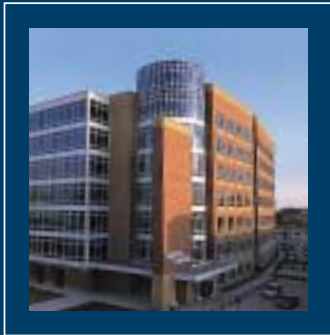




INVESTING FOR THE LONG RUN





W. P. Carey & Co. LLC  
Annual Report 2001



 *W. P. Carey & Co. LLC (NYSE:WPC) is a leading real estate investment banking firm that specializes in the net-leasing of single tenant corporate and industrial properties throughout the United States and Europe.*

 *As the world's largest publicly traded limited liability company, W. P. Carey & Co. both owns and manages corporate real estate. As part of its asset management business, W. P. Carey & Co. provides asset management services to Corporate Property Associates (CPA®) and to Carey Institutional Properties (CIP®), a series of publicly held non-traded real estate investment trusts (REITs) that make up the \$3 billion W. P. Carey Group.*

 *W. P. Carey & Co. currently owns and/or manages more than 450 commercial and industrial properties throughout the United States and Europe comprising more than 55 million square feet.*

 *W. P. Carey & Co. shareholders continue to benefit from the stability of our net lease operations and growth from our asset management business. We remain committed to providing our shareholders with stable income and consistent investment performance, while also meeting the financing needs of our tenant companies.*

## THE W. P. CAREY GROUP PORTFOLIO OF PROPERTIES

*Located in (from left) Alaska, United States, United Kingdom,  
The Netherlands, Finland and (below) France*

PROPERTIES OWNED BY WPC  
PROPERTIES MANAGED BY WPC

W. P. CAREY

## FINANCIAL HIGHLIGHTS

*In thousands except per share and stock data for the year ended December 31*

	<b>2001</b>
<b>OPERATIONS</b>	
Total Revenues	\$ 139,411
Net Income	\$ 35,761
Funds From Operations (FFO) <sup>(1)</sup>	\$ 84,160
<b>PER SHARE</b>	
Diluted Funds From Operations (FFO)	\$ 2.41
Dividend	\$ 1.70
Pay-Out Ratio	70.5%
Weighted Average Listed Shares Outstanding (Diluted)	34,952,560
<b>STOCK DATA</b>	
Price Range (January 1, 2001 through December 31, 2001)	\$ 18.26 - \$ 23.80
Total Return for 2001	36%
Number of Shareholders	20,616

(1) Net income, excluding gains (or losses) from debt restructuring and sales of property, plus certain noncash items, primarily real estate depreciation, and after adjustments for unconsolidated partnerships and joint ventures. Funds from operations does not represent net income or cash flows generated from operating activities in accordance with GAAP. It should not be considered an alternative to net income as an indication of the Company's operating performance or to cash flows as a measure of liquidity or as an indicator of the Company's ability to fund its cash needs.



STANDING FROM LEFT: WM. POLK CAREY, CHAIRMAN, FRANCIS J. CAREY, VICE CHAIRMAN  
SEATED: GORDON F. DUGAN, PRESIDENT

## DEAR FELLOW SHAREHOLDERS,

In 2001, W. P. Carey & Co. LLC performed well, both as a business and as an investment for its shareholders. 🌿 Our revenues, Funds From Operations (FFO) – a key yardstick for real estate investments – and assets all increased, while our trademark sale-leaseback financing became even more attractive to corporate clients during the year as the economy weakened, corporate earnings declined and the credit markets tightened. We completed nearly \$400 million in

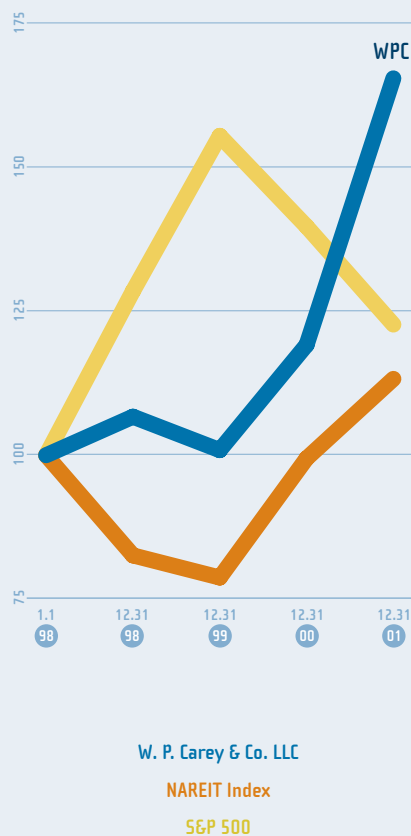
sale-leaseback transactions during the year, including \$185 million in the fourth quarter alone.

Our earnings increased solidly and our stock moved up strongly in price, ending the year at \$23.20, close to its high of \$23.80 and an impressive 28% above its price of \$18.10 at year-end 2000. That increase, coupled with dividends of \$1.70 during the year, gave shareholders an overall return of approximately 36%.

Also, as intended, adding the advisory business has in fact enhanced our profitability. This occurred in mid-2000 when we merged W. P. Carey & Co., Inc. into Carey Diversified LLC to create W. P. Carey & Co. LLC.

In last year's report, we viewed the outlook for our business as "distinctly positive," despite a weakening economy. None could anticipate the events of 2001, and the year was a challenging one for our business, but as predicted, we weathered the downturn well. Investors, seeking safety, consis-

### A-4-YEAR RETURN COMPARISON



tency and value, pushed up the price of our stock.

### FUNDS FROM OPERATIONS GAIN

Net income, reported on a GAAP (Generally Accepted Accounting Principles) basis, increased to \$35,761,000 in 2001, compared with a loss of \$9,278,000 in 2000. The loss reflected the \$38 million write-off related to the termination of the management contract with Carey Diversified. It was a paper loss (i.e. non-cash) in that it did not reduce cash flow and the real estate operations of the merged entity, W. P. Carey & Co. LLC, now benefit from the merger.

FFO in 2001 rose to \$84,160,000, up 24% from \$68,044,000 in 2000. On a per-share basis, FFO was \$2.41 per diluted share, up 6% from \$2.28 in 2000.

### SEEKING SUSTAINABLE GAINS

In our 1999 annual report, we commented that prudent asset allocation would require investors to put some of

their gains from high-risk investments into undervalued, income-oriented investments – the “stay rich” portion of a portfolio. In 2000, we noted that those who followed that advice were well rewarded as high-flying stocks nose-dived and the stock markets declined overall. In 2001, those who had invested the “stay rich” portion of their portfolio in W. P. Carey & Co. LLC stock were further rewarded.

Stock price gains, like those of 2001, however, are clearly unsustainable, simply because our underlying business, while steadily growing, cannot grow that fast.

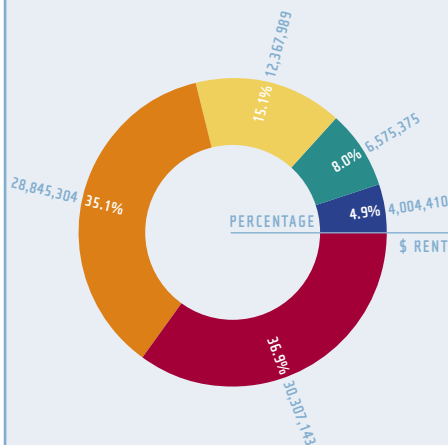
We think and act like owners, taking a long-term perspective in the knowledge that as earnings grow, stock prices ultimately will respond.

## DIVERSIFYING SOURCES OF CAPITAL

Over the years, ready access to capital has fueled our growth. We have always believed that if our business was suc-

## PORTFOLIO DIVERSIFICATION

BY PROPERTY TYPE  
Based on Contractual Annualized Rents



Industrial / Manufacturing  
Office / Research  
Distribution / Warehouse  
Retail  
Hotel

cessful and our investors did well, we would be able to raise capital. Thanks to our strong track record that theory has proven true.

We have repeatedly raised funds for our REITs, which are publicly held but not publicly traded, through a group of select financial planning and broker/ dealer firms. Corporate Property Associates 14 (CPA®:14), our largest fund, now has assets in excess of \$1 billion, and raised \$658 million before closing to investors in November.

Diversification of assets has always been an article of faith at W. P. Carey. Now we plan to diversify our sources of capital as well. Accordingly, two additional nationally prominent firms have agreed to join our selling group. These firms, in addition to the select group we have established, will offer their customers shares in CPA®:15 – our newest REIT – launched in November 2001. This arrangement will not only broaden the distribution of

shares, but will, we expect, raise more equity capital and significantly increase our capacity to sell shares in this and future funds.

### IMPACT OF THE DOWNTURN

Meanwhile, the effects of the recession have been widespread, and although we are less affected than many other companies, we are not immune. While most industries have excess capacity, few companies have pricing power and many face weakening markets and plunging profits. Widening layoffs and plant closures have led to a glut of commercial properties in many areas, accompanied by falling prices and rents. We are largely protected by long-term leases, but the availability of cheaper alternatives affects us in lease renewals and new projects.

A tenant's bankruptcy can leave a building empty and the lease broken, forcing us to write down the property's value. Often, though not always, our lease will be affirmed because the

property is central to the bankrupt business's continued operation.

On the plus side, today's real estate market enables us to acquire attractive properties at favorable prices. In addition, low current interest rates are helpful when we finance new properties or refinance existing ones. While fewer companies are inclined to undertake real estate projects in hard times, more are turning to sale-leaseback financing for their capital needs.

Our talented acquisition and property management groups have been dealing energetically with tenant problems throughout this difficult period. If a property is vacated, we move aggressively to re-tenant or sell it.

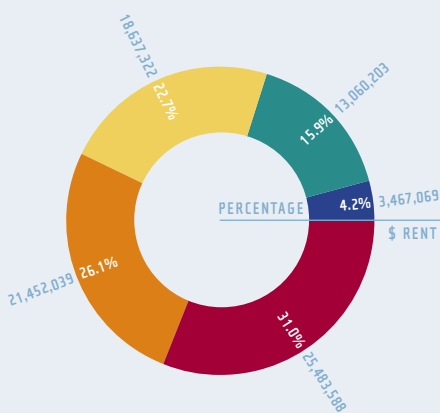
### COMBINING TWO REITs

In the second quarter of 2002, we merged our smallest REIT, CPA<sup>®</sup>:10, into Carey Institutional Properties (CIP<sup>®</sup>). As a result, we expect the combined REIT to operate with greater efficiency.

## PORTFOLIO DIVERSIFICATION

### BY GEOGRAPHY

Based on Contractual Annualized Rents



- South
- Midwest
- West
- East
- Europe

W. P. Carey now manages four diversified net lease REITs – CIP®, CPA®:12, CPA®:14 and CPA®:15 – in addition to our own portfolio, with assets under ownership and/or management totaling more than \$3 billion.

Increased capital and diverse sources of capital will give us maximum flexibility in taking advantage of emerging opportunities. At the same time, rigorous management of our REITs and our own operations and portfolio will keep our business on sound footing.

### A POSITIVE OUTLOOK

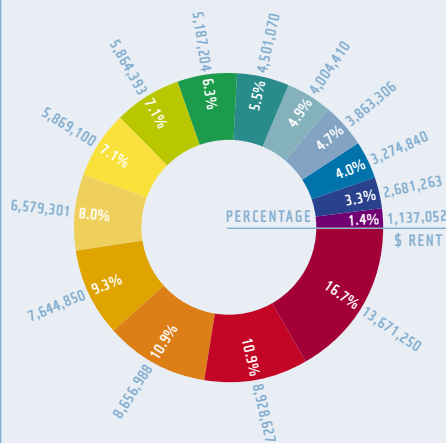
We are optimistic about the short- and long-term future of W. P. Carey & Co. LLC and of sale-leaseback financing as it has become a particularly attractive source of capital in today's tight credit market. Build-to-suit financing, a variant in which we finance new construction for corporate tenants, has slowed, but is expected to increase as the economy recovers.

## PORTFOLIO DIVERSIFICATION

### BY TENANT INDUSTRY

Based on Contractual Annualized Rents

\*Incorporates Net Operating Income from Hotel Operations



- Specialty Services
- Telecommunications
- Machinery / Equipment
- Electronics
- Automotive
- Consumer Products
- Retail
- Paper
- Food / Beverage Processing
- Hotel\*
- Medical Products / Services
- Textile
- Airline
- Construction

We are fortunate to have a business that can prosper whether the economy is weak or strong, and whether the stock markets are rising or falling. We are grateful for the efforts of our skilled and talented staff, whose dedication and character contribute so much to our success, and for the strong support of our shareholders. We will continue to do our best on their behalf.

Sincerely,

WM. POLK CAREY  
Chairman

FRANCIS J. CAREY  
Vice Chairman

GORDON F. DUGAN  
President





ATRIUM COMPANIES, INC.  
WELCOME, NORTH CAROLINA

## OWNERSHIP AND MANAGEMENT

**T**he June 2000 merger of Carey Diversified LLC and W. P. Carey & Co., Inc. to create W. P. Carey & Co. LLC joined together two related but distinct ways of making money. The combination of the two is highly beneficial to shareholders. 🌿 Carey Diversified (CD) was designed to make money through ownership of a profitable portfolio of net-leased, single-tenant corporate properties. The leases on these properties have generated a large income stream in the form of rents.



WADDINGTON NORTH AMERICA, INC.  
CITY OF INDUSTRY, CALIFORNIA



*Each of these activities – ownership and management – provides a formidable mechanism for achieving rising income and shareholder value.*

W. P. Carey & Co., Inc., on the other hand, earned fees for acquiring, arranging financing and managing these properties for CD and for the Carey-sponsored series of REITs. W. P. Carey & Co. LLC (WPC) now manages its own portfolio, while earning fees for services to the REITs, currently four in number after the merger of CPA<sup>®</sup>:10 and CIP<sup>®</sup>.

Each of these activities – ownership and management – has been and continues to be successful and profitable in its own right. Together, they provide a formidable mechanism for achieving rising income and shareholder value.

CD's portfolio was created by combining the first nine of Carey's Corporate Property Associates series of limited partnerships (CPA<sup>®</sup>:1-9). The partners swapped their interests in these maturing partnerships for an equivalent value of shares in CD, a New York Stock Exchange-traded entity, gaining immediate liquidity without triggering capital gains taxes.

The portfolio of WPC now comprises 184 properties net-leased to 106 tenants and located in 34 states and France. These holdings total more than 20 million square feet of space.

Funds from the original partners have long since been fully invested, so money for further investments comes from income, or from the sale or refinancing of properties.

Meanwhile, the management portion of WPC's business has continued to grow as its REIT operations expand. CPA<sup>®</sup>:14 is now the largest Carey REIT, with over \$1 billion in assets at the end of 2001, comprising 111 properties in 27 states and four countries, leased to 53 tenants. It will continue to grow until all the funds raised are invested, after which growth will slow. The newest REIT, CPA<sup>®</sup>:15, began raising funds late last year and by year-end had already acquired three properties in three states. In time, CPA<sup>®</sup>:15 may become the largest affiliated REIT.

Shareholders of WPC's oldest REIT, CPA<sup>®</sup>:10, approved the fund's merger into a larger Carey fund, CIP<sup>®</sup> (Carey Institutional Properties). This combined fund now benefits from

enhanced investment opportunities and economies of scale, while strengthening returns for its shareholders. CPA<sup>®</sup>:10, launched in 1991, had 46 properties before the merger, while CIP<sup>®</sup>'s post-merger portfolio consists of 108 properties.

WPC's other affiliated REIT is CPA<sup>®</sup>:12. Its portfolio consists of 97 properties in 26 states leased to 42 corporate tenants.

We have often described our net lease strategy, which involves acquiring essential properties from creditworthy corporations and net leasing them back. We typically structure leases as triple-net, which requires the tenant to pay for major costs of operating the facility, including taxes, maintenance and insurance. Our leases are long-term, usually with rent increases indexed to inflation to maintain the value of our revenue stream. And the lease is typically designed to be a general obligation of the parent corporation, thereby helping to assure that we will be paid. In a variation known as a build-to-suit, we sometimes finance the construction of a new facility and concurrently complete the lease agreement with our tenant.

Finding, negotiating, underwriting and closing such projects, and overseeing them later to assure that rents are paid and properties maintained, takes skill and dedication, which the members of our acquisition, underwriting and management teams possess in abundance. In doing their jobs well, whether for WPC's own portfolio account or on behalf of our affiliated REITs, they help to assure the continuing growth of both of our principal revenue streams, fees for performing specific services, and income from WPC's own properties.

*Finding, negotiating,  
underwriting and closing  
such projects, and  
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skill and dedication, which  
the members of our teams  
possess in abundance.*



SICOR, INC.  
IRVINE, CALIFORNIA



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**SELECTED FINANCIAL DATA***In thousands except per share amounts*

	THE COMPANY CONSOLIDATED				THE PREDECESSOR COMBINED
	2001	2000	1999	1998	1997
<b>OPERATING DATA</b>					
Revenues	\$139,411	\$120,251	\$ 88,506	\$ 85,330	\$ 96,271
Income (loss) before extraordinary items	35,761	(9,278)	34,039	39,085	40,561
Basic earnings (loss) per share	1.04	(.31)	1.33	1.55	
Diluted earnings (loss) per share	1.02	(.31)	1.33	1.55	
Cash dividends <sup>(1)</sup>	58,048	49,957	42,525	30,820	43,620
Cash provided by operating activities	58,877	58,268	48,186	51,944	51,641
Cash (used in) provided by investing activities	(13,368)	41,138	(55,173)	(71,525)	(273)
Cash (used in) provided by financing activities	(46,815)	(91,498)	3,392	6,668	(61,335)
Cash dividends declared per share	1.70	1.69	1.67	1.65	
<b>BALANCE SHEET DATA</b>					
Real estate, net <sup>(2)</sup>	\$435,629	\$433,867	\$501,350	\$453,181	\$240,498
Net investment in direct financing leases	258,041	287,876	295,556	295,826	216,761
Total assets	915,883	904,242	856,259	813,264	523,420
Long-term obligations <sup>(3)</sup>	287,903	176,657	310,562	254,827	150,907

(1) 1997 amounts represent cash distributions to Limited Partners of the predecessor partnerships.

(2) Includes real estate accounted for under the operating method, operating real estate and real estate under construction, net of accumulated depreciation.

(3) Represents mortgage and note obligations and deferred acquisition fees due after more than one year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*Dollar amounts in thousands*

### OVERVIEW

The following discussion and analysis of financial condition and results of operations of W. P. Carey & Co. LLC ("WPC") should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2001. The following discussion includes forward looking statements. Forward looking statements, which are based on certain assumptions, describe future plans, strategies and expectations of WPC. Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievement of WPC to be materially different from the results of operations or plan expressed or implied by such forward looking statements. Accordingly, such information should not be regarded as representations by WPC that the results or conditions described in such statements or objectives and plans of WPC will be achieved.

Effective June 29, 2000, Carey Diversified LLC acquired the net lease real estate management operations of Carey Management LLC by issuing 8,000,000 shares, and changed its name to W. P. Carey & Co. LLC. As a result of acquiring the operations of Carey Management, WPC acquired its workforce of approximately 95 employees, assumed the advisory contracts with four publicly registered affiliated real estate investment trusts ("REITs" and "CPA® REITs") and terminated the management contract between Carey Diversified and Carey Management LLC. Management believes that the acquisition has provided

WPC with several potential advantages including, but not limited to, increased diversification of revenue sources, reduced operating expenses through the elimination of management fees formerly paid to Carey Management, a potentially increased earnings growth rate, a strengthened credit profile and improved access to capital markets.

The net operating income of the management business of Carey Management has historically grown at a faster rate than the net operating income and revenues of WPC's real estate operations, and Management believes the prospects for an increase in the growth rate of earnings (excluding amortization charges) has been improved. Because the capital markets have indicated a strong preference for internally managed real estate companies, the ability of WPC to raise additional equity capital in the public markets should be enhanced.

WPC's net lease real estate management operations derives substantially all of its revenues from the four affiliated REITs. All transactions with these affiliates are subject to contractual agreements including Advisory Agreements. As an Advisor to these REITs, WPC's contracts are renewable annually by independent directors who are elected by each REIT's shareholders. In connection with each renewal, WPC's management is required to provide the independent directors with a comparison of the fee structure of the company with several similar companies. The Advisory Agreements also provide that after a specific time period the asset base used for determining management and

performance fees are based on valuations performed by independent professionals. WPC is also a real estate investment company that acquires, owns and manages commercial properties leased to companies nationwide, primarily on a triple net basis. As of December 31, 2001, WPC owned 184 properties in the United States and 6 properties in Europe totaling more than 20 million square feet. WPC's core investment strategy is to purchase properties, leased to a variety of companies on a single tenant net lease basis, that are either owned outright or owned by an entity managed by WPC.

Certain accounting policies are critical to the understanding of WPC's financial condition and results of operations. Management believes that an understanding of financial condition and results of operations requires an understanding of accounting policies relating to the use of estimates and revenue recognition.

The preparation of financial statements requires that Management make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses. For instance, WPC must assess its ability to collect rent and other tenant-based receivables and determine an appropriate charge for uncollected amounts. Because WPC's real estate operations have a limited number of lessees, Management believes that it is necessary to evaluate specific situations rather than solely use statistical methods.

WPC also uses estimates and judgments when evaluating whether long-lived assets and goodwill are impaired. When events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, Manage-

ment performs projections of undiscounted cash flows, and if such cash flows are insufficient, the assets are adjusted (i.e., written down) to their estimated fair value. An analysis of whether a real estate asset has been impaired requires Management to make its best estimate of market rents and residual values. In its evaluations, WPC obtains market information from outside sources; however, such information requires Management to determine whether the information received is appropriate to the circumstances. Because most of WPC's properties are leased to one tenant, WPC is more likely to incur significant writedowns when circumstances change because of the possibility that a property will be vacated in its entirety and, therefore, it is different than the risks related to leasing and managing multi-tenant properties. Events or changes in circumstances can result in further noncash writedowns and impact the gain or loss ultimately realized upon sale of the assets.

In connection with the net lease real estate management business, WPC earns transaction and asset-based fees. Transaction fees are primarily earned in connection with investment banking services provided in connection with structuring acquisitions, refinancing and dispositions on behalf of the affiliated real estate investment trusts. Transaction fees are earned upon consummation of a transaction, that is, when a purchase has been completed by the affiliate. Completion of a transaction includes determining that the purchaser and seller are bound by a contract and all substantive conditions of closing have been performed. When these conditions are met, acquisition-based services have been completed and the fees are recognized.

Asset-based management services are earned when performed. A portion of the fees are subject to subordination provisions pursuant to the Advisory Agreements and are based on specific performance criteria. In connection with determining whether management and performance fees are recorded as revenue, Management performs analyses on a quarterly basis to measure whether subordination provisions have been met. Revenue is only recognized when the specific performance criteria are achieved.

WPC recognizes rental income from sales overrides when reported by lessees, that is, after the level of sales requiring a rental payment is reached.

Public business enterprises are required to report financial and descriptive information about their reportable operating segments. WPC's management evaluates the performance of its owned and managed real estate portfolio as a whole, but allocates its resources between two operating segments: real estate operations with domestic and international investments and management services.

## RESULTS OF OPERATIONS

### *Year-Ended December 31, 2001 Compared to Year-Ended December 31, 2000*

WPC reported net income of \$35,761 and a net loss of \$9,278 for the years ended December 31, 2001 and 2000, respectively. The results for 2001 and 2000 are not fully comparable, primarily due to the acquisition of the management operations in June 2000 and the related charge in 2000 of \$38,000 in connection with terminating its management contract. Excluding the charge on the termination of the management contract in 2000, net income for the

comparable periods would have increased by \$7,039. WPC is engaged in two reportable segments, real estate operations and management services.

Real estate operations operating income (real estate segment income before gains and losses, income taxes, minority interest and the charge on the contract termination) was \$33,341 and \$26,556 in 2001 and 2000, respectively. The results for 2001 and 2000 include asset impairment charges of \$12,643 and \$11,047, respectively, representing noncash impairment writedowns of assets to estimated fair value. Excluding the effect of the writedowns, operating income from real estate operations for 2001 would have reflected an increase of \$8,381.

The increase in real estate operating income was primarily due to decreases in interest expense and depreciation. The decrease in interest expense was attributable to lower average outstanding balances on WPC's \$185,000 credit facility and a decrease in interest rates during 2001. Of the \$5,834 decrease in interest expense for the comparable years to \$21,603 in 2001, \$6,292 was due to lower interest from the credit facility. WPC's credit facility is indexed to the London Inter-Bank Offered Rate ("LIBOR") and the LIBOR benchmark rate declined substantially in 2001. The average balance outstanding on the credit line was \$104,000 in 2001 and \$146,000 in 2000 and the average interest rate declined from 7.77% to 5.29%. As of December 31, 2001, advances outstanding on the credit facility were \$95,000. Based on current outstanding balances on the credit facility, a change of 1% in the benchmark rate changes annual interest charges by \$950. The decrease in interest expense from the credit facility is



partially offset by an increase in mortgage interest due to placement of mortgages on the Cendant Operations, Inc. and Sprint Spectrum L.P. properties in December 2000 and July 2001, respectively, resulting in higher interest charges from mortgages. The decrease in depreciation of \$2,976 to \$10,532 in 2001 was primarily due to the disposition of the majority interest in the Federal Express Corporation property in Colliersville, Tennessee in December 2000 to an affiliate and the reclassification of a property located in Los Angeles, California to real estate under development in December 1999 at which time depreciation was no longer incurred. In January 2002, WPC entered into a purchase and sales agreement with the Los Angeles Unified School District ("LAUSD") to sell the property for \$24,000. As of December 31, 2001, the carrying value of the property was \$13,047. The sale is subject to approval by the LAUSD Board of Education and completion of LAUSD's due diligence.

Other income primarily consists of nonrecurring items including, but not limited to, consideration from lease termination and settlements. In 2001, WPC received a \$2,500 final settlement of a claim against a former lessee, New Valley Corporation, relating to a termination of a lease in 1993. WPC also recognized \$2,165 from a settlement with Harcourt General Corporation, the guarantor of a lease with General Cinema Corporation for a property in Burnsville, Minnesota. The settlement was received as a result of the termination of the General Cinema lease in connection with General Cinema's plan of reorganization. The Burnsville property was sold in January 2002. WPC is continuing to seek settlements with other former lessees;

however, the timing of such settlements and the amounts that will be received cannot be estimated.

The increase in property expenses in 2001 of \$1,681 to \$7,325 was primarily due to an increase in real estate taxes and utilities on vacant and partially vacant properties of \$1,045 and an increase in the provision for uncollected rents of \$2,098 and was partially offset by decreases in management fees of \$1,908. Effective with the cancellation of its Management Agreement in June 2000, the Company no longer incurred management fees. The provision for uncollected rents included a writeoff of accumulated straight-line rents of \$1,321 that was recorded in connection with amending a lease.

The decrease in lease revenues (rental income and interest income from direct financing leases) of \$6,087 to \$79,571 in 2001 was primarily as a result of the sale of a 60% majority interest in the Federal Express property to an affiliate in December 2000 and the restructuring of a lease with Livho, Inc., the lessee of the Holiday Inn in Livonia, Michigan, and was partially offset by rent increases on various leases and increased rents from the completion of expansions at existing properties. The lease restructuring with Livho, Inc. resulted in a decrease in rental income of \$658. During the year ended December 31, 2000, revenues from the Federal Express lease were \$5,404. The remaining 40% interest in the property is now accounted for under the equity method of accounting. Under the equity method, WPC recognizes its share of the net income or loss from the Federal Express investment.

During 2000, WPC acquired a 90% interest in a joint venture that entered into a build-to-suit commitment in Strasbourg, France at a property which is net leased to Bouygues Télécom S.A., an existing lessee. The project was completed in November 2001. The lease has an initial term of twelve years with annual rents of approximately \$2,000. During 2001, WPC completed expansions of the Sprint Spectrum and AT&T Corporation properties which have increased annual rents by \$675. Comark, Inc., a lessee at WPC's multi-tenant Bloomingdale, Illinois property, and Western Union Financial Services, Inc. exercised renewal options. Comark extended its lease through May 2003 at an annual rent of \$293 and Western Union extended its lease through November 2006 at an annual rent of \$937.

In December 2001, Thermadyne Holdings Corp. filed a petition of bankruptcy and subsequently vacated the property in February 2002. Annual rents from Thermadyne were \$2,525. WPC has entered into an agreement-in-principle to re-lease a portion of the space for approximately \$817 and is actively remarketing the remaining space.

In November 2001, WPC evicted Red Bank Distribution Inc. and entered into an agreement-in-principle that effectively terminated the net lease because of Red Bank's inability to meet its annual rent lease obligation of \$1,579. WPC has assumed control of the property and is managing a public warehousing operation that occupies a portion of the building. The property has approximately 46 short-term tenants who collectively generate approximately \$130 in monthly rents and expense reimbursements. Management is evaluating several alternatives including

continuing to manage the operation, seeking a single-tenant net lease or selling the property.

WPC is closely monitoring the financial condition of several lessees which it believes have been affected by current economic conditions and other trends. Such lessees include America West Holding Corp. and Livho, Inc. which together represent 6% of lease revenues. America West, an air carrier, has obtained government financing subsequent to September 11, 2001 and its financial prospects are uncertain. Livho, the lessee of a Holiday Inn in Livonia, Michigan, is affected by the cyclical nature of the automotive industry. The financial condition of another lessee, Peerless Chain Company, has been adversely affected by foreign competition, and it has not kept current on its annual rent of \$1,561. Peerless is currently paying only a portion of its rents and has entered into discussions with WPC to restructure the lease, but WPC has made no commitment.

In January 2002, The Gap, Inc. notified WPC that it would not renew its leases which expire in February 2003 and contribute annual rent of \$2,205. In addition, Pillowtex, Inc. notified WPC in February 2002 that under its plan of reorganization it would terminate its lease with annual rents of \$691, effective April 1, 2002. Both the Gap and Pillowtex properties are warehouse/distribution properties and are being actively remarketed.

WPC incurred impairment losses of \$12,643 in 2001 including a writedown of \$6,749 in its equity investment in the operating partnership of MeriStar Hospitality Corporation as a result of a decrease in MeriStar's earnings and the uncertainty regarding its distribution rate

which was reduced in the fourth quarter of 2001. WPC incurred a \$2,000 impairment loss on the Red Bank property as a result of the eviction. The remaining impairment losses primarily related to the writedowns of several under-performing properties which WPC has entered into commitments to sell.

As of December 31, 2001, WPC has classified seven properties as being held for sale in the accompanying financial statements, based on either a contractual commitment to sell the properties or the expectation that the properties will be sold within the next year. If all of the properties are subsequently sold, annual lease revenues would decrease by \$821. In July 2001, the Company sold its property in Forrest City, Arkansas to the lessee, Duff-Norton Company, Inc. Annual rent from the Duff-Norton lease was \$1,164. In addition, annual rents have decreased by \$1,212 as a result of selling nine properties in 2001.

Because of the long-term nature of WPC's net leases, inflation and changing prices should not unfavorably affect revenues and net income or have an impact on the continuing operations of WPC's properties. WPC's leases usually have rent increase provisions based on the consumer price index and other similar indexes and may have caps on such increases, or sales overrides, which should increase operating revenues in the future. The moderate increases in the consumer price index over the past several years will affect the rate of such future rent increases.

Net operating income from WPC's management services operations for the years ended December 31, 2001 and 2000 was \$7,598 and \$9,361, respectively, and is not fully comparable as the acquisition of the management services

operations occurred June 29, 2000. Results for the years ended December 31, 2001 and 2000 include noncash charges for amortization of goodwill and intangible assets of \$11,903 and \$5,958, respectively. Excluding amortization charges, operating income from management services would have been \$19,501 and \$15,319 for the years ended December 31, 2001 and 2000, respectively. Income tax expense for management services for the year ended December 31, 2001 increased by \$4,182 over the year ended December 31, 2000. The increase is a result of 80% of management revenues being earned by a taxable, wholly-owned subsidiary.

Total revenues earned by the management services operations for the years ended December 31, 2001 and 2000 were \$46,911 and \$25,271, respectively. Management fee revenues were comprised of transaction fees of \$17,160 and \$14,894 and asset-based fees and reimbursements of \$29,751 and \$10,377 for the years ended December 31, 2001 and 2000, respectively. Transaction fees included fees from structuring acquisition and refinancing transactions on behalf of the CPA<sup>®</sup> REITs. WPC and affiliates structured approximately \$395,000 of acquisitions in 2001 and Management currently projects that acquisitions will meet or exceed such acquisition volume in 2002. As of December 31, 2001, Corporate Property Associates 14 Incorporated ("CPA<sup>®</sup>:14"), which concluded a public offering in November 2001, had more than \$100,000 of cash available for investment in real estate. Corporate Property Associates 15 Incorporated ("CPA<sup>®</sup>:15"), a newly formed CPA<sup>®</sup> REIT, commenced a "best efforts" public offering in November 2001 and as of March 15, 2002 had raised \$59,516 which it will

use along with mortgage financing to invest in real estate. Management believes that the CPA® REITs will benefit from several trends including the increasing use of sale-lease-back transactions by corporations as an alternative source of financing and individual investors seeking dividend-paying investments, and which has the potential to allow CPA®:15 to fully subscribe its \$400,000 “best efforts” offering. CPA®:15 is negotiating sales agreements with two additional major broker-dealers, both of whom WPC expects will be selling CPA®:15 shares by the third quarter.

The asset-based management income includes fees based on the value of CPA® REIT real estate assets under management. A portion of the CPA® REIT fees is based on each CPA® REIT meeting specific performance criteria (the “performance fee”) and WPC earns this performance fee income only when the performance criteria of each CPA® REIT are being achieved. Total asset based fees for the years ended December 31, 2001 and 2000 were \$21,511 and \$6,809, respectively. The performance criteria for CPA®:14 were satisfied for the first time during 2001, resulting in the Company’s recognition of \$2,459 for the period December 1997 through December 31, 2000. As the real estate asset base of CPA®:14 continues to increase and CPA®:15 builds a diversified portfolio, the management and performance fees will continue to increase. Based on the value of assets under management of the CPA® REIT’s as of December 31, 2001, annualized management and performance fees under the advisory agreements are approximately \$21,750.

In December 2001, CPA®:10 and CIP®, both affiliated REITs, entered into a merger agreement providing for the

merger of the two companies, subject to the approval of the shareholders of both companies. The merger would not result in a change in assets under management, so that the asset-based fees earned by WPC should be unchanged. If the merger is approved, WPC will receive certain fees of \$1,444 that had been deferred subject to subordination provisions in the CPA®:10 Advisory Agreement.

The increase in general and administrative expenses was primarily due to the acquisition of the management services operations in 2000. Approximately 89% of the increase in general and administrative costs resulted from personnel-related costs. The portion of personnel costs necessary to administer the CPA® REITs is billed back to the REITs and is included in management income.

*Year-Ended December 31, 2000 Compared to Year-Ended December 31, 1999*

WPC reported a net loss of \$9,278 and net income of \$34,039 for the years ended December 31, 2000 and 1999, respectively. The results for 2000 and 1999 are not fully comparable, primarily due to the acquisition of the operations of Carey Management. WPC incurred a charge of \$38,000 on the termination of its management contract with Carey Management. Management believes that the termination of the management contract will provide substantial benefit to WPC.

In addition to the \$38,000 fair value attributed to the terminated management contract, a substantial portion of the other net assets acquired consists of intangible assets and goodwill. Intangible assets and goodwill are amortized over their estimated useful lives, and such amortization, a

non-cash charge, was \$5,958 in the current year. Results for 2000 include approximately six months of operations for the management services business. Prior to the acquisition, real estate operations contributed substantially all of WPC's income. Excluding the charges for amortization and the writeoff of the management contract, the management business segment contributed income of \$13,081.

Income from real estate operations provided operating income (income before gains and losses on sales, income taxes, minority interest, extraordinary items and the writeoff of an acquired management contract in 2000) of \$26,556 in 2000 as compared with \$35,871 in 1999. The results for 2000 and 1999 include impairment charges of \$11,047 and \$5,988, respectively, for writedowns of assets to estimated fair value. Excluding the effect of the writedowns, operating income from real estate operations for 2000 would have reflected a decrease of \$4,256.

The decrease in real estate operating income was primarily due to increases in interest expense and depreciation offset by increases in lease revenues (rental income and interest income from direct financing leases) and other income.

The increase in interest expense of \$7,870 was primarily due to mortgage financing obtained in 1999 and a change in the use of amounts drawn from the credit line. Limited recourse financings included a new loan on the America West property, refinancings of the Gap, Inc. and Orbital Sciences Corporation properties and obtaining mortgage debt in connection with the December 1999 purchase of the Bell South Telecommunications, Inc. property. Interest expense from the line of credit increased because

a substantial portion of the interest incurred in 1999 was on borrowings used to fund construction of the America West and Federal Express projects, and was capitalized rather than expensed, in accordance with generally accepted accounting principles. Subsequent to the completion of the projects, interest costs were expensed. The credit facility is a variable rate obligation and also was affected by increases in interest rates during 2000.

The increase in depreciation of \$3,051 was due to the completion of build-to-suit projects on properties leased to America West and Federal Express, the acquisition of the Bell South property, the expansion of the Orbital Sciences property and the renovation of a property in Moorestown, New Jersey in 1999 now leased to Cendant Operations, Inc.

The increase in lease revenues was primarily due to the completion of build-to-suit projects with Federal Express Corporation in February 2000 and America West in May 1999, new leases with Cendant and Bell South in May and December 1999, respectively, and rent increases on various leases in 2000 and 1999. Lease revenue increases were partially offset by the sale of fourteen properties in 2000, the sales of the KSG, Inc. and Hotel Corporation of America properties in 1999 pursuant to the exercise of purchase options by the lessees, and the termination of the Copeland Beverage Group, Inc. lease in December 1999. As a result of financial difficulties, Copeland was placed in receivership and subsequently liquidated. Annual rent from the Copeland lease was \$1,800. WPC drew \$1,800 from a letter of credit that had been provided by Copeland which was used to cover property expenses for the period subsequent to the lease termination.

Other income in the accompanying consolidated statements consists of income from real estate operations other than lease revenues. Other income increased by \$1,418 in 2000. The increase in other income in 2000 included bankruptcy distributions received from a former lessee and termination consideration.

Income from equity investments increased by \$996 due to the improved performance of the operating partnership of MeriStar and an increase in income from the investment in a net lease with CheckFree Holdings Corp., which is owned with an affiliate. The increase in income from the CheckFree investment was due to recognition of a full year's revenues on the property leased to CheckFree which was purchased in June 1999. Rent on the CheckFree lease also increased in connection with the completion of an expansion in 2000.

General and administrative expenses increased due to the acquisition of the management operations, including the personnel and office facilities necessary to render advisory and administrative services to the REITs. The general and administrative expense of the real estate operations segment reflected a decrease. Management and performance fee expenses for periods subsequent to the merger have been terminated effective June 29, 2000, resulting in a decrease in property expenses for the year ended December 31, 2000. The provision for income taxes increased as a result of forming a wholly-owned subsidiary that is responsible for management operations and all administrative functions. Formation of the taxable subsidiary allows the Company to maintain its status as a publicly-traded partnership.

Management monitors its real estate assets and securities on an ongoing basis. In the event of certain circumstances, including, but not limited to, lease terminations, vacating of a property by a lessee or nonpayment of rent or interest, Management evaluates whether an asset has been impaired. In these instances, when the estimate of fair value is less than the carrying value, a writedown is recorded for the difference. In 2000 and 1999, WPC recognized writedowns of \$11,047 and \$5,988, respectively.

#### **FINANCIAL CONDITION**

Management believes that WPC will generate sufficient cash from operations and, if necessary, from the proceeds of limited recourse mortgage loans, unsecured indebtedness and the issuance of additional equity securities to meet its short-term and long-term liquidity needs. WPC assesses its ability to obtain debt financing on an ongoing basis.

Cash flows from operations and distributions from equity investments for the year ended December 31, 2001 of \$61,645 were sufficient to fund dividends to shareholders of \$58,048. Cash flows from operations are expected to increase as a result of the expected growth of the management business segment. Annual cash flow from operations should continue to fully fund distributions; however, the coverage of distributions will fluctuate on a quarterly basis due to the timing of certain compensation costs that are paid in the second quarter and the timing of transaction-related activity. In January 2002, WPC received its first installment of deferred acquisition fees of \$916 in connection with structuring transactions on behalf of the CPA® REITs.

Cash flow from real estate operations will benefit from the completion of the build-to-suit project in December 2001 for a property leased to Bouygues Télécom, S.A. in France which will provide annual rentals of \$2,000. Expansions of properties leased to Sprint and AT&T funded by WPC in consideration for increases in rent and extensions of remaining lease terms were completed in July 2001 and October 2001, respectively, and will provide additional annual cash flow of approximately \$675. These increases to operating cash flow may be affected by uncertainties relating to the ability to remarket properties where leases are being terminated and not renewed.

Investing activities included using \$27,243 for purchases of real estate and additional capital expenditures, including \$18,520 used for the construction of the Bouygues Télécom facility, \$894 for the Sprint property expansion, \$3,676 for the AT&T property expansion, \$2,921 related to the redevelopments of the former Copeland Beverage Group property in Los Angeles and a property in Broomfield, Colorado and \$1,232 to fund other improvements. The funding commitment at the AT&T property, which was completed in October 2001, is estimated to amount to \$4,100, of which \$3,676 has been funded as of December 31, 2001. WPC received \$11,627 in net cash and a note receivable of \$700 in connection with the sales of properties and an equity investment in a property in Carlsbad, California. WPC sold its property in Arkansas leased to Duff-Norton Company, Inc. for \$9,400. WPC placed the proceeds in an escrow account for the purpose of entering into a Section 1031 noncash exchange which, under the Internal Revenue Code, would allow WPC to

acquire like-kind property, and defer a taxable gain to shareholders of approximately \$8,900 until the new property is sold, if certain conditions are met. A gain on sale was recognized for financial reporting purposes in 2001 on the Duff-Norton property. In January 2002, the funds in the escrow account were transferred to the Company as the proposed exchange was not completed. WPC expects to receive \$1,000 from the LAUSD as reimbursement for costs that were capitalized prior to entering the purchase and sales agreement. Management is evaluating how it will use these funds. Management continues to evaluate the real estate portfolio and is actively evaluating opportunities to sell smaller properties, as such properties require more intensive asset-management services than larger single-tenant net lease properties.

In January 2001, WPC paid an installment of deferred acquisition fees for \$520 relating to 1998 and 1999 purchases to WPC's former management company. The January 2002 installment was \$524. Deferred acquisition fees are payable over a period of no less than eight years and had a remaining balance of \$3,282 at December 31, 2001. In addition, in connection with the acquisition of the majority interests in the CPA® Partnerships on January 1, 1998 as described in Note 1, a CPA® partnership had not yet achieved the specified cumulative return as of the acquisition date. The subordinated preferred return was payable currently only if the Company achieved a closing price equal to or in excess of \$23.11 for five consecutive trading days. On December 31, 2001, the closing price criterion was met, and the \$1,423 subordinated preferred return was paid in January of 2002.

In March 2001, WPC entered into a revolving credit agreement for a \$185,000 line of credit which renewed and extended its original revolving unsecured line of credit. The credit agreement has a three-year term through March 2004. WPC has a one-time right to increase the commitment to up to \$225,000. Borrowings on the credit facility were \$95,000 and \$81,000 as of December 31, 2001 and March 15, 2002, respectively. The revolving credit agreement has financial covenants that require WPC to maintain a minimum equity value and to meet or exceed certain operating and coverage ratios. As advances on the credit facility are not restricted, WPC believes that the remaining capacity on the credit line will allow the Company to meet all its liquidity needs on a short-term basis and that renewing the facility after the current term is likely.

In addition to meeting its commitment to pay dividends to shareholders, WPC's financing activities in 2001 included using \$9,225 for mortgage balloon payments in May on two properties leased to Quebecor, Inc., obtaining new limited recourse mortgage financing of \$5,000 on a Quebecor property, using \$2,318 to pay off the mortgage on one of its Houston, Texas properties which was scheduled to mature in January 2002, using \$2,993 to pay off mortgages on the Red Bank and Burnsville properties and making scheduled principal payment installments of \$8,230 on existing mortgages. During 2001, WPC obtained limited recourse mortgage financing on the Sprint property and the Bouygues Télécom property of \$8,753 and \$16,874, respectively. In April 2001, the Company refinanced a limited recourse mortgage on its Toledo, Ohio property leased to AP Parts International,

Inc., which was originally scheduled to mature in February 2001. The terms of the loan remain substantially the same and provide for a five year extension with a maturity date of April 2006. In addition, WPC paid financing costs of \$1,874, primarily related to the renewal of its line of credit agreement. WPC uses limited recourse mortgages as a substantial portion of its long-term financing because the cost of this financing is attractive and the exposure of its assets is limited to the collateral designated for each loan.

WPC received proceeds of \$6,495 from the issuance of shares primarily through WPC's dividend reinvestment plan, stock purchase plan, and the exercise of options by employees. WPC issued additional shares pursuant to its merger agreement for the management services operations in connection with meeting specified performance (500,000 shares valued at \$8,145 were issued during 2001 and 500,000 shares valued at \$10,440 will be issued in 2002 based on meeting performance criteria as of December 31, 2000 and 2001, respectively). WPC also acquired the remaining minority interest in the CPA® Partnerships for \$2,811 through the issuance of 151,964 shares.

In the case of limited recourse mortgage financing that does not fully amortize over its term or is currently due, WPC is responsible for the balloon payment only to the extent of its interest in the encumbered property because the holder has recourse only to the collateral. In the event that balloon payments come due, WPC may seek to refinance the loans, restructure the debt with the existing lenders or evaluate its ability to satisfy the obligation from its existing resources including its revolving line of credit, to satisfy the mortgage debt. To the extent the remaining



initial lease term on any property remains in place for a number of years beyond the balloon payment date, WPC believes that the ability to refinance balloon payment obligations is enhanced. WPC also evaluates all its outstanding loans for opportunities to refinance debt at lower interest rates that may occur as a result of decreasing interest rates or improvements in the credit rating of tenants. There are no scheduled balloon payments on limited recourse mortgage notes in 2002 and \$2,500 in 2003.

WPC expects to meet its capital requirements to fund future property acquisitions, construction costs on build-to-suit transactions, capital expenditures on existing properties and scheduled debt maturities through long-term limited recourse mortgages and unsecured indebtedness and the possible issuance of additional equity securities. WPC's remaining commitments on the expansion of the

AT&T property total approximately \$454. Commitments for capital expenditures on the Livonia, Alpena and Petoskey, Michigan hotels are currently estimated to be approximately \$728. Other than its limited mortgage debt and the credit line, WPC has no other significant commitments. WPC has guaranteed \$8,793 loans of officers which are collateralized by shares of WPC owned by the officers and held by WPC and that were issued in connection with equity incentive plans and the acquisition of the management operations. WPC is also a participant in a cost-sharing agreement with its affiliates for its office space. The remaining minimum rents under the office lease are \$6,100 through September 2006 and WPC's current participation commitment is to pay 37% of such costs. The participation commitment is adjusted quarterly based on a formula and is not expected to fluctuate significantly.

A summary of WPC's obligations under contractual arrangements is as follows:

(IN THOUSANDS)	TOTAL	2002	2003	2004	2005	2006	THEREAFTER
Limited recourse mortgage notes payable	\$200,515	\$10,370	\$ 11,224	\$28,438	\$ 9,453	\$27,114	\$113,916
Unsecured note payable	95,000		95,000				
Deferred acquisition fees	3,282	524	524	524	524	524	662
Share of minimum rents payable under office cost-sharing agreement	2,257	442	484	484	484	363	—
	<u>\$301,054</u>	<u>\$11,336</u>	<u>\$107,232</u>	<u>\$29,446</u>	<u>\$10,461</u>	<u>\$28,001</u>	<u>\$114,578</u>

WPC from time to time may offer to sell its Listed Shares, Future Shares and Warrants pursuant to a registration statement declared effective by the Securities and Exchange Commission on February 25, 2002. The total amount of these securities will have an initial aggregate offering price of up to \$100,000 although

WPC may increase this amount in the future. The shares and/or warrants may be offered and sold to or through one or more underwriters, dealers and agents, or directly to purchasers, on a continuous or delayed basis. The prospectus included as part of the registration statement describes some of the general terms that

may apply to these securities and the general manner in which they may be offered. The specific terms of any securities to be offered, the specific manner in which they may be offered and the specific use of proceeds, will be described in a supplement to this prospectus.

In connection with the purchase of many of its properties, WPC required the sellers to perform environmental reviews. Management believes, based on the results of such reviews, that WPC's properties were in substantial compliance with Federal and state 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 historical 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, WPC's leases generally require tenants to indemnify WPC from all liabilities and losses related to the leased properties with provisions of such indemnification specifically addressing environmental matters. The leases generally include provisions that allow for periodic environmental assessments, paid for by the tenant, and allow WPC to extend leases until such time as a tenant has satisfied its environmental obligations. Certain of the leases allow WPC to require financial assurances from tenants such as performance bonds or letters of credit if the costs of remediating environmental conditions are, in the estimation of

WPC, in excess of specified amounts. Accordingly, Management believes that the ultimate resolution of environmental matters will not have a material adverse effect on WPC's financial condition, liquidity or results of operations.

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards ("SFAS") No. 141 "Business Combinations" and No. 142 "Goodwill and Other Intangibles," which establish accounting and reporting standards for business combinations, certain assets and liabilities acquired in business combinations and asset acquisitions.

SFAS No. 141 requires that all business combinations initiated after June 30, 2001 be accounted for under the purchase method, establishes specific criteria for the recognition of intangible assets separately from goodwill and requires that unallocated negative goodwill be written off immediately as an extraordinary gain. Use of the pooling-of-interests method for business combinations is no longer permitted. The adoption of SFAS 141 did not have a material effect on WPC's financial statements.

SFAS No. 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition and the accounting for asset acquisitions. The provisions of SFAS No. 142 are effective for fiscal years beginning after December 15, 2001 and must be adopted at the beginning of a fiscal year. SFAS No. 142 provides that goodwill and indefinite-lived intangible assets will no longer be amortized but will be tested for impairment at least annually. Intangible assets acquired and liabilities assumed in business combinations will only be amortized if such assets or liabilities are capable of being separated

or divided and sold, transferred, licensed, rented or exchanged or arise from contractual or legal rights (including leases), and will be amortized over their useful lives. In connection with the implementation of SFAS No. 142, WPC performed its annual test for impairment in March 2002 of its management services segment, the reportable unit for measurement, and concluded that the carrying value of goodwill is not impaired.

WPC will adopt the provisions of SFAS No. 142 for the fiscal year beginning January 1, 2002. With the acquisition of the real estate management operations in 2000, WPC allocated a portion of the purchase price to goodwill and other identifiable intangible assets. In adopting SFAS No. 142, WPC will discontinue amortization of existing goodwill and certain intangible assets. During the year ended December 31, 2001, WPC recorded amortization charges of \$4,597 which beginning January 1, 2002, will no longer be expensed under SFAS 142.

SFAS No. 142 requires that goodwill be tested annually for impairment using a two-step process. The first step is to identify a potential impairment and, in transition, this step must be measured as of the beginning of the fiscal year. However, a company has six months from the date of adoption to complete the first step. The second step of the goodwill impairment test measures the amount of impair-

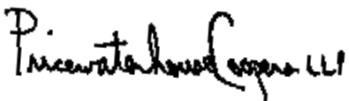
ment loss (measured as of the beginning of the year of adoption), if any, and must be completed by the end of WPC's fiscal year. Intangible assets deemed to have an indefinite life will be tested for impairment using a one-step process which compares the fair value to the carrying amount of the asset as of the beginning of the fiscal year.

In August 2001, the FASB issued SFAS No. 144 "Accounting for the Impairment of Long-Lived Assets" which addresses the accounting and reporting for the impairment and disposal of long-lived assets and supercedes SFAS No. 121 while retaining SFAS No. 121's fundamental provisions for the recognition and measurement of impairments. SFAS 144 removes goodwill from its scope, provides for a probability-weighted cash flow estimation approach for analyzing situations in which alternative courses of action to recover the carrying amount of long-lived assets are under consideration and broadens the presentation of discontinued operations to include a component of an entity. The adoption of SFAS 144 will not have a material effect on WPC's financial statements; however, the revenues and expenses relating to an asset held for sale or sold must be presented as a discontinued operation for all periods presented. The provisions of SFAS No. 144 are effective for fiscal years beginning after December 15, 2001.

## REPORT OF INDEPENDENT ACCOUNTANTS

### TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF W. P. CAREY & CO. LLC

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, members' equity and cash flows present fairly, in all material respects, the financial position of W. P. Carey & Co. LLC and its subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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. We believe that our audits provide a reasonable basis for our opinion.



*New York, New York*

*February 25, 2002*

**CONSOLIDATED BALANCE SHEETS***In thousands except share amounts*

	DECEMBER 31,	
	2001	2000
<b>ASSETS</b>		
Real estate leased to others:		
Accounted for under the operating method, net of accumulated depreciation of \$32,401 and \$24,159 at December 31, 2001 and 2000	\$426,842	\$414,006
Net investment in direct financing leases	258,041	287,876
Real estate leased to others	684,883	701,882
Operating real estate, net of accumulated depreciation of \$2,076 and \$1,442 at December 31, 2001 and 2000	5,990	6,502
Real estate under construction and redevelopment	2,797	13,359
Equity investments	50,629	47,224
Assets held for sale	23,693	2,573
Cash and cash equivalents	8,870	10,165
Due from affiliates	18,789	7,945
Goodwill and intangible assets, net of accumulated amortization of \$17,862 and \$5,958 at December 31, 2001 and 2000	92,810	94,183
Other assets, net of accumulated amortization of \$1,095 and \$1,971 at December 31, 2001 and 2000 and reserve for uncollected rent of \$3,278 and \$2,207 at December 31, 2001 and 2000	27,422	20,409
Total assets	<b>\$915,883</b>	<b>\$904,242</b>
<b>LIABILITIES, MINORITY INTEREST AND MEMBERS' EQUITY</b>		
Liabilities:		
Mortgage notes payable	\$200,515	\$196,094
Notes payable	95,000	94,066
Accrued interest	1,312	2,655
Dividends payable	14,836	14,182
Due to affiliates	16,790	15,308
Accrued taxes	3,020	2,688
Deferred taxes	6,608	1,336
Other liabilities	17,343	15,038
Total liabilities	<b>355,424</b>	<b>341,367</b>
Minority interest	794	802
Commitments and contingencies		
Members' Equity:		
Listed shares, no par value, 34,742,436 and 33,604,716 shares issued and outstanding at December 31, 2001 and 2000	664,751	644,749
Dividends in excess of accumulated earnings	(97,200)	(74,260)
Unearned compensation	(4,454)	(5,291)
Accumulated other comprehensive loss	(3,432)	(3,125)
Total members' equity	<b>559,665</b>	<b>562,073</b>
Total liabilities, minority interest and members' equity	<b>\$915,883</b>	<b>\$904,242</b>

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

**CONSOLIDATED STATEMENTS OF OPERATIONS***In thousands except share and per share amounts*

	FOR THE YEARS ENDED DECEMBER 31,		
	2001	2000	1999
<b>REVENUES</b>			
Rental income	\$ 47,763	\$ 52,086	\$46,719
Interest income from direct financing leases	31,808	33,572	33,842
Management income from affiliates	46,911	25,271	—
Other interest income	1,023	452	962
Other income	5,962	2,626	1,208
Revenues of other business operations	5,944	6,244	5,775
	139,411	120,251	88,506
<b>EXPENSES</b>			
Interest	21,603	27,437	19,567
Depreciation	10,532	13,508	10,457
Amortization	13,857	6,935	8
General and administrative	29,345	16,487	7,293
Property expenses	7,325	5,644	5,433
Impairment loss on real estate and investments	12,643	11,047	5,988
Operating expenses of other business operations	4,671	4,920	4,662
Termination of management contract	—	38,000	—
	99,976	123,978	53,408
Income (loss) before income from equity investments, gain (loss) on sale, minority interest and income taxes	39,435	(3,727)	35,098
Income from equity investments	2,827	2,882	1,886
Income (loss) before gain (loss) on sale, minority interest and income taxes	42,262	(845)	36,984
Gain (loss) on sale of real estate and securities, net	1,948	(2,752)	471
Income (loss) before minority interest and income taxes	44,210	(3,597)	37,455
Minority interest in loss (income)	68	(1,517)	(2,664)
Income (loss) before income taxes	44,278	(5,114)	34,791
Provision for income taxes	(8,517)	(4,164)	(752)
Net income (loss)	\$ 35,761	\$ (9,278)	\$34,039
Basic earnings (loss) per share	\$ 1.04	\$ (.31)	\$ 1.33
Diluted earnings (loss) per share	\$ 1.02	\$ (.31)	\$ 1.33
Weighted average shares outstanding:			
Basic	34,465,217	29,652,698	25,596,793
Diluted	34,952,560	29,652,698	25,596,793

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

**CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY***For the years ended December 31, 2001, 2000 and 1999**In thousands except share amounts*

	SHARES	PAID-IN CAPITAL	DIVIDENDS IN EXCESS OF ACCUMULATED EARNINGS	UNEARNED COMPEN- SATION	COMPRE- HENSIVE INCOME (LOSS)	ACCUMULATED OTHER COMPREHEN- SIVE INCOME (LOSS)	TREASURY SHARES	TOTAL
Balance at								
January 1, 1999	25,343,402	\$517,755	\$ (2,803)			\$ (719)		\$514,233
Cash proceeds on issuance of shares, net	34,272	652						652
Shares issued in connection with services rendered and properties acquired	455,929	7,723						7,723
Dividends declared			(42,796)					(42,796)
Repurchase of shares	(62,300)						\$ (1,060)	(1,060)
Comprehensive income:								
Net income			34,039		\$ 34,039			34,039
Other comprehensive income:								
Change in unrealized appreciation (depreciation) of marketable securities					497			
Foreign currency translation adjustment					(688)			
					(191)	(191)		(191)
					\$ 33,848			
Balance at								
December 31, 1999	25,771,303	526,130	(11,560)			(910)	(1,060)	512,600
Shares issued in connection with services rendered and properties acquired	226,290	3,169						3,169
Shares issued in connection with acquisition	8,104,673	124,630						124,630
Shares and options issued under share incentive plans	347,100	6,311		\$(6,311)				—
Forfeitures	(8,050)	(160)		160				—
Dividends declared			(53,422)					(53,422)
Amortization of unearned compensation				860				860
Repurchase of shares	(836,600)						(14,271)	(14,271)
Cancellation of treasury shares		(15,331)					15,331	—
Comprehensive loss:								
Net loss			(9,278)		\$ (9,278)			(9,278)
Other comprehensive income:								
Change in unrealized depreciation of marketable securities					(1,155)			
Foreign currency translation adjustment					(1,060)			
					(2,215)	(2,215)		(2,215)
					\$ (11,493)			
Balance at								
December 31, 2000	33,604,716	\$644,749	\$(74,260)	\$(5,291)		\$(3,125)	—	\$562,073

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

W. P. Carey & Co. LLC

**CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY** (continued)

For the years ended December 31, 2001, 2000 and 1999

In thousands except share amounts

	SHARES	PAID-IN CAPITAL	DIVIDENDS IN EXCESS OF ACCUMULATED EARNINGS	UNEARNED COMPEN- SATION	COMPRE- HENSIVE INCOME (LOSS)	ACCUMULATED OTHER COMPREHEN- SIVE INCOME (LOSS)	TREASURY SHARES	TOTAL
Balance at December 31, 2000	33,604,716	\$644,749	\$(74,260)	\$(5,291)		\$(3,125)	—	\$562,073
Cash proceeds on issuance of shares, net	422,032	6,496						6,496
Shares issued in connection with services rendered and properties acquired	6,825	134						134
Shares issued in connection with acquisition	651,964	10,956						10,956
Shares and options issued under share incentive plans	63,749	1,235		(1,235)				
Forfeitures	(6,850)	(117)		117				
Dividends declared			(58,701)					(58,701)
Tax benefit of net operating loss—share incentive plans		1,298						1,298
Amortization of unearned compensation				1,955				1,955
Comprehensive income:								
Net income			35,761		\$35,761			35,761
Other comprehensive income:								
Change in unrealized depreciation of marketable securities					130			
Foreign currency translation adjustment					(437)			
					(307)	(307)		(307)
					\$35,454			
Balance at December 31, 2001	34,742,436	\$664,751	\$(97,200)	\$(4,454)		\$(3,432)	—	\$559,665

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



**CONSOLIDATED STATEMENTS OF CASH FLOWS***In thousands*

	FOR THE YEARS ENDED DECEMBER 31,		
	2001	2000	1999
Cash flows from operating activities:			
Net income (loss)	\$ 35,761	\$ (9,278)	\$ 34,039
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	25,191	21,309	11,192
Amortization of deferred income	(475)	(566)	(1,397)
Equity income in excess of distributions	(232)	(180)	(16)
(Gain) loss on sales of real estate and securities, net	(1,948)	2,752	(471)
Minority interest in income	(68)	1,517	2,664
Straight-line rent adjustments and other noncash rent adjustments	(897)	(1,831)	(1,646)
Management income received in shares of affiliates	(11,489)	(2,747)	–
Impairment loss on real estate and investments	12,643	11,047	5,988
Structuring fees receivable	(6,915)	(6,351)	–
Provision for uncollected rents	1,520	743	328
Costs paid by issuance of shares	278	1,482	1,647
Writeoff of cumulative straight-line rent adjustment	1,321	–	–
Amortization of unearned compensation	1,955	860	–
Termination of management contract	–	38,000	–
Net changes in operating assets and liabilities, net of assets and liabilities acquired on acquisition	2,232	1,511	(4,142)
Net cash provided by operating activities	58,877	58,268	48,186
Cash flows from investing activities:			
Purchases of real estate	(23,290)	(21,497)	(60,804)
Additional capital expenditures	(3,953)	(2,078)	(3,784)
Payment of deferred acquisition fees	(520)	(392)	–
Proceeds from sales of real estate, equity investments and securities	11,627	45,617	9,631
Accrued disposition fees payable	–	–	(1,007)
Purchases of mortgage receivable and marketable securities	–	–	(3,676)
Sale of mortgage receivable	–	–	3,676
Distributions received from equity investments in excess of equity income	2,768	1,732	791
Capital distribution from equity investment	–	17,544	–
Cash acquired on acquisition of business operations	–	212	–
Net cash (used in) provided by investing activities	(13,368)	41,138	(55,173)
Cash flows from financing activities:			
Dividends paid	(58,048)	(49,957)	(42,525)
Contributions from (distributions to) minority interest	204	(1,321)	(2,344)
Payments of mortgage principal	(8,230)	(7,590)	(6,393)
Proceeds from mortgages and notes payable	97,627	64,397	74,251
Prepayments of mortgages and notes payable	(82,665)	(83,037)	(17,803)
Deferred financing costs	(1,874)	–	(1,744)
Proceeds from issuance of shares	6,496	–	652
Repurchase of shares	(325)	(13,944)	(627)
Other	–	(46)	(75)
Net cash (used in) provided by financing activities	(46,815)	(91,498)	3,392
Effect of exchange rate changes on cash	11	(40)	219
Net (decrease) increase in cash and cash equivalents	(1,295)	7,868	(3,376)
Cash and cash equivalents, beginning of year	10,165	2,297	5,673
Cash and cash equivalents, end of year	\$ 8,870	\$ 10,165	\$ 2,297

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS** (continued)*In thousands*

Noncash operating, investing and financing activities:

A. The purchase of Carey Management LLC in June of 2000 consisted of the acquisition of certain assets and liabilities at fair value in exchange for the issuance of listed shares as follows:

Intangible assets and goodwill:

Management contracts	\$ 97,135
Trade name	4,700
Workforce	4,900
Goodwill	<u>22,356</u>
	129,091
Other assets and liabilities, net	(4,673)
Listed shares issued	<u>(124,630)</u>
Net cash acquired	<u>\$ 212</u>

In connection with the acquisition, the Company has an obligation to issue up to an additional 2,000,000 shares over four years, if specified performance criteria are achieved. The performance criteria for the years ended December 31, 2001 and 2000 were achieved, and as a result 500,000 shares (\$8,145) were issued during the year ended December 31, 2001 and 500,000 shares will be issued during 2002. At December 31, 2001, the cost of such issuable shares (\$10,440) has been included in goodwill and accounts payable to affiliates.

Effective January 1, 2001, the CPA® Partnerships became wholly-owned subsidiaries of the Company when 151,964 shares (\$2,811) were issued in consideration for acquiring the remaining special partner interests.

B. The Company issued 6,825, 181,644 and 203,166 restricted shares valued at \$134, \$2,424 and \$3,311 in 2001, 2000 and 1999, respectively, to certain directors, officers and affiliates in consideration of service rendered. Restricted shares and stock options valued at \$1,235 and \$6,295 in 2001 and 2000, respectively, were issued to employees and recorded as unearned compensation of which \$117 and \$160, respectively, was forfeited in 2001 and 2000. \$1,955 and \$860 of unearned compensation in 2001 and 2000, respectively, has been amortized and recorded as compensation expense.

C. In connection with the acquisition of real estate interests in 2000 and 1999, the Company issued shares valued at \$778 and \$4,412, respectively, and in 1999 assumed mortgage obligations of \$6,098.

D. In 2001, the Company sold a property in Arkansas leased to Duff-Norton Company, Inc. for approximately \$9,400 and placed the funds in an escrow account for the purpose of entering into a Section 1031 noncash exchange which, under the Internal Revenue Code, would allow the Company to acquire like-kind property, and defer a taxable gain.

The funds were released from escrow in 2002. The Company also received a note of \$700 in partial consideration for the sale of a property.

In connection with the disposition of a property in Topeka, Kansas in 1999, the property was transferred to the purchaser in exchange for assumption of the mortgage obligation on the property and certain other assets and liabilities.

The gain on sale was as follows:

Land, buildings and personal property, net of accumulated depreciation	\$(7,654)
Mortgage note payable	8,107
Other	<u>(373)</u>
Gain on sale	<u>\$ 80</u>

E. During 2001 the Company purchased an equity interest in an affiliate, W. P. Carey International, LLC, in consideration for issuing a promissory note of \$1,000.

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS** (continued)

*In thousands*

**SUPPLEMENTAL CASH FLOWS INFORMATION**

	2001	2000	1999
Interest paid, net of amounts capitalized	\$22,144	\$24,790	\$20,055
Income taxes paid	\$ 1,615	\$ 1,437	\$ 659

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*All amounts in thousands except share and per share amounts*

### 1. ORGANIZATION

W. P. Carey & Co. LLC (the “Company”) (formerly known as Carey Diversified LLC) commenced operations on January 1, 1998, pursuant to a consolidation transaction, when the Company acquired the majority ownership interests in the nine Corporate Property Associates (“CPA<sup>®</sup>”) Partnerships. The former General Partner interests in the CPA<sup>®</sup> Partnerships were retained by two special limited partners, William Polk Carey, formerly the Individual General Partner of the nine CPA<sup>®</sup> Partnerships, and Carey Management LLC (“Carey Management”).

On June 28, 2000 the Company acquired the net lease real estate management operations of Carey Management subsequent to receiving shareholder approval. The assets acquired include the Advisory Agreements with four affiliated publicly owned real estate investment trusts (the “CPA<sup>®</sup> REITs”), the Company’s Management Agreement, the stock of an affiliated broker-dealer, investments in the common stock of the CPA<sup>®</sup> REITs, and certain office furniture, fixtures, equipment and employees required to carry on the business operations of Carey Management. The purchase price consisted of the initial issuance of 8,000,000 shares with an additional 2,000,000 shares issuable over four years if specified performance criteria are achieved (of which 500,000 shares valued at \$8,145 were issued during 2001 and 500,000 shares valued at \$10,440 will be issued in 2002 based on meeting performance criteria as of December 31, 2000 and 2001, respectively). The

initial 8,000,000 shares issued are restricted from resale for a period of up to three years and the additional shares are subject to Section 144 regulations. The acquisition of the interests in Carey Management was accounted for as a purchase and was recorded at the fair value of the initial 8,000,000 shares issued. The total initial purchase price was approximately \$131,300 including the issuance of 8,000,000 shares, transaction costs of \$2,605, the acquisition of Carey Management’s special limited partnership minority interests in the CPA<sup>®</sup> Partnerships and the value of restricted shares and options issued in respect of the interests of certain officers in a non-qualified deferred compensation plan of Carey Management. The Company has guaranteed loans of \$8,793 to these officers in connection with their acquisition of equity interests in the Company. The loans are collateralized by shares of WPC owned by the officers and held by WPC.

The purchase price has been allocated to the assets and liabilities acquired based upon their fair market values. Intangible assets acquired, including the Advisory Agreements with the CPA<sup>®</sup> REITs, the Company’s Management Agreement, the trade name, and workforce, were determined pursuant to an independent valuation. The value of the Advisory Agreements and the Management Agreement were based on a discounted cash flow analysis of the projected fees. The excess of the purchase price over the fair values of the identified tangible and intangible assets, has been recorded as goodwill. The acquisition of the

Company's Management Agreement was accounted for as a contract termination and the fair value of the Management Agreement of \$38,000 was expensed as of the date of the merger. For financial reporting purposes, the value of any additional shares issued under the acquisition agreement is recognized as additional purchase price and recorded as goodwill. Issuances based on performance criteria are valued based on the market price of the shares on the date when the performance criteria are achieved.

Effective January 1, 2001, the Company acquired all remaining minority interests in the CPA® Partnerships by issuing 151,964 shares at \$18.50 per share (\$2,811) to the remaining special limited partner of the CPA® Partnerships, William Polk Carey. The acquisition price was determined pursuant to an independent valuation of the CPA® Partnerships as of December 31, 2000.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### *Basis of Consolidation*

The consolidated financial statements include the Company and its wholly-owned and majority-owned subsidiaries including the CPA® Partnerships. All material inter-entity transactions have been eliminated.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and

the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to the assessment of recoverability of real estate, intangible assets and goodwill. Actual results could differ from those estimates.

### *Real Estate Leased to Others*

Real estate is leased to others on a net lease basis, whereby the tenant is generally responsible for all operating expenses relating to the property, including property taxes, insurance, maintenance, repairs, renewals and improvements. Expenditures for maintenance and repairs including routine betterments are charged to operations as incurred. Significant renovations which increase the useful life of the properties are capitalized.

The Company diversifies its real estate investments among various corporate tenants engaged in different industries and by property type. No lessee currently represents 10% or more of total leasing revenues. The leases are accounted for under either the direct financing or operating methods. Such methods are described below (also see Notes 4 and 5):

*Direct financing method* – Leases accounted for under the direct financing method are recorded at their net investment (Note 5). Unearned income is deferred and amortized to income over the lease terms so as to produce a constant periodic rate of return on the Company's net investment in the lease.

*Operating method* – Real estate is recorded at cost less accumulated depreciation, minimum rental revenue is recognized on a straight-line basis over the term of the

related leases and expenses (including depreciation) are charged to operations as incurred.

Substantially all of the Company's leases provide for either scheduled rent increases, periodic rent increases based on formulas indexed to increases in the Consumer Price Index ("CPI") or sales overrides. Rents from sales overrides (percentage rents) are recognized as reported by the lessees, that is, after the level of sales requiring a rental payment to the Company is reached and are included in the accompanying consolidated financial statements in rental income and interest income from direct financing leases.

#### *Operating Real Estate*

Land and buildings and personal property are carried at cost less accumulated depreciation. Renewals and improvements are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

#### *Real Estate Under Construction and Redevelopment*

For properties under construction, operating expenses including interest charges are capitalized rather than expensed and rentals received are recorded as a reduction of capitalized project (i.e., construction) costs.

The amount of interest capitalized is determined by applying the interest rate applicable to outstanding borrowings on the line of credit to the average amount of accumulated expenditures for properties under construction during the period.

#### *Equity Investments*

The Company's interests in entities in which the Company's ownership is 50% or less and the Company exerts significant influence are accounted for under the equity method, i.e. at cost, increased or decreased by the Company's pro rata share of earnings or losses, less distributions.

#### *Assets Held for Sale*

Assets held for sale are accounted for at the lower of carrying value or fair value, less costs to dispose. Assets are classified as held for sale when the Company has committed to a plan to actively market a property for sale and expects that a sale will be completed within one year.

The Company recognizes gains and losses on the sale of properties when among other criteria, 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 closing costs and the carrying value of the property.

#### *Goodwill and Intangible Assets*

Goodwill represents the excess of the purchase price of the net lease real estate management operations over the fair value of net assets acquired. Other intangible assets represent cost allocated to trade names, advisory contracts with the CPA® REITs and the acquired workforce. Intangible assets are being amortized over their estimated useful lives which range from 2½ to 16½ years. (See Note 18.)

Goodwill and intangible assets are as follows:

	DECEMBER 31,	
	2001	2000
Management contracts	\$ 59,135	\$ 59,135
Workforce	4,700	4,700
Trade name	4,900	4,900
Goodwill	41,937	31,406
	110,672	100,141
Less accumulated amortization	17,862	5,958
	\$ 92,810	\$ 94,183

#### *Goodwill and Long-Lived Assets*

When events or changes in circumstances indicate that the carrying amount may not be recoverable, the Company assesses the recoverability of its goodwill and long-lived assets, including residual interests of real estate assets and investments and certain intangible assets, based on projections of undiscounted cash flows, without interest charges, over the life of such assets. In the event that such cash flows are insufficient, the assets are adjusted to their estimated fair value.

#### *Depreciation*

Depreciation is computed using the straight-line method over the estimated useful lives of the properties (generally forty years) and for furniture, fixtures and equipment (generally up to seven years).

#### *Foreign Currency Translation*

The Company consolidates its real estate investments in France. The functional currency for these investments is the French Franc. Effective January 1, 2002, the functional

currency for these investments will be the Euro. The translation from the French Franc to U. S. Dollars is performed 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. The gains and losses resulting from such translation are reported as a component of other comprehensive income as part of members' equity. The cumulative translation loss as of December 31, 2001 was \$2,668.

#### *Cash Equivalents*

The Company considers all short-term, highly liquid investments that are both readily convertible to cash and have a maturity of generally 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. Substantially all of the Company's cash and cash equivalents at December 31, 2001 and 2000 were held in the custody of three financial institutions and which balances, at times, exceed federally insurable limits. The Company mitigates this risk by depositing funds with major financial institutions.

#### *Other Assets and Liabilities*

Included in other assets are accrued rents and interest receivable, deferred rent receivable, deferred charges and marketable securities. Included in other liabilities are accrued interest, accounts payable and accrued expenses and deferred income taxes. Deferred charges include costs incurred in connection with debt financing and refinancing and are amortized and included in interest expense

over the terms of the related debt obligations. Deferred rent receivable is the aggregate difference for operating method leases between scheduled rents which vary during the lease term and rent recognized on a straight-line basis. Also included in deferred rent receivable are lease restructuring fees received which are recognized over the remainder of the initial lease terms.

Marketable securities are classified as available-for-sale securities and reported at fair value with the Company's interest in unrealized gains and losses on these securities reported as a component of other comprehensive income until realized. Such marketable securities had a cost basis of \$1,124 and \$1,362 and reflected a fair value of \$363 and \$470 at December 31, 2001 and 2000, respectively.

#### *Due to Affiliates*

Included in due to affiliates are deferred acquisition fees and amounts related to issuable shares for meeting the performance criteria in connection with the acquisition of Carey Management. Deferred acquisition fees are payable for services provided by Carey Management prior to the termination of the Management Contract, relating to the identification, evaluation, negotiation, financing and purchase of properties. The fees are payable in eight equal annual installments each January 1 following the first anniversary of the date a property was purchased.

#### *Revenue Recognition*

In connection with the acquisition of Carey Management described in Note 1, the Company earns transaction and asset-based fees. Structuring and financing fees are

earned for investment banking services provided in connection with the analysis, negotiation and structuring of transactions, including acquisitions and dispositions and the placement of mortgage financing obtained by the CPA® REITs. Asset-based fees consist of property management, leasing and advisory fees and reimbursement of certain expenses in accordance with the separate management agreements with each CPA® REIT for administrative services provided for operation of such CPA® REIT. Receipt of the incentive fee portion of the management fee, however, is subordinated to the achievement of specified cumulative return requirements by the shareholders of the CPA® REITs. The incentive portion of management fees ("the performance fees") may be collected in cash or shares of the CPA® REIT at the option of the Company. During 2001, the Company elected to receive its earned performance fees in CPA® REIT shares.

All fees are recognized as earned. Transaction fees are earned upon the consummation of a transaction and management fees are earned when services are performed. Fees subject to subordination are recognized only when the contingencies affecting the payment of such fees are resolved, that is, when the performance criteria of the CPA® REIT is achieved.

The Company also receives reimbursement of certain marketing costs in connection with the sponsorship of a CPA® REIT that is conducting a "best efforts" public offering. Reimbursement income is recorded as the expenses are incurred.



### *Income Taxes*

The Company is a limited liability company and has elected partnership status for federal income tax purposes. The Company is not liable for federal income taxes as each member recognizes his or her proportionate share of income or loss in his or her tax return. Certain wholly-owned subsidiaries are not eligible for partnership status and, accordingly, all tax liabilities incurred by these subsidiaries do not pass through to the members. Accordingly, the provision for federal income taxes is based on the results of those consolidated corporate subsidiaries that do not pass through any share of income or loss to members. The Company is subject to certain state and local taxes. Deferred income taxes are provided 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 cer-

tain income and expense items for financial reporting and tax reporting purposes. Income taxes are computed under the asset and liability method. The asset and liability method requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between tax bases and financial bases of assets and liabilities (see Note 16).

### *Earnings Per Share*

The Company presents both basic and diluted earnings per share ("EPS"). Basic EPS excludes dilution and is computed by dividing net income available to shareholders by the weighted average number of shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue shares were exercised or converted into common stock, where such exercise or conversion would result in a lower EPS amount.

Basic and diluted earnings (loss) per share were calculated as follows:

	NET INCOME (LOSS)	BASIC AND DILUTED WEIGHTED SHARES OUTSTANDING	PER SHARE AMOUNT
<b>YEAR ENDED DECEMBER 31, 2001</b>			
Basic earnings	<u>\$35,761</u>	34,465,217	<u>\$1.04</u>
Effect of dilutive securities – stock options and warrants		<u>487,343</u>	
Diluted earnings	<u>\$35,761</u>	34,952,560	<u>\$1.02</u>
<b>YEAR ENDED DECEMBER 31, 2000</b>			
Basic and diluted net loss	<u>\$ (9,278)</u>	29,652,698	<u>\$ (.31)</u>
<b>YEAR ENDED DECEMBER 31, 1999</b>			
Basic and diluted net earnings	<u>\$34,039</u>	25,596,793	<u>\$1.33</u>

For the years ended 2000 and 1999, 4,143,254 and 3,199,280 share options, respectively, were not reflected because such options were anti-dilutive, either because the exercise prices of the options were higher than the average share price or because the Company incurred a net loss.

The Company repurchased 836,600 and 62,300 of its shares outstanding during 2000 and 1999, respectively, in connection with an announcement in December 1999 that it would purchase up to 1,000,000 shares.

#### *Stock Based Compensation*

The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations ("APB No. 25"). Under APB No. 25, compensation cost is measured as the excess, if any, of the quoted market price of the Company's shares at the date of grant over the exercise price of the option granted.

The Company has granted restricted shares and stock options to substantially all employees. Shares were awarded in the name of the employee, who has all the rights of a shareholder, subject to certain restrictions of transferability and a risk of forfeiture. The forfeiture provisions on the awards expire annually, over periods of four and three years for the shares and stock options, respectively. Shares and stock options subject to forfeiture provisions have been recorded as unearned compensation and are presented as a separate component of members' equity. Compensation cost for stock options and restricted stock, if any, is recognized ratably over the vesting period of

three and four years, respectively. Compensation cost for share plans was \$1,955 and \$860 in 2001 and 2000, respectively. No compensation cost was recognized in 1999 in connection with the Company's share plans.

All transactions with non-employees in which the Company issues stock as consideration for services received are accounted for based on the fair value of the stock issued or services received, whichever is more reliably determinable.

#### *Reclassification*

Certain prior year amounts have been reclassified to conform to the current year financial statement presentation.

### **3. TRANSACTIONS WITH RELATED PARTIES**

As described in Note 1, the Company's Management Agreement with Carey Management was cancelled effective with the acquisition of the business operations of Carey Management. The Company is now internally managed and, as a result of the cancellation of the Management Agreement and acquisition of Carey Management's workforce as of the date of the acquisition, no longer incurs management and performance fees nor reimburses a manager for general and administrative reimbursements, primarily consisting of the manager's cost of providing administration to the operation of the Company. For the years ended 2000 and 1999, the Company incurred combined management and performance fees of \$1,924 and \$3,025, respectively, and general and administrative costs of \$861 and \$1,457, respectively.

Under the Advisory Agreements with the CPA® REITs, the Company performs various services, including but not limited to the day-to-day management of the CPA® REITs and transaction-related services. In addition, the Company's broker-dealer subsidiary earns fees in connection with the on-going "best efforts" public offering of CPA®:15. The Company earns an asset management fee of ½ of 1% per annum of Average Invested Assets, as defined in the Advisory Agreements, for each CPA® REIT and, based upon specific performance criteria for each REIT, may be entitled to receive performance fees, calculated on the same basis as the asset management fee, and is reimbursed for certain costs, primarily the cost of personnel. The performance criteria for CPA®:14 were initially satisfied in 2001, resulting in the Company's recognition of \$2,459 for the period December 1997 through December 31, 2000 which had been deferred. For the years ended December 31, 2001 and 2000, asset-based fees and reimbursements earned were \$29,751 and \$10,377, respectively.

In connection with structuring and negotiating acquisitions and related mortgage financing for the CPA® REITs, the Advisory Agreements provide for transaction fees based on the cost of the properties acquired. A portion of the fees are payable in equal annual installments over no less than eight years, subject to certain limitations. Such unpaid amounts bear interest at an annual rate of 6% or 7%. The Company may also earn fees related to the disposition of properties, subject to subordination provisions and will only be recognized as such subordination provisions are achieved. For the years ended December 31, 2001 and

2000, the Company earned transaction fees of \$17,160 and \$14,894, respectively.

In connection with the acquisition of the majority interests in the CPA® Partnerships on January 1, 1998 described in Note 1, a CPA® Partnership had not achieved the specified cumulative return as of the acquisition date. The subordinated preferred return was payable only if the Company achieved a closing price equal to or in excess of \$23.11 for five consecutive trading days. On December 31, 2001, the closing price criterion was met, and the \$1,423 subordinated preferred return was paid in January of 2002. Such amount is included in due to affiliates.

Prior to the termination of the Management Agreement, Carey Management performed certain services for the Company and earned transaction fees in connection with the purchase and disposition of properties. Transaction fees paid to Carey Management and affiliates were \$1,832 in 1999. The Company is also obligated to pay deferred acquisition fees in equal annual installments over a period of no less than eight years. As of December 31, 2001 and 2000, unpaid deferred acquisition fees were \$3,282 and \$3,802, respectively, and bear interest at an annual rate of 6%. Installments of \$520 and \$392 were paid in January 2001 and 2002, respectively.

The Company owns a 33.93% interest in a real estate venture with an affiliate in which the ownership of real property is held directly by each investor and not through an incorporated or unincorporated jointly held affiliate. Title to these properties is held by each investor as tenants in common. The ownership interest satisfies the criteria for accounting as undivided interests in real property

including: investors in the venture hold an undivided interest in each asset, investors are severally liable for any liability, there is no joint control, investors are only entitled to their proportionate share of income and are liable for their share of expenses and each investor may sell its interest without the consent of the other investor. For this investment, the Company reports its proportionate share of the assets, liabilities and expenses in the accompanying consolidated financial statements. The joint venture is not subject to joint control. The Company also owns interests in affiliates which are accounted for under the equity method (see Note 11).

The Company is a participant in an agreement with certain affiliates for the purpose of leasing office space used for the administration of the Company and other affiliated real estate entities and sharing the associated costs. Pursuant to the terms of the agreement, the Company's share of rental, occupancy and leasehold improvement costs is based on gross revenues. Expenses incurred were \$528, \$348 and \$545 in 2001, 2000 and 1999, respectively. The Company's share of minimum lease payments on the office lease is currently \$2,257 through 2006.

An independent director of the Company has an ownership interest in companies that own the minority interest in the Company's French majority-owned subsidiaries. The director's ownership interest is subject to the same terms as all other ownership interests in the subsidiary companies. An officer of the Company is the sole shareholder of Livho, Inc., a lessee of the Company (see Note 8).

#### 4. REAL ESTATE LEASED TO OTHERS ACCOUNTED FOR UNDER THE OPERATING METHOD

Real estate leased to others, at cost, and accounted for under the operating method is summarized as follows:

	DECEMBER 31,	
	2001	2000
Land	\$ 84,199	\$ 86,134
Buildings and improvements	375,044	352,031
	459,243	438,165
Less: Accumulated depreciation	32,401	24,159
	<u>\$426,842</u>	<u>\$414,006</u>

The scheduled future minimum rents, exclusive of renewals, under noncancelable operating leases amount to \$45,300 in 2002, \$38,098 in 2003, \$34,009 in 2004, \$30,518 in 2005, \$27,901 in 2006, and aggregate \$275,665 through 2018.

Contingent rentals (including percentage rents and CPI-based increases) were \$815, \$621 and \$563 in 2001, 2000 and 1999, respectively.

#### 5. NET INVESTMENT IN DIRECT FINANCING LEASES

Net investment in direct financing leases is summarized as follows:

	DECEMBER 31,	
	2001	2000
Minimum lease payments receivable	\$236,997	\$348,316
Unguaranteed residual value	254,520	284,843
	491,517	633,159
Less: Unearned income	233,476	345,283
	<u>\$258,041</u>	<u>\$287,876</u>

The scheduled future minimum rents, exclusive of renewals, under noncancelable direct financing leases amount to \$24,745 in 2002, \$24,668 in 2003, \$24,189 in 2004, \$22,092 in 2005, \$20,634 in 2006, and aggregate \$236,997 through 2018.

Contingent rentals (including percentage rents and CPI-based increases) were approximately \$1,345, \$1,491 and \$995 in 2001, 2000 and 1999, respectively.

## 6. MORTGAGE NOTES PAYABLE AND NOTES PAYABLE

Mortgage notes payable, substantially all of which are limited recourse obligations, are collateralized by the assignment of various leases and by real property with a carrying value of approximately \$367,894.

The interest rate on the variable rate debt as of December 31, 2001 ranged from 4.56% to 6.44% and mature from 2004 to 2015. The interest rate on the fixed rate debt as of December 31, 2001 ranged from 5.92% to 10% and mature from 2002 to 2015.

Scheduled principal payments for the mortgage notes and notes payable during each of the next five years following December 31, 2001 and thereafter are as follows:

YEAR ENDING DECEMBER 31,	TOTAL DEBT	FIXED RATE DEBT	VARIABLE RATE DEBT
2002	\$ 10,370	\$ 9,444	\$ 926
2003	11,224	10,266	958
2004	123,438	27,412	96,026
2005	9,453	8,394	1,059
2006	27,114	25,947	1,167
Thereafter	113,916	98,557	15,359
Total	<u>\$295,515</u>	<u>\$180,020</u>	<u>\$115,495</u>

The Company has a line of credit of \$185,000 pursuant to a revolving credit agreement with The Chase Manhattan Bank in which numerous lenders participate. The Company has a one-time right to increase the commitment up to \$225,000. The revolving credit agreement has a remaining term through March 2004. As of December 31, 2001, the Company had \$95,000 drawn from the line of credit. No additional advances have been drawn from the line of credit since December 31, 2001, and as of March 15, 2002, the outstanding balance was \$81,000.

Advances, which are prepayable at any time, bear interest at an annual rate of either (i) the one, two, three or six-month LIBOR, as defined, plus a spread which ranges from 0.6% to 1.45% depending on leverage or corporate credit rating or (ii) the greater of the bank's Prime Rate and the Federal Funds Effective Rate, plus .50%, plus a spread of up to .125% depending upon the Company's leverage. At December 31, 2001 and 2000, the average interest rate on advances on the line of credit was 3.22% and 7.86%, respectively. In addition, the Company will pay a fee (a) ranging between 0.15% and 0.20% per annum of the unused portion of the credit facility, depending on the Company's leverage, if no minimum credit rating for the Company is in effect or (b) equal to .15% of the total commitment amount, if the Company has obtained a certain minimum credit rating.

The revolving credit agreement has financial covenants that require the Company to (i) maintain minimum equity value of \$400,000 plus 85% of amounts received by the Company as proceeds from the issuance of equity interests and (ii) meet or exceed certain operating and coverage ratios.

Such operating and coverage ratios include, but are not limited to, (a) ratios of earnings before interest, taxes, depreciation and amortization to fixed charges for interest and (b) ratios of net operating income, as defined, to interest expense.

#### 7. DIVIDENDS PAYABLE

The Company declared a quarterly dividend of \$0.427 per share on December 12, 2001 payable on January 15, 2002 to shareholders of record as of December 31, 2001.

#### 8. LEASE REVENUES

The Company's operations consist of the investment in and the leasing of industrial and commercial real estate. The financial reporting sources of the lease revenues for the years ended December 31, 2001, 2000 and 1999 are as follows:

	2001	2000	1999
Per Statements of Income:			
Rental income	\$47,763	\$52,086	\$46,719
Interest income from direct financing leases	31,808	33,572	33,842
Adjustment:			
Share of leasing revenues applicable to minority interests	(536)	(443)	(460)
Share of leasing revenues from equity investments	6,820	3,679	2,680
	\$85,855	\$88,894	\$82,781

For the years ended December 31, 2001, 2000 and 1999, the Company earned its net leasing revenues (i.e., rental income and interest income from direct financing leases) from over 80 lessees. A summary of net leasing revenues including all current lease obligors with more than \$1,000 in annual revenues is as follows:

	YEARS ENDED DECEMBER 31,					
	2001	%	2000	%	1999	%
Dr Pepper Bottling Company of Texas	\$ 4,354	5%	\$ 4,283	5%	\$ 4,123	5%
Detroit Diesel Corporation	4,118	5	3,795	4	3,658	4
Gibson Greetings, Inc.	4,107	5	4,046	5	3,954	5
Federal Express Corporation <sup>(a)</sup>	2,836	3	5,659	6	247	—
Orbital Sciences Corporation	2,655	3	2,655	3	2,311	3
Livho, Inc.	2,568	3	3,226	4	3,226	4
Quebecor Printing Inc.	2,559	3	2,586	3	2,552	3
America West Holdings Corp.	2,539	3	2,539	3	1,839	2
Thermadyne Holdings Corp.	2,525	3	2,477	3	2,243	3
Saint-Gobain Performance Plastics Corporation (formerly Furon Company)	2,415	3	2,415	3	2,415	3
AutoZone, Inc.	2,400	3	2,378	3	2,331	3
The Gap, Inc.	2,205	3	2,205	2	2,205	3
Sybron International Corporation	2,164	3	2,164	2	2,181	3
Lockheed Martin Corporation	2,100	2	2,056	2	2,217	3
CheckFree Holdings, Inc. <sup>(b)</sup>	2,088	2	1,681	2	737	1
Unisource Worldwide, Inc.	1,734	2	1,725	2	1,726	2
Information Resources, Inc. <sup>(b)</sup>	1,644	2	1,504	2	1,458	2
AP Parts International, Inc.	1,617	2	1,617	2	1,617	2
Sybron Dental Specialties Inc.	1,613	2	1,463	2	1,446	2
CSS Industries, Inc.	1,609	2	1,598	2	1,588	2
Peerless Chain Company	1,561	2	1,463	2	1,463	2
Brodart Co.	1,519	2	1,519	2	1,519	2
Red Bank Distribution, Inc.	1,493	2	1,475	2	1,401	2
Sprint Spectrum L.P.	1,380	2	1,154	1	1,154	1
BellSouth Telecommunications, Inc.	1,224	1	1,224	1	175	—
Eagle Hardware & Garden, Inc.	1,186	1	1,288	2	1,387	2
United States Postal Service	1,165	1	1,090	1	1,090	1
Cendant Operations, Inc.	1,075	1	1,075	1	634	1
Other <sup>(c)</sup>	25,402	29	26,534	28	29,884	34
	<u>\$85,855</u>	<u>100%</u>	<u>\$88,894</u>	<u>100%</u>	<u>\$82,781</u>	<u>100%</u>

(a) Represents the Company's 40% proportionate share of lease revenues from its equity ownership in 2001. The Company owned a 100% interest until December 2000.

(b) Represents the Company's proportionate share of lease revenue from its equity investment.

(c) Includes proportionate share of lease revenues from the Company's equity investments and net of proportionate share applicable to its minority interest owners.

## 9. GAINS AND LOSSES ON SALE OF REAL ESTATE AND SECURITIES

Significant sales of properties are summarized as follows:

### 2001

In March 2001, the Company sold its property in Sterling, Massachusetts, leased to High Voltage Corporation for \$5,731, net of costs, and recognized a gain of \$42.

In July, 2001, the Company sold a property in Arkansas leased to Duff-Norton Company, Inc. (“Duff-Norton”) for approximately \$9,400, and recognized a gain of \$304. The Company placed the proceeds of the Duff-Norton sale in an escrow account for the purpose of entering into a Section 1031 noncash exchange which, under the Internal Revenue Code, would allow the Company to acquire like-kind property, and defer a taxable gain until the new property is sold, upon satisfaction of certain conditions.

In January 2002, the funds in the escrow account were transferred to the Company as the proposed exchange was not completed. Accordingly, a gain of approximately \$8,900 will be recognized for federal income tax purposes in 2002.

The Company sold eight other properties and an equity investment in a real estate partnership in 2001 for \$6,330 (including \$5,630 in cash and a note receivable of \$700) and recognized a combined net gain of \$1,558 on the sales.

### 2000

In 1998, the Company acquired land in Colliersville, Tennessee and entered into a build-to-suit commitment to construct four office buildings to be occupied by Federal Express Corporation (“Federal Express”) at a cost of up to

\$77,000. In February 2000, a net lease with Federal Express with an initial lease term of 20 years commenced at an annual rent of \$6,360. In order to mitigate the concentration of risk in a single lease, the Company agreed to sell a 60% majority interest in the subsidiary that owns the Federal Express property to an affiliate, Corporate Property Associates 14 Incorporated (“CPA<sup>®</sup>:14”), at a purchase price based on an independent appraisal. Based on such independent appraisal, the Company received \$42,287 and recognized a loss of \$2,262 in connection with the sale.

During 2000, the Company sold ten properties formerly leased to The Kobacker Stores, Inc. a property formerly leased to AutoZone, Inc. located in Pensacola, Florida, a property in Silver City, New Mexico and a property in Carthage, New York. In connection with the sales, the Company received \$3,372, net of costs, and incurred combined losses on the sales of \$775.

The Company recognized a gain of \$257 on the sale of 18,540 shares of common stock of Titan Corporation. The Company had previously exercised warrants that were granted in connection with structuring its net lease with Titan Corporation in 1991.

### 1999

In 1999, the Company sold its property in Topeka, Kansas, leased to Hotel Corporation of America (“Hotel Corp.”) and its property in Hazelwood, Missouri leased to KSG, Inc. for \$8,107 and \$11,000, respectively pursuant to Hotel Corp.’s exercise of its purchase option. In connection with the sales, the Company recognized a combined \$471 gain.



## 10. IMPAIRMENT OF REAL ESTATE AND INVESTMENTS

Significant writedowns of properties and investments to estimated fair value based on an assessment of each asset's recoverability are summarized as follows:

The Company incurred impairment losses of \$12,643, \$11,047 and \$5,988 in 2001, 2000 and 1999, respectively, in connection with the writedown of real estate interests and other long-lived assets to estimated fair value based on the following:

The Company owns 780,269 units of the operating partnership of MeriStar Hospitality Corporation ("MeriStar"), a publicly traded real estate investment trust which primarily owns hotels. In 1999, the Company recognized an impairment charge of \$4,830. Because of a continued and prolonged weakness in the hospitality industry, a substantial decrease in MeriStar's earnings and funds from operations and the risk that the decrease in MeriStar's distribution rate are projected to continue, the Company concluded that the underlying value of its investment in the operating partnership units has undergone an other than temporary impairment. Accordingly, the Company wrote down its equity investment in MeriStar by \$6,749 in 2001 to reflect the investment at its estimated fair value based on MeriStar's share price at December 31, 2001.

The Company leased a property in Burnsville, Minnesota to General Cinema Corporation ("General Cinema"). During 2000, General Cinema filed a petition of voluntary bankruptcy, and in March 2001 the lease was terminated. During 2000, the property had been written down to its estimated fair value and an impairment loss of

\$1,500 was recognized. In 2001, the Company entered into an agreement to sell the property for \$2,200. In connection with the proposed sale of the property, the Company recognized an impairment loss of \$763 in 2001 to writedown the property to the anticipated sales price, less estimated costs to sell. The sale was completed in January 2002. In connection with termination of the General Cinema lease, the Company received \$2,450 as a settlement from Harcourt General Corporation, the lease guarantor, of which \$2,145 is included in other income in 2001.

In November 2001, the Company evicted Red Bank Distribution, Inc. ("Red Bank") due to Red Bank's inability to meet its lease obligations and the Company assumed the management of public warehousing operations at the property. The Company has recognized an impairment charge of \$2,000 on the writedown of the property to its estimated fair value. In connection with the eviction, the Company and Red Bank have an agreement-in-principle to terminate the lease and to release the Company from a subordinated mortgage loan of \$2,097 in which Red Bank is the mortgagee.

DeVlieg Bullard, Inc., the former lessee of properties in Frankenmuth, Michigan and McMinnville, Tennessee terminated its master lease for the two properties in connection with its petition of voluntary bankruptcy in 1999. The Company recognized impairment losses on the McMinnville property of \$500 and \$2,677 for 2001 and 2000, respectively.

The Company owns a property in Garland, Texas leased to Varo, Inc. ("Varo"). The lease ends in October 2002 and although Varo continues to meet its lease obligations, the

property is vacant. As a result, the Company is actively remarketing the property. The property was written down to its estimated fair value and an impairment loss of \$2,238 was recognized in 2000.

The Company owns a property in Traveler's Rest, South Carolina formerly leased to Swiss-M-Tex L.P. ("M-Tex"). Based on M-Tex's weak financial condition and its inability to meet its lease obligations, the lease was terminated in 2000. M-Tex was subsequently liquidated. The property was written down to its estimated fair value and an impairment loss of \$2,657 was recognized during 2000.

In 2001 and 2000, the Company also recorded impairment losses of \$850 and \$1,514, respectively, on its assessments of the recoverability of a redeemable preferred limited partnership interest that was acquired in connection with the sale of a property in 1995 and debentures received in connection with a bankruptcy settlement with a former lessee.

The Company owned a property in Carthage, New York which was leased to Sunds Defibrator, Inc. ("Sunds"). During 1999, the Company accepted offers to sell the property for \$300 and to receive a lease termination payment of \$500, payable at the time of sale. In connection with the proposed sale, the Company recognized an impairment loss of \$1,000 on the writedown of the property to the anticipated sales price, less estimated costs to sell. The property was subsequently sold in 2000.

In connection with the anticipated sale of four properties in 2002, the Company has recognized impairment losses of \$1,781 in 2001 on the writedown of the properties to their anticipated sales price, less estimated costs to sell.

As of December 31, 2001, the Company has classified seven properties as assets held for sale which the Company anticipates selling within one year, including three which have been sold since December 31, 2001. Operating income from the properties was \$469 and the effect of suspending depreciation expense as a result of reclassification was \$5.

## 11. EQUITY INVESTMENTS

The Company owns 780,269 units of the operating partnership of MeriStar Hospitality Corporation ("MeriStar"), a publicly traded real estate investment trust which primarily owns hotels. The Company has the right to convert its units in the operating partnership to shares of common stock in MeriStar at any time on a one-for-one basis. The exchange of units for common stock would be a taxable transaction in the year of exchange. The Company's interest in the MeriStar operating partnership is being accounted for under the equity method. The carrying value of the equity interest in the MeriStar operating partnership was \$11,000 and \$18,889 as of December 31, 2001 and 2000, respectively (also see Note 10).

The audited consolidated financial statements of MeriStar filed with the United States Securities and Exchange Commission ("SEC") reported total assets of \$3,009,860 and \$3,013,008 and shareholders' equity of \$1,022,563 and \$1,134,555 as of December 31, 2001 and 2000, respectively, and revenues of \$1,084,888, \$400,778 and \$374,904 and net (loss) income of \$(42,762), \$105,861 and \$98,964 for the years ended December 31, 2001, 2000 and 1999, respectively.

The Company owns equity interests as a limited partner in two limited partnerships and in two limited liability companies, with the remaining interests owned by affiliates, that each own real estate net leased to a single tenant. The Company also purchased a 10% interest in W. P. Carey International, LLC (“WPCI”), an affiliate, in 2001 for a \$1,000 promissory note. WPCI is an investment banking firm which structures net lease transactions outside of the United States.

Effective as of June 29, 2000, the Company acquired 20,000 shares of common stock in four CPA® REITs with which it has advisory agreements. Since June 29, 2000, the Company has acquired an additional 265,341, 329,043 and 491,723 shares, respectively, of Carey Institutional Properties Incorporated, Corporate Property Associates 12 Incorporated, and Corporate Property Associates 14 Incorporated, all CPA® REITs, in connection with earning performance fees and electing to receive restricted shares of common stock rather than cash in consideration for such fees (see Note 3). As of December 31, 2001, the Company also owned 20,000 shares of Corporate Property Associates 15 Incorporated’s (“CPA®:15”) common stock for \$200, representing 100% of its outstanding shares. As of March 15, 2002, CPA®:15 has issued 5,861,577 shares of common stock (\$5,862) to investors. The interests in the CPA® REITs are accounted for under the equity method due to the Company’s ability to exercise significant influence as the Advisor to the REITs. The audited consolidated financial statements of the CPA® REITs are filed with the SEC.

Combined financial information of the affiliated equity investees is summarized as follows:

	DECEMBER 31,	
	2001	2000
Assets (primarily real estate)	\$2,196,166	\$1,745,901
Liabilities (primarily mortgage notes payable)	1,031,445	789,984
Capital	\$1,164,721	\$ 955,917

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
Revenue (primarily rental revenue) <sup>(1)</sup>	\$217,075	\$173,006	\$8,465
Expenses (primarily interest on mortgages and depreciation)	142,601	100,006	5,603
Net income	\$ 74,474	\$ 73,000	\$2,862

(1) Includes the net effect of minority interests in income, income from equity investments and gains (losses) on the sale of real estate and securities.

## 12. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company estimates that the fair value of mortgage notes payable and other notes payable was \$295,843 and \$294,278 at December 31, 2001 and 2000, respectively (see Note 6). The fair value of fixed rate debt instruments was evaluated using a discounted cash flow model with rates that take into account the credit of the tenants and interest rate risk. The fair value of the note payable from the line of credit approximates the carrying value as it is a variable rate obligation with an interest rate that resets to market rates.

### 13. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	THREE MONTHS ENDED			
	MARCH 31, 2001	JUNE 30, 2001	SEPTEMBER 30, 2001	DECEMBER 31, 2001
Revenues	\$31,897	\$35,658	\$33,341	\$38,515
Expenses	20,791	22,021	21,048	36,116
Net income	12,639	11,752	11,237	133
Net income per share –				
basic	.37	.34	.33	–
diluted	.37	.34	.32	–
Dividends declared per share	.4225	.4250	.4260	.4270

	THREE MONTHS ENDED			
	MARCH 31, 2000	JUNE 30, 2000	SEPTEMBER 30, 2000	DECEMBER 31, 2000
Revenues	\$23,276	\$26,611	\$33,929	\$36,435
Expenses	13,659	54,744	22,114	33,461
Net income (loss)	9,625	(30,041)	11,375	(237)
Net income (loss) per share –				
basic and diluted	.38	(1.18)	.34	(.01)
Dividends declared per share	.4225	.4225	.4225	.4225

### 14. STOCK OPTIONS AND WARRANTS

In January 1998, an affiliate was granted warrants to purchase 2,284,800 shares exercisable at \$21 per share and 725,930 shares exercisable at \$23 per share as compensation for investment banking services in connection with structuring the consolidation on the CPA® Partnerships. The warrants are exercisable until January 2009.

The Company maintains stock option incentive plans pursuant to which share options may be issued. The 1997 Share Incentive Plan (the “Incentive Plan”), as amended, authorizes the issuance of up to 2,600,000 shares. The Company Non-Employee Directors’ Plan (the “Directors’ Plan”) authorizes the issuance of up to 300,000 shares.

The Incentive Plan provides for the grant of (i) share options which may or may not qualify as incentive stock options, (ii) performance shares, (iii) dividend equivalent

rights and (iv) restricted shares. In 2001, share options for 465,000 shares were granted at exercise prices ranging from \$16.875 to \$21.86 per share. In 2000, 922,152 share options were granted at exercise prices ranging from \$7.69 to \$16.50 per share. In 1999, share options for 38,500 shares were granted at an exercise price of \$19.69 per share. The options granted under the Incentive Plan have a 10-year term and are exercisable for one-third of the granted options on the first, second and third anniversaries of the date of grant. The vesting of grants, however, may be accelerated upon a change in control of the Company and under certain other conditions.

The Directors’ Plan provides for the same terms as the Incentive Plan. Share options for 21,822 and 12,704 shares were granted at exercise prices ranging from \$16.38 to \$20 per share in 2000 and 1999, respectively.

Share option and warrant activity is as follows:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
Balance at January 1, 1999	3,148,076	\$ 21.42
Granted	51,204	\$ 19.31
Exercised	—	—
Forfeited	—	—
Balance at December 31, 1999	3,199,280	\$ 21.38
Granted	943,974	\$ 13.24
Exercised	—	—
Forfeited	(29,000)	\$(16.25)
Balance at December 31, 2000	4,114,254	\$ 19.57
Granted	465,000	\$ 18.66
Exercised	(229,105)	\$(12.21)
Forfeited	(29,334)	\$(16.62)
Balance at December 31, 2001	4,320,815	\$ 19.88

At December 31, 2001, 2000 and 1999, the range of exercise prices and weighted-average remaining contractual life of outstanding share options and warrants was \$7.69 to \$23.00 and 7.5 years, \$7.69 to \$23.00 and 8.32 years and \$17.25 to \$23.00 and 9 years, respectively.

The per share weighted average fair value of share options and warrants granted during 2001 were estimated to be \$1.70 using a Black-Scholes option pricing formula. The more significant assumptions underlying the determination of the weighted average fair value include a risk-free interest rate of 4.87%, a volatility factor of 22.51%, a dividend yield of 8.04% and an expected life of 3.21 years.

The per share weighted average fair value of share options and warrants granted during 2000 were estimated

to be \$3.80 using a Black-Scholes option pricing formula.

The more significant assumptions underlying the determination of the weighted average fair value include a risk-free interest rate of 6.8%, a volatility factor of 22.53%, a dividend yield of 8.44% and an expected life of ten years.

The per share weighted average fair value of share options granted during 1999 was estimated to be \$1.48, using a binomial option pricing formula. The more significant assumptions underlying the determination of the weighted average fair value include a risk-free interest rate of 5.54% a volatility factor of 18.35%, a dividend yield of 7.64% and an expected life of ten years.

The Company has elected to adopt the disclosure only provisions of SFAS No. 123. If stock-based compensation cost had been recognized based upon fair value at the date of grant for options awarded under the two plans in accordance with the provisions of SFAS No. 123, pro forma net income (loss) for 2001, 2000 and 1999 would have been \$34,979, \$(12,770) and \$33,964, respectively, and pro forma basic and diluted earnings (loss) per share would have been \$1.02 and \$1.00, respectively, in 2001, \$(.45) for both basic and diluted loss per share for 2000 and unchanged for 1999.

## 15. SEGMENT REPORTING

The Company has determined that it operates in two business segments, management services and real estate operations with domestic and international investments. The two segments are summarized as follows:

	MANAGEMENT	REAL ESTATE	OTHER <sup>(2)</sup>	TOTAL COMPANY
Revenues:				
2001	\$ 46,911	\$ 86,556	\$5,944	\$139,411
2000	25,271	88,736	6,244	120,251
1999	–	82,731	5,775	88,506
Operating, interest, depreciation and amortization expenses <sup>(1)</sup> (excluding income taxes):				
2001	39,747	55,608	4,621	99,976
2000	15,979	64,993	5,006	85,978
1999	–	48,746	4,662	53,408
Income from equity investments:				
2001	434	2,393	–	2,827
2000	69	2,813	–	2,882
1999	–	1,886	–	1,886
Net operating income <sup>(3)</sup> :				
2001	7,598	33,341	1,323	42,262
2000	9,361	26,556	1,238	37,155
1999	–	35,871	1,113	36,984
Total assets:				
2001	122,156	785,730	7,997	915,883
2000	111,375	784,628	8,239	904,242
Total long-lived assets:				
2001	64,286	721,895	5,990	792,171
2000	59,580	758,063	6,502	824,145

(1) Excludes the writeoff of an acquired management contract of \$38,000 in 2000.

(2) Primarily consists of the Company's other business operations.

(3) Net operating income excludes gains and losses on sales, income taxes, minority interest, extraordinary items and the writeoff of an acquired management contract of \$38,000 in 2000 and includes \$11,903 and \$5,958 of amortization charges in 2001 and 2000, respectively.

The Company acquired its first international real estate investment in 1998. For 2001, geographic information for the real estate operations segment is as follows:

	DOMESTIC	INTERNATIONAL	TOTAL REAL ESTATE
Revenues	\$ 82,795	\$ 3,761	\$ 86,556
Operating, interest, depreciation and amortization expenses (excluding income taxes) <sup>(1)</sup>	52,183	3,425	55,608
Income from equity investments	2,393	–	2,393
Net operating income <sup>(2)</sup>	33,005	336	33,341
Total assets	736,152	49,578	785,730
Total long-lived assets	675,919	45,976	721,895

For 2000, geographic information for the real estate operations segment is as follows:

	DOMESTIC	INTERNATIONAL	TOTAL REAL ESTATE
Revenues	\$ 86,311	\$ 2,425	\$ 88,736
Operating, interest, depreciation and amortization expenses (excluding income taxes) <sup>(1)</sup>	62,290	2,703	64,993
Income from equity investments	2,813	–	2,813
Net operating income <sup>(2)</sup>	26,834	(278)	26,556
Total assets	752,126	32,502	784,628
Total long-lived assets	728,260	29,803	758,063

For 1999, geographic information is as follows:

	DOMESTIC	INTERNATIONAL	TOTAL REAL ESTATE
Revenues	\$80,683	\$2,048	\$82,731
Operating, interest, depreciation and amortization expenses (excluding income taxes) <sup>(1)</sup>	47,284	1,462	48,746
Income from equity investments	1,886	–	1,886
Net operating income <sup>(2)</sup>	35,285	586	35,871

(1) Excludes the writeoff of an acquired management contract of \$38,000 in 2000.

(2) Net (loss) income excludes gains and losses on sales, income taxes, minority interest, extraordinary items and the writeoff of an acquired management contract of \$38,000 in 2000 and includes \$11,903 and \$5,958 of amortization charges in 2001 and 2000, respectively.

## 16. INCOME TAXES

The components of the Company's provision for income taxes for the years ended December 31, 2001, 2000 and 1999 are as follows:

	2001	2000	1999
Federal:			
Current	\$ (46)	\$ 569	
Deferred	4,783	848	
	4,737	1,417	
State and local:			
Current	1,993	2,176	\$752
Deferred	1,787	571	–
	3,780	2,747	752
Total provision	\$8,517	\$4,164	\$752

Deferred income taxes as of December 31, 2001 and 2000 consist of the following:

	2001	2000
Deferred tax assets:		
Net operating loss carry forward	\$1,531	\$ –
Unearned compensation	544	634
Corporate fixed assets	98	142
Other long-term liabilities	115	–
	2,288	776
Deferred tax liabilities:		
Receivables from affiliates	4,975	2,112
Investments	3,921	–
	8,896	2,112
Net deferred tax liability	\$6,608	\$1,336

No deferred income taxes were recognized in 1999.

The net operating loss to be carried forward is \$3,278 and expires in 2021.

The difference between the tax provision and the tax benefit recorded at the statutory rate at December 31, 2001 and 2000 is as follows:

	2001	2000
Income (loss) from taxable subsidiaries before income tax	\$3,236	\$(38,172)
Federal provision (benefit) at statutory tax rate (34%)	1,100	(12,978)
State and local taxes, net of federal benefit	1,137	557
Writeoff of management contract	–	12,920
Amortization of intangible assets	3,458	1,706
Other	794	34
Tax provision – taxable subsidiaries	6,489	2,239
Other state and local taxes	2,028	1,925
Total tax provision	\$8,517	\$ 4,164

## 17. EMPLOYEE BENEFIT PLANS

The Company sponsors a qualified profit-sharing plan and trust covering substantially all of its full-time employees who have attained age twenty-one, worked a minimum of 1,000 hours and completed one year of service. The Company is under no obligation to contribute to the plan and the amount of any contribution is determined by and at the discretion of the Board of Directors. The Board of Directors can authorize contributions to a maximum of 15% of an eligible participant's total compensation, limited to \$25.5 annually per participant. For the years



ended December 31, 2001 and 2000, amounts expensed by the Company for contributions to the trust were \$1,388 and \$627, respectively. Annual contributions represent an amount equivalent to 15% of each eligible participant's total eligible compensation for that period.

## 18. ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards ("SFAS") No. 141 "Business Combinations" and No. 142 "Goodwill and Other Intangibles," which establish accounting and reporting standards for business combinations, certain assets and liabilities acquired in business combinations and asset acquisitions.

SFAS No. 141 requires that all business combinations initiated after June 30, 2001 be accounted for under the purchase method, establishes specific criteria for the recognition of intangible assets separately from goodwill and requires that unallocated negative goodwill be written off immediately as an extraordinary gain. Use of the pooling-of-interests method for business combinations is no longer permitted. The adoption of SFAS 141 did not have a material effect on the Company's financial statements.

SFAS No. 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition and the accounting for asset acquisitions. The provisions of SFAS No. 142 are effective for fiscal years beginning after December 15, 2001 and must be adopted at the beginning of a fiscal year. SFAS No. 142 provides that goodwill and indefinite-lived intangible assets will no longer be amortized but will be tested for impairment at

least annually. Intangible assets acquired and liabilities assumed in business combinations will only be amortized if such assets and liabilities are capable of being separated or divided and sold, transferred, licensed, rented or exchanged or arise from contractual or legal rights (including leases), and will be amortized over their useful lives. In connection with the implementation of SFAS No. 142, WPC performed its annual test for impairment of its management services segment, the reportable units for measurement, in March 2002, and concluded that the carrying value of goodwill is not impaired.

The Company will adopt the provisions of SFAS No. 142 for the fiscal year beginning January 1, 2002. With the acquisition of the real estate management operations in 2000, the Company allocated a portion of the purchase price to goodwill and other identifiable intangible assets. In adopting SFAS No. 142, the Company will discontinue amortization of existing goodwill. SFAS 142 will have a significant impact on the Company's financial results based on the historical amortization of goodwill and certain intangible assets. During the years ended December 31, 2001 and 2000 the Company had amortization expense of \$4,597 and \$2,001, respectively, which beginning January 1, 2002, will no longer be expensed under SFAS 142.

SFAS No. 142 requires that goodwill be tested annually for impairment using a two-step process. The first step is to identify a potential impairment and, in transition, this step must be measured as of the beginning of the fiscal year. However, a company has six months from the date of adoption to complete the first step. The second step of the goodwill impairment test measures the amount of impair-

ment loss (measured as of the beginning of the year of adoption), if any, and must be completed by the end of the Company's fiscal year. Intangible assets deemed to have an indefinite life will be tested for impairment using a one-step process which compares the fair value to the carrying amount of the asset as of the beginning of the fiscal year.

In August 2001, FASB issued SFAS No. 144 "Accounting for the Impairment of Long-Lived Assets" which addresses the accounting and reporting for the impairment and disposal of long-lived assets and supercedes SFAS No. 121 while retaining SFAS No. 121's fundamental provisions for the recognition and measurement of impairments. SFAS 144 removes goodwill from its scope, provides for a probability-weighted cash flow estimation approach for analyzing situations in which alternative courses of action to recover the carrying amount of long-lived assets are under consideration and broadens that presentation of discontinued operations to include a component of an entity. The adoption of SFAS 144 is not expected to have a material effect on the Company's financial statements; however, the revenues and expenses relating to an asset held for sale or sold must be presented as a discontinued operation for all periods presented. The provisions of SFAS No. 144 are effective for fiscal years beginning after December 15, 2001.

## 19. SUBSEQUENT EVENTS

In 1999, subsequent to the termination of a lease, the Company commenced redeveloping its property in Los Angeles, California. In January 2002, the Company entered into a purchase and sales agreement with the Los Angeles Unified School District ("LAUSD") for \$24,000. The sale is

subject to completion of LAUSD's conducting certain due diligence, environmental approvals and the approval of the LAUSD Board of Education. If the sale has not been completed by June 30, 2002, the LAUSD will be required to pay monthly extension fees at an increasing rate.

The Company also entered into an agreement with the LAUSD to provide environmental and management services in connection with the development of the property. Under the agreement which expires in April 2002, the Company received an initial payment of \$200 and will be paid a management fee of \$25 per month. The Company and the LAUSD are currently negotiating an extension of the agreement. Under the agreement, the LAUSD has agreed to reimburse the Company for approximately \$1,150 of costs which were incurred in the redevelopment of the property. Such reimbursements will be applied to the carrying value of the property. The carrying value of the property of \$13,047 is included in assets held for sale in the accompanying consolidated financial statements as of December 31, 2001.

In January 2002, the Company sold properties in Burnsville, Minnesota, Urbana, Illinois and Maumelle, Arkansas for \$9,400 less closing costs. The carrying value of the properties of \$7,783 is included in assets held for sale in the accompanying consolidated financial statements. The Burnsville and Urbana properties were vacant at the time of sale.

The Company from time to time may offer to sell its Listed Shares, Future Shares and Warrants pursuant to a registration statement declared effective by the Securities and Exchange Commission on February 25, 2002. The total

amount of these securities will have an initial aggregate offering price of up to \$100,000, although the Company may increase this amount in the future. The shares and/or warrants may be offered and sold to or through one or more underwriters, dealers and agents, or directly to purchasers, on a continuous or delayed basis. The prospectus included as part of the registration state-

ment describes some of the general terms that may apply to these securities and the general manner in which they may be offered. The specific terms of any securities to be offered, the specific manner in which they may be offered and the specific use of proceeds, will be described in a supplement to the prospectus.

## MARKET FOR THE COMPANY'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Listed Shares are listed on the New York Stock Exchange.

Trading commenced on January 21, 1998.

As of December 31, 2001 there were 20,616 shareholders of record.

### DIVIDEND POLICY

Quarterly cash dividends are usually declared in December, March, June and September and paid in January, April, July and October.

Cash dividends declared per share:

Quarter	2001	2000	1999
1	\$ .4225	\$ .4225	\$ .4175
2	.4250	.4225	.4175
3	.4260	.4225	.4175
4	.4270	.4225	.4175
Total:	\$1.7005	\$1.6900	\$1.6700

### LISTED SHARES

The high, low and closing prices on the New York Stock Exchange for a Listed Share for each fiscal quarter of 2001, 2000 and 1999 were as follows (in dollars):

2001	HIGH	LOW	CLOSE
First Quarter	\$20.60	\$18.26	\$19.35
Second Quarter	21.80	18.50	18.50
Third Quarter	22.05	19.25	21.35
Fourth Quarter	23.80	20.00	23.20
2000	HIGH	LOW	CLOSE
First Quarter	\$16.03	\$14.39	\$15.45
Second Quarter	17.02	15.51	15.60
Third Quarter	17.15	15.90	17.15
Fourth Quarter	18.10	16.11	18.10
1999	HIGH	LOW	CLOSE
First Quarter	\$17.88	\$17.44	\$17.69
Second Quarter	17.38	17.06	17.25
Third Quarter	20.00	17.38	20.00
Fourth Quarter	17.19	16.63	16.88

## REPORT ON FORM 10-K

The Company will supply to any shareholder, upon written request and without charge, a copy of the Annual Report on Form 10-K for the year ended December 31, 2001 as filed with the Securities and Exchange Commission.

## DIRECTORS

Wm. Polk Carey  
*Chairman*

Francis J. Carey  
*Vice Chairman*

Gordon F. DuGan  
*President and  
Chief Acquisitions Officer*

Donald E. Nickelson  
*Chairman of the Audit  
Committee; Former President,  
PaineWebber, Inc.*

Eberhard Faber, IV  
*Former Director of the Federal  
Reserve Bank of Philadelphia*

Dr. Lawrence R. Klein  
*Nobel Laureate in Economics;  
Benjamin Franklin Professor of  
Economics (Emeritus),  
University of Pennsylvania*

Charles C. Townsend, Jr.  
*Chairman of the  
Compensation Committee;  
Former Head of Corporate  
Finance, Morgan Stanley & Co.*

Reginald Winsinger  
*Chairman of Horizon New  
America National Portfolio Inc.*

## INVESTMENT COMMITTEE

George E. Stoddard  
*Chairman of the Investment  
Committee; Former Head of the  
Direct Placement Department,  
The Equitable Life Assurance  
Society of the United States*

Frank J. Hoenemeyer  
*Vice Chairman of the Investment  
Committee Former Vice  
Chairman and Chief Investment  
Officer, The Prudential  
Insurance Company of America*

Nathaniel S. Coolidge  
*Former Head of Bond and  
Corporate Finance Department,  
John Hancock Mutual Life  
Insurance Company*

Dr. Lawrence R. Klein  
*Member*

## OFFICERS

Wm. Polk Carey  
*Chairman and Director*

Francis J. Carey  
*Vice Chairman and Director*

Gordon F. DuGan  
*President, Chief Acquisitions  
Officer and Director*

John J. Park  
*Managing Director, Chief  
Financial Officer and Treasurer*

Claude Fernandez  
*Managing Director*

Stephen H. Hamrick  
*Managing Director*

Edward V. LaPuma  
*Managing Director*

W. Sean Sovak  
*Managing Director*

Thomas E. Zacharias  
*Managing Director*

Anne R. Coolidge  
*Executive Director*

Susan C. Hyde  
*Executive Director*

Michael D. Roberts  
*Executive Director and  
Controller*

Gordon J. Whiting  
*Executive Director*

Debra E. Bigler  
*Senior Vice President –  
Regional Director*

Ted G. Lagreid  
*Senior Vice President –  
Regional Director*

David W. Marvin  
*Senior Vice President –  
Regional Director*

Donna M. Neiley  
*Senior Vice President –  
Asset Management*

Anthony S. Mohl  
*Senior Director – Paris*

James Longden  
*Director – London*

Brent Carrier  
*First Vice President –  
Development*

David S. Eberle  
*First Vice President –  
Regional Director*

Benjamin P. Harris  
*First Vice President –  
Acquisitions*

Robert C. Kehoe  
*First Vice President – Finance*

David G. Termine  
*First Vice President –  
Accounting*

Timothy W. Burdette  
*Vice President –  
Asset Management*

Alistair Calvert  
*Vice President – Acquisitions*

Jeffrey R. Damec  
*Vice President –  
Regional Director*

Kimberly J. Dussol  
*Vice President –  
Asset Management*

Yasmin Guerrero  
*Vice President – Accounting*

Nichole B. LeFort  
*Vice President –  
Regional Director*

Frank Machado  
*Vice President – Accounting*

Marisa Mackey  
*Vice President – Acquisitions*

John F. Moss  
*Vice President –  
Regional Director*

Mary P. Nelson  
*Vice President – Systems*

Louisa H. Quarto  
*Vice President – Marketing*

Mykolas Rambus  
*Vice President and Chief  
Information Officer*

C. Curtis Ritter  
*Vice President –  
Communications*

Gino Sabatini  
*Vice President – Acquisitions*

Gagan Singh  
*Vice President – Finance*

Mark Wander  
*Vice President –  
Regional Director*

## CORPORATE INFORMATION

### Auditors

PricewaterhouseCoopers LLP

### Counsel

Reed Smith LLP

### Executive Offices

W. P. Carey & Co. LLC  
50 Rockefeller Plaza  
New York, NY 10020  
212-492-1100

### Transfer Agent

Mellon Investor Services L.L.C.  
85 Challenger Road  
Ridgefield Park, NJ 07660  
888-200-8690

### Annual Meeting

June 11, 2002, 10:30 a.m. at the  
Waldorf=Astoria Hotel, New York City

### Form 10-K

A copy of the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission may be obtained without charge by writing the Executive Offices at the above address.

### Dividend Information

The following table sets forth for the period indicated, the per share dividends paid to shareholders of record since inception:

#### Record Date

March 31, 1998	\$ .4125	March 31, 2000	\$ .4225
June 30, 1998	\$ .4125	June 30, 2000	\$ .4225
September 30, 1998	\$ .4125	September 30, 2000	\$ .4225
December 31, 1998	\$ .4125	December 31, 2000	\$ .4225
March 31, 1999	\$ .4175	March 30, 2001	\$ .4225
June 30, 1999	\$ .4175	June 30, 2001	\$ .4250
September 30, 1999	\$ .4175	September 30, 2001	\$ .4260
December 31, 1999	\$ .4175	December 31, 2001	\$ .4270

### Website

www.wpcarey.com

### Trading Information

Shares of W. P. Carey & Co. LLC trade on the New York Stock Exchange ("NYSE") under the symbol "WPC."

W. P. Carey & Co. LLC

50 Rockefeller Plaza 🌿 New York, NY 10020 🌿 212-492-1100 🌿 NYSE: WPC 🌿 [www.wpcarey.com](http://www.wpcarey.com)

W. P. CAREY