connection with the CPA®:15 Merger. At December 31, 2013 and 2012, we were required to pay interest on the Prior Senior Credit Facility at an annual interest rate consisting of LIBOR plus 1.75% and LIBOR plus 2.00%, respectively. In addition, as of December 31, 2013, our lenders had issued letters of credit totaling \$3.2 million on our behalf in connection with certain contractual obligations, which reduce amounts that may be drawn under the Revolver.

We were required to ensure that the total Restricted Payments (as defined in the Amended and Restated Credit Agreement) made in the current quarter, when added to the total for the three preceding fiscal quarters, did not exceed the greater of (i) 95% of Adjusted Funds from Operations (as defined in the Amended and Restated Credit Agreement) and (ii) the amount of Restricted Payments required in order for us to maintain our REIT status.

Restricted Payments included quarterly dividends and the total amount of shares repurchased by us, if any, in excess of \$50.0 million per year. In addition to placing limitations on dividend distributions and share repurchases, the Amended and Restated Credit Agreement stipulated certain financial covenants. We were in compliance with all of these covenants at December 31, 2013.

Unsecured Term Loan

On July 31, 2013, we entered into a new credit agreement with the lender of our Prior Senior Credit Facility, Bank of America, the Term Loan Credit Agreement, for an unsecured term loan of up to \$300.0 million, which we drew down in full on that date primarily to repay the \$250.0 million that was then outstanding on the Revolver. We incurred costs of \$1.5 million to obtain the Unsecured Term Loan, which were being amortized over the term of the loan. The Term Loan Credit Agreement had substantially the same terms as the Amended and Restated Credit Agreement.

Notes to Consolidated Financial Statements

The Unsecured Term Loan was scheduled to mature in July 2014, subject to the conditions provided in the Term Loan Credit Agreement. The Unsecured Term Loan provided for an annual interest rate, at our election, of either (i) the Eurocurrency Rate or (ii) the Base Rate, in each case plus the Applicable Rate (each as defined in the Term Loan Credit Agreement). At December 31, 2013, the Applicable Rate on Eurocurrency Rate loans ranged from 1.60% to 2.35% (based on LIBOR) and the Applicable Rate on Base Rate loans ranged from 0.60% to 1.35% (based on the “prime rate,” defined in the Term Loan Credit Agreement as a rate of interest set by Bank of America based upon various factors including Bank of America’s costs and desired returns). At December 31, 2013, the outstanding balance on the Unsecured Term Loan was \$300.0 million with an annual interest rate of LIBOR plus 1.60%. The Term Loan Credit agreement also stipulated certain financial covenants that were similar to those of the Prior Senior Credit Facility. We were in compliance with all of these covenants at December 31, 2013.

Non-Recourse Debt

Non-recourse debt consists of mortgage notes payable, which are collateralized by the assignment of real property and direct financing leases with an aggregate carrying value of approximately \$1.9 billion and \$2.0 billion at December 31, 2013 and 2012, respectively. At December 31, 2013, our mortgage notes payable bore interest at fixed annual rates ranging from 2.7% to 7.8% and variable contractual annual rates ranging from 1.3% to 7.6%, with maturity dates ranging from 2014 to 2026 at December 31, 2013.

Financing Activity During 2013 — During the year ended December 31, 2013, in connection with our acquisitions (Note 5) during that period, we obtained non-recourse mortgage loans totaling \$39.1 million with a weighted-average interest rate of 3.9% and term of 9.5 years.

During the year ended December 31, 2013, we also refinanced four maturing non-recourse mortgage loans totaling \$48.7 million with new financing totaling \$76.5 million. These new mortgage loans had a weighted-average annual interest rate and term of 5.0% and 9.3 years, respectively.

Financing Activity During 2012 — In connection with the CPA15 Merger (Note 3), we assumed property level debt comprised of nine variable-rate and 58 fixed-rate non-recourse mortgage loans with fair values totaling \$295.2 million and \$1.1 billion, respectively, on the acquisition date and recorded an aggregate net fair market value adjustment of \$14.8 million at that date. The fair market value adjustment will be amortized to interest expense over the remaining lives of the related loans using the effective interest rate method. These fixed-rate and variable-rate mortgages had weighted-average annual interest rates of 5.08% and 5.03%, respectively. The weighted-average annual interest rate for the variable-rate mortgages was calculated using the applicable interest rates on the date of the CPA[®]:15 Merger.

During the year ended December 31, 2012, we also refinanced four maturing non-recourse mortgages totaling \$21.2 million with new financing totaling \$23.8 million. These mortgage loans had a weighted-average annual interest rate and term of 4.2% and 11.5 years, respectively.

Financing Activity During 2011 — In connection with our acquisition of three properties from CPA14 in May 2011 (Note 4), we assumed two non-recourse mortgage loans with an aggregate fair value of \$87.6 million (and a carrying value of \$88.7 million) on the date of acquisition and recorded a net fair market value adjustment of \$1.1 million. The fair market value adjustment will be amortized to interest expense over the remaining lives of the loans. These mortgage loans had a weighted-average annual fixed interest rate and remaining term of 5.8% and 8.3 years, respectively.

During the year ended December 31, 2011, we also refinanced two maturing non-recourse mortgage loans totaling \$10.5 million with new financing totaling \$11.9 million and obtained new financing on two unencumbered properties totaling \$29.0 million. These mortgage loans had a weighted-average annual interest rate and term of 5.1% and 10.4 years, respectively. Additionally, during the year ended December 31, 2011, the Carey Storage borrowed a total of

\$4.6 million, inclusive of amounts attributable to the third-party's interest of \$2.8 million, with a weighted-average annual interest rate and term of 6.7% and 8.2 years, respectively.

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Scheduled Debt Principal Payments

Scheduled debt principal payments during each of the next five calendar years following December 31, 2013, and thereafter are as follows (in thousands):

| Years Ending December 31, | Total ^(a) |
|---------------------------|----------------------|
| 2014 ^(b) | \$835,086 |
| 2015 | 244,540 |
| 2016 | 80,208 |
| 2017 | 126,288 |
| 2018 | 208,907 |
| Thereafter through 2026 | 584,669 |
| | 2,079,698 |
| Unamortized discount | (12,288) |
| Total | \$2,067,410 |

(a) Certain amounts are based on the applicable foreign currency exchange rate at December 31, 2013.

Includes \$100.0 million outstanding under our Revolver, \$175.0 million outstanding under our Term Loan Facility and \$300.0 million outstanding under our Unsecured Term Loan at December 31, 2013, each of which was scheduled to mature at various dates in 2014 unless extended pursuant to its terms. In January 2014, we entered (b) into the New Senior Credit Facility, and the Prior Senior Credit Facility and Unsecured Term Loan were repaid in full at that time and terminated. Also includes \$216.1 million of non-recourse mortgage balloon payments that will be due in the 12 months following December 31, 2013.

Note 13. Commitments and Contingencies

On December 31, 2013, Ira Gaines and entities affiliated with him commenced a purported class action (Ira Gaines, et al. v. Corporate Property Associates 16 – Global Incorporated, Index. No. 650001/2014, N.Y. Sup. Ct., N.Y. County) against us, WPC REIT, CPA[®]:16 – Global, and the directors of CPA[®]:16 – Global. The complaint alleges (i) that the CPA[®]:16 Merger was unfair to CPA[®]:16 – Global stockholders, (ii) breaches of fiduciary duty by the individual defendants, all of whom are members of the board of directors of CPA[®]:16 – Global, (iii) that the entity defendants aided and abetted the directors in breaching their fiduciary duties, and (iv) that the Joint Proxy Statement/Prospectus relating to the CPA[®]:16 Merger contained inadequate disclosure about certain matters.

The complaint demands (i) that a class be certified and plaintiffs named as class representatives, (ii) supplemental disclosures to the Joint Proxy Statement/Prospectus, be issued (iii) the CPA[®]:16 Merger be rescinded, (iv) damages be awarded, and (v) plaintiffs' attorneys fees and other costs be reimbursed.

On January 10, 2014, the plaintiffs asked the court to issue a temporary restraining order enjoining the vote of the stockholders of CPA[®]:16 – Global pending the completion of expedited discovery and a preliminary injunction hearing. On January 13, 2014 after a hearing, the court denied the plaintiffs' motion for a temporary restraining order enjoining the vote of CPA[®]:16 – Global's stockholders.

We believe that these claims are without merit and are defending the case vigorously.

Various other claims and lawsuits arising in the normal course of business are pending against us. The results of these proceedings are not expected to have a material adverse effect on our consolidated financial position or results of operations.

Notes to Consolidated Financial Statements

Note 14. Equity

Distributions

Distributions paid to stockholders consist of ordinary income, capital gains, return of capital or a combination thereof for income tax purposes. The following table presents distributions per share, declared and paid during the year ended December 31, 2013 and in October 2012, reported for federal tax purposes and serves as a designation of capital gain distributions, if applicable, pursuant to Internal Revenue Code Section 857(b)(3)(C) and Treasury Regulation § 1.857-6(e):

| | Distributions Paid | |
|--------------------------|---|------------------------|
| | During the Year Ended December 31, 2013 | On October 16, 2012 |
| Ordinary income | \$3.1701 | \$0.6228 |
| Return of capital | 0.0099 | 0.0272 |
| Total distributions paid | \$3.1800 | \$0.6500 |

We declared a quarterly distribution of \$0.8700 per share and a special distribution of \$0.1100 per share in December 2013, which were paid in January 2014 to stockholders of record at December 31, 2013.

Redeemable Noncontrolling Interest

On June 30, 2003, WPCI granted an incentive award to two officers of WPCI consisting of 1,500,000 restricted units, representing an approximate 13% interest in WPCI, and 1,500,000 options for WPCI units with a combined fair value of \$2.5 million at that date. Both the options and restricted units vested ratably over five years, with full vesting occurring December 31, 2007. During 2008, the officers exercised all of their 1,500,000 options to purchase 1,500,000 units of WPCI at \$1.00 per unit. Upon the exercise of the WPCI options, the officers had a total interest of approximately 23% in WPCI. The terms of the vested restricted units and units received in connection with the exercise of options of WPCI by noncontrolling interest holders provided that the units could be redeemed, commencing December 31, 2012 and thereafter, solely in exchange for our shares and that any redemption would be subject to a third-party valuation of WPCI.

In December 2009, one of those officers resigned from W. P. Carey, WPCI and all affiliated entities pursuant to a mutually agreed separation. In October 2012, the remaining officer's employment with W. P. Carey, WPCI and all affiliated entities was terminated. At December 31, 2012, this former employee had a total interest of approximately 7.7% in each of WPCI and the related entities. We account for the noncontrolling interest in WPCI held by the former employee as a redeemable noncontrolling interest, as we could have an obligation to redeem the interest at fair value, subject to certain conditions. This redemption is required to be settled in shares of our common stock. The former employee's interest is reflected at estimated redemption value for all periods presented. On October 1, 2013, we received a notice from the former employee regarding the exercise of the put option, pursuant to which we are required to redeem the 7.7% interest in WPCI and affiliated entities. Pursuant to the terms of the related put agreement, the redemption price is to be determined based on a third-party valuation as of October 31, 2013, which is the end of the month that the put option was exercised. The agreement also requires that we and the former employee agree on both the valuation firm and the valuation methodology, although to date no such agreement has been reached. We cannot currently estimate when the redemption will occur.

The following table presents a reconciliation of redeemable noncontrolling interest (in thousands):

Years Ended December 31,

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| | 2013 | 2012 | 2011 |
|---|---------|----------|----------|
| Beginning balance | \$7,531 | \$7,700 | \$7,546 |
| Redemption value adjustment | — | 840 | (455) |
| Net income | 353 | 40 | 1,923 |
| Distributions | (435) | (1,055) | (1,309) |
| Change in other comprehensive income (loss) | (13) | 6) | (5) |
| Ending balance | \$7,436 | \$7,531 | \$7,700 |

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Transfers to Noncontrolling Interest

The following table presents a reconciliation of the effect of transfers in noncontrolling interest (in thousands):

| | Years Ended December 31, | | |
|---|--------------------------|----------|------------|
| | 2013 | 2012 | 2011 |
| Net income attributable to W. P. Carey | \$98,876 | \$62,132 | \$139,079 |
| Transfers to noncontrolling interest | | | |
| Decrease in W. P. Carey's additional paid-in capital for purchase of 50 Rock | — | (154 |) — |
| Decrease in W. P. Carey's additional paid-in capital for purchase of CheckFree Holdings, Inc. | — | — | (5,879) |
| Net transfers to noncontrolling interest | — | (154 |) (5,879) |
| Change from net income attributable to W. P. Carey and transfers to noncontrolling interest | \$98,876 | \$61,978 | \$133,200 |

Accumulated Other Comprehensive Income (Loss)

The following table presents the components of Accumulated other comprehensive income (loss) reflected in equity, net of tax. Amounts include our proportionate share of other comprehensive income or loss from our unconsolidated investments (in thousands):

| | December 31, | |
|--|--------------|------------|
| | 2013 | 2012 |
| Unrealized appreciation on marketable securities | \$31 | \$31 |
| Realized and unrealized loss on derivative instruments | (7,488 |) (7,508) |
| Foreign currency translation adjustments | 22,793 | 2,828 |
| Accumulated other comprehensive income (loss) | \$15,336 | \$(4,649) |

Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

The following tables present a reconciliation of changes in accumulated other comprehensive income (loss) by component for the periods presented (in thousands):

| | Year Ended December 31, 2013 | | | |
|---|--|--|---|------------|
| | Realized and Unrealized Gains (Losses) on Derivative Instruments | Foreign Currency Translation Adjustments | Unrealized Appreciation (Depreciation) on Marketable Securities | Total |
| Beginning balance | \$(7,508) | \$2,828 | \$31 | \$(4,649) |
| Other comprehensive (loss) income before reclassifications | (2,793) | 21,835 | — | 19,042 |
| Amounts reclassified from accumulated other comprehensive income (loss) to: | | | | |
| Interest expense | 1,745 | — | — | 1,745 |
| Other income and (expenses) | 537 | — | — | 537 |
| Net income from equity investments in real estate and the Managed REITs | 531 | — | — | 531 |
| Total | 2,813 | — | — | 2,813 |
| Net current period other comprehensive (loss) income | 20 | 21,835 | — | 21,855 |

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| | | | | | |
|--|----------|--------|----------|--------|----------|
| Net current period other comprehensive income attributable to noncontrolling interests and redeemable noncontrolling interests | — | (1,870 |) — | (1,870 |) |
| Ending balance | \$(7,488 |) | \$22,793 | \$31 | \$15,336 |

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| | Year Ended December 31, 2012 | | | |
|--|---|---|---|-------------|
| | Realized and Unrealized Gains (Losses) on Derivative Instruments | Foreign Currency Translation Adjustments | Unrealized Appreciation (Depreciation) on Marketable Securities | Total |
| Beginning balance | \$ (5,246) | \$ (3,299) | \$ 38 | \$ (8,507) |
| Other comprehensive (loss) income before reclassifications | (4,394) | 7,809 | (7) | 3,408 |
| Amounts reclassified from accumulated other comprehensive income (loss) to: | | | | |
| Interest expense | 1,539 | — | — | 1,539 |
| Other income and (expenses) | 239 | — | — | 239 |
| Net income from equity investments in real estate and the Managed REITs | 354 | — | — | 354 |
| Total | 2,132 | — | — | 2,132 |
| Net current period other comprehensive (loss) income | (2,262) | 7,809 | (7) | 5,540 |
| Net current period other comprehensive income attributable to noncontrolling interests and redeemable noncontrolling interests | — | (1,682) | — | (1,682) |
| Ending balance | \$ (7,508) | \$ 2,828 | \$ 31 | \$ (4,649) |
| | Year Ended December 31, 2011 | | | |
| | Realized and Unrealized Gains (Losses) on Derivative Instruments | Foreign Currency Translation Adjustments | Unrealized Appreciation (Depreciation) on Marketable Securities | Total |
| Beginning balance | \$ (1,658) | \$ (1,854) | \$ 49 | \$ (3,463) |
| Other comprehensive loss before reclassifications | (4,120) | (1,796) | (11) | (5,927) |
| Amounts reclassified from accumulated other comprehensive income (loss) to: | | | | |
| Interest expense | 344 | — | — | 344 |
| Net income from equity investments in real estate and the Managed REITs | 188 | — | — | 188 |
| Total | 532 | — | — | 532 |
| Net current period other comprehensive loss | (3,588) | (1,796) | (11) | (5,395) |
| Net current period other comprehensive loss attributable to noncontrolling interests and redeemable noncontrolling interests | — | 351 | — | 351 |
| Ending balance | \$ (5,246) | \$ (3,299) | \$ 38 | \$ (8,507) |

Notes to Consolidated Financial Statements

Earnings Per Share

Under current authoritative guidance for determining earnings per share, all unvested share-based payment awards that contain non-forfeitable rights to distributions are considered to be participating securities and therefore are included in the computation of earnings per share under the two-class method. The two-class method is an earnings allocation formula that determines earnings per share for each class of common shares and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. Our unvested RSUs and restricted stocks awards, or RSAs, contain rights to receive non-forfeitable distribution equivalents, and therefore we apply the two-class method of computing earnings per share. The calculation of earnings per share below excludes the income attributable to the unvested RSUs and RSAs from the numerator. The following table summarizes basic and diluted earnings (in thousands, except share amounts):

| | Years Ended December 31, | | |
|---|--------------------------|------------|------------|
| | 2013 | 2012 | 2011 |
| Net income attributable to W. P. Carey | \$98,876 | \$62,132 | \$139,079 |
| Allocation of distribution equivalents paid on unvested RSUs and RSAs in excess of income | (743) | (535) | (2,130) |
| Net income – basic | 98,133 | 61,597 | 136,949 |
| Income effect of dilutive securities, net of taxes | 187 | 23 | 1,076 |
| Net income – diluted | \$98,320 | \$61,620 | \$138,025 |
| Weighted average shares outstanding – basic | 68,691,046 | 47,389,460 | 39,819,475 |
| Effect of dilutive securities | 1,016,962 | 689,014 | 278,620 |
| Weighted average shares outstanding – diluted | 69,708,008 | 48,078,474 | 40,098,095 |

Securities totaling 114,919 and 207,258 shares for the years ended December 31, 2013 and 2011, respectively, were excluded from the earnings per share computations above as their effect would have been anti-dilutive. There were no such anti-dilutive securities for the year ended December 31, 2012. For information on long-term incentive plan awards issued to key employees subsequent to December 31, 2013 and the shares issued to the CPA[®]:16 – Global stockholders in connection with the CPA[®]:16 Merger that could have a dilutive impact on our earnings per share calculation, please see [Note 20](#).

Sale of Common Shares

On October 19, 2012, we entered into an agreement to sell 937,500 shares of our common stock to an institutional investor, which were issued pursuant to our existing shelf registration statement. The shares were issued in a privately negotiated transaction at a purchase price of \$48.00 per share. The proceeds to us from the sale of these shares were \$45.0 million. We delivered the shares to the institutional investor on October 19, 2012.

Note 15. Stock-Based and Other Compensation

Stock-Based Compensation

At December 31, 2013, we maintained several stock-based compensation plans as described below. The total compensation expense (net of forfeitures) for awards issued under these plans was \$37.3 million, \$26.2 million and \$17.8 million for the years ended December 31, 2013, 2012 and 2011, respectively, all of which are included in Stock-based compensation expenses in the consolidated financial statements. The tax benefit recognized by us related to these awards totaled \$18.4 million, \$16.2 million and \$7.8 million for the years ended December 31, 2013, 2012 and 2011, respectively.

2009 Incentive Plan

We maintain the W. P. Carey, Inc. 2009 Share Incentive Plan, or the 2009 Incentive Plan, which as amended currently authorizes the issuance of up to 5,900,000 shares of our common stock. At December 31, 2013, there were 3,977,040 shares remain available for issuance under the 2009 Share Incentive Plan. The 2009 Incentive Plan provides for the grant of (i) share options, (ii) RSUs, (iii) PSUs, and (iv) dividend equivalent rights. The vesting of grants under both plans is accelerated upon a change in our control and under certain other conditions.

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In December 2007, the Compensation Committee approved the long-term incentive plan, or LTIP, and terminated further contributions to the Partnership Equity Unit Plan described below. The following table presents LTIP awards granted in the past three years (PSUs are reflected at 100% of target but may settle at more or less than the amount shown):

| Fiscal Year | 2009 Incentive Plan | |
|---------------------|---------------------|--------------|
| | RSUs Awarded | PSUs Awarded |
| 2013 ^(a) | 171,804 | 85,900 |
| 2012 ^(b) | 259,400 | 314,400 |
| 2011 ^(c) | 524,550 | 291,600 |

Includes 20,250 RSUs issued in connection with entering into employment agreements with certain employees.

(a) Also includes 10,000 PSUs awarded related to 2011 awards for which the previously undetermined terms and conditions of the grant were finalized in 2013.

(b) Includes 78,000 RSUs and 142,000 PSUs issued in connection with entering into employment agreements with certain employees, and excludes 20,000 PSUs for which the terms and conditions were not determined at the time of grant. Also includes 10,000 PSUs awarded related to 2011 awards for which the previously undetermined terms and conditions of the grant were finalized in 2012.

(c) Includes 340,000 RSUs and 100,000 PSUs issued in connection with entering into employment agreements with certain employees, and excludes 20,000 PSUs for which the terms and conditions were not determined at the time of grant.

2009 Non-Employee Directors Incentive Plan

We maintain the W. P. Carey, Inc. 2009 Non-Employee Directors' Incentive Plan, or the 2009 Directors' Plan, which authorizes the issuance of 325,000 shares of our common stock in the aggregate. In the discretion of our board of directors, the awards may be in the form of RSUs, share options or RSAs, or any combination of the permitted awards. In July 2013, we issued 13,211 RSAs, with a total value of \$0.9 million, to our directors under the 2009 Directors' Plan in lieu of the RSUs that had been granted in previous years, as permitted under the terms of that plan. These RSAs are scheduled to vest one year from the date of grant. At December 31, 2013, there were 231,864 shares that remained available for issuance under this plan.

Employee Share Purchase Plan

We sponsor an Employee Share Purchase Plan, or ESPP, pursuant to which eligible employees may contribute up to 10% of compensation, subject to certain limits, to purchase our common stock. Employees can purchase stock semi-annually at a price equal to 85% of the fair market value at certain plan defined dates. Compensation expense under this plan for the years ended December 31, 2013, 2012 and 2011 was \$1.2 million, \$0.6 million and \$0.6 million, respectively.

Partnership Equity Unit Plan

During 2003, we adopted a non-qualified deferred compensation plan, called the Partnership Equity Plan, or PEP, under which a portion of any participating officer's cash compensation in excess of designated amounts was deferred and the officer was awarded Partnership Equity Plan Units, or PEP Units. Each of the PEPs is a deferred compensation plan and is therefore considered to be outside the scope of current accounting guidance for stock-based compensation and subject to liability award accounting. The value of each PEP Unit is adjusted to reflect the underlying appraised value of the designated CPA[®] REIT. Additionally, each PEP Unit is entitled to distributions equal to the distribution rate of the CPA[®] REIT. All issuances of PEP Units, changes in the fair value of PEP Units

and distributions paid are included in our compensation expense. On December 16, 2013, we paid \$0.2 million in cash to the remaining holders of the PEP Units issued under the initial PEP, which was equal to the per-share Merger Consideration received by CPA[®]:15 stockholders or the NAV of CPA[®]:16 – Global, as applicable.

The plans are carried at fair value each quarter and are subject to changes in the fair value of the PEP units. Further contributions to the second PEP were terminated at December 31, 2007; however, this termination did not affect any awardees' rights pursuant to awards granted under this plan. In December 2008, participants in the PEPs were required to make an election to either (i) remain in the PEPs, (ii) receive cash for their PEP Units (available to former employees only) or (iii) convert their PEP Units to fully vested RSUs (available to current employees only) to be issued under the 1997 Share Incentive Plan, or as amended, the 1997 Incentive Plan on June 15, 2009. Substantially all of the PEP participants elected to receive cash or convert their existing PEP Units to RSUs. The PEP participants electing to receive RSUs were required to defer receipt of the underlying shares of our common stock for a minimum of two years. While employed by us, these participants are entitled to receive dividend equivalents equal to the amount of dividends paid on the underlying common stock during the

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deferral period. At December 31, 2013 and 2012, we were obligated to issue 47,126 and 53,743 shares, respectively, of our common stock underlying these RSUs, which were recorded within W. P. Carey members' equity as a Deferred compensation obligation of \$1.2 million and \$1.4 million, respectively. The remaining PEP liability pertaining to participants who elected to remain in the plans was \$0.7 million at both December 31, 2013 and December 31, 2012. Those PEP Units are scheduled to be paid between 2017 and 2019.

Stock Options

Option activity and changes for all periods presented were as follows:

| | Year Ended December 31, 2013 | | | Weighted-Average Remaining Contractual Term (in Years) | Aggregate Intrinsic Value |
|---|------------------------------|------------------------------------|------|---|---------------------------------|
| | Shares | Weighted-Average Exercise Price | | | |
| Outstanding – beginning of year | 794,210 | \$ 30.32 | | | |
| Exercised | (169,412) | 30.43 | | | |
| Forfeited / Expired | (5,197) | 29.84 | | | |
| Outstanding – end of year | 619,601 | \$ 30.30 | 2.59 | | \$ 19,239,738 |
| Vested and expected to vest – end of year | 619,601 | \$ 30.30 | 2.59 | | \$ 19,239,738 |
| Exercisable – end of year | 511,811 | \$ 30.18 | 2.45 | | \$ 15,950,707 |

| | Years Ended December 31, 2012 | | Weighted-Average Remaining Contractual Term (in Years) | 2011 | |
|------------------------------------|----------------------------------|---------------------------------------|---|------------|---------------------------------------|
| | Shares | Weighted-Average Exercise Price | | Shares | Weighted-Average Exercise Price |
| Outstanding – beginning of year | 1,208,041 | \$ 28.73 | 3.19 | 1,699,701 | \$ 28.57 |
| Exercised | (410,331) | 25.94 | | (449,660) | 27.71 |
| Forfeited / Expired | (3,500) | 24.93 | | (42,000) | 32.85 |
| Outstanding – end of year | 794,210 | \$ 30.32 | 3.19 | 1,208,041 | \$ 28.73 |
| Exercisable – end of year | 623,218 | \$ 30.22 | | 959,779 | \$ 28.36 |

Options granted under the 1997 Incentive Plan generally have a ten-year term and generally vest in four equal annual installments. Options granted under the 1997 Directors' Plan have a ten-year term and vest generally over three years from the date of grant. We have not issued option awards since 2008. The total intrinsic value of options exercised during the years ended December 31, 2013, 2012 and 2011 was \$5.7 million, \$9.3 million and \$4.6 million, respectively.

At December 31, 2013, all of our options were fully vested; however certain options had exercise limitations.

We have the ability and intent to issue shares upon stock option exercises. Historically, we have issued authorized but unissued common stock to satisfy such exercises. Cash received from stock option exercises and purchases under the ESPP during the years ended December 31, 2013, 2012 and 2011 was \$2.3 million, \$6.8 million and \$1.2 million, respectively.

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Restricted and Conditional Awards

Nonvested RSAs, RSUs and PSUs at December 31, 2013 and changes during the years ended December 31, 2013, 2012 and 2011 were as follows:

| | RSA and RSU Awards | | PSU Awards | |
|---|--------------------|--|------------|--|
| | Shares | Weighted-Average Grant Date Fair Value | Shares | Weighted-Average Grant Date Fair Value |
| Nonvested at January 1, 2011 | 263,820 | \$ 28.42 | 243,994 | \$ 36.18 |
| Granted | 541,890 | 34.65 | 291,600 | 46.66 |
| Vested ^(a) | (162,437) | 30.48 | (48,925) | 39.78 |
| Forfeited | (18,480) | 29.32 | (14,055) | 42.14 |
| Adjustment ^(b) | — | — | 200,814 | 22.65 |
| Nonvested at December 31, 2011 | 624,793 | 33.26 | 673,428 | 36.30 |
| Granted | 274,420 | 41.41 | 314,400 | 42.28 |
| Vested ^(a) | (268,683) | 32.56 | (235,189) | 23.66 |
| Forfeited | (36,336) | 36.33 | (49,494) | 33.96 |
| Adjustment ^(b) | — | — | 296,368 | 26.01 |
| Nonvested at December 31, 2012 | 594,194 | 37.15 | 999,513 | 34.55 |
| Granted ^(c) | 185,015 | 57.69 | 86,189 | 84.33 |
| Vested ^(a) | (233,098) | 36.76 | (324,161) | 39.48 |
| Forfeited | (26,503) | 43.05 | (30,108) | 50.52 |
| Adjustment ^(b) | — | — | 489,287 | 67.22 |
| Nonvested at December 31, 2013 ^(d) | 519,608 | \$ 45.19 | 1,220,720 | \$ 28.28 |

The total fair value of shares vested during the years ended December 31, 2013, 2012 and 2011 was \$21.4 million, \$14.3 million and \$6.9 million, respectively. Upon vesting of the shares, employees have the option to take immediate delivery of the shares or defer receipt to a future date. At December 31, 2013 and 2012, we were ^(a) obligated to issue 363,052 and 243,262 shares, respectively, of our common stock underlying these shares, which is recorded within W. P. Carey members' equity as a Deferred compensation obligation of \$10.1 million and \$7.0 million, respectively.

Vesting and payment of the PSUs is conditional on certain company and market performance goals being met during the relevant three-year performance period. The ultimate number of PSUs to be vested will depend on the extent to which the performance goals are met and can range from zero to three times the original awards. Pursuant to a review of our current and expected performance versus the performance goals, we revised our estimate of the ultimate number of certain of the PSUs to be vested. As a result, we recorded adjustments in 2013, 2012 and 2011 to reflect the number of shares expected to be issued when the PSUs vest. ^(b)

The grant date fair value of RSAs and RSUs are based on our stock price on the date of grant. The grant date fair value of PSUs were determined utilizing a Monte Carlo simulation model to generate a range of possible future ^(c) stock prices for both us and the plan defined peer index over the three-year performance period. To estimate the fair value of PSUs granted during 2013, we used a risk-free interest rate of 0.37% and an expected volatility rate of 25.36% (the plan defined peer index assumes 24.83%) and assumed a dividend yield of zero.

At December 31, 2013, total unrecognized compensation expense was approximately \$17.0 million related to ^(d) nonvested PSUs, \$13.6 million related to nonvested RSUs and \$0.4 million related to nonvested RSAs, with aggregate weighted-average remaining term of 1.13 years.

At the end of each reporting period, we evaluate the ultimate number of PSUs we expect to vest based upon the extent to which we have met and expect to meet the performance goals and where appropriate revise our estimate and associated expense. We do not adjust the associated expense for revision on PSUs expected to vest based on market performance. Upon vesting, the RSUs and PSUs may be converted into shares of our common stock. Both the RSUs and PSUs carry dividend equivalent rights. Dividend equivalent rights on RSUs are paid in cash on a quarterly basis whereas dividend equivalent rights on PSUs accrue during the performance period and may be converted into additional shares of common stock at the conclusion of the performance period to the extent the PSUs vest. Dividend equivalent rights are accounted for as a reduction to retained earnings to the extent that the awards are expected to vest. For awards that are not expected to vest or do not ultimately vest, dividend equivalent rights are accounted for as additional compensation expense.

Notes to Consolidated Financial Statements

Other Compensation

Profit-Sharing Plan

We sponsor a qualified profit-sharing plan and trust that generally permits all employees, as defined by the plan, to make pre-tax contributions into the plan. We are under no obligation to contribute to the plan and the amount of any contribution is determined by and at the discretion of our board of directors. Our board of directors can authorize contributions to a maximum of 15% of an eligible participant's compensation, limited to less than \$0.1 million annually per participant. For the years ended December 31, 2013, 2012 and 2011, amounts expensed for contributions to the trust were \$4.5 million, \$4.4 million and \$3.8 million, respectively, which were included in General and administrative expenses in the accompanying consolidated financial statements. The profit-sharing plan is a deferred compensation plan and is therefore considered to be outside the scope of current accounting guidance for stock-based compensation.

Other

We have employment contracts with certain senior executives. These contracts provide for severance payments in the event of termination under certain conditions including a change of control. During 2013, 2012 and 2011, we recognized severance costs totaling approximately \$0.7 million, \$1.1 million and \$0.4 million, respectively, related to several former employees who did not have employment contracts. Such costs are included in General and administrative expenses in the accompanying consolidated financial statements.

Note 16. Income Taxes

Income Tax Provision

The components of our provision for income taxes attributable to continuing operations for the periods presented are as follows (in thousands):

| | Years Ended December 31, | | |
|-----------------|--------------------------|-----------|----------|
| | 2013 | 2012 | 2011 |
| Federal | | | |
| Current | \$8,274 | \$18,142 | \$17,820 |
| Deferred | (13,029) |) (21,167 |) 6,867 |
| | (4,755 |) (3,025 |) 24,687 |
| State and Local | | | |
| Current | 4,970 | 12,303 | 9,079 |
| Deferred | (3,665 |) (5,644 |) 1,968 |
| | 1,305 | 6,659 | 11,047 |
| Foreign | | | |
| Current | 7,144 | 3,138 | 1,480 |
| Deferred | (2,442 |) — | — |
| | 4,702 | 3,138 | 1,480 |
| Total Provision | \$1,252 | \$6,772 | \$37,214 |

Notes to Consolidated Financial Statements

A reconciliation of the provision for income taxes with the amount computed by applying the statutory federal income tax rate to income before provision for income taxes for the periods presented is as follows (in thousands, except percentages):

| | Years Ended December 31, | | |
|--|--------------------------|-----------------|---------------|
| | 2013 | 2012 | 2011 |
| Income from continuing operations before income taxes | \$ 85,889 | \$ 94,343 | \$ 190,225 |
| Pre-tax income attributable to pass-through subsidiaries | (96,314) | (94,755) | (111,664) |
| Pre-tax (loss) income attributable to taxable subsidiaries | (10,425) | (412) | 78,561 |
| Federal provision at statutory tax rate (35%) | (3,649) (35.0)% | (144) (35.0)% | 27,496 35.0 % |
| State and local taxes, net of federal benefit | (166) (1.6)% | 616 149.5 % | 7,409 9.4 % |
| Amortization of intangible assets | 492 4.7 % | 465 112.9 % | 486 0.6 % |
| Other | (302) (2.9)% | 1,069 261.2 % | 272 0.4 % |
| Tax provision — taxable subsidiaries | (3,625) (34.8)% | 2,006 488.6 % | 35,663 45.4 % |
| Current foreign taxes | 7,144 | 3,138 | 1,480 |
| Deferred foreign taxes | (2,442) | — | — |
| Other state and local taxes | 175 | 1,628 | 71 |
| Total provision | \$ 1,252 | \$ 6,772 | \$ 37,214 |

Deferred Income Taxes

Deferred income taxes at December 31, 2013 and 2012 consist of the following (in thousands):

| | At December 31, | |
|---|-----------------|-------------|
| | 2013 | 2012 |
| Deferred Tax Assets | | |
| Net operating loss carry-forwards | \$ 17,034 | \$ 15,133 |
| Unearned and deferred compensation | 29,104 | 17,272 |
| Basis differences — foreign investments | 4,482 | — |
| Other | 10,565 | 10,832 |
| Total deferred income taxes | 61,185 | 43,237 |
| Valuation allowance | (18,214) | (15,133) |
| Net deferred income taxes | 42,971 | 28,104 |
| Deferred Tax Liabilities | | |
| Basis differences — equity investees | (9,870) | (13,251) |
| Basis differences — foreign investments | (38,405) | — |
| Receivables from affiliates | (30,248) | (31,598) |
| Other | (187) | (583) |
| Total deferred tax liabilities | (78,710) | (45,432) |
| Net Deferred Tax Liability | \$(35,739) | \$(17,328) |

Our deferred tax assets and liabilities are primarily the result of temporary differences related to the following:

•Basis differences between tax and U.S. GAAP for certain international real estate investments. For income tax purposes, in certain acquisitions, we assume the seller's basis, or the carry-over basis, in the acquired assets. The carry-over basis is typically lower than the purchase price, or the U. S. GAAP basis, resulting in a deferred tax liability with an offsetting increase to goodwill or the acquired tangible or intangible assets, respectively in a business

combination or asset acquisition;

Timing differences generated by differences in the U. S. GAAP basis and the tax basis of assets such as those related to capitalized acquisition costs, straight line rent, prepaid rents and intangible assets, as well as unearned and deferred compensation;

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Notes to Consolidated Financial Statements

Receivables from affiliates that are long-term in nature and have not yet resulted in income for tax purposes but have been recorded as revenues under U.S. GAAP, such as deferred acquisition fees; and
Tax net operating losses in certain subsidiaries, including those domiciled in foreign jurisdictions, that may be realized in future periods if the respective subsidiary generates sufficient taxable income.

During the fourth quarter of 2013, we recorded an out-of-period adjustment to reflect deferred tax assets net of valuation allowances and deferred tax liabilities of \$2.3 million and \$37.5 million, respectively, associated with basis differences on certain foreign properties acquired in prior periods. In addition, this out-of-period adjustment included the recognition of a deferred tax provision of \$2.0 million (Note 2).

As of December 31, 2013 and 2012, we had net operating losses, or NOLs, in foreign jurisdictions of approximately \$61.7 million and \$57.9 million, respectively, translating to a deferred tax asset before valuation allowance of \$17.0 million and \$15.1 million, respectively. Our NOLs began expiring in 2011 in certain foreign jurisdictions. The utilization of NOLs may be subject to certain limitations under the tax laws of the relevant jurisdiction. Management determined that, as of December 31, 2013 and 2012, \$18.2 million and \$15.1 million, respectively, of deferred tax assets related to losses in foreign jurisdictions did not satisfy the recognition criteria set forth in accounting guidance for income taxes and established a valuation allowance for this amount.

Included in Other assets, net in the consolidated balance sheet at December 31, 2013 is deferred tax assets of \$3.3 million related to foreign investments. Included in Income taxes, net in the consolidated balance sheets at December 31, 2013 and 2012 are accrued income taxes totaling \$4.9 million and \$7.3 million, respectively, deferred income taxes totaling \$39.0 million and \$17.3 million, respectively, and uncertain tax positions totaling \$0.1 million and \$0.3 million, respectively. The uncertain tax positions, which we account for in accordance with ASC 740, Income Taxes, were acquired in the CPA[®]:15 Merger.

Real Estate Ownership Operations

Effective February 15, 2012, we elected to be taxed as a REIT under Sections 856 through 860 of the Code. As a REIT, we are not subject to federal income taxes on our income and gains that we distribute to our stockholders as long as we satisfy certain requirements, principally relating to the nature of our income and the level of our distributions, as well as other factors. We believe that we have operated, and we intend to continue to operate, in a manner that allows us to continue to qualify as a REIT. As a REIT, we expect to derive most of our REIT income from our real estate operations under our Real Estate Ownership segment.

Investment Management Operations

We conduct our investment management services in our Investment Management segment through TRSs. A TRS is a subsidiary of a REIT that is subject to corporate federal, state, local and foreign taxes, as applicable. Our use of TRSs enables us to engage in certain businesses while complying with the REIT qualification requirements and also allows us to retain income generated by these businesses for reinvestment without the requirement to distribute those earnings. We conduct business in the U.S., Asia and the European Union, and as a result, we or one or more of our subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and certain foreign jurisdictions. Certain of our inter-company transactions that have been eliminated in consolidation for financial accounting purposes are also subject to taxation. Periodically, shares in the Managed REITs that are payable to our TRSs in consideration of services rendered are distributed from TRSs to us.

Our tax returns are subject to audit by taxing authorities. Such audits can often take years to complete and settle. The tax years 2005 through 2013 remain open to examination by the major taxing jurisdictions to which we are subject.

Note 17. Discontinued Operations

From time to time, we may decide to sell a property. We may make a decision to dispose of a property when it is vacant as a result of tenants vacating space, tenants electing not to renew their leases, tenant insolvency, or lease rejection in the bankruptcy process. In such cases, we assess whether we can obtain the highest value from the property by selling it, as opposed to re-leasing it. We may also sell a property when we receive an unsolicited offer or negotiate a price for an investment that is consistent with our strategy for that investment. When it is appropriate to do so, we classify the property as an asset held for sale on our consolidated balance sheet and the current and prior period results of operations of the property are reclassified as discontinued operations.

Notes to Consolidated Financial Statements

The results of operations for properties that are held for sale or have been sold and with which we have no continuing involvement are reflected in the consolidated financial statements as discontinued operations and are summarized as follows (in thousands, net of tax):

| | Years Ended December 31, | | |
|--|--------------------------|-----------|-------------|
| | 2013 | 2012 | 2011 |
| Revenues | \$28,951 | \$27,137 | \$28,973 |
| Expenses | (19,984 |) (23,895 |) (28,655 |
| Loss on extinguishment of debt | (2,415 |) — | — |
| Gain on deconsolidation of a subsidiary | — | — | 1,008 |
| Gain (loss) on sale of real estate | 40,043 | (5,015 |) (3,391 |
| Impairment charges | (8,415 |) (22,962 |) (11,838 |
| Income (loss) from discontinued operations | \$38,180 | \$(24,735 |) \$(13,903 |

2013 — During the year ended December 31, 2013, we sold seven domestic properties for a total of \$22.7 million, net of selling costs, and recognized a net gain on these sales of \$0.6 million, excluding impairment charges totaling \$3.9 million and \$0.2 million previously recognized during 2013 and 2012, respectively. We used a portion of the proceeds to repay the related mortgage loan obligation of \$5.7 million and recognized a gain on extinguishment of debt of \$0.1 million.

Additionally, during the year ended December 31, 2013, an entity in which we, two of our employees ([Note 4](#)) and a third party owned 38.3%, 1.7% and 60.0% respectively, and which we consolidated, sold 19 of its 20 self-storage properties for a total of \$112.3 million, net of selling costs, and recognized a net gain on the sale of \$39.6 million, inclusive of amounts attributable to noncontrolling interests of \$24.4 million. In connection with the sale, we used a portion of the proceeds to repay the aggregate related mortgage loan obligations of \$45.1 million and recognized a net loss on extinguishment of debt of \$2.5 million, inclusive of amounts attributable to noncontrolling interests of \$1.5 million. In connection with the sale, we made a distribution to noncontrolling interest holders of \$40.8 million, representing their share of the net proceeds from the sale.

During the year ended December 31, 2013, we also sold our hotel for \$3.7 million, net of selling costs, and recognized a net loss on the sale of \$0.2 million, excluding impairment charges of \$1.1 million and \$10.5 million previously recognized during 2013 and 2012, respectively.

During the year ended December 31, 2013, we entered into contracts to sell nine properties for a total of \$117.5 million. In connection with these potential sales, we recognized impairment charges totaling \$3.4 million during the year ended December 31, 2013 to reduce the carrying values of the properties to their selling prices. At December 31, 2013, these properties were classified as Assets held for sale in the consolidated balance sheet ([Note 5](#)). We completed the sale of six of these properties in January 2014. There can be no assurance that the remaining properties will be sold at the contracted prices, or at all.

In connection with those sales that are deemed businesses, we allocated goodwill totaling \$13.1 million to the cost basis of the properties, for our Real Estate Ownership segment based on the relative fair value at the time of sale or when contracted for sale ([Note 9](#)).

2012 — During the year ended December 31, 2012, we sold 13 domestic properties for \$44.8 million, net of selling costs, and recognized an aggregate net loss on these sales of \$1.4 million, excluding impairment charges of \$12.5 million recognized in 2012 and \$11.8 million previously recognized during 2011.

We also sold a property in December 2012 that we acquired in the CPA[®]:15 Merger (Note 3), which was leased to BE Aerospace. We sold the property for \$25.3 million, net of selling costs, and recognized a net loss on this sale of \$0.5 million.

In December 2012, we entered into a contract to sell a domestic property that we acquired in the CPA[®]:15 Merger for \$1.4 million. We completed the sale of this property in January 2013. At December 31, 2012, this property was classified within Assets held for sale in the consolidated balance sheet.

In connection with those sales that are deemed businesses, we allocated goodwill totaling \$3.2 million to the cost basis of the properties, for our Real Estate Ownership segment based on the relative fair value at the time of sale (Note 9).

Notes to Consolidated Financial Statements

2011 — During the year ended December 31, 2011, we sold seven domestic properties for \$12.5 million, net of selling costs, and recognized a net loss on these sales of \$3.4 million, excluding previously recognized impairment charges of less than \$0.1 million.

In September 2011, one of our subsidiaries consented to a court order appointing a receiver when the subsidiary stopped making payments on the non-recourse debt obligation on a property after the tenant vacated the property. As we no longer had control over the activities that most significantly impact the economic performance of this subsidiary following possession of the property by the receiver, we deconsolidated the subsidiary during the third quarter of 2011. As of the date of deconsolidation, the property had a carrying value of \$5.3 million, reflecting the impact of impairment charges totaling \$5.6 million recognized during the fourth quarter of 2010, and the related non-recourse mortgage loan had an outstanding balance of \$6.3 million. In connection with the deconsolidation, we recognized a gain of \$1.0 million during the third quarter of 2011. We believe that our retained interest in this deconsolidated entity had no value at the date of deconsolidation.

Note 18. Segment Reporting

We evaluate our results from operations by our two major business segments — Real Estate Ownership and Investment Management (Note 1). The following table presents a summary of comparative results of these business segments (in thousands):

| | Years Ended December 31, | | |
|---|---|-------------|------------------------------|
| | 2013 | 2012 | 2011 |
| Real Estate Ownership ^(a) | | | |
| Revenues | \$315,965 | \$129,181 | \$67,064 |
| Operating expenses ^(b) | (178,962) |) (92,441) |) (29,336) |
| Interest expense | (103,728) |) (46,448) |) (18,210) |
| Other, net ^(c) | 51,704 | 84,043 | 82,937 |
| Provision for income taxes | (4,703) |) (4,001) |) (2,243) |
| Income from continuing operations attributable to W. P. Carey | \$80,276 | \$70,334 | \$100,212 |
| Investment Management | | | |
| Revenues ^(d) | \$173,886 | \$223,180 | \$242,647 |
| Operating expenses ^{(d) (e)} | (173,744) |) (207,050) |) (157,572) |
| Other, net ^(f) | 768 | 3,878 | 2,695 |
| Benefit from (provision for) income taxes | 3,451 | (2,771) |) (34,971) |
| Income from continuing operations attributable to W. P. Carey | \$4,361 | \$17,237 | \$52,799 |
| Total Company | | | |
| Revenues ^(d) | \$489,851 | \$352,361 | \$309,711 |
| Operating expenses ^{(d) (e)} | (352,706) |) (299,491) |) (186,908) |
| Interest expense | (103,728) |) (46,448) |) (18,210) |
| Other, net ^{(c) (f)} | 52,472 | 87,921 | 85,632 |
| Provision for income taxes | (1,252) |) (6,772) |) (37,214) |
| Income from continuing operations attributable to W. P. Carey | \$84,637 | \$87,571 | \$153,011 |
| | Total Long-Lived Assets ^(g) at | | Total Assets at December 31, |
| | December 31, | | |
| | 2013 | 2012 | 2013 |
| Real Estate Ownership | \$3,333,654 | \$3,239,755 | \$4,537,853 |
| Investment Management | — | — | 141,097 |
| Total Company | \$3,333,654 | \$3,239,755 | \$4,678,950 |
| | | | 2012 |
| | | | \$4,484,821 |
| | | | 124,221 |
| | | | \$4,609,042 |

Notes to Consolidated Financial Statements

(a) Included within the Real Estate Ownership segment is our total investment in shares of CPA[®]:16 – Global, which represented approximately 6.0% of our total assets at December 31, 2013 (Note 7).

(b) Includes expenses incurred of \$5.0 million related to the CPA[®]:16 Merger for the year ended December 31, 2013 and \$31.7 million related to the CPA[®]:15 Merger for the year ended December 31, 2012.

(c) Includes Other interest income, Net income from equity investments in real estate and the Managed REITs, Gain on change in control of interests, Other income and (expenses), and Net income attributable to noncontrolling interests.

(d) Included in revenues and operating expenses are reimbursable costs from affiliates totaling \$73.6 million, \$98.2 million and \$64.8 million for the years ended December 31, 2013, 2012 and 2011, respectively.

(e) Includes Stock-based compensation expenses of \$37.3 million, \$26.2 million and \$17.8 million for the years ended December 31, 2013, 2012 and 2011, respectively, of which \$37.0 million, \$26.0 million and \$17.8 million, respectively, were included in the Investment Management segment.

(f) Includes Other interest income, Other income and (expenses), Net loss attributable to noncontrolling interests and Net loss (income) attributable to redeemable noncontrolling interest.

(g) Consists of Net investments in real estate.

Our portfolio is comprised of domestic and international investments. At December 31, 2013, our international investments within our Real Estate Ownership segment were comprised of investments in France, Japan, Poland, Germany, Spain, Belgium, Finland, Netherlands and the United Kingdom. None of these countries comprised more than 10% of our total lease revenues or total long-lived assets at December 31, 2013. The following tables present the geographic information (in thousands):

| Year Ended December 31, 2013 | Domestic | Foreign ^(a) | Total |
|---|-------------|------------------------|-------------|
| Revenues | \$218,758 | \$97,207 | \$315,965 |
| Operating expenses | (126,534) | (52,428) | (178,962) |
| Interest expense | (65,978) | (37,750) | (103,728) |
| Other, net ^{(b)(c)} | 48,405 | 3,299 | 51,704 |
| Benefit from (provision) for income taxes | 19 | (4,722) | (4,703) |
| Income from continuing operations attributable to W. P. Carey | \$74,670 | \$5,606 | \$80,276 |
| Total assets | \$3,290,568 | \$1,247,285 | \$4,537,853 |
| Total long-lived assets ^(d) | \$2,172,549 | \$1,161,105 | \$3,333,654 |
| Year Ended December 31, 2012 | Domestic | Foreign ^(a) | Total |
| Revenues | \$100,619 | \$28,562 | \$129,181 |
| Operating expenses | (91,196) | (1,245) | (92,441) |
| Interest expense | (35,239) | (11,209) | (46,448) |
| Other, net ^(c) | 77,441 | 6,602 | 84,043 |
| Provision for income taxes | (2,690) | (1,311) | (4,001) |
| Income from continuing operations attributable to W. P. Carey | \$48,935 | \$21,399 | \$70,334 |
| Total assets | \$3,527,918 | \$956,903 | \$4,484,821 |
| Total long-lived assets ^(d) | \$2,552,481 | \$687,274 | \$3,239,755 |
| Year Ended December 31, 2011 | Domestic | Foreign ^(a) | Total |
| Revenues | \$58,940 | \$8,124 | \$67,064 |
| Operating expenses | (25,821) | (3,515) | (29,336) |
| Interest expense | (16,884) | (1,326) | (18,210) |
| Other, net ^(c) | 76,764 | 6,173 | 82,937 |
| Provision for income taxes | (2,135) | (108) | (2,243) |
| Income from continuing operations attributable to W. P. Carey | \$90,864 | \$9,348 | \$100,212 |

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| | | | |
|--|-------------|----------|-------------|
| Total assets | \$1,258,544 | \$75,522 | \$1,334,066 |
| Total long-lived assets ^(d) | \$1,207,435 | \$66,086 | \$1,273,521 |

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Notes to Consolidated Financial Statements

All years include operations in France, Germany, Poland and Spain. The years ended December 31, 2013 and 2012 (a) also includes operations in Belgium, Finland, the Netherlands and the United Kingdom through properties acquired in 2013 and from CPA[®]:15 in the CPA[®]:15 Merger.

(b) Amount for the year ended December 31, 2012 includes our \$15.1 million share of the net gain recognized by a jointly-owned entity in connection with selling its interests in the Médica investment.

Includes Other interest income, Income from equity investments in real estate and the Managed REITs, Gain on (c) change in control of interests, Other income and (expenses), and Net income attributable to noncontrolling interests.

(d) Consists of Net investments in real estate.

Note 19. Selected Quarterly Financial Data (Unaudited)

(dollars in thousands, except per share amounts)

| | Three Months Ended | | | |
|---|--------------------|---------------|--------------------|-------------------|
| | March 31, 2013 | June 30, 2013 | September 30, 2013 | December 31, 2013 |
| Revenues (a) (b) | \$106,030 | \$112,221 | \$ 132,592 | \$ 139,008 |
| Expenses (a) | 75,194 | 80,811 | 91,625 | 105,076 |
| Net income (c) (d) | 15,839 | 45,816 | 21,650 | 48,860 |
| Net income attributable to noncontrolling interests (d) | (1,708) | (2,692) | (2,912) | (25,624) |
| Net loss (income) attributable to redeemable noncontrolling interests | 50 | 43 | (232) | (214) |
| Net income attributable to W. P. Carey | \$ 14,181 | \$ 43,167 | \$ 18,506 | \$ 23,022 |
| Earnings per share attributable to W. P. Carey (f): | | | | |
| Basic | \$0.20 | \$0.63 | \$ 0.27 | \$ 0.33 |
| Diluted | \$0.20 | \$0.62 | \$ 0.27 | \$ 0.33 |
| Distributions declared per share | \$0.820 | \$0.840 | \$ 0.860 | \$ 0.980 |
| | Three Months Ended | | | |
| | March 31, 2012 | June 30, 2012 | September 30, 2012 | December 31, 2012 |
| Revenues (a) (b) | \$63,831 | \$62,405 | \$ 65,284 | \$ 160,841 |
| Expenses (a) | 52,998 | 55,422 | 82,133 | 108,938 |
| Net income (e) | 11,669 | 31,230 | 2,226 | 17,654 |
| Net loss (income) attributable to noncontrolling interests | 578 | 480 | 325 | (1,990) |
| Net loss (income) attributable to redeemable noncontrolling interests | 43 | 67 | 37 | (187) |
| Net income attributable to W. P. Carey | \$ 12,290 | \$ 31,777 | \$ 2,588 | \$ 15,477 |
| Earnings per share attributable to W. P. Carey (g): | | | | |
| Basic | \$0.30 | \$0.78 | \$ 0.06 | \$ 0.22 |
| Diluted | \$0.30 | \$0.77 | \$ 0.06 | \$ 0.22 |
| Distributions declared per share | \$0.565 | \$0.567 | \$ 0.650 | \$ 0.660 |

(a) Certain amounts from previous quarters have been reclassified to discontinued operations (Note 17).

(b) Amounts for 2013 and the three months ended December 31, 2012 include the impact of the CPA[®]:15 Merger (Note 3).

(c)

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Amount for the three months ended June 30, 2013 includes a net gain of \$19.5 million on the sale of our U.S. Airway investment (Note 7).

Amount for the three months ended December 31, 2013 includes a net gain of \$39.6 million on the sale of 19 of 20 (d) of our self-storage properties, inclusive of amounts attributable to noncontrolling interests of \$24.4 million (Note 17).

(e) Amount for the three months ended June 30, 2012 includes our \$15.1 million share of the net gain recognized by a jointly-owned French entity in connection with selling its interests in the underlying investment.

(f) For the year ended December 31, 2013, the total quarterly diluted earnings per share was \$0.01 higher than the annual diluted earnings per share due to the effects of rounding.

Notes to Consolidated Financial Statements

For the year ended December 31, 2012, total quarterly basic and diluted earnings per share were \$0.06 and \$0.07 (g) higher than the annual basis and diluted earnings per share, respectively, as a result of the change in the shares outstanding for each of the periods, primarily due to the issuance of shares in the CPA[®]:15 Merger (Note 3).

Note 20. Subsequent Events

CPA[®]:16 Merger

On July 25, 2013, we and CPA[®]:16 – Global entered into a definitive agreement pursuant to which CPA[®]:16 – Global would merge with and into one of our wholly-owned subsidiaries, subject to the approval of our stockholders and the stockholders of CPA[®]:16 – Global. On January 24, 2014, our stockholders and the stockholders of CPA[®]:16 – Global each approved the CPA[®]:16 Merger, and the CPA[®]:16 Merger closed on January 31, 2014.

In the CPA[®]:16 Merger, CPA[®]:16 – Global stockholders received 0.1830 shares of our common stock in exchange for their shares of CPA[®]:16 – Global stock, pursuant to an exchange ratio based upon a value of \$11.25 per share of CPA[®]:16 – Global and the volume weighted average trading price, or VWAP, of our common stock for the five consecutive trading days ending on the third trading day preceding the closing of the transaction on January 31, 2014. CPA[®]:16 – Global stockholders received cash in lieu of any fractional shares in the CPA[®]:16 Merger. We paid total merger consideration of approximately \$1.8 billion, including the issuance of 30,729,878 shares of our common stock with a fair value of \$1.8 billion, based on the closing price of our common stock on January 31, 2014, of \$59.08 per share, to the stockholders of CPA[®]:16 – Global in exchange for the 168,041,772 shares of CPA[®]:16 – Global common stock that we and our affiliates did not previously own, and cash of \$1.3 million paid in lieu of issuing any fractional shares. As a condition of the CPA[®]:16 Merger, we waived the subordinated disposition and termination fees that we would have been entitled to receive from CPA[®]:16 – Global upon its liquidation pursuant to the terms of our advisory agreement with CPA[®]:16 – Global (Note 4).

Immediately prior to the CPA[®]:16 Merger, CPA[®]:16 – Global's portfolio was comprised of the consolidated full or partial interests in 327 leased properties, substantially all of which were triple-net leased with an average remaining life of 10.4 years and an estimated annual contractual minimum base rent totaling \$300.1 million, and two hotel properties. The related property-level debt was comprised of 92 fixed-rate and 18 variable-rate non-recourse mortgage loans with an aggregate fair value of approximately \$1.7 billion and a weighted-average annual interest rate of 5.6%. In addition, CPA[®]:16 – Global had equity interests in 18 unconsolidated investments, eleven of which were consolidated by us prior to the CPA[®]:16 Merger, five are consolidated by us subsequent to the CPA[®]:16 Merger and two are jointly-owned with CPA[®]:17 – Global. These investments own 140 properties, substantially all of which were triple-net leased with an average remaining life of 8.6 years and an estimated annual contractual minimum base rent totaling \$63.9 million. The debt related to these equity investments was comprised of 17 fixed-rate and five variable-rate non-recourse mortgage loans with an aggregate fair value of approximately \$0.3 billion and a weighted-average annual interest rate of 4.8%.

Preliminary Purchase Price Allocation

We accounted for the CPA[®]:16 Merger as a business combination under the acquisition method of accounting. After consideration of all applicable factors pursuant to the business combination accounting rules, we were considered the "accounting acquirer" due to various factors, including the fact that our stockholders held the largest portion of the voting rights in us upon completion of the CPA[®]:16 Merger. Costs of \$5.0 million related to the CPA[®]:16 Merger have been expensed as incurred and classified within Merger and acquisition expenses in the consolidated statements of income for the year ended December 31, 2013.

The purchase price was allocated to the assets acquired and liabilities assumed, based upon their preliminary fair values at January 31, 2014. The fair values of the lease intangibles acquired were measured in a manner consistent with our purchase price allocation policy described in Note 2. The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed in the acquisition, based on the current best estimate of management. We are in the process of finalizing our assessment of the fair value of the assets acquired and liabilities assumed. Investments in real estate, net investments in direct financing leases, equity investments in real estate, non-recourse debt and amounts attributable to noncontrolling interests were based on preliminary valuation data and estimates. Accordingly, the fair value of these assets and liabilities and the impact to goodwill are subject to change.

Notes to Consolidated Financial Statements

| | Preliminary Purchase Price Allocation (in thousands) | |
|--|---|---|
| Total Consideration | | |
| Fair value of W. P. Carey shares of common stock issued | \$1,815,521 | |
| Cash consideration for fractional shares | 1,338 | |
| Merger Consideration | 1,816,859 | |
| Fair value of our equity interest in CPA [®] :16 – Global prior to the CPA [®] :16 Merger | 324,049 | |
| Fair value of our equity interest in jointly-owned investments with CPA [®] :16 – Global prior to the CPA [®] :16 Merger | 156,205 | |
| Fair value of noncontrolling interests acquired | (259,455 |) |
| | \$2,037,658 | |
| Assets Acquired at Fair Value | | |
| Net investments in properties | \$2,018,445 | |
| Net investments in direct financing leases | 496,723 | |
| Equity investments in real estate | 68,608 | |
| Notes receivable | 21,419 | |
| In-place lease intangible assets, net (weighted-average life - 12.8 years) | 568,692 | |
| Above-market rent intangible assets, net (weighted-average life - 12.1 years) | 387,206 | |
| Cash and cash equivalents | 70,672 | |
| Other assets, net | 71,969 | |
| | 3,703,734 | |
| Liabilities Assumed at Fair Value | | |
| Non-recourse debt and line of credit | (1,728,382 |) |
| Below-market rent and other intangible liabilities (weighted-average life - 19.3 years) | (66,183 |) |
| Accounts payable, accrued expenses and other liabilities | (123,036 |) |
| Deferred tax liability | (44,795 |) |
| | (1,962,396 |) |
| Total identifiable net assets | 1,741,338 | |
| Amounts attributable to noncontrolling interests | (96,139 |) |
| Goodwill | 392,459 | |
| | \$2,037,658 | |

Goodwill

The \$392.5 million of preliminary estimated goodwill recorded in the CPA[®]:16 Merger was primarily due to the \$428.5 million premium we paid on CPA[®]:16 – Global’s common stock. At the time we entered into the merger agreement, the consideration of \$11.25 per common share of CPA[®]:16 – Global represented a premium of \$2.55 per share over the December 31, 2012 estimated NAV of CPA[®]:16 – Global, which was \$8.70. Management believes the premium is supported by several factors of the combined entity, including the fact that (i) it is among the largest publicly traded REITs with greater operating and financial flexibility and better access to capital markets and with a lower cost of capital than CPA[®]:16 – Global had on a stand-alone basis; (ii) the CPA[®]:16 Merger eliminated costs associated with the advisory structure that CPA[®]:16 – Global had previously; and (iii) the combined portfolio has greater tenant and geographic diversification and an improved overall weighted-average debt maturity and interest rate.

The fair value of the 30,729,878 shares of our common stock issued in the CPA[®]:16 Merger as part of the consideration paid for CPA[®]:16 of \$1.8 billion was derived from the closing market price of our common stock on the acquisition date. As required by GAAP, the fair value related to the assets acquired and liabilities assumed, as well as the shares exchanged, has been computed as of the date we gained control, which was the closing date of the CPA[®]:16 Merger, in a manner consistent with the methodology described above.

Notes to Consolidated Financial Statements

Goodwill is not deductible for income tax purposes.

Pro Forma Financial Information (Unaudited)

The following unaudited consolidated pro forma financial information has been presented as if the CPA[®]:16 Merger, had occurred on January 1, 2013 for the year ended December 31, 2013. The pro forma financial information is not necessarily indicative of what the actual results would have been had the CPA[®]:16 Merger on that date, nor does it purport to represent the results of operations for future periods.

(in thousands, except share and per share amounts):

| | |
|---|-------------|
| Pro forma total revenues | \$787,219 |
| Pro forma income attributable to W. P. Carey | \$85,827 |
| Pro forma earnings per share: ^(a) | |
| Basic | \$0.86 |
| Diluted | \$0.85 |
| Pro forma weighted-average shares: ^(b) | |
| Basic | 99,420,924 |
| Diluted | 100,437,886 |

The pro forma income attributable to W. P. Carey reflects combined merger expenses of \$36.3 million incurred (a) related to the CPA[®]:16 Merger for the year ended December 31, 2013 as if the CPA[®]:16 Merger had taken place on January 1, 2013.

The pro forma weighted average shares outstanding for the year ended December 31, 2013 were determined as if (b) the 30,729,878 shares of our common stock issued to CPA[®]:16 stockholders in the CPA[®]:16 Merger were issued on January 1, 2013.

New Senior Credit Facility

In January 2014, we entered into the Second Amended and Restated Credit Agreement with various banks to increase the maximum aggregate principal amount from \$625.0 million to \$1.25 billion, which is comprised of a \$1.0 billion unsecured revolving credit facility and a \$250.0 million term loan facility. The revolving credit facility matures in four years but may be extended by one year at our option, subject to the conditions provided in the credit agreement. The term loan facility matures in two years but we have two options to extend the maturity by another year. In connection with obtaining the new line of credit, we incurred financing costs totaling \$8.6 million, to be amortized to interest expense over the life of the facilities. On January 31, 2014, we drew down \$765.0 million, to repay and terminate our Prior Senior Credit Facility, and our Unsecured Term Loan, as well as CPA[®]:16 – Global’s line of credit in connection with the CPA[®]:16 Merger.

2014 LTIP Awards

In February 2014, the compensation committee of our board of directors approved long-term incentive plan awards to key employees consisting of 161,960 RSUs and 79,654 PSUs that will have a dilutive impact on our earnings per share calculation.

W. P. CAREY INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

For the Years Ended December 31, 2013, 2012 and 2011
(in thousands)

| Description | Balance at Beginning of Year | Other Additions ^(a) ^(b) | Deductions | Balance at End of Year |
|---|------------------------------|---|------------|------------------------|
| Year Ended December 31, 2013 | | | | |
| Valuation reserve for deferred tax assets | \$15,133 | \$3,081 | \$— | \$18,214 |
| Year Ended December 31, 2012 | | | | |
| Valuation reserve for deferred tax assets | \$— | \$15,133 | \$— | 15,133 |
| Year Ended December 31, 2011 | | | | |
| Valuation reserve for deferred tax assets | \$— | \$— | \$— | \$— |

^(a) The amount for the year ended December 31, 2013 includes the amount recorded in connection with the out-of-period adjustment related to deferred foreign income taxes (Note 2).

^(b) Amount for the year ended December 31, 2012 represents the amount acquired in the CPA[®]:15 Merger related to net operating loss carry-forwards. During 2013, we corrected an error which increased the valuation reserve for deferred tax assets for the year ended December 31, 2012 from \$11.9 million to \$15.1 million.

W. P. CAREY INC.

SCHEDULE III — REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2013

(in thousands)

| Description | En- land- ment | Build- ings | Costs Capitalized to Company | Subsequent Acquisition (a) | Increase (Decrease) in Net Investments (b) | Gross Amount at which Carried at Close of Period (c) | | | Accumulated Depreciation (c) | Date of Construction | Date Acquired | Life on which Depreciation in Latest Statement of Income is Computed |
|--|----------------------|----------------|---------------------------------------|----------------------------------|--|---|----------|---------|------------------------------------|-------------------------|------------------|---|
| | | | | | | Land | Building | Total | | | | |
| Real Estate Under Operating Leases: | | | | | | | | | | | | |
| Office facilities in Broomfield, CO | \$— | \$248 | \$2,538 | \$4,844 | \$(3,798) | \$1,983 | \$1,849 | \$3,832 | \$819 | 1974 | Jan. 1998 | 40 yrs. |
| Industrial facilities in Erlanger, KY | 11,732 | 26,214 | 27 | 2,966 | 141 | 1,526 | 24,534 | 26,060 | 10,094 | 1979; 1987 | Jan. 1998 | 40 yrs. |
| Retail facility in Montgomery, AL | — | 855 | 6,762 | 277 | (6,978) | 142 | 774 | 916 | 435 | 1987 | Jan. 1998 | 40 yrs. |
| Warehouse/distribution facilities in Anchorage, AK and Commerce, CA | — | 4,905 | 11,898 | — | 12 | 4,905 | 11,910 | 16,815 | 2,231 | 1948; 1975 | Jan. 1998 | 40 yrs. |
| Industrial facility in Toledo, OH | — | 224 | 2,408 | — | — | 224 | 2,408 | 2,632 | 1,104 | 1966 | Jan. 1998 | 40 yrs. |
| Industrial facility in Goshen, IN | — | 239 | 940 | — | — | 239 | 940 | 1,179 | 180 | 1973 | Jan. 1998 | 40 yrs. |
| Office facility in Raleigh, NC | — | 1,638 | 2,844 | 157 | (2,554) | 828 | 1,257 | 2,085 | 524 | 1983 | Jan. 1998 | 20 yrs. |
| Office facility in King of Prussia, PA | — | 1,219 | 6,283 | 1,295 | — | 1,219 | 7,578 | 8,797 | 2,854 | 1968 | Jan. 1998 | 40 yrs. |
| Industrial facility in Pinconning, MS | — | 32 | 1,692 | — | — | 32 | 1,692 | 1,724 | 677 | 1948 | Jan. 1998 | 40 yrs. |
| Industrial facilities in San Fernando, CA | 6,885 | 2,052 | 5,322 | — | (1,889) | 1,494 | 3,991 | 5,485 | 1,616 | 1962; 1979 | Jan. 1998 | 40 yrs. |
| Retail facilities in several cities in the following states: Alabama, Florida, Georgia, Illinois, Louisiana, Missouri, New Mexico, North Carolina, South Carolina, Tennessee, and Texas | — | 9,382 | — | — | 3,371 | 9,210 | 3,543 | 12,753 | 83 | Various | Jan. 1998 | 15 yrs. |

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| | | | | | | | | | | | | |
|---|--------|--------|--------|-------|----------|-------|--------|--------|-------|------------|-----------|---------|
| Industrial facility in Milton, VT | — | 220 | 1,579 | — | — | 220 | 1,579 | 1,799 | 631 | 1987 | Jan. 1998 | 40 yrs. |
| Land in Glendora, CA | — | 1,135 | — | — | 17 | 1,152 | — | 1,152 | — | N/A | Jan. 1998 | N/A |
| Industrial facility in Doraville, GA | 4,730 | 10,888 | 9,864 | 1,546 | 274 | 3,288 | 11,684 | 14,972 | 4,198 | 1964 | Jan. 1998 | 40 yrs. |
| Office facilities in Collierville, TN and warehouse/distribution facility in Corpus Christi, TX | 50,349 | 0 | 72,497 | — | (15,609) | 288 | 60,090 | 60,378 | 5,815 | 1989; 1999 | Jan. 1998 | 40 yrs. |
| Land in Irving and Houston, TX | 8,000 | 0 | 795 | — | — | 9,795 | — | 9,795 | — | N/A | Jan. 1998 | N/A |
| Industrial facility in Chandler, AZ | 11,500 | 0 | 18,957 | 7,435 | 541 | 5,035 | 26,933 | 31,968 | 9,743 | 1989 | Jan. 1998 | 40 yrs. |
| Warehouse/distribution facility in Houston, TX | — | 167 | 885 | 73 | — | 167 | 958 | 1,125 | 368 | 1952 | Jan. 1998 | 40 yrs. |

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SCHEDULE III — REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)

December 31, 2013

(in thousands)

| Description | Encumbrances | Initial Cost to Company | Buildings | Acquisitions | Costs Capitalized to Subsequent Increase in Net Investment (Decrease) | Gross Amount at which Carried at Close of Period (c) | Buildings | Total | Accumulated Depreciation (c) | Date of Construction | Date Acquired | Life which Depr in Latest State of In |
|--|--------------|-------------------------|-----------|--------------|---|--|-----------|--------|------------------------------|----------------------|----------------------|---------------------------------------|
| | | | | | | | | | | | | |
| Office facility in Bridgeton, MO | — | 842 | 4,762 | 1,832 | 71 | 842 | 6,665 | 7,507 | 1,839 | 1972 | Jan. 1998 | 40 yr |
| Warehouse/distribution facility in Industry, CA | — | 3,789 | 13,164 | 2,070 | 318 | 3,789 | 15,552 | 19,341 | 5,017 | 1976 | Jan. 1998 | 40 yr |
| Retail facilities in Drayton Plains, MI and Citrus Heights, CA | — | 1,039 | 4,788 | 202 | 193 | 1,039 | 5,183 | 6,222 | 1,178 | 1972 | Jan. 1998 | 35 yr |
| Warehouse/distribution facility in Memphis, TN | — | 1,882 | 3,973 | 21 | (3,893) | 328 | 1,655 | 1,983 | 629 | 1969 | Jan. 1998 | 15 yr |
| Retail facility in Bellevue, WA | 7,992 | 4,125 | 11,812 | 393 | (123) | 4,371 | 11,836 | 16,207 | 4,647 | 1994 | Apr. 1998 | 40 yr |
| Office facility in Houston, TX | — | 3,260 | 22,574 | 1,628 | (23,311) | 211 | 3,940 | 4,151 | 2,985 | 1982 | Jun. 1998 | 40 yr |
| Office facility in Rio Rancho, NM | 7,893 | 1,190 | 9,353 | 1,742 | — | 1,467 | 10,818 | 12,285 | 3,884 | 1999 | Jul. 1998 | 40 yr |
| Office facility in Moorestown, NJ | — | 351 | 5,981 | 987 | 43 | 351 | 7,011 | 7,362 | 3,062 | 1964 | Feb. 1999 | 40 yr |
| Office facility in Norcross, GA | 27,911 | 5,200 | 25,585 | 11,822 | — | 5,200 | 37,407 | 42,607 | 13,262 | 1975 | Jun. 1999 | 40 yr |
| Office facility in Illkirch, France | 12,348 | — | 18,520 | 6 | 11,133 | — | 29,659 | 29,659 | 10,188 | 2001 | Dec. 2001 | 40 yr |
| Industrial facilities in Lenexa, KS; Winston-Salem, NC; and Dallas, TX | — | 1,860 | 12,539 | 2,875 | 5 | 1,860 | 15,419 | 17,279 | 3,632 | 1968; 1980; 1983 | Sep. 2002 | 40 yr |
| Office facilities in Playa Vista and Venice, CA | 49,161 | 2,032 | 10,152 | 52,816 | 1 | 5,889 | 59,112 | 65,001 | 4,629 | 1991; 1999 | Sep. 2004; Sep. 2012 | 40 yr |
| Warehouse/distribution facility in Greenfield, IN | — | 2,807 | 10,335 | 223 | (8,383) | 967 | 4,015 | 4,982 | 995 | 1995 | Sep. 2004 | 40 yr |
| Warehouse/distribution facilities in Birmingham, AL | 4,284 | 1,256 | 7,704 | — | — | 1,256 | 7,704 | 8,960 | 1,789 | 1995 | Sep. 2004 | 40 yr |

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| | | | | | | | | | | | | |
|--|--------|--------|--------|-----|----------|--------|--------|--------|-------|------------|-----------|-------|
| Industrial facility in Scottsdale, AZ | 1,189 | 586 | 46 | — | — | 586 | 46 | 632 | 11 | 1988 | Sep. 2004 | 40 yr |
| Retail facility in Hot Springs, AR | — | 850 | 2,939 | 2 | (2,614) | — | 1,177 | 1,177 | 274 | 1985 | Sep. 2004 | 40 yr |
| Warehouse/distribution facilities in Apopka, FL | — | 362 | 10,855 | 657 | (155) | 337 | 11,382 | 11,719 | 2,573 | 1969 | Sep. 2004 | 40 yr |
| Land in San Leandro, CA | — | 1,532 | — | — | — | 1,532 | — | 1,532 | — | N/A | Dec. 2006 | N/A |
| Sports facility in Austin, TX | 3,007 | 1,725 | 5,168 | — | — | 1,725 | 5,168 | 6,893 | 1,285 | 1995 | Dec. 2006 | 28.5 |
| Retail facility in Wroclaw, Poland | 8,541 | 3,600 | 10,306 | — | (1,455) | 3,443 | 9,008 | 12,451 | 1,364 | 2007 | Dec. 2007 | 40 yr |
| Office facility in Fort Worth, TX | 33,044 | 4,600 | 37,580 | — | — | 4,600 | 37,580 | 42,180 | 3,680 | 2003 | Feb. 2010 | 40 yr |
| Warehouse/distribution facility in Mallorca, Spain | — | 11,109 | 12,636 | — | 3,571 | 12,781 | 14,535 | 27,021 | 1,302 | 2008 | Jun. 2010 | 40 yr |
| Office facilities in San Diego, CA | 33,268 | 7,247 | 29,098 | 967 | (5,514) | 4,762 | 27,036 | 31,798 | 3,179 | 1989 | May 2011 | 40 yr |
| Retail facilities in Florence, AL; Snellville, GA; Concord, NC; Rockport, TX; and Virginia Beach, VA | 22,000 | 5,646 | 12,367 | — | — | 5,646 | 12,367 | 18,013 | 434 | 2005; 2007 | Sep. 2012 | 40 yr |

SCHEDULE III — REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)

December 31, 2013

(in thousands)

| Description | Encumbrances | Initial Cost to Company | | Costs Capitalized | Subsequent Increase in Net Investments | Gross Amount at which Carried at Close of Period (c) | Accumulated Depreciation (c) | Date of Construction | Date Acquired | Life of which Depreciated in Latest Statement of Income | | |
|--|--------------|-------------------------|-----------|-------------------|--|--|------------------------------|----------------------|---------------|---|-----------|---------|
| | | Land | Buildings | | | | | | | | | |
| Hospitality facilities in Irvine, Sacramento, and San Diego, CA; Orlando, FL; Des Plaines, IL; Indianapolis, IN; Louisville, KY; Linthicum Heights, MD; Newark, NJ; Albuquerque, NM; and Spokane, WA | 140,000 | 32,680 | 198,999 | — | — | 32,680 | 198,999 | 231,679 | 6,843 | 1989; 1990 | Sep. 2012 | 34 - 36 |
| Industrial facilities in Bluffton, OH; Auburn, IN; and Milan, TN | — | 2,564 | 6,998 | — | — | 2,564 | 6,998 | 9,562 | 292 | 1968; 1975; 1979 | Sep. 2012 | 30 yrs |
| Land in Irvine, CA | 1,649 | 4,173 | — | — | — | 4,173 | — | 4,173 | — | N/A | Sep. 2012 | N/A |
| Industrial facility in Alpharetta, GA | 7,540 | 2,198 | 6,349 | — | — | 2,198 | 6,349 | 8,547 | 265 | 1997 | Sep. 2012 | 30 yrs |
| Office facility in Clinton, NJ | 24,827 | 2,866 | 34,834 | — | — | 2,866 | 34,834 | 37,700 | 1,451 | 1987 | Sep. 2012 | 30 yrs |
| Office facilities in St. Petersburg, FL | — | 3,280 | 24,627 | — | — | 3,280 | 24,627 | 27,907 | 1,026 | 1980; 1996; 1999 | Sep. 2012 | 30 yrs |
| Movie theater in Baton Rouge, LA | 9,869 | 4,168 | 5,724 | — | — | 4,168 | 5,724 | 9,892 | 238 | 2003 | Sep. 2012 | 30 yrs |
| Office facilities in San Diego, CA | 16,771 | 7,804 | 16,729 | — | — | 7,804 | 16,729 | 24,533 | 697 | 2002 | Sep. 2012 | 30 yrs |
| Industrial facilities in Richmond, CA | — | 895 | 1,953 | — | — | 895 | 1,953 | 2,848 | 81 | 1987; 1999 | Sep. 2012 | 30 yrs |
| Warehouse/distribution and industrial facilities in Kingman, AZ; Woodland, CA; Jonesboro, GA; Kansas City, MO; Springfield, OR; | 61,262 | 16,386 | 84,668 | — | — | 16,386 | 84,668 | 101,054 | 3,499 | Various | Sep. 2012 | 30 yrs |

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| | | | | | | | | | | | | |
|---|--------|--------|--------|-------|-------|--------|--------|---------|-------|------------|-----------|--------|
| Fogelsville, PA; and Corsicana, TX Warehouse/distribution facilities in Lens, Nimes, Colomiers, Thuit Hebert, Ploufragen, and Cholet, France | 89,224 | 15,779 | 89,421 | — | 7,428 | 16,893 | 95,735 | 112,628 | 3,981 | Various | Sep. 2012 | 30 yrs |
| Industrial facilities in Orlando, FL; Rocky Mount, NC, and Lewisville, TX | — | 2,163 | 17,715 | — | — | 2,163 | 17,715 | 19,878 | 740 | Various | Sep. 2012 | 30 yrs |
| Industrial facilities in Chattanooga, TN | — | 558 | 5,923 | — | — | 558 | 5,923 | 6,481 | 244 | 1974; 1989 | Sep. 2012 | 30 yrs |
| Industrial facility in Mooresville, NC | 6,063 | 756 | 9,775 | — | — | 756 | 9,775 | 10,531 | 402 | 1997 | Sep. 2012 | 30 yrs |
| Industrial facility in McCalla, AL | — | 960 | 14,472 | 6,350 | — | 960 | 20,822 | 21,782 | 652 | 2004 | Sep. 2012 | 31 yrs |
| Office facility in Lower Makefield Township, PA | 10,460 | 1,726 | 12,781 | — | — | 1,726 | 12,781 | 14,507 | 524 | 2002 | Sep. 2012 | 30 yrs |
| Industrial facility in Fort Smith, AZ | — | 1,063 | 6,159 | — | — | 1,063 | 6,159 | 7,222 | 250 | 1982 | Sep. 2012 | 30 yrs |
| Retail facilities in Greenwood, IN and Buffalo, NY | 10,883 | — | 19,990 | — | — | — | 19,990 | 19,990 | 804 | 2003; 2004 | Sep. 2012 | 30 - 3 |

SCHEDULE III — REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)

December 31, 2013

(in thousands)

| Description | Encumbrances | Initial Cost to Company | | Costs Capitalized | | Gross Amount at which Carried at Close of Period (c) | | Accumulated Depreciation (c) | Date of Construction | Date Acquired | Life of which Depreciated in Latest Statement of Income | |
|---|--------------|-------------------------|-----------|-----------------------------|---------------------------------------|--|-----------|------------------------------|----------------------|------------------|---|-------------|
| | | Land | Buildings | Substantive Investments (a) | (Decrease) Increase in Net Period (b) | Land | Buildings | | | | | Total |
| Industrial facilities in Bowling Green, KY and Jackson, TN | 7,106 | 1,492 | 8,182 | — | — | 1,492 | 8,182 | 9,674 | 332 | 1989; 1995 | Sep. 2012 | 31 yrs |
| Education facilities in Avondale, AZ; Rancho Cucamonga, CA; Glendale Heights, IL; and Exton, PA | 36,244 | 14,006 | 33,683 | — | (1,961) | 12,045 | 33,683 | 45,728 | 1,315 | 1988; 2004 | Sep. 2012 | 31 - 35 yrs |
| Industrial facilities in St. Petersburg, FL; Buffalo Grove, IL; West Lafayette, IN; Excelsior Springs, MO; and North Versailles, PA | 12,008 | 6,559 | 19,078 | — | — | 6,559 | 19,078 | 25,637 | 767 | Various | Sep. 2012 | 31 yrs |
| Industrial facilities in Tolleson, AZ; Alsip, IL; and Solvay, NY | 14,276 | 6,080 | 23,424 | — | — | 6,080 | 23,424 | 29,504 | 935 | 1990; 1994; 2000 | Sep. 2012 | 31 yrs |
| Land in Kahl, Germany | 10,406 | 6,694 | — | — | 473 | 7,167 | — | 7,167 | — | N/A | Sep. 2012 | N/A |
| Land in Memphis, TN and sports facilities in Bedford, TX and Englewood, CO | 9,320 | 4,877 | 4,258 | — | 4,823 | 4,877 | 9,081 | 13,958 | 264 | 1990; 1995; 2001 | Sep. 2012 | 31 yrs |
| Office facilities in Mons, Belgium | 11,032 | 1,505 | 6,026 | 195 | 537 | 1,611 | 6,652 | 8,263 | 252 | 1982; 1983 | Sep. 2012 | 32 yrs |
| Warehouse/distribution facilities in Oceanside, CA and Concordville, PA | 4,242 | 3,333 | 8,270 | — | — | 3,333 | 8,270 | 11,603 | 331 | 1989; 1996 | Sep. 2012 | 31 yrs |
| Office facility in Peachtree City, GA | 3,747 | 1,205 | 5,907 | — | — | 1,205 | 5,907 | 7,112 | 234 | 2001 | Sep. 2012 | 31 yrs |
| Self-storage and trucking facilities in numerous locations throughout the U.S. | — | 74,551 | 319,186 | — | — | 74,551 | 319,186 | 393,737 | 12,633 | Various | Sep. 2012 | 31 yrs |

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| | | | | | | | | | | | | |
|---|--------|--------|--------|-----|---------|--------|--------|--------|-----|------------|-----------|--------|
| Warehouse/distribution facility in La Vista, NE | 21,968 | 4,196 | 23,148 | — | — | 4,196 | 23,148 | 27,344 | 864 | 2005 | Sep. 2012 | 33 yrs |
| Office facility in Pleasanton, CA | 12,114 | 3,675 | 7,468 | — | — | 3,675 | 7,468 | 11,143 | 295 | 2000 | Sep. 2012 | 31 yrs |
| Office facility in San Marcos, TX | — | 440 | 688 | — | — | 440 | 688 | 1,128 | 27 | 2000 | Sep. 2012 | 31 yrs |
| Office facilities in Espoo, Finland | 60,643 | 40,555 | 15,662 | — | 3,969 | 43,418 | 16,768 | 60,186 | 660 | 1972 | Sep. 2012 | 31 yrs |
| Office facility in Conflans, France | 21,987 | 7,208 | 11,333 | 196 | (3,351) | 5,879 | 9,507 | 15,386 | 476 | 1985 | Sep. 2012 | 31 yrs |
| Office facility in Chicago, IL | 15,090 | 2,169 | 19,010 | — | — | 2,169 | 19,010 | 21,179 | 745 | 1910 | Sep. 2012 | 31 yrs |
| Industrial facility in Louisville, CO | 9,445 | 5,342 | 8,786 | — | — | 5,342 | 8,786 | 14,128 | 344 | 1993 | Sep. 2012 | 31 yrs |
| Industrial facilities in Hollywood and Orlando, FL | — | 3,639 | 1,269 | — | — | 3,639 | 1,269 | 4,908 | 50 | 1996 | Sep. 2012 | 31 yrs |
| Warehouse/distribution facility in Golden, CO | — | 808 | 4,304 | 77 | — | 808 | 4,381 | 5,189 | 186 | 1998 | Sep. 2012 | 30 yrs |
| Industrial facilities in Texarkana, TX and Orem, UT | — | 1,755 | 4,493 | — | — | 1,755 | 4,493 | 6,248 | 176 | 1991; 1997 | Sep. 2012 | 31 yrs |
| Industrial facility in Eugene, OR | 4,642 | 2,286 | 3,783 | — | — | 2,286 | 3,783 | 6,069 | 148 | 1980 | Sep. 2012 | 31 yrs |
| Industrial facility in Neenah, WI | 4,186 | 438 | 4,954 | — | — | 438 | 4,954 | 5,392 | 194 | 1993 | Sep. 2012 | 31 yrs |
| Industrial facility in South Jordan, UT | 12,814 | 2,183 | 11,340 | — | — | 2,183 | 11,340 | 13,523 | 444 | 1995 | Sep. 2012 | 31 yrs |

SCHEDULE III — REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)

December 31, 2013

(in thousands)

| Description | Encumbrance | Initial Cost to Company | | Costs Capitalized | (Decrease) | Gross Amount at which | | | Accumulated Depreciation (c) |
|---|-------------|-------------------------|-----------|----------------------------|---------------------------------|--------------------------------|--------|-----------|------------------------------|
| | | Land | Buildings | Subsequent Acquisition (a) | Increase in Net Investments (b) | Carried at Close of Period (c) | Land | Buildings | |
| Warehouse/distribution facility in Ennis, TX | 2,522 | 478 | 4,087 | 145 | — | 478 | 4,232 | 4,710 | 164 |
| Land in Chandler and Tucson, AZ; Alhambra, Chino, Garden Grove, and Tustin, CA; Westland and Canton, MI; and Carrollton, Duncansville, and Lewisville, TX | — | 6,343 | 379 | — | (1,384) | 5,338 | — | 5,338 | — |
| Land in Braintree, MA | 473 | 2,409 | — | — | (1,403) | 1,006 | — | 1,006 | — |
| Office facility in Helsinki, Finland | 67,879 | 26,560 | 20,735 | — | 3,339 | 28,435 | 22,199 | 50,634 | 860 |
| Office facility in Paris, France | 76,089 | 23,387 | 43,450 | — | 4,719 | 25,038 | 46,518 | 71,556 | 1,776 |
| Retail facilities in Bydgoszcz, Czestochowa, Jablonna, Katowice, Kielce, Lodz, Lubin, Olsztyn, Opole, Plock, Rybnik, Walbrzych, and Warsaw, Poland | 151,391 | 26,564 | 72,866 | — | 7,021 | 28,439 | 78,012 | 106,450 | 4,087 |
| Office facility in Laupheim, Germany | — | 2,072 | 8,339 | — | 735 | 2,219 | 8,927 | 11,146 | 558 |
| Industrial facilities in Danbury, CT and Bedford, MA | 12,088 | 3,519 | 16,329 | — | — | 3,519 | 16,329 | 19,848 | 682 |
| Office facility in Northfield, IL | 36,500 | 18,979 | 40,063 | — | — | 18,979 | 40,063 | 59,042 | 1,287 |
| Warehouse/distribution facilities in Venlo, Netherlands | — | 10,154 | 18,590 | — | 1,691 | 10,751 | 19,684 | 30,435 | 387 |
| | — | 2,309 | 37,153 | — | 2,215 | 2,408 | 39,269 | 41,677 | 732 |

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| | | | | | | | | | |
|--|-------------|-----------|-------------|-----------|------------|-----------|-------------|-------------|-----------|
| Office and industrial facilities in Tampere, Finland | | | | | | | | | |
| Office facility in Quincy, MA | — | 2,316 | 21,537 | — | — | 2,316 | 21,537 | 23,853 | 337 |
| Office facility in Salford, United Kingdom | — | — | 30,012 | — | 1,627 | — | 31,639 | 31,639 | 271 |
| Office facility in Lone Tree, CO | 20,978 | 4,761 | 28,864 | — | — | 4,761 | 28,864 | 33,625 | 64 |
| | \$1,322,005 | \$537,206 | \$1,891,906 | \$103,799 | \$(26,107) | \$534,697 | \$1,972,107 | \$2,506,804 | \$168,076 |

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SCHEDULE III — REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)

December 31, 2013

(in thousands)

| Description | Encumbrance | Initial Cost to Company | | Costs Capitalized to Subsequent Acquisitions | Net Increase (Decrease) in Investments | Gross Amount at which Carried at Close of Period Total | Date of Construction | Date Acquired |
|---|-------------|-------------------------|-----------|--|--|--|----------------------|---------------|
| | | Land | Buildings | | | | | |
| Direct Financing Method: Retail facilities in several cities in the following states: Alabama, Florida, Georgia, Illinois, Louisiana, Missouri, North Carolina, and Texas | \$ — | \$ — | \$ 16,416 | \$ — | \$ (3,927) | \$ 12,489 | Various | Jan. 1998 |
| Industrial facilities in Glendora, CA and Romulus, MI | — | 454 | 13,251 | 9 | (2,747) | 10,967 | 1950; 1970 | Jan. 1998 |
| Industrial facilities in Thurmont, MD and Farmington, NY | — | 729 | 6,093 | — | (184) | 6,638 | 1964; 1983 | Jan. 1998 |
| Industrial facilities in Irving and Houston, TX | 19,437 | — | 27,599 | — | (3,914) | 23,685 | 1978 | Jan. 1998 |
| Retail facility in Braintree, MA | 2,908 | — | 8,761 | — | (2,577) | 6,184 | 1994 | Sep. 2012 |
| Education facilities in Chandler and Tucson, AZ; Alhambra, Chino, Garden Grove, and Tustin, CA; Naperville, IL; Westland and Canton, MI; and Carrollton, Duncansville, and Lewisville, TX | — | — | 7,840 | — | (69) | 7,771 | Various | Sep. 2012 |
| Retail facility in Freehold, NJ | 9,901 | — | 17,067 | — | (39) | 17,028 | 2004 | Sep. 2012 |
| Office facilities in Corpus Christi, Odessa, San Marcos, and Waco, TX | 4,981 | 2,089 | 14,211 | — | (111) | 16,189 | 1969; 1996; 2000 | Sep. 2012 |
| Retail facilities in Osnabruck, Borken, Bunde, Arnstadt, Dorsten, Duisburg, Freiberg, Leimbach-Kaiserro, Monheim, Oberhausen, Rodewisch, Sankt Augustin, Schmalkalden, Stendal, Wuppertal, and Monheim, Germany | 87,668 | 28,734 | 145,854 | — | 12,202 | 186,790 | Various | Sep. 2012 |

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| Description | Encumbrances | Land | Buildings | Property Acquired | Investments | Land | Buildings | Personal Property | Accumulated Depreciation | Date of Construction | Date Acquired | Life on which Depreciated in Latest Statement | Income is Computed |
|--|--------------|------|------------|-------------------|-------------|------|-----------|-------------------|--------------------------|----------------------|---------------|---|--------------------|
| | | | | | | | | | | | | | |
| Warehouse/distribution facility in Brierley Hill, United Kingdom | | | 10,933 | 2,147 | 12,357 | — | 643 | 15,147 | 1996 | | Sep. 2012 | | |
| Warehouse/distribution and industrial facilities in Mesquite, TX | | | 6,716 | 2,851 | 15,899 | — | (198) | 18,552 | 1961; 1972; 1975 | | Sep. 2012 | | |
| Industrial facility in Rochester, MN | | | 4,855 | 881 | 17,039 | — | 169 | 18,089 | 1997 | | Sep. 2012 | | |
| Office facility in Irvine, CA | | | 6,681 | — | 17,027 | — | (126) | 16,901 | 1981 | | Sep. 2012 | | |
| Industrial facility in Brownwood, TX | | | — | 722 | 6,268 | — | — | 6,990 | 1964 | | Sep. 2012 | | |
| | | | \$ 154,080 | \$ 38,607 | \$ 325,682 | \$ 9 | \$ (878) | \$ 363,420 | | | | | |

- (a) Consists of the cost of improvements and acquisition costs subsequent to acquisition, including legal fees, appraisal fees, title costs, and other related professional fees. For business combinations, transaction costs are excluded.
- (b) The increase (decrease) in net investment was primarily due to (i) the amortization of unearned income from net investment in direct financing leases, which produces a periodic rate of return that at times may be greater or less than lease payments received, (ii) sales of properties, (iii) impairment charges, and (iv) changes in foreign currency exchange rates.
- (c) Reconciliation of real estate and accumulated depreciation (see below).

W. P. CAREY INC.

NOTES TO SCHEDULE III — REAL ESTATE AND ACCUMULATED DEPRECIATION

(in thousands)

| | Reconciliation of Real Estate Subject to Operating Leases | | |
|---|---|-------------|-----------|
| | Years Ended December 31, | | |
| | 2013 | 2012 | 2011 |
| Beginning balance | \$2,331,613 | \$646,482 | \$560,592 |
| Additions ^(a) | 223,844 | 1,777,443 | 107,484 |
| Dispositions | (8,347 |) (75,548 |) (22,106 |
| Foreign currency translation adjustment | 26,729 | 13,263 | (1,837 |
| Reclassification (to) from direct financing lease or assets held for sale | (58,875 |) (17,681 |) 20,105 |
| Reclassification from real estate under construction | 2,875 | — | — |
| Deconsolidation of real estate asset | — | — | (5,938 |
| Impairment charges | (11,035 |) (12,346 |) (11,818 |
| Ending balance | \$2,506,804 | \$2,331,613 | \$646,482 |

(a) Amount for the year ended December 31, 2013 includes an out-of-period adjustment of \$1.8 million related to deferred foreign income taxes (Note 2).

| | Reconciliation of Accumulated Depreciation for Real Estate Subject to Operating Leases | | |
|---|--|-----------|-----------|
| | Years Ended December 31, | | |
| | 2013 | 2012 | 2011 |
| Beginning balance | \$116,075 | \$118,054 | \$108,032 |
| Depreciation expense | 60,470 | 24,302 | 15,179 |
| Dispositions | (533 |) (22,947 |) (5,785 |
| Foreign currency translation adjustment | 1,194 | 358 | (396 |
| Reclassification (to) from assets held for sale, direct financing lease, or equity investment | (9,130 |) (3,692 |) 2,339 |
| Deconsolidation of real estate asset | — | — | (1,315 |
| Ending balance | \$168,076 | \$116,075 | \$118,054 |

| | Reconciliation of Operating Real Estate | | |
|--------------------|---|-----------|-----------|
| | Years Ended December 31, | | |
| | 2013 | 2012 | 2011 |
| Beginning balance | \$99,703 | \$109,875 | \$109,851 |
| Additions | 706 | 295 | 24 |
| Dispositions | (93,314 |) — | — |
| Impairment charges | (1,071 |) (10,467 |) — |
| Ending balance | \$6,024 | \$99,703 | \$109,875 |

| | Reconciliation of Accumulated Depreciation for Operating Real Estate | | |
|----------------------|--|----------|----------|
| | Years Ended December 31, | | |
| | 2013 | 2012 | 2011 |
| Beginning balance | \$19,993 | \$17,121 | \$14,280 |
| Depreciation expense | 2,242 | 2,872 | 2,841 |
| Dispositions | (21,353 |) — | — |
| Ending balance | \$882 | \$19,993 | \$17,121 |

At December 31, 2013, the aggregate cost of real estate that we and our consolidated subsidiaries own for federal income tax purposes was approximately \$2.5 billion.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

Our disclosure controls and procedures include our controls and other procedures designed to provide reasonable assurance that information required to be disclosed in this and other reports filed under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is recorded, processed, summarized and reported within the required time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosures. It should be noted that no system of controls can provide complete assurance of achieving a company's objectives and that future events may impact the effectiveness of a system of controls.

Our chief executive officer and chief financial officer, after conducting an evaluation, together with members of our management, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2013, have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were effective as of December 31, 2013 at a reasonable level of assurance.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

We assessed the effectiveness of our internal control over financial reporting at December 31, 2013. In making this assessment, we used the framework set forth in Internal Control — Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment, we concluded that, at December 31, 2013, our internal control over financial reporting is effective based on those criteria.

The effectiveness of our internal control over financial reporting as of December 31, 2013 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report in Item 8.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during our most recently completed fiscal quarter covered by this Annual Report on Form 10-K that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

This information will be contained in our definitive proxy statement for the 2014 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated by reference.

Item 11. Executive Compensation.

This information will be contained in our definitive proxy statement for the 2014 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

This information will be contained in our definitive proxy statement for the 2014 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

This information will be contained in our definitive proxy statement for the 2014 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated by reference.

Item 14. Principal Accounting Fees and Services.

This information will be contained in our definitive proxy statement for the 2014 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(1) and (2) — Financial statements and schedules — see index to financial statements and schedules included in Item 8.

Other Financial Statements:

Corporate Property Associates 16 – Global Incorporated (Exhibit 99.2)

(3) Exhibits:

The following exhibits are filed as part of this Report. Documents other than those designated as being filed herewith are incorporated herein by reference.

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| Exhibit No. | Description | Method of Filing |
|-------------|--|--|
| 3.1 | Articles of Amendment and Restatement | Incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 2012 filed February 26, 2013 |
| 3.2 | Amended and Restated Bylaws | Incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 2012 filed February 26, 2013 |
| 4.1 | Form of Common Stock Certificate | Incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 2012 filed February 26, 2013 |
| 10.1 | W. P. Carey Inc. (formerly W. P. Carey & Co. LLC) 1997 Non-Employee Directors' Incentive Plan, as amended * | Incorporated by reference to Schedule 14A filed April 30, 2007 (File No. 001-13779), adopted by W. P. Carey Inc. via post-effective amendment No. 1 to Form S-8 filed on October 1, 2012 (File No. 333-64549) |
| 10.2 | W. P. Carey Inc. (formerly W. P. Carey & Co. LLC) 1997 Share Incentive Plan, as amended * | Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 filed August 7, 2009 (File No. 001-13779), adopted by W. P. Carey Inc. via post-effective amendment No. 1 to Form S-8 filed on October 1, 2012 (File No. 333-90880) |
| 10.3 | W. P. Carey Inc. (formerly W. P. Carey & Co. LLC) Long-Term Incentive Program as amended and restated effective as of September 28, 2012 | Incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 2012 filed February 26, 2013 |
| 10.4 | W. P. Carey Inc. Amended and Restated Deferred Compensation Plan for Employees * | Incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 2012 filed February 26, 2013 |
| 10.5 | Amended and Restated W. P. Carey Inc. 2009 Share Incentive Plan * | Incorporated by reference to Appendix A of Schedule 14A (File No. 333-185111) filed April 30, 2013 |
| 10.6 | Form of Share Option Agreement under the 2009 Share Incentive Plan * | Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 filed August 6, 2009 |
| 10.7 | Form of Restricted Share Agreement under the 2009 Share Incentive Plan * | Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 filed August 6, 2009 |
| 10.8 | Form of Restricted Share Unit Agreement under the 2009 Share Incentive Plan * | Incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 2012 filed February 26, 2013 |
| 10.9 | Form of Long-Term Performance Share Unit Award Agreement under the 2009 Share Incentive Plan * | Incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 2012 filed February 26, 2013 |
| 10.10 | W. P. Carey Inc. 2009 Non-Employee Directors' Incentive Plan (the "2009 Directors Plan") * | Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 filed August 6, 2013 |
| 10.11 | Form of Restricted Share Agreement under the 2009 Directors Plan * | Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 filed August 6, 2013 |

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| Exhibit No. | Description | Method of Filing |
|-------------|---|--|
| 10.12 | Amended and Restated Advisory Agreement dated as of September 28, 2012 among Corporate Property Associates 17 – Global Incorporated, CPA:17 Limited Partnership and Carey Asset Management Corp. | Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed November 8, 2012 |
| 10.13 | Asset Management Agreement dated as of July 1, 2008 between Corporate Property Associates 17 – Global Incorporated, CPA:17 Limited Partnership and W. P. Carey & Co. B. V. | Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 filed August 8, 2008 |
| 10.14 | Advisory Agreement dated September 15, 2010 between Carey Watermark Investors Incorporated, CWI OP, LP, and Carey Lodging Advisors, LLC | Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 filed November 5, 2010 |
| 10.15 | Advisory Agreement, dated as of May 7, 2013, by and among Corporate Property Associates 18 – Global Incorporated, CPA®:18 Limited Partnership and Carey Asset Management Corp. | Incorporated by reference to Quarterly Report on Form 10-Q (File No. 000-54970) filed by Corporate Property Associates 18 – Global Incorporated on June 20, 2013 |
| 10.16 | Dealer Manager Agreement, dated as of May 7, 2013, by and between Corporate Property Associates 18 – Global Incorporated and Carey Financial, LLC | Incorporated by reference to Quarterly Report on Form 10-Q (File No. 000-54970) filed by Corporate Property Associates 18 – Global Incorporated on June 20, 2013 |
| 10.17 | Dealer Manager Agreement, dated as of December 20, 2013, by and between Carey Watermark Investors Incorporated and Carey Financial, LLC | Filed herewith |
| 10.18 | Agreement and Plan of Merger dated as of July 25, 2013, by and between Corporate Property Associates 16 – Global Incorporated, W. P. Carey Inc., WPC REIT Merger Sub Inc., and, for the limited purposes set forth therein, Carey Asset Management Corp., W. P. Carey & Co. B.V. and CPA 16 LLC. | Incorporated by reference to Current Report on Form 8-K (File No. 000-13779) filed July 25, 2013 |
| 10.19 | Term Loan Credit Agreement, dated as of July 31, 2013, among W. P. Carey Inc. and Certain of its Subsidiaries identified therein as Borrowers, Bank of America, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A., as Syndication Agent and the Lenders party thereto | Incorporated by reference to Current Report on Form 8-K (File No. 000-13779) filed August 5, 2013 |
| 10.20 | Second Amended and Restated Credit Agreement dated as of January 31, 2014, by and among the Borrowers set forth therein, W. P. Carey, as borrower, the Guarantors identified therein, all of which are subsidiaries of W. P. Carey, the Lenders from time to time party thereto (as defined therein), and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer. | Incorporate by reference to Current Report on Form 8-K (File No. 000-13779) filed on February 4, 2014 |
| 18.1 | Preferability letter of Independent Registered Public Accounting Firm | Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 |

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filed November 5, 2013

| | | |
|------|---|----------------|
| 21.1 | List of Registrant Subsidiaries | Filed herewith |
| 23.1 | Consent of PricewaterhouseCoopers LLP | Filed herewith |
| 31.1 | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith |

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| Exhibit No. | Description | Method of Filing |
|-------------|---|--|
| 31.2 | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 32 | Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 99.1 | Director and Officer Indemnification Policy | Incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 2012 filed February 26, 2013 |
| 99.2 | Financial Statements of Corporate Property Associates 16 – Global Incorporated | Filed herewith |
| 101 | The following materials from W. P. Carey Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets at December 31, 2013 and 2012, (ii) Consolidated Statements of Income for the years ended December 31, 2013, 2012 and 2011, (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2012 and 2011, (iv) Consolidated Statements of Equity for the years ended December 31, 2013, 2012 and 2011, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011, (vi) Notes to Consolidated Financial Statements, (vii) Schedule II — valuation and qualifying accounts ,(viii) Schedule III — Real Estate and Accumulated Depreciation, and (ix) Notes to Schedule III. | Filed herewith |

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

W. P. Carey Inc.

Date: March 3, 2014

By: /s/ Catherine D. Rice
Catherine D. Rice
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|--|---|---------------|
| /s/ Trevor P. Bond Trevor P. Bond | Director and Chief Executive Officer (Principal Executive Officer) | March 3, 2014 |
| /s/ Catherine D. Rice Catherine D. Rice | Chief Financial Officer (Principal Financial Officer) | March 3, 2014 |
| /s/ Hisham A. Kader Hisham A. Kader | Chief Accounting Officer (Principal Accounting Officer) | March 3, 2014 |
| /s/ Benjamin H. Griswold, IV Benjamin H. Griswold, IV | Chairman of the Board and Director | March 3, 2014 |
| /s/ Mark J. DeCesaris Mark J. DeCesaris | Director | March 3, 2014 |
| Nathaniel S. Coolidge | Director | March 3, 2014 |
| /s/ Eberhard Faber IV Eberhard Faber IV | Director | March 3, 2014 |
| /s/ Axel K.A. Hansing Axel K.A. Hansing | Director | March 3, 2014 |
| /s/ Dr. Karsten von Köller Dr. Karsten von Köller | Director | March 3, 2014 |
| /s/ Richard C. Marston Richard C. Marston | Director | March 3, 2014 |
| /s/ Robert E. Mittelstaedt, Jr. Robert E. Mittelstaedt, Jr. | Director | March 3, 2014 |
| /s/ Nicolaas J.M. van Ommen Nicolaas J.M. van Ommen | Director | March 3, 2014 |

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/s/ Charles E. Parente
Charles E. Parente

Director

March 3, 2014

/s/ Reginald Winssinger
Reginald Winssinger

Director

March 3, 2014

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EXHIBIT INDEX

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| 10.4 | W. P. Carey Inc. Amended and Restated Deferred Compensation Plan for Employees * | Incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 2012 filed February 26, 2013 |
| 10.5 | Amended and Restated W. P. Carey Inc. 2009 Share Incentive Plan * | Incorporated by reference to Appendix A of Schedule 14A (File No. 333-185111) filed April 30, 2013 |
| 10.6 | Form of Share Option Agreement under the 2009 Share Incentive Plan * | Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 filed August 6, 2009 |
| 10.7 | Form of Restricted Share Agreement under the 2009 Share Incentive Plan * | Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 filed August 6, 2009 |
| 10.8 | Form of Restricted Share Unit Agreement under the 2009 Share Incentive Plan * | Incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 2012 filed February 26, 2013 |
| 10.9 | Form of Long-Term Performance Share Unit Award Agreement under the 2009 Share Incentive Plan * | Incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 2012 filed February 26, 2013 |
| 10.10 | | |

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| | W. P. Carey Inc. 2009 Non-Employee Directors' Incentive Plan (the "2009 Directors Plan") * | Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 filed August 6, 2013 |
| 10.11 | Form of Restricted Share Agreement under the 2009 Directors Plan * | Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 filed August 6, 2013 |

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| Exhibit No. | Description | Method of Filing |
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| 10.12 | Amended and Restated Advisory Agreement dated as of September 28, 2012 among Corporate Property Associates 17 – Global Incorporated, CPA:17 Limited Partnership and Carey Asset Management Corp. | Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed November 8, 2012 |
| 10.13 | Asset Management Agreement dated as of July 1, 2008 between Corporate Property Associates 17 – Global Incorporated, CPA:17 Limited Partnership and W. P. Carey & Co. B. V. | Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 filed August 8, 2008 |
| 10.14 | Advisory Agreement dated September 15, 2010 between Carey Watermark Investors Incorporated, CWI OP, LP, and Carey Lodging Advisors, LLC | Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 filed November 5, 2010 |
| 10.15 | Advisory Agreement, dated as of May 7, 2013, by and among Corporate Property Associates 18 – Global Incorporated, CPA®:18 Limited Partnership and Carey Asset Management Corp. | Incorporated by reference to Quarterly Report on Form 10-Q (File No. 000-54970) filed by Corporate Property Associates 18 – Global Incorporated on June 20, 2013 |
| 10.16 | Dealer Manager Agreement, dated as of May 7, 2013, by and between Corporate Property Associates 18 – Global Incorporated and Carey Financial, LLC | Incorporated by reference to Quarterly Report on Form 10-Q (File No. 000-54970) filed by Corporate Property Associates 18 – Global Incorporated on June 20, 2013 |
| 10.17 | Dealer Manager Agreement, dated as of December 20, 2013, by and between Carey Watermark Investors Incorporated and Carey Financial, LLC | Filed herewith |
| 10.18 | Agreement and Plan of Merger dated as of July 25, 2013, by and between Corporate Property Associates 16 – Global Incorporated, W. P. Carey Inc., WPC REIT Merger Sub Inc., and, for the limited purposes set forth therein, Carey Asset Management Corp., W. P. Carey & Co. B.V. and CPA 16 LLC. | Incorporated by reference to Current Report on Form 8-K (File No. 000-13779) filed July 25, 2013 |
| 10.19 | Term Loan Credit Agreement, dated as of July 31, 2013, among W. P. Carey Inc. and Certain of its Subsidiaries identified therein as Borrowers, Bank of America, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A., as Syndication Agent and the Lenders party thereto | Incorporated by reference to Current Report on Form 8-K (File No. 000-13779) filed August 5, 2013 |
| 10.2 | Second Amended and Restated Credit Agreement dated as of January 31, 2014, by and among the Borrowers set forth therein, W. P. Carey, as borrower, the Guarantors identified therein, all of which are subsidiaries of W. P. Carey, the Lenders from time to time party thereto (as defined therein), and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer. | Incorporate by reference to Current Report on Form 8-K (File No. 000-13779) filed on February 4, 2014 |
| 18.1 | Preferability letter of Independent Registered Public Accounting Firm | Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 filed November 5, 2013 |
| 21.1 | List of Registrant Subsidiaries | Filed herewith |

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| 23.1 | Consent of PricewaterhouseCoopers LLP | Filed herewith |
| 31.1 | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 31.2 | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 32 | Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 99.1 | Director and Officer Indemnification Policy | Incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 2012 filed February 26, 2013 |

| Exhibit No. | Description | Method of Filing |
|-------------|--|------------------|
| 99.2 | <p>Financial Statements of Corporate Property Associates 16 – Global Incorporated</p> <p>The following materials from W. P. Carey Inc.’s Annual Report on Form 10-K for the year ended December 31, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets at December 31, 2013 and 2012, (ii) Consolidated Statements of Income for the years ended December 31, 2013, 2012 and 2011, (iii) Consolidated Statements of Comprehensive</p> | Filed herewith |
| 101 | <p>Income for the years ended December 31, 2013, 2012 and 2011, (iv) Consolidated Statements of Equity for the years ended December 31, 2013, 2012 and 2011, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011, (vi) Notes to Consolidated Financial Statements, (vii) Schedule II — valuation and qualifying accounts ,(viii) Schedule III — Real Estate and Accumulated Depreciation, and (ix) Notes to Schedule III.</p> | Filed herewith |