

W. P. Carey Inc.  
Form 10-Q  
November 05, 2015

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

FORM 10-Q

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

For the quarterly period ended September 30, 2015  
or

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

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

Commission File Number: 001-13779

W. P. CAREY INC.

(Exact name of registrant as specified in its charter)

Maryland

(State of incorporation)

45-4549771

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

50 Rockefeller Plaza

New York, New York

(Address of principal executive offices)

10020

(Zip Code)

Investor Relations (212) 492-8920

(212) 492-1100

(Registrant's telephone numbers, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Accelerated filer  Non-accelerated filer

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Large accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

Registrant has 104,403,517 shares of common stock, \$0.001 par value, outstanding at October 30, 2015.

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## Forward-Looking Statements

This Quarterly Report on Form 10-Q, or this Report, including Management’s Discussion and Analysis of Financial Condition and Results of Operations, in Item 2 of Part I of this Report, contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements generally are identified by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “intend,” “strategy,” “plan,” “may,” “should,” “will,” “would,” “will be,” “will likely result,” and similar expressions. These forward-looking statements include, but are not limited to, statements regarding a potential separation, including the timing and potential benefits thereof and whether any such separation will be completed, capital markets, tenant credit quality, general economic overview, our expected range of Adjusted funds from operations, or AFFO, our corporate strategy, our capital structure, our portfolio lease terms, our international exposure and acquisition volume, our expectations about tenant bankruptcies and interest coverage, statements regarding estimated or future economic performance and results, including our underlying assumptions, occupancy rate, credit ratings, and possible new acquisitions by us and our investment management programs, the Managed Programs discussed herein, including their earnings, statements that we make regarding our ability to remain qualified for taxation as a real estate investment trust, or REIT, the amount and timing of any future dividends, our existing or future leverage and debt service obligations, our ability to sell shares under our “at the market” program and the use of any such proceeds from that program, our future prospects for growth, our projected assets under management, our future capital expenditure levels, our historical and anticipated funds from operations, our future financing transactions, our estimates of growth, and our plans to fund our future liquidity needs. These statements are based on the current expectations of our management. It is important to note that our actual results could be materially different from those projected in such forward-looking statements. There are a number of risks and uncertainties that could cause actual results to differ materially from these forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on our business, financial condition, liquidity, results of operations, AFFO, and prospects, or the business, financial condition, liquidity, results of operations, AFFO, and prospects of any entities resulting from the potential separation transactions. You should exercise caution in relying on forward-looking statements as they involve known and unknown risks, uncertainties, and other factors that may materially affect our future results, performance, achievements or transactions. Information on factors that could impact actual results and cause them to differ from what is anticipated in the forward-looking statements contained herein is included in this Report as well as in our other filings with the Securities and Exchange Commission, or the SEC, including but not limited to those described in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the SEC on March 2, 2015, as amended by a Form 10-K/A filed with the SEC on March 17, 2015, or the 2014 Annual Report, and Part II, Item 1A “Risk Factors” in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 as filed with the SEC on May 18, 2015. Moreover, because we operate in a very competitive and rapidly changing environment, new risks are likely to emerge from time to time. Given these risks and uncertainties, potential investors are cautioned not to place undue reliance on these forward-looking statements as a prediction of future results, which speak only as of the date of this Report, unless noted otherwise. Except as required by federal securities laws and the rules and regulations of the SEC, we do not undertake to revise or update any forward-looking statements.

All references to “Notes” throughout the document refer to the footnotes to the consolidated financial statements of the registrant in Part I, Item 1. Financial Statements (Unaudited).

## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements.

## W. P. CAREY INC.

## CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands, except share and per share amounts)

	September 30, 2015	December 31, 2014
Assets		
Investments in real estate:		
Real estate, at cost (inclusive of \$183,818 and \$184,417, respectively, attributable to variable interest entities, or VIEs)	\$5,297,782	\$5,006,682
Operating real estate, at cost (inclusive of \$38,714 and \$38,714, respectively, attributable to VIEs)	82,648	84,885
Accumulated depreciation (inclusive of \$25,350 and \$19,982, respectively, attributable to VIEs)	(351,666	) (258,493
Net investments in properties	5,028,764	4,833,074
Net investments in direct financing leases (inclusive of \$59,800 and \$61,609, respectively, attributable to VIEs)	780,239	816,226
Assets held for sale	4,863	7,255
Net investments in real estate	5,813,866	5,656,555
Cash and cash equivalents (inclusive of \$1,300 and \$2,652, respectively, attributable to VIEs)	191,318	198,683
Equity investments in the Managed Programs and real estate	275,883	249,403
Due from affiliates	147,700	34,477
In-place lease and tenant relationship intangible assets, net (inclusive of \$18,706 and \$21,267, respectively, attributable to VIEs)	928,962	993,819
Goodwill	684,576	692,415
Above-market rent intangible assets, net (inclusive of \$12,292 and \$13,767, respectively, attributable to VIEs)	492,754	522,797
Other assets, net (inclusive of \$18,905 and \$18,603, respectively, attributable to VIEs)	353,369	300,330
Total assets	\$8,888,428	\$8,648,479
Liabilities and Equity		
Liabilities:		
Non-recourse debt, net (inclusive of \$121,634 and \$125,226, respectively, attributable to VIEs)	\$2,412,612	\$2,532,683
Senior Unsecured Notes, net	1,502,007	498,345
Senior Unsecured Credit Facility - Revolver	435,489	807,518
Senior Unsecured Credit Facility - Term Loan	250,000	250,000
Accounts payable, accrued expenses and other liabilities (inclusive of \$4,768 and \$5,573, respectively, attributable to VIEs)	298,514	293,846
Below-market rent and other intangible liabilities, net (inclusive of \$8,715 and \$9,305, respectively, attributable to VIEs)	165,647	175,070
Deferred income taxes (inclusive of \$544 and \$587, respectively, attributable to VIEs)	87,570	94,133
Distributions payable	101,645	100,078
Total liabilities	5,253,484	4,751,673
Redeemable noncontrolling interest	14,622	6,071

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Commitments and contingencies (Note 13)

Equity:

W. P. Carey stockholders' equity:

Preferred stock, \$0.001 par value, 50,000,000 shares authorized; none issued	—	—
Common stock, \$0.001 par value, 450,000,000 shares authorized; 105,446,627 and 105,085,069 shares issued, respectively; and 104,402,211 and 104,040,653 shares outstanding, respectively	105	105
Additional paid-in capital	4,300,859	4,322,273
Distributions in excess of accumulated earnings	(655,095)	) (465,606 )
Deferred compensation obligation	57,395	30,624
Accumulated other comprehensive loss	(156,669)	) (75,559 )
Less: treasury stock at cost, 1,044,416 shares	(60,948)	) (60,948 )
Total W. P. Carey stockholders' equity	3,485,647	3,750,889
Noncontrolling interests	134,675	139,846
Total equity	3,620,322	3,890,735
Total liabilities and equity	\$8,888,428	\$8,648,479

See Notes to Consolidated Financial Statements.

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## W. P. CAREY INC.

## CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues				
Real estate revenues:				
Lease revenues	\$ 164,741	\$ 149,243	\$ 487,480	\$ 420,563
Operating property revenues	8,107	8,344	23,645	21,586
Reimbursable tenant costs	5,340	6,271	17,409	18,034
Lease termination income and other	2,988	1,415	9,319	17,590
	181,176	165,273	537,853	477,773
Revenues from the Managed Programs:				
Asset management revenue	13,004	9,088	36,236	27,910
Reimbursable costs	11,155	14,722	28,401	96,379
Structuring revenue	8,207	5,487	67,735	40,492
Dealer manager fees	1,124	2,436	2,704	17,062
Incentive revenue	—	—	203	—
	33,490	31,733	135,279	181,843
	214,666	197,006	673,132	659,616
Operating Expenses				
Depreciation and amortization	75,512	59,524	206,079	175,642
General and administrative	22,842	20,261	78,987	62,066
Impairment charges	19,438	4,225	22,711	6,291
Reimbursable tenant and affiliate costs	16,495	20,993	45,810	114,413
Property expenses, excluding reimbursable tenant costs	11,120	10,346	31,504	29,976
Merger, property acquisition, and other expenses	4,760	618	12,333	31,369
Stock-based compensation expense	3,966	7,979	16,063	22,979
Dealer manager fees and expenses	3,185	3,847	7,884	15,557
Subadvisor fees	1,748	381	8,555	2,850
	159,066	128,174	429,926	461,143
Other Income and Expenses				
Interest expense	(49,683)	(46,534)	(145,325)	(133,342)
Equity in earnings of equity method investments in the Managed Programs and real estate	12,635	11,610	38,630	35,324
Other income and (expenses)	6,608	(5,141)	9,944	(12,158)
Gain on change in control of interests	—	—	—	105,947
	(30,440)	(40,065)	(96,751)	(4,229)
Income from continuing operations before income taxes and gain (loss) on sale of real estate	25,160	28,767	146,455	194,244
Provision for income taxes	(3,361)	(901)	(20,352)	(11,175)
Income from continuing operations before gain (loss) on sale of real estate	21,799	27,866	126,103	183,069
Income from discontinued operations, net of tax	—	190	—	33,018
Gain (loss) on sale of real estate, net of tax	1,779	260	2,980	(3,482)
Net Income	23,578	28,316	129,083	212,605
Net income attributable to noncontrolling interests	(1,833)	(993)	(7,874)	(4,914)
	—	14	—	(137)

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Net loss (income) attributable to redeemable noncontrolling interest				
Net Income Attributable to W. P. Carey	\$21,745	\$27,337	\$121,209	\$207,554
Basic Earnings Per Share				
Income from continuing operations attributable to W. P. Carey	\$0.20	\$0.27	\$1.14	\$1.80
Income from discontinued operations attributable to W. P. Carey	—	—	—	0.34
Net Income Attributable to W. P. Carey	\$0.20	\$0.27	\$1.14	\$2.14
Diluted Earnings Per Share				
Income from continuing operations attributable to W. P. Carey	\$0.20	\$0.27	\$1.13	\$1.78
Income from discontinued operations attributable to W. P. Carey	—	—	—	0.34
Net Income Attributable to W. P. Carey	\$0.20	\$0.27	\$1.13	\$2.12
Weighted-Average Shares Outstanding				
Basic	105,813,237	100,282,082	105,627,423	96,690,675
Diluted	106,337,040	101,130,448	106,457,495	97,728,981
Amounts Attributable to W. P. Carey				
Income from continuing operations, net of tax	\$21,745	\$27,151	\$121,209	\$174,362
Income from discontinued operations, net of tax	—	186	—	33,192
Net Income	\$21,745	\$27,337	\$121,209	\$207,554
Distributions Declared Per Share	\$0.9550	\$0.9400	\$2.8615	\$2.7350

See Notes to Consolidated Financial Statements.

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## W. P. CAREY INC.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (UNAUDITED)

(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Income	\$23,578	\$28,316	\$129,083	\$212,605
Other Comprehensive Loss				
Foreign currency translation adjustments	(37,138 )	(55,096 )	(103,127 )	(52,140 )
Realized and unrealized gain on derivative instruments	1,289	16,151	18,488	11,587
Change in unrealized (loss) gain on marketable securities—		(12 )	14	—
	(35,849 )	(38,957 )	(84,625 )	(40,553 )
Comprehensive (Loss) Income	(12,271 )	(10,641 )	44,458	172,052
Amounts Attributable to Noncontrolling Interests				
Net income	(1,833 )	(993 )	(7,874 )	(4,914 )
Foreign currency translation adjustments	(43 )	3,504	3,515	3,951
Comprehensive (income) loss attributable to noncontrolling interests	(1,876 )	2,511	(4,359 )	(963 )
Amounts Attributable to Redeemable Noncontrolling Interest				
Net loss (income)	—	14	—	(137 )
Foreign currency translation adjustments	—	(32 )	—	(5 )
Comprehensive income attributable to redeemable noncontrolling interest	—	(18 )	—	(142 )
Comprehensive (Loss) Income Attributable to W. P. Carey	\$(14,147 )	\$(8,148 )	\$40,099	\$170,947

See Notes to Consolidated Financial Statements.

## W. P. CAREY INC.

## CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

Nine Months Ended September 30, 2015

(in thousands, except share and per share amounts)

	W. P. Carey Stockholders			Distributions in Excess of Accumulated Earnings	Deferred Compensation Obligation	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total W. P. Carey Stockholders	Noncontrolling Interests	Total
	Common Stock \$0.001 Par Value Shares	Additional Paid-in Capital Amount								
Balance at January 1, 2015	104,040,653	\$105	\$4,322,273	\$(465,606)	\$30,624	\$(75,559 )	\$(60,948)	\$3,750,889	\$139,846	\$3,890,735
Contributions from noncontrolling interests								—	586	586
Exercise of stock options and employee purchases under the employee share purchase plan	8,738	—	360					360		360
Grants issued in connection with services rendered	308,146	—	(14,695 )					(14,695 )		(14,695 )
Shares issued under share incentive plans	44,674	—	(1,748 )					(1,748 )		(1,748 )
Deferral of vested shares			(24,935 )		24,935			—		—
Windfall tax benefits - share incentive plans			7,028					7,028		7,028
Amortization of stock-based compensation expense			16,063					16,063		16,063
Redemption value adjustment			(8,551 )					(8,551 )		(8,551 )
Distributions to noncontrolling interests								—	(10,116 )	(10,116 )
Distributions declared (\$2.8615 per share)			5,064	(310,698 )	1,836			(303,798 )		(303,798 )

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Net income	121,209	121,209	7,874	129,08
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(99,612 )	(99,612 )	(3,515 )	(103,1
Realized and unrealized gain on derivative instruments	18,488	18,488		18,488
Change in unrealized gain on marketable securities	14	14		14
Balance at September 30, 2015	104,402,211	\$105 \$4,300,859	\$(655,095) \$57,395	\$(156,669) \$(60,948) \$3,485,647
		\$134,675		\$3,62

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## W. P. CAREY INC.

## CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

(Continued)

Nine Months Ended September 30, 2014

(in thousands, except share and per share amounts)

	W. P. Carey Stockholders			Distributions in Excess of Accumulated Earnings	Deferred Compensation Obligation	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total	
	Common Stock \$0.001 Par Value Shares	Additional Paid-in Capital Amount						W. P. Carey Stockholders	Noncontrolling Interests
Balance at January 1, 2014	68,266,570	\$69	\$2,256,503	\$(318,577)	\$11,354	\$15,336	\$(60,270)	\$1,904,415	\$298,316
Shares issued to stockholders of CPA <sup>®</sup> :16 – Global in connection with the CPA <sup>®</sup> :16 Merger	30,729,878	31	1,815,490					1,815,521	
Shares issued in public offering	4,600,000	5	282,157					282,162	
Purchase of the remaining interests in less-than-wholly-owned investments that we already consolidate in connection with the CPA <sup>®</sup> :16 Merger			(41,374 )					(41,374 )	(239,562)
Purchase of noncontrolling interests in connection with the CPA <sup>®</sup> :16 Merger								—	99,757
Contributions from noncontrolling interests								—	379
Exercise of stock options and employee purchases under the employee share purchase plan	24,725	—	1,220					1,220	
Grants issued in connection with services rendered	368,347	—	(15,736 )					(15,736 )	
Shares issued under share incentive plans	35,683	—	(849 )					(849 )	
Deferral of vested shares			(15,428 )		15,428			—	
Windfall tax benefits - share incentive plans			5,449					5,449	
Amortization of stock-based			22,979					22,979	

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compensation expense									
Redemption value adjustment		306					306		
Distributions to noncontrolling interests							—		(15,270)
Distributions declared (\$2.735 per share)		3,179	(288,093 )	3,842			(281,072 )		
Purchase of treasury stock from related party	(11,037 )	—					(678 )	(678 )	
Foreign currency translation							—		50
Net income			207,554				207,554		4,914
Other comprehensive income (loss):									
Foreign currency translation adjustments						(48,194 )	(48,194 )		(3,951)
Realized and unrealized gain on derivative instruments						11,587	11,587		
Balance at September 30, 2014	104,014,166	\$ 105	\$ 4,313,896	\$(399,116)	\$ 30,624	\$(21,271)	\$(60,948)	\$ 3,863,290	\$ 144,633

See Notes to Consolidated Financial Statements.

## W. P. CAREY INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

	Nine Months Ended September	
	30,	2014
	2015	2014
Cash Flows — Operating Activities		
Net income	\$ 129,083	\$ 212,605
Adjustments to net income:		
Depreciation and amortization, including intangible assets and deferred financing costs	212,273	184,808
Straight-line rent and amortization of rent-related intangibles	27,980	35,229
Impairment charges	22,711	6,291
Management income received in shares of Managed REITs and other	(16,808)	(27,933)
Stock-based compensation expense	16,063	22,979
Realized and unrealized (gain) loss on foreign currency transactions, derivatives, extinguishment of debt, and other	(3,368)	2,718
Gain on sale of real estate	(2,980)	(24,188)
Equity in earnings of equity method investments in the Managed Programs and real estate in excess of distributions received	(2,776)	(1,915)
Gain on change in control of interests	—	(105,947)
Amortization of deferred revenue	—	(786)
Changes in assets and liabilities:		
Increase in structuring revenue receivable	(21,574)	(13,398)
Deferred acquisition revenue received	20,105	12,693
Payments for withholding taxes upon delivery of equity-based awards and exercises of stock options	(16,443)	(16,585)
Net changes in other operating assets and liabilities	(33,363)	(9,417)
Net Cash Provided by Operating Activities	330,903	277,154
Cash Flows — Investing Activities		
Purchases of real estate	(529,812)	(246,593)
Funding of short-term loans to affiliates	(155,447)	(11,000)
Proceeds from repayment of short-term loans to affiliates	50,000	11,000
Proceeds from sale of real estate	28,949	281,164
Investment in real estate under construction	(27,976)	(7,879)
Change in investing restricted cash	24,607	(29,219)
Capital contributions to equity investments in real estate	(15,903)	(468)
Value added taxes paid in connection with acquisition of real estate	(10,263)	—
Proceeds from repayment of note receivable	10,258	—
Distributions received from equity investments in the Managed Programs and real estate in excess of equity income	5,798	10,057
Capital expenditures on corporate assets	(3,482)	(16,696)
Capital expenditures on owned real estate	(3,416)	(3,139)
Other investing activities, net	1,486	2,427
Cash acquired in connection with the CPA <sup>®</sup> :16 Merger	—	65,429
Purchase of securities	—	(7,664)
Cash paid to stockholders of CPA <sup>®</sup> :16 – Global in the CPA <sup>®</sup> :16 Merger	—	(1,338)
Net Cash (Used in) Provided by Investing Activities	(625,201)	46,081
Cash Flows — Financing Activities		

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Repayments of Senior Unsecured Credit Facility	(1,104,522	) (1,395,000	)
Proceeds from issuance of Senior Unsecured Notes	1,022,303	498,195	
Proceeds from Senior Unsecured Credit Facility	758,665	1,285,286	
Distributions paid	(302,205	) (248,918	)
Scheduled payments of mortgage principal	(54,422	) (96,797	)
Proceeds from mortgage financing	22,667	12,330	
Payment of financing costs	(10,878	) (12,187	)
Change in financing restricted cash	(10,406	) (589	)
Distributions paid to noncontrolling interests	(10,116	) (16,194	)
Prepayments of mortgage principal	(9,678	) (216,065	)
Windfall tax benefit associated with stock-based compensation awards	7,028	5,449	
Contributions from noncontrolling interests	586	502	
Proceeds from exercise of stock options and employee purchases under the employee share purchase plan	360	1,220	
Proceeds from issuance of shares in public offering	—	282,586	
Purchase of treasury stock from related party	—	(679	)
Net Cash Provided by Financing Activities	309,382	99,139	
Change in Cash and Cash Equivalents During the Period			
Effect of exchange rate changes on cash	(22,449	) (9,617	)
Net (decrease) increase in cash and cash equivalents	(7,365	) 412,757	
Cash and cash equivalents, beginning of period	198,683	117,519	
Cash and cash equivalents, end of period	\$191,318	\$530,276	

See Notes to Consolidated Financial Statements.

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W. P. CAREY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Business and Organization

W. P. Carey Inc., or W. P. Carey, is, together with its consolidated subsidiaries and predecessors, a REIT that provides long-term financing via sale-leaseback and build-to-suit transactions for companies worldwide and manages a global investment portfolio. We invest primarily in commercial properties domestically and internationally. We earn revenue principally by leasing the properties we own to single corporate tenants, primarily on a triple-net lease basis, which generally requires each tenant to pay substantially all of the costs associated with operating and maintaining the property.

Originally founded in 1973, we reorganized as a REIT in September 2012 in connection with our merger with Corporate Property Associates 15 Incorporated. We refer to that merger as the CPA<sup>®</sup>:15 Merger. On January 31, 2014, Corporate Property Associates 16 – Global Incorporated, or CPA<sup>®</sup>:16 – Global, merged with and into us (Note 4), which we refer to as the CPA<sup>®</sup>:16 Merger. Our shares of common stock are listed on the New York Stock Exchange under the symbol “WPC.”

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

Through our TRSs we also earn revenue as the advisor to publicly-owned, non-listed REITs, which are sponsored by us under the Corporate Property Associates, or CPA<sup>®</sup>, brand name that invest in similar properties. At September 30, 2015, we were the advisor to Corporate Property Associates 17 – Global Incorporated, or CPA<sup>®</sup>:17 – Global, and Corporate Property Associates 18 – Global Incorporated, or CPA<sup>®</sup>:18 – Global. We were also the advisor to CPA<sup>®</sup>:16 – Global until its merger with us on January 31, 2014. We refer to CPA<sup>®</sup>:16 – Global, CPA<sup>®</sup>:17 – Global, and CPA<sup>®</sup>:18 – Global together as the CPA<sup>®</sup> REITs. At September 30, 2015, we were also the advisor to Carey Watermark Investors Incorporated, referred to as CWI or CWI 1, and Carey Watermark Investors 2 Incorporated, or CWI 2, two publicly-owned, non-listed REITs that invest in lodging and lodging-related properties. We refer to CWI 1 and CWI 2 together as the CWI REITs, and, together with the CPA<sup>®</sup> REITs, as the Managed REITs (Note 5). We have also invested in Carey Credit Income Fund, or CCIF, a newly formed business development company, or BDC (Note 8), with a third-party investment partner, which is the master fund in a master/feeder fund structure.

In July 2015, two registration statements on Form N-2 for two feeder funds of CCIF, or the CCIF Feeder Funds, were declared effective by the SEC. The CCIF Feeder Funds intend to invest the proceeds that they raise in their respective public offerings into the master fund, CCIF. The advisor to CCIF is wholly owned by us. We refer to CCIF and the CCIF Feeder Funds collectively as the Managed BDCs and, together with the Managed REITs, as the Managed Programs.

Reportable Segments

Real Estate Ownership — We own and invest in commercial properties principally in the United States, Europe, and Asia that are then leased to companies, primarily on a triple-net lease basis. We have also invested in several operating properties, such as lodging and self-storage properties. We earn lease revenues from our wholly-owned and co-owned real estate investments that we control. In addition, we generate equity income through co-owned real estate



investments that we do not control and through our ownership of shares of the Managed REITs (Note 8). Through our special member interests in the operating partnerships of the Managed REITs, we also participate in their cash flows (Note 5). At September 30, 2015, our owned portfolio was comprised of our full or partial ownership interests in 854 properties, totaling approximately 89.8 million square feet, substantially all of which were net leased to 221 tenants, with an occupancy rate of 98.8%.

Investment Management — Through our TRSs, we structure and negotiate investments and debt placement transactions for the Managed REITs, for which we earn structuring revenue, and manage their portfolios of real estate investments, for which we earn asset-based management revenue. We may earn disposition revenue when we negotiate and structure the sale of properties on behalf of the Managed REITs, and we may also earn incentive revenue and receive other compensation in connection with providing liquidity events for the Managed REITs' stockholders. At September 30, 2015, CPA<sup>®</sup>:17 – Global and CPA<sup>®</sup>:18 – Global collectively owned all or a portion of 421 properties, including certain properties in which we have an ownership interest. Substantially all of these properties, totaling approximately 47.5 million square feet, were net leased to 199 tenants, with an average occupancy rate of approximately 99.9%. The Managed REITs also had interests in 157 operating properties, totaling approximately 18.2 million square feet. We continue to explore alternatives for expanding our investment management

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Notes to Consolidated Financial Statements (Unaudited)

operations by raising funds beyond advising the existing Managed REITs. Any such expansion could involve the purchase of properties or other investments as principal, either for our owned portfolio or with the intention of transferring such investments to a newly-created fund, as well as the sponsorship of one or more funds to make investments other than primarily net lease investments, such as the CWI REITs and the Managed BDCs. These new funds could invest primarily in assets other than net-lease real estate and could include funds raised through private placements or publicly-traded vehicles, either in the United States or internationally.

Note 2. Revisions of Previously-Issued Financial Statements

During the second quarter of 2015, we identified errors in the March 31, 2015 interim consolidated financial statements related to the calculation of foreign currency translation of the assets and liabilities of a foreign investment acquired in January 2015 and the presentation of certain foreign currency losses within the consolidated statement of cash flows for the three months ended March 31, 2015. We evaluated the impact on the previously issued financial statements and concluded that these errors were not material to our consolidated financial statements as of and for the three months ended March 31, 2015. However, in order to correctly present such foreign currency translation and certain foreign currency losses, we will revise the consolidated statements of comprehensive (loss) income, equity, and cash flows for the three months ended March 31, 2015 when such statements are presented in our future public filings. The interim consolidated financial statements as of and for the three months ended June 30, 2015 and September 30, 2015 are not impacted by these adjustments.

If the correct foreign currency translation adjustments had been recorded during the three months ended March 31, 2015, Total assets and Total liabilities and equity each would have been higher by \$17.6 million, comprised of increases in Real estate, at cost of \$14.8 million and In-place lease intangibles of \$2.8 million with a corresponding increase of \$0.3 million in Below-market rent and other intangible liabilities, net and a \$17.3 million decrease in Accumulated other comprehensive loss on the consolidated balance sheet and consolidated statement of equity as of and for the three months ended March 31, 2015. Additionally, Other comprehensive loss, Comprehensive loss, and Comprehensive loss attributable to W. P. Carey within the consolidated statement of comprehensive loss each would have been reduced by \$17.3 million for the three months ended March 31, 2015.

In addition, if foreign currency losses had been properly presented within the consolidated statement of cash flows for the three months ended March 31, 2015, Net cash provided by operating activities for that period would have increased by \$13.6 million with a corresponding decrease to the Effect of exchange rate changes on cash.

The revisions described above had no effect on our cash balances or liquidity as of March 31, 2015, or the consolidated statements of income or basic and diluted earnings per common share for the three months ended March 31, 2015.

Note 3. Basis of Presentation

Basis of Presentation

Our interim consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not necessarily include all information and footnotes necessary for a fair statement of our consolidated financial position, results of operations, and cash flows in accordance with accounting principles generally accepted in the United States, or GAAP.

In the opinion of management, the unaudited financial information for the interim periods presented in this Report reflects all normal and recurring adjustments necessary for a fair statement of financial position, results of operations, and cash flows. Our interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements and accompanying notes for the year ended December 31, 2014, which are included in the 2014 Annual Report, as certain disclosures that would substantially duplicate those contained in the audited

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consolidated financial statements have not been included in this Report. Operating results for interim periods are not necessarily indicative of operating results for an entire year.

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

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## Notes to Consolidated Financial Statements (Unaudited)

### Basis of Consolidation

Our consolidated financial statements reflect all of our accounts, including those of our controlled subsidiaries and our tenancy-in-common interests as described below. The portion of equity in a consolidated subsidiary that is not attributable, directly or indirectly, to us is presented as noncontrolling interests. All significant intercompany accounts and transactions have been eliminated.

At September 30, 2015, we had an investment in a tenancy-in-common interest in various underlying international properties. Consolidation of this investment is not required as such interest does not qualify as a VIE and does not meet the control requirement for consolidation. Accordingly, we account for this investment using the equity method of accounting. We use the equity method of accounting because the shared decision-making involved in a tenancy-in-common interest investment provides us with significant influence on the operating and financial decisions of this investment. We also have certain investments in wholly-owned tenancy-in-common interests, which we now consolidate after we obtained the remaining interests in the CPA<sup>®</sup>:16 Merger.

At September 30, 2015, we consolidated 18 VIEs. We apply accounting guidance for consolidation of VIEs to certain entities in which the equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. Fixed price purchase and renewal options within a lease as well as certain decision-making rights within a loan can cause us to consider an entity a VIE.

Additionally, we own interests in single-tenant, net-leased properties leased to companies through noncontrolling interests in partnerships and limited liability companies that we do not control but over which we exercise significant influence. We account for these investments under the equity method of accounting. At times, the carrying value of our equity investments may fall below zero for certain investments. We intend to fund our share of the jointly-owned investments' future operating deficits should the need arise. However, we have no legal obligation to pay for any of the liabilities of such investments nor do we have any legal obligation to fund operating deficits. At September 30, 2015, one of our equity investments was a VIE and none had carrying values below zero.

In June 2014, CWI 2 filed a registration statement on Form S-11 with the SEC to sell up to \$1.0 billion of common stock in an initial public offering plus up to an additional \$400.0 million of its common stock under a distribution reinvestment plan. In January 2015, CWI 2 amended the registration statement to increase the offering size to \$1.4 billion of its class A common stock plus up to an additional \$600.0 million of its class A common stock through its distribution reinvestment plan. The registration statement was declared effective by the SEC on February 9, 2015. An amended registration statement adding the class T common stock was declared effective by the SEC on April 13, 2015, so that the offering amounts noted can be in any combination of class A or class T shares. Through May 15, 2015, the financial activity of CWI 2 was included in our consolidated financial statements. On May 15, 2015, upon CWI 2 reaching its minimum offering proceeds and admitting new stockholders, we deconsolidated CWI 2 and began to account for our interest in it under the equity method. The deconsolidation did not have a material impact on our financial position or results of operations.

### Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. The consolidated financial statements included in this Report have been retrospectively adjusted to reflect the disposition of certain properties as discontinued operations and certain measurement period adjustments related to purchase accounting for all periods presented.

Recent Accounting Requirements

The following Accounting Standards Updates, or ASUs, promulgated by the Financial Accounting Standards Board are applicable to us:

ASU 2015-16, Business Combinations (Topic 805) — ASU 2015-16 requires that an acquirer recognize adjustments identified during the business combination measurement period in the reporting period in which the adjustment amounts are determined. The effects on earnings due to changes in depreciation, amortization, or other income effects as a result of the change are also recognized in the same period's financial statements. ASU 2015-16 also requires that acquirers present separately on the face of the income statement or disclose in the notes to the financial statements the portion of the amount recorded in current-period earnings that would have been recorded in previous reporting periods if the adjustment had been recognized as of the

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Notes to Consolidated Financial Statements (Unaudited)

acquisition date. ASU 2015-16 is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years, early adoption is permitted, and prospective application is required for adjustments that are identified after the effective date of this update. We elected to early adopt ASU 2015-16 and implemented the standard prospectively beginning July 1, 2015.

ASU 2015-03, Interest-Imputation of Interest (Subtopic 835-30) — ASU 2015-03 changes the presentation of debt issuance costs, which are currently recognized as a deferred charge (that is, an asset) and requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 does not affect the recognition and measurement guidance for debt issuance costs. ASU 2015-03 is effective for periods beginning after December 15, 2015, early adoption is permitted and retrospective application is required. We are currently evaluating the impact of ASU 2015-03 on our consolidated financial statements.

ASU 2014-09, Revenue from Contracts with Customers (Topic 606) — ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 does not apply to our lease revenues, but will apply to reimbursed tenant costs and revenues generated from our operating properties and our Investment Management business. Additionally, this guidance modifies disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the Financial Accounting Standards Board issued ASU 2015-14, which defers the effective date of ASU 2014-09 for all entities by one year, until years beginning in 2018, with early adoption permitted but not before 2017, the original public company effective date. We are currently evaluating the impact of ASU 2014-09 on our consolidated financial statements and have not yet determined the method by which we will adopt the standard.

Note 4. Merger with CPA<sup>®</sup>:16 – Global

On July 25, 2013, we and CPA<sup>®</sup>:16 – Global entered into a definitive agreement pursuant to which CPA<sup>®</sup>:16 – Global would merge with and into one of our wholly-owned subsidiaries, subject to the approval of our stockholders and the stockholders of CPA<sup>®</sup>:16 – Global. On January 24, 2014, our stockholders and the stockholders of CPA<sup>®</sup>:16 – Global each approved the CPA<sup>®</sup>:16 Merger, and the CPA<sup>®</sup>:16 Merger closed on January 31, 2014.

In the CPA<sup>®</sup>:16 Merger, CPA<sup>®</sup>:16 – Global stockholders received 0.1830 shares of our common stock in exchange for each share of CPA<sup>®</sup>:16 – Global stock owned, pursuant to an exchange ratio based upon a value of \$11.25 per share of CPA<sup>®</sup>:16 – Global and the volume weighted-average trading price of our common stock for the five consecutive trading days ending on the third trading day preceding the closing of the transaction on January 31, 2014. CPA<sup>®</sup>:16 – Global stockholders received cash in lieu of any fractional shares in the CPA<sup>®</sup>:16 Merger. We paid total merger consideration of approximately \$1.8 billion, including the issuance of 30,729,878 shares of our common stock with a fair value of \$1.8 billion based on the closing price of our common stock on January 31, 2014, of \$59.08 per share, to the stockholders of CPA<sup>®</sup>:16 – Global in exchange for the 168,041,772 shares of CPA<sup>®</sup>:16 – Global common stock that we and our affiliates did not previously own, and cash of \$1.3 million paid in lieu of issuing any fractional shares, or collectively, the Merger Consideration. As a condition of the CPA<sup>®</sup>:16 Merger, we waived the subordinated disposition and termination fees that we would have been entitled to receive from CPA<sup>®</sup>:16 – Global upon its liquidation pursuant to the terms of our advisory agreement with CPA<sup>®</sup>:16 – Global (Note 5).

Immediately prior to the CPA<sup>®</sup>:16 Merger, CPA<sup>®</sup>:16 – Global's portfolio was comprised of the consolidated full or partial interests in 325 leased properties, substantially all of which were triple-net leased with an average remaining life of 10.4 years and an estimated contractual minimum annualized base rent, or ABR, totaling \$300.1 million, and two hotel properties. The related property-level debt was comprised of 92 fixed-rate and 18 variable-rate non-recourse

mortgage loans with an aggregate fair value of approximately \$1.8 billion and a weighted-average annual interest rate of 5.6% at that date. Additionally, CPA<sup>®</sup>:16 – Global had a line of credit with an outstanding balance of \$170.0 million on the date of the closing of the CPA<sup>®</sup>:16 Merger. In addition, CPA<sup>®</sup>:16 – Global had equity interests in 18 unconsolidated investments, 11 of which were consolidated by us prior to the CPA<sup>®</sup>:16 Merger, five of which were consolidated by us subsequent to the CPA<sup>®</sup>:16 Merger, and two of which were jointly-owned with CPA<sup>®</sup>:17 – Global. These investments owned 140 properties, substantially all of which were triple-net leased with an average remaining life of 8.6 years and an estimated ABR totaling \$63.9 million, as of January 31, 2014. The debt related to these equity investments was comprised of 17 fixed-rate and five variable-rate non-recourse mortgage loans with an aggregate fair value of approximately \$0.3 billion and a weighted-average annual interest rate of 4.8% on January 31, 2014. The lease revenues and income from continuing operations from the properties acquired from the date of the CPA<sup>®</sup>:16 Merger through September 30, 2014 were \$184.3 million and \$62.5 million (inclusive of \$2.2 million attributable to noncontrolling interests), respectively.

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Notes to Consolidated Financial Statements (Unaudited)

During 2014, we sold all ten of the properties that were classified as held-for-sale upon acquisition in connection with the CPA<sup>®</sup>:16 Merger (Note 16). The results of operations for all ten of these properties have been included in Income from discontinued operations, net of tax in the consolidated financial statements. In addition, we sold one property subject to a direct financing lease that we acquired in the CPA<sup>®</sup>:16 Merger. The results of operations for this property have been included in Income from continuing operations before income taxes in the consolidated financial statements.

Purchase Price Allocation

We accounted for the CPA<sup>®</sup>:16 Merger as a business combination under the acquisition method of accounting. After consideration of all applicable factors pursuant to the business combination accounting rules, we were considered the “accounting acquirer” due to various factors, including the fact that our stockholders held the largest portion of the voting rights in us upon completion of the CPA<sup>®</sup>:16 Merger. Costs of \$30.5 million related to the CPA<sup>®</sup>:16 Merger were incurred in 2014, of which \$30.4 million were incurred and expensed during the nine months ended September 30, 2014 and classified within Merger and property acquisition expenses in the consolidated financial statements. In addition, CPA<sup>®</sup>:16 – Global incurred a total of \$10.6 million of merger expenses prior to January 31, 2014.

Equity Investments and Noncontrolling Interests

During the first quarter of 2014, we recognized a gain on change in control of interests of approximately \$73.1 million, which was the difference between the carrying value of approximately \$274.1 million and the preliminary estimated fair value of approximately \$347.2 million of our previously-held equity interest in 38,229,294 shares of CPA<sup>®</sup>:16 – Global’s common stock. During 2014, we identified certain measurement period adjustments that impacted the provisional accounting, which increased the estimated fair value of our previously-held equity interest in shares of CPA<sup>®</sup>:16 – Global’s common stock by \$2.6 million, resulting in an increase of \$2.6 million in Gain on change in control of interests. In accordance with Accounting Standards Codification, or ASC, 805-10-25, we did not record the measurement period adjustments during the periods they occurred. Rather, such amounts are reflected in the financial statements for the three months ended March 31, 2014.

The CPA<sup>®</sup>:16 Merger also resulted in our acquisition of the remaining interests in nine investments in which we already had a joint interest and accounted for under the equity method. Upon acquiring the remaining interests in these investments, we owned 100% of these investments and thus accounted for the acquisitions of these interests utilizing the purchase method of accounting. Due to the change in control of the nine jointly-owned investments that occurred, we recorded a gain on change in control of interests of approximately \$30.2 million during the first quarter of 2014, which was the difference between our carrying values and the estimated fair values of our previously-held equity interests on the acquisition date of approximately \$142.5 million and approximately \$172.7 million, respectively. Subsequent to the CPA<sup>®</sup>:16 Merger, we consolidate these wholly-owned investments.

In connection with the CPA<sup>®</sup>:16 Merger, we also acquired the remaining interests in 12 less-than-wholly-owned investments that we already consolidate and recorded an adjustment to additional paid-in-capital of approximately \$42.0 million during the first quarter of 2014 related to the difference between our carrying values and the preliminary estimated fair values of our previously-held noncontrolling interests on the acquisition date of approximately \$236.8 million and \$278.2 million, respectively. During 2014, we identified certain measurement period adjustments that impacted the provisional accounting, which increased the fair value of our previously-held noncontrolling interests on the acquisition date by \$0.6 million, resulting in a reduction of \$0.6 million to additional paid-in-capital.



Pro Forma Financial Information (Unaudited)

The following unaudited consolidated pro forma financial information has been presented as if the CPA<sup>®</sup>:16 Merger had occurred on January 1, 2013 for the three and nine months ended September 30, 2014. The pro forma financial information is not necessarily indicative of what the actual results would have been had the CPA<sup>®</sup>:16 Merger occurred on that date, nor does it purport to represent the results of operations for future periods.

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## Notes to Consolidated Financial Statements (Unaudited)

(in thousands, except share and per share amounts)

	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Pro forma total revenues	\$ 195,945	\$ 682,977
Pro forma net income from continuing operations, net of tax	\$ 28,086	\$ 106,495
Pro forma net income attributable to noncontrolling interests	(993	) (3,909
Pro forma net loss (income) attributable to redeemable noncontrolling interest	14	(137
Pro forma net income from continuing operations, net of tax attributable to W. P. Carey <sup>(a)</sup>	\$ 27,107	\$ 102,449
Pro forma earnings per share: <sup>(a)</sup>		
Basic	\$ 0.27	\$ 1.02
Diluted	\$ 0.26	\$ 1.01
Pro forma weighted-average shares: <sup>(b)</sup>		
Basic	100,282,082	100,080,000
Diluted	101,130,448	101,118,305

The pro forma income attributable to W. P. Carey for the three and nine months ended September 30, 2014 reflects the following income and expenses recognized related to the CPA<sup>®</sup>:16 Merger as if the CPA<sup>®</sup>:16 Merger had taken place on January 1, 2013: (i) combined merger expenses through December 31, 2014, (ii) an aggregate gain on change in control of interests, and (iii) an income tax expense from a permanent difference upon recognition of deferred revenue associated with accelerated vesting of shares previously issued by CPA<sup>®</sup>:16 – Global for asset management and performance fees in connection with the CPA<sup>®</sup>:16 Merger.

The pro forma weighted-average shares outstanding for the three and nine months ended September 30, 2014 were (b) determined as if the 30,729,878 shares of our common stock issued to CPA<sup>®</sup>:16 – Global stockholders in the CPA<sup>®</sup>:16 Merger were issued on January 1, 2013.

## Notes to Consolidated Financial Statements (Unaudited)

## Note 5. Agreements and Transactions with Related Parties

## Advisory Agreements with the Managed Programs

We have advisory agreements with each of the Managed Programs, pursuant to which we earn fees and are entitled to receive reimbursement for fund management expenses, as well as cash distributions. We also earn fees for serving as the dealer-manager of the public offerings of the Managed Programs. The following tables present a summary of revenue earned and/or cash received from the Managed Programs for the periods indicated, included in the consolidated financial statements (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Asset management revenue	\$12,981	\$9,064	\$36,167	\$27,840
Reimbursable costs from affiliates	11,155	14,722	28,401	96,379
Distributions of Available Cash	10,182	7,893	28,244	23,574
Structuring revenue	8,207	5,487	67,735	40,492
Dealer manager fees	1,124	2,436	2,704	17,062
Interest income on deferred acquisition fees and loans to affiliates	576	172	1,172	515
Incentive revenue	—	—	203	—
Deferred revenue earned	—	—	—	786
	\$44,225	\$39,774	\$164,626	\$206,648
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
CPA <sup>®</sup> :16 – Global <sup>(a)</sup>	\$—	\$—	\$—	\$7,999
CPA <sup>®</sup> :17 – Global <sup>(b)</sup>	17,654	16,555	59,815	49,032
CPA <sup>®</sup> :18 – Global <sup>(b)</sup>	12,725	8,836	56,392	107,668
CWI 1 <sup>(b)</sup>	7,581	14,383	36,735	41,949
CWI 2 <sup>(b)</sup>	6,265	—	11,684	—
CCIF <sup>(c)</sup>	—	—	—	—
	\$44,225	\$39,774	\$164,626	\$206,648

(a) The amount for the nine months ended September 30, 2014 reflects transactions through January 31, 2014, the date of the CPA<sup>®</sup>:16 Merger.

(b) The advisory agreements with each of the Managed REITs are scheduled to expire on December 31, 2015, unless otherwise renewed.

(c) The advisory agreement with CCIF, which commenced February 27, 2015, is subject to renewal on or before February 26, 2017 unless otherwise renewed.

## Notes to Consolidated Financial Statements (Unaudited)

The following table presents a summary of amounts included in Due from affiliates in the consolidated financial statements (in thousands):

	September 30, 2015	December 31, 2014
Notes receivable from affiliates, including interest thereon	\$106,005	\$—
Deferred acquisition fees receivable	28,382	26,913
Reimbursable costs	5,140	301
Accounts receivable	4,083	2,680
Asset management fees receivable	2,157	—
Organization and offering costs	1,405	2,120
Current acquisition fees receivable	528	2,463
	\$147,700	\$34,477

## Asset Management Revenue

Under the advisory agreements with the Managed Programs, we earn asset management revenue for managing their investment portfolios. The following table presents a summary of our asset management fee arrangements with the Managed Programs:

Managed Program	Rate	Payable	Description
CPA <sup>®</sup> :16 – Global	0.5%	2014 in cash; 2015 N/A	Rate is based on adjusted invested assets
CPA <sup>®</sup> :17 – Global	0.5% - 1.75%	2014 in shares of its common stock; 2015 50% in cash and 50% in shares of its common stock	Rate depends on the type of investment and is based on the average market or average equity value, as applicable
CPA <sup>®</sup> :18 – Global	0.5% - 1.5%	2014 and 2015 in shares of its class A common stock	Rate depends on the type of investment and is based on the average market or average equity value, as applicable
CWI 1	0.5%	2014 in shares of its common stock; 2015 in cash	Rate is based on the average market value of the investment
CWI 2	0.55%	2014 N/A; 2015 in shares of its class A common stock	Rate is based on the average market value of the investment
CCIF	1.75% - 2.00%	We have elected to waive all asset management fees until the day before either of the CCIF Feeder Funds initially acquires CCIF's common shares	Based on the average of gross assets at fair value; we are required to pay 50% of the asset management revenue we receive to the subadvisor

## Incentive Fees

We are entitled to receive a quarterly incentive fee on income from CCIF equal to 100% of quarterly net investment income, before incentive fee payments, in excess of 1.875% of CCIF's average adjusted capital up to a limit of 2.344%, plus 20% of net investment income, before incentive fee payments, in excess of 2.344% of average adjusted capital. We are also entitled to receive from CCIF an incentive fee on realized capital gains of 20%, net of (i) all realized capital losses and unrealized depreciation on a cumulative basis, and (ii) the aggregate amount, if any, of previously paid incentive fees on capital gains since inception. We have elected to waive all incentive fees until the day before either of the CCIF Feeder Funds initially acquires CCIF's common shares. Through September 30, 2015,

the CCIF Feeder Funds had not acquired any of CCIF's common shares.

## Notes to Consolidated Financial Statements (Unaudited)

## Structuring Revenue

Under the terms of the advisory agreements, we earn revenue for structuring and negotiating investments and related financing for the Managed REITs. We do not earn any structuring revenue from the Managed BDCs. The following table presents a summary of our structuring fee arrangements with the Managed REITs:

Managed Program	Rate	Payable	Description
CPA®:17 – Global	1% - 1.75%, 4.5%	In cash; for non net-lease investments, 1% - 1.75% upon completion; for net-lease investments, 2.5% upon completion, with 2% deferred and payable in three interest-bearing annual installments	Based on the total aggregate cost of the net-lease investments made; also based on the total aggregate cost of the non net-lease investments made; total limited to 6% of the contract prices in aggregate
CPA®:18 – Global	4.5%	In cash; for net-lease investments, 2.5% upon completion, with 2% deferred and payable in three interest-bearing annual installments	Based on the total aggregate cost of the net-lease investments made; total limited to 6% of the contract prices in aggregate
CWI REITs	2.5%	In cash upon completion	Based on the total aggregate cost of the lodging investments made; loan refinancing transactions up to 1% of the principal amount; total limited to 6% of the contract prices in aggregate

## Reimbursable Costs from Affiliates

The Managed Programs reimburse us for certain costs that we incur on their behalf, which consist primarily of broker-dealer commissions, marketing costs, an annual distribution and shareholder servicing fee, or Shareholder Servicing Fee, and certain personnel and overhead costs, as applicable. The following tables present summaries of such fee arrangements:

## Broker-Dealer Selling Commissions

Managed Program	Rate	Payable	Description
CPA®:18 – Global and CWI 2 Class A Shares, and CWI 1 Common Stock	\$0.70	In cash upon share settlement; 100% re-allowed to broker-dealers	Per share sold
CPA®:18 – Global Class C Shares	\$0.14	In cash upon share settlement; 100% re-allowed to broker-dealers	Per share sold
CWI 2 Class T Shares	\$0.19	In cash upon share settlement; 100% re-allowed to broker-dealers	Per share sold
CCIF Feeder Funds	0% - 3%	In cash upon share settlement; 100% re-allowed to broker-dealers	Based on the selling price of each share sold

## Dealer Manager Fees

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Managed Program	Rate	Payable	Description
CPA®:18 – Global and CWI 2 Class A Shares, and CWI 1 Common Stock	\$0.30	Per share sold	In cash upon share settlement; a portion may be re-allowed to broker-dealers
CPA®:18 – Global Class C Shares	\$0.21	Per share sold	In cash upon share settlement; a portion may be re-allowed to broker-dealers
CWI 2 Class T Shares	\$0.26	Per share sold	In cash upon share settlement; a portion may be re-allowed to broker-dealers
CCIF Feeder Funds	2.75% - 3.0%	Based on the selling price of each share sold	In cash upon share settlement; a portion may be re-allowed to broker-dealers

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## Notes to Consolidated Financial Statements (Unaudited)

## Annual Distribution and Shareholder Servicing Fee

Managed Program	Rate	Payable	Description
CPA <sup>®</sup> :18 – Global Class C Shares	1.0%	Accrued daily and payable quarterly in arrears in cash; 100% re-allowed to selected dealers	Based on the purchase price per share sold or, once reported, the NAV; cease paying when underwriting compensation from all sources equals 10% of gross offering proceeds
CWI 2 Class T Shares	1.0%	Accrued daily and payable quarterly in arrears in cash; 100% re-allowed to selected dealers	Limited to six years and 10% of gross offering proceeds

## Personnel and Overhead Costs

Managed Program	Payable	Description
CPA <sup>®</sup> :17 – Global and CPA <sup>®</sup> :18 – Global	In cash	Personnel and overhead costs, excluding those related to our legal transactions group, are charged to the CPA <sup>®</sup> REITs based on the average of the trailing 12-month aggregate reported revenues of the CPA <sup>®</sup> REITs, the CWI REITs, and us, and for 2015, are capped at 2.4% of each CPA <sup>®</sup> REIT's pro rata lease revenues; for the legal transactions group, costs are charged according to a fee schedule
CWI 1	2014 in shares of its common stock; 2015 in cash	Actual expenses incurred; allocated between the CWI REITs based on the percentage of their total pro rata hotel revenues for the most recently completed quarter
CWI 2	2014 N/A; 2015 in cash	Actual expenses incurred; allocated between the CWI REITs based on the percentage of their total pro rata hotel revenues for the most recently completed quarter
CCIF and CCIF Feeder Funds	2014 N/A; 2015 in cash	Actual expenses incurred

## Organization and Offering Costs

Managed Program	Payable	Description
CPA <sup>®</sup> :18 – Global and CWI 2	In cash; within 60 days after the end of the quarter in which the offering terminates	Actual costs incurred from 1.5% through 4.0% of the gross offering proceeds, depending on the amount raised
CWI 1	In cash; within 60 days after the end of the quarter in which the offering terminates	Actual costs incurred up to 4.0% of the gross offering proceeds
CCIF and CCIF Feeder Funds	In cash; payable monthly	Up to 1.5% of the gross offering proceeds

For CCIF, total reimbursements to us for personnel and overhead costs and organization and offering costs may not exceed 18% of total Front End Fees, as defined in its Declaration of Trust, so that total funds available for investment may not be lower than 82% of total gross proceeds.





## Notes to Consolidated Financial Statements (Unaudited)

## Expense Support and Conditional Reimbursements

Under the expense support and conditional reimbursement agreement we have with each of the CCIF Feeder Funds, we and the CCIF subadvisor are obligated to reimburse the CCIF Feeder Fund 50% of the excess of the cumulative distributions paid to the CCIF Feeder Funds' shareholders over the available operating funds on a monthly basis. Following any month in which the available operating funds exceed the cumulative distributions paid to its shareholders, the excess operating funds are used to reimburse us and the CCIF subadvisor for any expense payment we made within three years prior to the last business day of such month that have not been previously reimbursed by the CCIF Feeder Fund, up to the lesser of (i) 1.75% of each CCIF Feeder Fund's average net assets or (ii) the percentage of each CCIF Feeder Fund's average net assets attributable to its common shares represented by other operating expenses during the fiscal year in which such expense support payment from us and the CCIF's subadvisor was made, provided that the effective rate of distributions per share at the time of reimbursement is not less than such rate at the time of expense payment.

## Distributions of Available Cash and Deferred Revenue Earned

We are entitled to receive distributions of up to 10% of the Available Cash (as defined in the respective advisory agreements) from the operating partnerships of each of the Managed REITs, as described in their respective operating partnership agreements, payable quarterly in arrears.

In May 2011, we acquired a special member interest, or the Special Member Interest, in CPA<sup>®</sup>:16 – Global's operating partnership. We initially recorded this Special Member Interest at its fair value, and amortized it into earnings as deferred revenue through the date of the CPA<sup>®</sup>:16 Merger. Cash distributions of our proportionate share of earnings from the Managed REITs' operating partnerships, as well as deferred revenue earned from our Special Member Interest in CPA<sup>®</sup>:16 – Global's operating partnership, are recorded as Equity in earnings of equity method investments in real estate and the Managed REITs within the Real Estate Ownership segment.

## Other Transactions with Affiliates

## Loans to Affiliates

During 2015 and 2014, our board of directors approved unsecured loans from us to CPA<sup>®</sup>:17 – Global of up to \$75.0 million, CPA<sup>®</sup>:18 – Global of up to \$100.0 million, CWI 1 and CWI 2 of up to \$110.0 million in the aggregate, and CCIF of up to \$50.0 million, with each loan at a rate equal to the rate at which we are able to borrow funds under our senior credit facility (Note 12), for the purpose of facilitating acquisitions approved by their respective investment committees.

The following table presents a summary of our unsecured loans to the Managed Programs, all of which were made at an interest rate equal to the London Interbank Offered Rate, or LIBOR, as of the issue date, plus 1.1% (in thousands):

Managed Program	Principal Amount	Issue Date	Maturity Date	Carrying Amount at	
				September 30, 2015	December 31, 2014
CWI 2	\$37,170	4/1/2015	3/31/2016	\$12,170	—
CWI 2	65,277	5/1/2015	12/30/2015	65,277	—
CCIF	10,000	5/28/2015	12/30/2015	10,000	—
CCIF	10,000	6/10/2015	12/30/2015	10,000	—
CCIF	5,000	7/15/2015	12/30/2015	5,000	—
CCIF	3,000	9/30/2015	12/30/2015	3,000	—

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Principal	105,447	—
Accrued interest	558	—
	\$106,005	\$—

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## Notes to Consolidated Financial Statements (Unaudited)

On June 25, 2014, we made an \$11.0 million loan to CWI 1, with a scheduled maturity date of June 30, 2015. The loan, including accrued interest, was repaid in full on July 22, 2014, prior to maturity. On July 29, 2015, CWI 2 repaid \$25.0 million of the \$37.2 million loan noted in the table above, which was issued on April 1, 2015. On October 21, 2015, CWI 2 repaid an additional \$10.0 million of the same loan. On July 1 and July 14, 2015, we made two loans totaling \$25.0 million to CPA<sup>®</sup>:17 – Global, both of which had a scheduled maturity date of December 30, 2015. These loans, including accrued interest, were repaid in full on August 26, 2015, prior to maturity. On August 26, 2015, we arranged a credit agreement for CPA<sup>®</sup>:17 – Global and, as a result, our board of directors terminated the previous authorization to provide loans to CPA<sup>®</sup>:17 – Global.

## Treasury Stock

In February 2014, we repurchased 11,037 shares of our common stock for \$0.7 million in cash from the former independent directors of CPA<sup>®</sup>:16 – Global at a price per share equal to the volume weighted-average trading price of our stock utilized in the CPA<sup>®</sup>:16 Merger. These shares were issued to them as their portion of the Merger Consideration in exchange for their shares of CPA<sup>®</sup>:16 – Global common stock (Note 4) and were repurchased by agreement in order to satisfy the independence requirements set forth in the organizational documents of the remaining CPA<sup>®</sup> REITs, for which these individuals also serve as independent directors.

## Other

At September 30, 2015, we owned interests ranging from 3% to 90% in jointly-owned investments, including a jointly-controlled tenancy-in-common interest in several properties, with the remaining interests generally held by affiliates, and stock of each of the Managed REITs and CCIF. We consolidate certain of these investments and account for the remainder under the equity method of accounting.

## Note 6. Net Investments in Properties

## Real Estate

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

	September 30, 2015	December 31, 2014
Land	\$1,179,423	\$1,146,704
Buildings	4,116,644	3,829,981
Real estate under construction	1,715	29,997
Less: Accumulated depreciation	(343,922)	(253,627)
	\$4,953,860	\$4,753,055

During the nine months ended September 30, 2015, the U.S. dollar strengthened against the euro, as the end-of-period rate for the U.S. dollar in relation to the euro at September 30, 2015 decreased by 7.8% to \$1.1203 from \$1.2156 at December 31, 2014. As a result, the carrying value of our Real estate decreased by \$135.5 million from December 31, 2014 to September 30, 2015.

## Acquisitions of Real Estate

During the nine months ended September 30, 2015, we entered into the following investments, which were deemed to be business combinations because we assumed the existing leases on the properties, for which the sellers were not the

lessees, at a total cost of \$479.1 million, including land of \$81.9 million, buildings of \$317.3 million, and net lease intangibles of \$79.9 million (Note 9):

- an investment of \$345.9 million for 73 auto dealership properties in various locations in the United Kingdom on January 28, 2015;
- an investment of \$42.4 million for a logistics facility in Rotterdam, the Netherlands on February 11, 2015;
- an investment of \$23.3 million for a retail facility in Bad Fischau, Austria on April 10, 2015;
- an investment of \$26.3 million for a logistics facility in Oskarshamn, Sweden on June 17, 2015; and
- an investment of \$41.2 million for three truck and bus service facilities in Gersthofen and Senden, Germany on August 12, 2015 and Leopoldsdorf, Austria on August 24, 2015.

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## Notes to Consolidated Financial Statements (Unaudited)

In connection with these transactions, we also expensed acquisition-related costs totaling \$10.7 million, which are included in Merger and property acquisition expenses in the consolidated financial statements. Dollar amounts are based on the exchange rates of the foreign currencies on the dates of acquisitions.

We also entered into an investment for an office building in Sunderland, United Kingdom on August 6, 2015, which was deemed to be real estate asset acquisition because we acquired the seller's property and simultaneously entered into a new lease in connection with the acquisition, at a total cost of \$53.5 million, including net lease intangibles of \$20.6 million (Note 9) and acquisition-related costs of \$3.1 million, which were capitalized. Dollar amounts are based on the exchange rate of the British pound sterling on the date of acquisition.

## Real Estate Under Construction

In December 2013, we entered into a build-to-suit transaction for the construction of an office building located in Mönchengladbach, Germany for a total projected cost of up to \$65.0 million, including acquisition expenses. During the nine months ended September 30, 2015, we funded approximately \$28.0 million. The building was placed in service in September 2015 at a cost totaling \$51.3 million and we have no further funding commitment as of September 30, 2015.

## Operating Real Estate

At September 30, 2015, Operating real estate consisted of our investments in two hotels and one self-storage property. During the nine months ended September 30, 2015, we sold one self-storage property (Note 16). At December 31, 2014, Operating real estate consisted of our investments in two hotels and two self-storage properties. Below is a summary of our Operating real estate (in thousands):

	September 30, 2015	December 31, 2014
Land	\$6,570	\$7,074
Buildings	76,078	77,811
Less: Accumulated depreciation	(7,744)	(4,866)
	\$74,904	\$80,019

## Assets Held for Sale

Below is a summary of our properties held for sale (in thousands):

	September 30, 2015	December 31, 2014
Real estate, net	\$4,863	\$5,969
Above-market rent intangible assets, net	—	838
In-place lease intangible assets, net	—	448
Assets held for sale	\$4,863	\$7,255

At September 30, 2015, we had two properties classified as Assets held for sale. There can be no assurance that the properties will be sold at the contracted prices, or at all. At December 31, 2014, we had four properties classified as Assets held for sale, all of which were sold during the nine months ended September 30, 2015.



## Notes to Consolidated Financial Statements (Unaudited)

## Note 7. Finance Receivables

Assets representing rights to receive money on demand or at fixed or determinable dates are referred to as finance receivables. Our finance receivables portfolio consists of our Net investments in direct financing leases, notes receivable, deferred acquisition fees, and loans receivable. Operating leases are not included in finance receivables as such amounts are not recognized as an asset in the consolidated financial statements.

## Net Investments in Direct Financing Leases

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

	September 30, 2015	December 31, 2014
Minimum lease payments receivable	\$830,831	\$904,788
Unguaranteed residual value	783,553	818,334
	1,614,384	1,723,122
Less: unearned income	(834,145	) (906,896
	\$780,239	\$816,226

Interest income from direct financing leases, which was included in Lease revenues in the consolidated financial statements, was \$18.7 million and \$20.8 million for the three months ended September 30, 2015 and 2014, respectively, and \$56.1 million and \$59.3 million during the nine months ended September 30, 2015 and 2014, respectively. During the nine months ended September 30, 2015, the U.S. dollar strengthened against the euro, resulting in a \$32.6 million decrease in the carrying value of Net investments in direct financing leases from December 31, 2014 to September 30, 2015. During the nine months ended September 30, 2014, we reclassified properties with a carrying value of \$13.7 million from Net investments in direct financing leases to Real estate (Note 6), in connection with extensions of the underlying leases. We also recognized impairment charges totaling \$0.8 million on seven properties accounted for as Net investments in direct financing leases in connection with an other-than-temporary decline in the estimated fair values of the properties' residual values (Note 10).

At September 30, 2015 and December 31, 2014, Other assets, net included accounts receivable of \$1.9 million and \$1.4 million, respectively, related to amounts billed under these direct financing leases.

## Notes Receivable

At September 30, 2015 and December 31, 2014, we had a note receivable with an outstanding balance of \$10.8 million and \$10.9 million, respectively, representing the expected future payments under a sales type lease, which was included in Other assets, net in the consolidated financial statements.

In February 2015, a note receivable with an outstanding balance of \$10.0 million was repaid in full to us.

## Deferred Acquisition Fees Receivable

As described in Note 5, we earn revenue in connection with structuring and negotiating investments and related mortgage financing for the CPA<sup>®</sup> REITs. A portion of this revenue is due in equal annual installments over three years, provided the CPA<sup>®</sup> REITs meet their respective performance criteria. Unpaid deferred installments, including accrued interest, from the CPA<sup>®</sup> REITs were included in Due from affiliates in the consolidated financial statements.





## Notes to Consolidated Financial Statements (Unaudited)

## Credit Quality of Finance Receivables

We generally seek investments in facilities that we believe are critical to a tenant's business and that we believe have a low risk of tenant default. At both September 30, 2015 and December 31, 2014, none of the balances of our finance receivables were past due and we had not established any allowances for credit losses. Other than the lease extensions noted under Net Investment in Direct Financing Leases above, there were no modifications of finance receivables during the nine months ended September 30, 2015 or the year ended December 31, 2014. We evaluate the credit quality of our finance receivables utilizing an internal five-point credit rating scale, with one representing the highest credit quality and five representing the lowest. The credit quality evaluation of our finance receivables was last updated in the third quarter of 2015. We believe the credit quality of our deferred acquisition fees receivable falls under category one, as the CPA® REITs are expected to have the available cash to make such payments.

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

Internal Credit Quality Indicator	Number of Tenants / Obligors at		Carrying Value at	
	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
1	2	3	\$90,880	\$79,343
2	3	4	53,636	37,318
3	23	22	525,521	592,631
4	6	7	120,959	127,782
5	—	—	—	—
			\$790,996	\$837,074

## Note 8. Equity Investments in Real Estate and the Managed Programs

We own interests in certain unconsolidated real estate investments with the Managed Programs and also own interests in the Managed Programs. We account for our interests in these investments under the equity method of accounting (i.e., at cost, increased or decreased by our share of earnings or losses, less distributions, plus contributions and other adjustments required by equity method accounting, such as basis differences).

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

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Proportionate share of (losses) earnings from equity investments in the Managed Programs	\$(431)	\$381	\$565	\$1,930
Amortization of basis differences on equity investments in the Managed Programs	(208)	(140)	(582)	(648)
Other-than-temporary impairment charges on the Special Member Interest in CPA®:16 – Global's operating partnership	—	—	—	(735)
Distributions of Available Cash (Note 5)	10,182	7,893	28,244	23,574
Deferred revenue earned (Note 5)	—	—	—	786
Total equity earnings from the Managed Programs	9,543	8,134	28,227	24,907
Equity earnings from other equity investments	4,034	3,507	13,188	11,124

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Amortization of basis differences on other equity investments	(942	) (31	) (2,785	) (707	)
Equity in earnings of equity method investments in the Managed Programs and real estate	\$12,635	\$11,610	\$38,630	\$35,324	

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## Notes to Consolidated Financial Statements (Unaudited)

## Managed Programs

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

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

Fund	% of Outstanding Shares Owned at		Carrying Amount of Investment at	
	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
CPA <sup>®</sup> :17 – Global <sup>(a)</sup>	2.994	% 2.676	% \$85,437	\$79,429
CPA <sup>®</sup> :17 – Global operating partnership <sup>(b)</sup>	0.009	% 0.009	% —	—
CPA <sup>®</sup> :18 – Global <sup>(c)</sup>	0.571	% 0.221	% 7,658	2,784
CPA <sup>®</sup> :18 – Global operating partnership <sup>(d)</sup>	0.034	% 0.034	% 1,914	209
CWI 1	1.139	% 1.088	% 12,920	13,940
CWI 1 operating partnership <sup>(e)</sup>	0.015	% 0.015	% —	—
CWI 2 <sup>(f)</sup>	0.630	% —	% 523	—
CWI 2 operating partnership <sup>(g)</sup>	0.015	% —	% 300	—
CCIF <sup>(h)</sup>	50.000	% 50.000	% 24,158	25,000
			\$132,910	\$121,362

(a) Carrying value at September 30, 2015 includes asset management fees receivable, for which 127,279 shares of CPA<sup>®</sup>:17 – Global common stock were issued during the fourth quarter of 2015. We received distributions from this investment during the nine months ended September 30, 2015 and 2014 of \$4.5 million and \$3.3 million, respectively.

(b) We received distributions from this investment during the nine months ended September 30, 2015 and 2014 of \$17.7 million and \$15.4 million, respectively.

(c) Carrying value at September 30, 2015 includes asset management fees receivable, for which 71,633 shares of CPA<sup>®</sup>:18 – Global class A common stock were issued during the fourth quarter of 2015.

(d) We received distributions from this investment during the nine months ended September 30, 2015 and 2014 of \$2.3 million and \$1.2 million, respectively.

(e) We received distributions from this investment during the nine months ended September 30, 2015 and 2014 of \$6.4 million and \$2.2 million, respectively.

(f) On May 30, 2014, we purchased 22,222 shares of CWI 2's class A common stock, par value \$0.001 per share, for an aggregate purchase price of \$0.2 million. On May 15, 2015, upon CWI 2 reaching its minimum offering proceeds and admitting new stockholders, we began to account for our interest in CWI 2 under the equity method of accounting (Note 3). As of September 30, 2015, we had not received any distributions from this investment. The carrying value at September 30, 2015 includes asset management fees receivable, for which 10,009 shares of class A common stock of CWI 2 were issued during the fourth quarter of 2015.

(g) On March 27, 2015, we purchased a 0.015% special general partnership interest in CWI 2 operating partnership for \$0.3 million. This special general partnership interest entitles us to receive distributions of our proportionate share of earnings up to 10% of the Available Cash from CWI 2's operating partnership (Note 5). During the nine months ended September 30, 2015, we received \$0.2 million of distributions from this investment.

(h) As of September 30, 2015, CCIF had not yet admitted any additional shareholders other than our third-party investment partner (Note 1).

At September 30, 2015 and December 31, 2014, the aggregate unamortized basis differences on our equity investments in the Managed Programs were \$25.3 million and \$20.2 million, respectively.

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## Notes to Consolidated Financial Statements (Unaudited)

The following tables present estimated combined summarized financial information for the Managed Programs. Amounts provided are expected total amounts attributable to the Managed Programs and do not represent our proportionate share (in thousands):

	September 30, 2015	December 31, 2014
Real estate, net	\$6,599,264	\$5,969,011
Other assets	2,542,255	2,293,065
Total assets	9,141,519	8,262,076
Debt	(4,193,290	) (3,387,795
Accounts payable, accrued expenses and other liabilities	(592,369	) (496,857
Total liabilities	(4,785,659	) (3,884,652
Noncontrolling interests	(262,063	) (170,249
Stockholders' equity	\$4,093,797	\$4,207,175

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014 <sup>(a)</sup>	2015	2014 <sup>(a)</sup>
Revenues	\$309,805	\$210,000	\$840,889	\$602,122
Expenses	(292,522	) (200,446	) (804,989	) (576,256
Income from continuing operations	\$17,283	\$9,554	\$35,900	\$25,866
Net income attributable to the Managed Programs <sup>(b) (c)</sup>	\$8,747	\$2,519	\$2,365	\$2,420

(a) Reflects revisions of amounts previously recorded by CPA<sup>®</sup>:17 – Global and CPA<sup>®</sup>:18 – Global.

Inclusive of impairment charges recognized by the Managed Programs totaling \$1.0 million during the nine months ended September 30, 2015 and \$0.1 million for each of the three and nine months ended September 30, 2014.

(b) There were no such impairment charges recognized by the Managed Programs for the three months ending September 30, 2015. These impairment charges reduced our income earned from these investments by less than \$0.1 million during the nine months ended September 30, 2015, and by less than \$0.1 million during each of the three and nine months ended September 30, 2014.

Amounts included net gains on sale of real estate recorded by the Managed REITs totaling \$6.7 million and \$8.9 million for the three and nine months ended September 30, 2015, respectively, and \$0.8 million and \$13.3 million for the three and nine months ended September 30, 2014, respectively. Net income attributable to the Managed

(c) Programs for the three and nine months ended September 30, 2015 was also negatively impacted by the increase in acquisition-related fees and expenses incurred on investments accounted for as business combinations as a result of higher investment volume during the current year periods as compared to the same periods in the prior year.

## Interests in Other Unconsolidated Real Estate Investments

We own equity interests in single-tenant net-leased properties that are generally leased to companies through noncontrolling interests (i) in partnerships and limited liability companies that we do not control but over which we exercise significant influence or (ii) as tenants-in-common subject to common control. Generally, the underlying investments are jointly-owned with affiliates. We account for these investments under the equity method of accounting. Earnings for each investment are recognized in accordance with each respective investment agreement. Investments in unconsolidated investments are required to be evaluated periodically. We periodically compare an investment's carrying value to its estimated fair value and recognize an impairment charge to the extent that the carrying value exceeds fair value and such decline is determined to be other than temporary.



## Notes to Consolidated Financial Statements (Unaudited)

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

Lessee	Co-owner	Ownership Interest at	Carrying Value at	
			September 30, 2015	December 31, 2014
Existing Equity Investments <sup>(a)</sup> <sup>(b)</sup>				
Waldaschaff Automotive GmbH and Wagon Automotive Nagold GmbH <sup>(c)</sup>	CPA <sup>®</sup> :17 – Global	33%	\$9,733	\$6,949
C1000 Logistiek Vastgoed B.V. <sup>(d)</sup>	CPA <sup>®</sup> :17 – Global	15%	9,624	11,192
Wanbishi Archives Co. Ltd.	CPA <sup>®</sup> :17 – Global	3%	330	341
			19,687	18,482
Equity Investments Acquired in the CPA <sup>®</sup> :16 Merger				
The New York Times Company	CPA <sup>®</sup> :17 – Global	45%	71,377	72,476
Frontier Spinning Mills, Inc. <sup>(e)</sup>	CPA <sup>®</sup> :17 – Global	40%	24,199	15,609
Actebis Peacock GmbH <sup>(a)</sup> <sup>(f)</sup>	CPA <sup>®</sup> :17 – Global	30%	12,605	6,369
			108,181	94,454
Recently Acquired Equity Investment				
Beach House JV, LLC <sup>(g)</sup>	Third Party	N/A <sup>(d)</sup>	15,105	15,105
			\$142,973	\$128,041

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

(b) Represents equity investments we acquired prior to January 1, 2014.

(c) In the second quarter of 2015, we recognized equity income of approximately \$2.1 million, representing our share of the bankruptcy proceeds received by the jointly-owned investment. The proceeds were used to repay the mortgage loan encumbering the two properties owned by the jointly-owned investment in the amount of \$14.3 million, of which our share was \$4.7 million, in the third quarter of 2015.

(d) This investment represents a tenancy-in-common interest, whereby the property is encumbered by the debt for which we are jointly and severally liable. For this investment, the co-obligor is CPA<sup>®</sup>:17 – Global and the amount due under the arrangement was approximately \$75.0 million at September 30, 2015. Of this amount, \$11.3 million represents the amount we agreed to pay and is included within the carrying value of the investment at September 30, 2015.

(e) We made a contribution of \$8.6 million in the second quarter of 2015 to this jointly-owned investment to repay the related non-recourse mortgage loan.

(f) We made a contribution of \$6.2 million in the third quarter of 2015 to this jointly-owned investment to repay the related non-recourse mortgage loan.

(g) In March 2014, we received a preferred equity position in Beach House JV, LLC as part of the sale of the Soho House investment. During the nine months ended September 30, 2015, we recognized \$1.0 million of income and distributions related to this investment, which is included in Equity in earnings of equity method investments in the Managed Programs and real estate in the consolidated financial statements.

We received aggregate distributions of \$9.7 million and \$9.0 million from our other unconsolidated real estate investments for the nine months ended September 30, 2015 and 2014, respectively. At September 30, 2015 and December 31, 2014, the aggregate unamortized basis differences on our unconsolidated real estate investments were \$5.7 million and \$5.8 million, respectively.





## Notes to Consolidated Financial Statements (Unaudited)

## Note 9. Goodwill and Other Intangibles

In connection with our acquisitions of properties, we have recorded net lease intangibles that are being amortized over periods ranging from one year to 43 years. In addition, we have several ground lease intangibles that are being amortized over periods of up to 99 years. In-place lease and tenant relationship intangibles are included in In-place lease and tenant relationship intangible assets, net in the consolidated financial statements. Above-market rent intangibles are included in Above-market rent intangible assets, net in the consolidated financial statements. Below-market ground lease (as lessee), trade name, management contracts, and software license intangibles are included in Other assets, net in the consolidated financial statements. Below-market rent, above-market ground lease (as lessee), and below-market purchase option intangibles are included in Below-market rent and other intangible liabilities, net in the consolidated financial statements.

In connection with our investment activity during the nine months ended September 30, 2015, we recorded net lease intangibles comprised as follows (life in years, dollars in thousands):

	Weighted-Average Life	Amount
Amortizable Intangible Assets		
In-place lease	12.9	\$70,411
Above-market rent	15.1	29,554
Below-market ground lease	73.4	6,963
		\$106,928
Amortizable Intangible Liabilities		
Below-market rent	14.6	\$(6,492)

The following table presents a reconciliation of our goodwill (in thousands):

	Real Estate Ownership	Investment Management	Total
Balance at January 1, 2015	\$628,808	\$63,607	\$692,415
Foreign currency translation adjustments and other	(8,330)	) —	(8,330)
Acquisition of investment accounted for as business combination	1,704	—	1,704
Allocation of goodwill to the cost basis of properties sold or classified as held-for-sale	(1,213)	) —	(1,213)
Balance at September 30, 2015	\$620,969	\$63,607	\$684,576

## Notes to Consolidated Financial Statements (Unaudited)

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

	September 30, 2015			December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<b>Amortizable Intangible Assets</b>						
Management contracts	\$32,765	\$ (32,765 )	\$—	\$32,765	\$ (32,765 )	\$—
Internal-use software development costs	19,033	(1,529 )	17,504	17,584	(26 )	17,558
	51,798	(34,294 )	17,504	50,349	(32,791 )	17,558
<b>Lease Intangibles:</b>						
In-place lease and tenant relationship	1,206,398	(277,436 )	928,962	1,185,692	(191,873 )	993,819
Above-market rent	655,288	(162,534 )	492,754	639,370	(116,573 )	522,797
Below-market ground lease	22,626	(768 )	21,858	17,771	(435 )	17,336
	1,884,312	(440,738 )	1,443,574	1,842,833	(308,881 )	1,533,952
<b>Unamortizable Goodwill and Indefinite-Lived Intangible Assets</b>						
Goodwill	684,576	—	684,576	692,415	—	692,415
Trade name	3,975	—	3,975	3,975	—	3,975
	688,551	—	688,551	696,390	—	696,390
<b>Total intangible assets</b>	<b>\$2,624,661</b>	<b>\$ (475,032 )</b>	<b>\$2,149,629</b>	<b>\$2,589,572</b>	<b>\$ (341,672 )</b>	<b>\$2,247,900</b>
<b>Amortizable Intangible Liabilities</b>						
Below-market rent	\$(171,809 )	\$ 34,371	\$(137,438 )	\$(169,231 )	\$ 23,039	\$(146,192 )
Above-market ground lease	(13,117 )	1,619	(11,498 )	(13,311 )	1,144	(12,167 )
	(184,926 )	35,990	(148,936 )	(182,542 )	24,183	(158,359 )
<b>Unamortizable Intangible Liabilities</b>						
Below-market purchase option	(16,711 )	—	(16,711 )	(16,711 )	—	(16,711 )
<b>Total intangible liabilities</b>	<b>\$(201,637 )</b>	<b>\$ 35,990</b>	<b>\$(165,647 )</b>	<b>\$(199,253 )</b>	<b>\$ 24,183</b>	<b>\$(175,070 )</b>

Net amortization of intangibles, including the effect of foreign currency translation, was \$50.1 million and \$42.6 million for the three months ended September 30, 2015 and 2014, respectively, and \$136.4 million and \$132.1 million for the nine months ended September 30, 2015 and 2014, respectively. Amortization of below-market rent and above-market rent intangibles is recorded as an adjustment to Lease revenues; amortization of management contracts, in-place lease and tenant relationship intangibles is included in Depreciation and amortization; and amortization of above-market ground lease and below-market ground lease intangibles is included in Property expenses.

Based on the intangible assets and liabilities recorded at September 30, 2015, scheduled annual net amortization of intangibles for the remainder of 2015, each of the next four calendar years following December 31, 2015, and thereafter is as follows (in thousands):

Years Ending December 31,	Net Decrease in Lease Revenues	Increase to Amortization/Property Expenses	Net

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2015 (remainder)	\$13,705	\$28,290	\$41,995
2016	53,226	112,271	165,497
2017	50,578	108,917	159,495
2018	47,388	99,682	147,070
2019	43,454	94,175	137,629
Thereafter	146,965	513,491	660,456
Total	\$355,316	\$956,826	\$1,312,142

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Notes to Consolidated Financial Statements (Unaudited)

Note 10. Fair Value Measurements

The fair value of an asset is defined as the exit price, which is the amount that would either be received when an asset is sold or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance establishes a three-tier fair value hierarchy based on the inputs used in measuring fair value. These tiers are: Level 1, for which quoted market prices for identical instruments are available in active markets, such as money market funds, equity securities, and U.S. Treasury securities; Level 2, for which there are inputs other than quoted prices included within Level 1 that are observable for the instrument, such as certain derivative instruments including interest rate caps, interest rate swaps, and foreign currency forward contracts; and Level 3, for securities that do not fall into Level 1 or Level 2 and for which little or no market data exists, therefore requiring us to develop our own assumptions.

Items Measured at Fair Value on a Recurring Basis

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

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

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

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

**Redeemable Noncontrolling Interest** — We account for the noncontrolling interest in W. P. Carey International, LLC, or WPCI, held by a third party as a redeemable noncontrolling interest (Note 14). We determined the valuation of redeemable noncontrolling interest using widely accepted valuation techniques, including comparable transaction analysis, comparable public company analysis, and discounted cash flow analysis. We classified this liability as Level 3. At September 30, 2015, unobservable inputs for determining the estimated fair value of WPCI included, but were not limited to, a discount for lack of marketability, a discount rate, revenue, EBITDA (including normalized and run-rate EBITDA), and termination multiples with weighted-average ranges, across all valuation techniques utilized, as applicable, of 10% - 20%, 14% - 16%, 1.1x - 8.8x, 3.2x - 18.8x, and 5.5x - 7.5x, respectively. Significant increases or decreases in any one of these inputs in isolation would result in significant changes in the fair value measurement.

We did not have any transfers into or out of Level 1, Level 2, and Level 3 measurements during either the nine months ended September 30, 2015 or 2014.

## Notes to Consolidated Financial Statements (Unaudited)

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

	Level	September 30, 2015		December 31, 2014	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Non-recourse debt, net <sup>(a)</sup>	3	\$2,412,612	\$2,436,124	\$2,532,683	\$2,574,437
Senior Unsecured Notes, net <sup>(b)</sup>	2	1,502,007	1,465,694	498,345	527,029
Senior Unsecured Credit Facility <sup>(c)</sup>	2	685,489	685,489	1,057,518	1,057,519
Notes receivable from affiliates <sup>(d)</sup>	3	106,005	106,005	—	—
Deferred acquisition fees receivable <sup>(e)</sup>	3	28,382	28,023	26,913	28,027
Notes receivable <sup>(a)</sup>	3	10,756	9,254	20,848	19,604

We determined the estimated fair value of these financial instruments using a discounted cash flow model with rates that take into account the credit of the tenant/obligor, where applicable, and interest rate risk. We also considered the value of the underlying collateral, taking into account the quality of the collateral, the credit quality of the tenant/obligor, the time until maturity and the current market interest rate.

We determined the estimated fair value of the Senior Unsecured Notes (Note 12) using quoted market prices in an open market with limited trading volume.

We determined the estimated fair value of our Senior Unsecured Credit Facility (Note 12) using a discounted cash flow model with rates that take into account the market-based credit spread and our credit rating.

We determined the estimated fair values of these notes receivable, which approximate their carrying values, based on the assumption that the notes receivable are priced at par due to their maturity dates of less than one year.

We determined the estimated fair value of our deferred acquisition fees receivable based on an estimate of discounted cash flows using two significant unobservable inputs, which are the leverage adjusted unsecured spread of 203 - 213 basis points and an illiquidity adjustment of 75 basis points at September 30, 2015. Significant increases or decreases to these inputs in isolation would result in a significant change in the fair value measurement.

We estimated that our other financial assets and liabilities (excluding net investments in direct financing leases) had fair values that approximated their carrying values at both September 30, 2015 and December 31, 2014.

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

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





## Notes to Consolidated Financial Statements (Unaudited)

The following table presents information about our other assets that were measured at fair value on a non-recurring basis (in thousands):

	Three Months Ended September 30, 2015		Three Months Ended September 30, 2014	
	Fair Value Measurements	Total Impairment Charges	Fair Value Measurements	Total Impairment Charges
Impairment Charges				
Real estate	\$46,608	\$19,438	\$6,665	\$3,472
Net investments in direct financing leases	—	—	3,157	753
		\$19,438		\$4,225
	Nine Months Ended September 30, 2015		Nine Months Ended September 30, 2014	
	Fair Value Measurements	Total Impairment Charges	Fair Value Measurements	Total Impairment Charges
Impairment Charges				
Real estate	\$52,684	\$22,711	\$6,665	\$5,538
Net investments in direct financing leases	—	—	3,157	753
Equity investments in real estate	—	—	—	735
		\$22,711		\$7,026

Impairment charges, and their related triggering events and fair value measurements, recognized during the three and nine months ended September 30, 2015 and 2014 were as follows:

## Real Estate

During the three months ended September 30, 2015, we recognized impairment charges totaling \$19.4 million on four properties in order to reduce the carrying values of the properties to their estimated fair values. The fair value measurements for two of the properties approximated their estimated selling prices, and we recognized impairment charges totaling \$3.8 million on these properties.

We reduced the estimated holding period for another property due to the expected termination of its related lease within one year after September 30, 2015 and recognized an impairment charge of \$8.7 million on the property. The fair value measurement related to the impairment charge was determined by estimating discounted cash flows using three significant unobservable inputs, which are the cash flow discount rate, the residual discount rate, and the residual capitalization rate equal to 9.25%, 9.75%, and 8.5%, respectively. Significant increases or decreases to these inputs in isolation would result in a significant change in the fair value measurement.

The building located on the remaining property will be demolished in accordance with a plan to redevelop the property, and the fair value of the building was reduced to zero. We recognized an impairment charge of \$6.9 million on this property.

During the nine months ended September 30, 2015, we recognized impairment charges totaling \$22.7 million on six properties and a parcel of vacant land in order to reduce the carrying values of the properties to their estimated fair values. In addition to the impairment charges of \$19.4 million recognized on four properties during the three months ended September 30, 2015, as described above, we recognized impairment charges totaling \$3.3 million on two properties and the parcel of vacant land, for which their fair value measurements approximated their estimated selling prices.

During the three and nine months ended September 30, 2014, we recognized impairment charges totaling \$3.5 million and \$5.5 million, respectively, on 11 properties in order to reduce the carrying values of the properties to their estimated fair values, which approximated their estimated selling prices.

Net Investments in Direct Financing Leases

During each of the three and nine months ended September 30, 2014, we recognized impairment charges totaling \$0.8 million on seven properties accounted for as Net investments in direct financing leases in connection with an other-than-temporary decline in the estimated fair values of the buildings' residual values.

## Notes to Consolidated Financial Statements (Unaudited)

### Equity Investments in Real Estate

During the nine months ended September 30, 2014, we recognized other-than-temporary impairment charges of \$0.7 million on the Special Member Interest in CPA<sup>®</sup>:16 – Global’s operating partnership to reduce its carrying value to its estimated fair value, which had declined. The fair value was obtained by estimating discounted cash flows using two significant unobservable inputs, which are the discount rate and the estimated general and administrative costs as a percentage of assets under management, with a weighted-average range of 12.75% - 15.75% and 35 - 45 basis points, respectively.

### Note 11. Risk Management and Use of Derivative Financial Instruments

#### Risk Management

In the normal course of our ongoing business operations, we encounter economic risk. There are four main components of economic risk that impact us: interest rate risk, credit risk, market risk, and foreign currency risk. We are primarily subject to interest rate risk on our interest-bearing liabilities, including the Senior Unsecured Credit Facility (Note 12), at September 30, 2015. Credit risk is the risk of default on our operations and our tenants’ inability or unwillingness to make contractually required payments. Market risk includes changes in the value of our properties and related loans, as well as changes in the value of our other securities and the shares we hold in the Managed REITs due to changes in interest rates or other market factors. We own investments in Europe, Asia, and Australia and are subject to risks associated with fluctuating foreign currency exchange rates.

#### Derivative Financial Instruments

When we use derivative instruments, it is generally to reduce our exposure to fluctuations in interest rates and foreign currency exchange rate movements. We have not entered into, and do not plan to enter into, financial instruments for trading or speculative purposes. In addition to entering into derivative instruments on our own behalf, we may also be a party to derivative instruments that are embedded in other contracts, and we may be granted common stock warrants by lessees when structuring lease transactions, which are considered to be derivative instruments. The primary risks related to our use of derivative instruments include a counterparty to a hedging arrangement defaulting on its obligation and a downgrade in the credit quality of a counterparty to such an extent that our ability to sell or assign our side of the hedging transaction is impaired. While we seek to mitigate these risks by entering into hedging arrangements with large financial institutions that we deem to be creditworthy, it is possible that our hedging transactions, which are intended to limit losses, could adversely affect our earnings. Furthermore, if we terminate a hedging arrangement, we may be obligated to pay certain costs, such as transaction or breakage fees. We have established policies and procedures for risk assessment and the approval, reporting, and monitoring of derivative financial instrument activities.

We measure derivative instruments at fair value and record them as assets or liabilities, depending on our rights or obligations under the applicable derivative contract. Derivatives that are not designated as hedges must be adjusted to fair value through earnings. For a derivative designated, and that qualified, as a cash flow hedge, the effective portion of the change in fair value of the derivative is recognized in Other comprehensive loss until the hedged item is recognized in earnings. For a derivative designated, and that qualified, as a net investment hedge, the effective portion of the change in the fair value and/or the net settlement of the derivative is reported in Other comprehensive loss as part of the cumulative foreign currency translation adjustment. Amounts are reclassified out of Other comprehensive loss into earnings when the hedged investment is either sold or substantially liquidated. The ineffective portion of the change in fair value of any derivative is immediately recognized in earnings.



## Notes to Consolidated Financial Statements (Unaudited)

The following table sets forth certain information regarding our derivative instruments (in thousands):

Derivatives Designated as Hedging Instruments	Balance Sheet Location	Asset Derivatives Fair Value		Liability Derivatives Fair Value	
		September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
Foreign currency forward contracts	Other assets, net	\$40,539	\$16,307	\$—	\$—
Foreign currency collars	Other assets, net	4,543	—	—	—
Interest rate swaps	Other assets, net	—	285	—	—
Interest rate cap	Other assets, net	—	3	—	—
Interest rate swaps	Accounts payable, accrued expenses and other liabilities	—	—	(6,352)	(5,660)
Foreign currency collars	Accounts payable, accrued expenses and other liabilities	—	—	(257)	—
<b>Derivatives Not Designated as Hedging Instruments</b>					
Stock warrants	Other assets, net	3,886	3,753	—	—
Interest rate swaps <sup>(a)</sup>	Accounts payable, accrued expenses and other liabilities	—	—	(3,768)	(7,496)
<b>Total derivatives</b>		<b>\$48,968</b>	<b>\$20,348</b>	<b>\$(10,377)</b>	<b>\$(13,156)</b>

<sup>(a)</sup> These interest rate swaps do not qualify for hedge accounting; however, they do protect against fluctuations in interest rates related to the underlying variable-rate debt.

All derivative transactions with an individual counterparty are governed by a master International Swap and Derivatives Association agreement, which can be considered as a master netting arrangement; however, we report all our derivative instruments on a gross basis on our consolidated financial statements. At both September 30, 2015 and December 31, 2014, no cash collateral had been posted nor received for any of our derivative positions.

The following tables present the impact of our derivative instruments in the consolidated financial statements (in thousands):

	Amount of (Loss) Gain Recognized on Derivatives in Other Comprehensive (Loss) Income (Effective Portion) <sup>(a)</sup>			
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
<b>Derivatives in Cash Flow Hedging Relationships</b>				
Foreign currency collars	\$2,028	\$—	\$4,094	\$—
Interest rate swaps	(1,776)	689	(1,620)	(928)
Foreign currency forward contracts	1,056	15,372	15,109	12,256
Interest rate caps	2	14	3	(7)
<b>Derivatives in Net Investment Hedging Relationships <sup>(b)</sup></b>				
Foreign currency forward contracts	5,105	—	8,411	—
<b>Total</b>	<b>\$6,415</b>	<b>\$16,075</b>	<b>\$25,997</b>	<b>\$11,321</b>



## Notes to Consolidated Financial Statements (Unaudited)

Derivatives in Cash Flow Hedging Relationships	Location of Gain (Loss) Recognized in Income	Amount of (Loss) Gain on Derivatives Reclassified from Other Comprehensive Income (Loss) (Effective Portion) <sup>(c)</sup>			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2015	2014	2015	2014
Foreign currency forward contracts	Other income and (expenses)	\$1,642	\$337	\$5,371	\$(487)
Interest rate swaps and caps	Interest expense	(672)	(661)	(1,890)	(2,024)
Foreign currency collars	Other income and (expenses)	—	—	357	—
Total		\$970	\$(324)	\$3,838	\$(2,511)

Excludes net losses of less than \$0.1 million and net gains of \$0.1 million recognized on unconsolidated (a) jointly-owned investments for the three months ended September 30, 2015 and 2014, respectively, and net gains of \$0.9 million and \$0.3 million for the nine months ended September 30, 2015 and 2014, respectively.

The effective portion of the change in fair value and the settlement of these contracts are reported in the foreign (b) currency translation adjustment section of Other comprehensive loss until the underlying investment is sold, at which time we reclassify the gain or loss to earnings.

Excludes net gains recognized on unconsolidated jointly-owned investments of \$0.1 million and \$0.4 million for (c) the three and nine months ended September 30, 2014, respectively. There were no such gains or losses recognized for the three and nine months ended September 30, 2015.

Amounts reported in Other comprehensive loss related to interest rate swaps will be reclassified to Interest expense as interest payments are made on our variable-rate debt. Amounts reported in Other comprehensive loss related to foreign currency derivative contracts will be reclassified to Other income and (expenses) when the hedged foreign currency contracts are settled. As of September 30, 2015, we estimate that an additional \$2.2 million and \$7.3 million will be reclassified as interest expense and other income, respectively, during the next 12 months.

Derivatives Not in Cash Flow Hedging Relationships	Location of Gain (Loss) Recognized in Income	Amount of Gain (Loss) on Derivatives Recognized in Income			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2015	2014	2015	2014
Interest rate swaps	Interest expense	\$1,013	\$1,007	\$3,097	\$1,992
Foreign currency collars	Other income and (expenses)	238	—	243	—
Foreign currency forwards	Other income and (expenses)	52	—	(296)	—
Stock warrants	Other income and (expenses)	—	268	134	134
Derivatives in Cash Flow Hedging Relationships					
Interest rate swaps <sup>(a)</sup>	Interest expense	140	—	476	—
Foreign currency forward contracts	Other income and (expenses)	68	—	71	—
Foreign currency collars	Other income and (expenses)	41	—	64	—
Total		\$1,552	\$1,275	\$3,789	\$2,126

(a) Relates to the ineffective portion of the hedging relationship.

See below for information on our purposes for entering into derivative instruments and for information on derivative instruments owned by unconsolidated investments, which are excluded from the tables above.

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## Notes to Consolidated Financial Statements (Unaudited)

## Interest Rate Swaps and Cap

We are exposed to the impact of interest rate changes primarily through our borrowing activities. To limit this exposure, we attempt to obtain mortgage financing on a long-term, fixed-rate basis. However, from time to time, we or our investment partners may obtain variable-rate, non-recourse mortgage loans and, as a result, we have entered into, and may continue to enter into, interest rate swap agreements or interest rate cap agreements with counterparties. Interest rate swaps, which effectively convert the variable-rate debt service obligations of a loan to a fixed rate, are agreements in which one party exchanges a stream of interest payments for a counterparty's stream of cash flow over a specific period. The face amount on which the swaps are based is not exchanged. Interest rate caps limit the effective borrowing rate of variable-rate debt obligations while allowing participants to share in downward shifts in interest rates. Our objective in using these derivatives is to limit our exposure to interest rate movements.

The interest rate swaps and cap that our consolidated subsidiaries had outstanding at September 30, 2015 are summarized as follows (currency in thousands):

Interest Rate Derivatives	Number of Instruments	Notional Amount		Fair Value at September 30, 2015 <sup>(a)</sup>	
Designated as Cash Flow Hedging Instruments					
Interest rate swaps	13	123,141	USD	\$(5,673	)
Interest rate swaps	1	6,035	EUR	(679	)
Interest rate cap <sup>(b)</sup>	1	42,554	EUR	—	)
Not Designated as Cash Flow Hedging Instruments					
Interest rate swaps <sup>(c)</sup>	3	105,442	EUR	(3,752	)
Interest rate swaps <sup>(c)</sup>	1	3,160	USD	(16	)
				\$(10,120	)

(a) Fair value amounts are based on the exchange rate of the euro at September 30, 2015, as applicable.

(b) The applicable interest rate of the related debt was 0.9%, which was below the strike price of the cap of 3.0% at September 30, 2015.

(c) These interest rate swaps do not qualify for hedge accounting; however, they do protect against fluctuations in interest rates related to the underlying variable-rate debt.

## Foreign Currency Contracts and Collars

We are exposed to foreign currency exchange rate movements, primarily in the euro and, to a lesser extent, the British pound sterling, the Australian dollar, and certain other currencies. We manage foreign currency exchange rate movements by generally placing our debt service obligation on an investment in the same currency as the tenant's rental obligation to us. This reduces our overall exposure to the net cash flow from that investment. However, we are subject to foreign currency exchange rate movements to the extent that there is a difference in the timing and amount of the rental obligation and the debt service. Realized and unrealized gains and losses recognized in earnings related to foreign currency transactions are included in Other income and (expenses) in the consolidated financial statements.

In order to hedge certain of our foreign currency cash flow exposures, we enter into foreign currency forward contracts and collars. A foreign currency forward contract is a commitment to deliver a certain amount of currency at a certain price on a specific date in the future. A foreign currency collar consists of a written call option and a purchased put option to sell the foreign currency at a range of predetermined exchange rates. By entering into forward contracts and holding them to maturity, we are locked into a future currency exchange rate for the term of the contract. A foreign currency collar guarantees that the exchange rate of the currency will not fluctuate beyond the range of the

options' strike prices.

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## Notes to Consolidated Financial Statements (Unaudited)

The following table presents the foreign currency derivative contracts we had outstanding at September 30, 2015, which were designated as cash flow hedges (currency in thousands):

Foreign Currency Derivatives	Number of Instruments	Notional Amount		Fair Value at September 30, 2015 <sup>(a)</sup>
Designated as Cash Flow Hedging Instruments				
Foreign currency forward contracts	56	134,974	EUR	\$26,092
Foreign currency forward contracts	17	21,502	AUD	3,079
Foreign currency collars	23	92,375	EUR	2,426
Foreign currency collars	24	50,750	GBP	1,860
Foreign currency forward contracts	13	6,960	GBP	392
Designated as Net Investment Hedging Instruments				
Foreign currency forward contracts	5	84,522	AUD	10,976
				\$44,825

(a) Fair value amounts are based on the applicable exchange rate of the foreign currency at September 30, 2015.

## Credit Risk-Related Contingent Features

We measure our credit exposure on a counterparty basis as the net positive aggregate estimated fair value of our derivatives, net of any collateral received. No collateral was received as of September 30, 2015. At September 30, 2015, our total credit exposure and the maximum exposure to any single counterparty was \$41.0 million and \$28.2 million, respectively.

Some of the agreements we have with our derivative counterparties contain cross-default provisions that could trigger a declaration of default on our derivative obligations if we default, or are capable of being declared in default, on certain of our indebtedness. At September 30, 2015, we had not been declared in default on any of our derivative obligations. The estimated fair value of our derivatives in a net liability position was \$11.5 million and \$14.2 million at September 30, 2015 and December 31, 2014, respectively, which included accrued interest and any nonperformance risk adjustments. If we had breached any of these provisions at September 30, 2015 or December 31, 2014, we could have been required to settle our obligations under these agreements at their aggregate termination value of \$11.8 million and \$14.5 million, respectively.

## Net Investment Hedges

At September 30, 2015 and December 31, 2014, the amounts borrowed in euro outstanding under our Revolver (Note 12) were €295.0 million and €345.0 million, respectively, and the amounts borrowed in British pounds were none and £40.0 million, respectively. Additionally, we have issued senior notes denominated in euro with a principal amount of €500.0 million (Note 12). These borrowings are designated as, and are effective as, economic hedges of our net investments in foreign entities. Variability in the exchange rates of the foreign currencies with respect to the U.S. dollar impacts our financial results as the financial results of our foreign subsidiaries are translated to U.S. dollars each period, with the effect of changes in the foreign currencies to U.S. dollar exchange rates being recorded in Other comprehensive loss as part of the cumulative foreign currency translation adjustment. As a result, the borrowings in euro and British pounds sterling under our Revolver are recorded at cost in the consolidated financial statements and all changes in the value related to changes in the spot rates will be reported in the same manner as a translation adjustment, which is recorded in Other comprehensive loss as part of the cumulative foreign currency translation adjustment.

At September 30, 2015, we had foreign currency forward contracts that were designated as net investment hedges, as discussed in “Derivative Financial Instruments” above.

## Notes to Consolidated Financial Statements (Unaudited)

## Note 12. Debt

## Senior Unsecured Credit Facility

At December 31, 2014, we had a senior credit facility that provided for a \$1.0 billion unsecured revolving credit facility, or our Revolver, and a \$250.0 million term loan facility, or our Term Loan Facility, which we refer to collectively as the Senior Unsecured Credit Facility. Our Revolver matures on January 31, 2018 but may be extended by one year at our option, subject to the conditions provided in the Second Amended and Restated Credit Agreement. Our Term Loan Facility matures on January 31, 2016, but we have two options to extend the maturity, each by an additional year, and are currently exploring our options in this regard. At December 31, 2014, the Senior Unsecured Credit Facility also permitted (i) up to \$500.0 million under our Revolver to be borrowed in certain currencies other than the U.S. dollar, (ii) swing line loans of up to \$50.0 million under our Revolver, and (iii) the issuance of letters of credit under our Revolver in an aggregate amount not to exceed \$50.0 million. The Senior Unsecured Credit Facility is being used for working capital needs, to refinance our existing indebtedness, for new investments, and for other general corporate purposes.

The Senior Unsecured Credit Facility also contained an accordion feature, which allowed us to increase the maximum borrowing capacity of our Revolver from \$1.0 billion to \$1.5 billion. We exercised this accordion feature on January 15, 2015. At that time, we also amended the Senior Unsecured Credit Facility as follows: (i) established a new \$500.0 million accordion feature that, if exercised, subject to lender commitments, would increase our maximum borrowing capacity under our Revolver to \$2.0 billion and under the Senior Unsecured Credit Facility in the aggregate to \$2.25 billion, and (ii) increased the amount under our Revolver that may be borrowed in certain currencies other than the U.S. dollar to the equivalent of \$750.0 million from \$500.0 million. All other existing terms of the Senior Unsecured Credit Facility remained unchanged. In connection with the exercise of the accordion feature and the amendment of the Senior Unsecured Credit Facility in January 2015, we incurred financing costs totaling \$3.1 million, which are included in Other assets, net in the consolidated financial statements, and are being amortized to Interest expense over the remaining terms of the facilities.

At September 30, 2015, the outstanding balance under the Senior Unsecured Credit Facility was \$685.5 million, including the \$250.0 million drawn under our Term Loan Facility, the equivalent of \$330.5 million borrowed under our Revolver in euros and \$105.0 million borrowed under our Revolver in U.S. dollars. In addition, as of September 30, 2015, our lenders had issued letters of credit totaling \$1.1 million on our behalf in connection with certain contractual obligations, which reduce amounts that may be drawn under our Revolver by the same amount. At September 30, 2015, our Revolver had unused capacity of \$1.1 billion, excluding amounts reserved for outstanding letters of credit. Based on our credit rating of BBB/Baa2, during the nine months ended September 30, 2015 we incurred interest at LIBOR plus 1.10% on our Revolver and at LIBOR plus 1.25% on our Term Loan Facility. We also incurred a facility fee of 0.20% of the total commitment on our Revolver during the nine months ended September 30, 2015.

## Senior Unsecured Notes

Since January 1, 2014, we have issued senior unsecured notes in three separate registered public offerings with an aggregate carrying amount of \$1.5 billion as of September 30, 2015, which we refer to collectively as the Senior Unsecured Notes. Interest on the Senior Unsecured Notes is payable in arrears, annually for foreign notes and semi-annually for domestic notes. The Senior Unsecured Notes can be redeemed at par within three months of maturity, or we can call the notes at any time for the principal, accrued interest, and a make-whole amount based upon a rate of the applicable government bond yield plus 30 basis points for the 2.0% Senior Euro Notes and the 4.6% Senior Notes, and 35 basis points for the 4.0% Senior Notes. The following table presents a summary of our Senior

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Unsecured Notes (currency in millions):

Notes	Issue Date	Principal Amount	Price of Par Value	Discount	Effective Interest Rate	Coupon Rate	Maturity Date
4.6% Senior Notes	3/14/2014	\$500.0	99.639	% \$1.8	4.645	% 4.6	% 4/1/2024
2.0% Senior Euro Notes (a)	1/21/2015	€500.0	99.220	% \$4.6	2.107	% 2.0	% 1/20/2023
4.0% Senior Notes (a)	1/26/2015	\$450.0	99.372	% \$2.8	4.077	% 4.0	% 2/1/2025

(a) Proceeds from the issuances of these notes were used primarily to partially pay down the amounts then outstanding under our Revolver.

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## Notes to Consolidated Financial Statements (Unaudited)

In connection with these offerings, we incurred financing costs totaling \$7.8 million and \$4.2 million during the nine months ended September 30, 2015 and 2014, respectively, which are included in Other assets, net in the consolidated financial statements, and are being amortized to Interest expense over the respective terms of the Senior Unsecured Notes.

The Senior Unsecured Credit Facility and the Senior Unsecured Notes include customary financial maintenance covenants that require us to maintain certain ratios and benchmarks at the end of each quarter. The Senior Unsecured Credit Facility also contains various customary affirmative and negative covenants applicable to us and our subsidiaries, subject to materiality and other qualifications, baskets, and exceptions as outlined in the Second Amended and Restated Credit Agreement. We are also required to ensure that the total Restricted Payments (as defined in the Second Amended and Restated Credit Agreement) in an aggregate amount in any fiscal year does not exceed certain amounts as discussed in the 2014 Annual Report. We were in compliance with all of these covenants at September 30, 2015.

## Non-Recourse Debt

Non-recourse debt consists of mortgage notes payable, which are collateralized by the assignment of real estate properties with an aggregate carrying value of \$3.2 billion and \$3.3 billion at September 30, 2015 and December 31, 2014, respectively. At September 30, 2015, our mortgage notes payable bore interest at fixed annual rates ranging from 2.0% to 7.8% and variable contractual annual rates ranging from 0.9% to 8.8%, with maturity dates ranging from October 2015 to 2038.

## Foreign Currency Exchange Rate Impact

During the nine months ended September 30, 2015, the U.S. dollar strengthened against the euro, resulting in an aggregate decrease of \$116.9 million in the aggregate carrying values of our Non-recourse debt, Senior Unsecured Credit Facility, and 2.0% Senior Euro Notes from December 31, 2014 to September 30, 2015.

## Scheduled Debt Principal Payments

Scheduled debt principal payments during the remainder of 2015, each of the next four calendar years following December 31, 2015, and thereafter are as follows (in thousands):

Years Ending December 31,	Total <sup>(a)</sup>
2015 (remainder)	\$167,413
2016 <sup>(b)</sup>	583,195
2017	722,388
2018 <sup>(c)</sup>	704,286
2019	99,128
Thereafter through 2038 <sup>(d)</sup>	2,326,746
	4,603,156
Unamortized discount, net <sup>(e)</sup>	(3,048)
Total	\$4,600,108

(a) Certain amounts are based on the applicable foreign currency exchange rate at September 30, 2015.

(b) Includes \$250.0 million outstanding under our Term Loan Facility at September 30, 2015, which is scheduled to mature on January 31, 2016. However, we have two options to extend the maturity, each by an additional year, and are currently exploring our options in this regard.

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(c) Includes \$435.5 million outstanding under our Revolver at September 30, 2015, which is scheduled to mature on January 31, 2018 unless extended pursuant to its terms.

(d) Includes \$1.5 billion of outstanding Senior Unsecured Notes, which are scheduled to mature during 2023 through 2025.

(e) Represents the unamortized discount on the Senior Unsecured Notes of \$8.1 million partially offset by unamortized premium of \$5.1 million in the aggregate resulting from the assumption of property-level debt in connection with the CPA<sup>®</sup>:15 Merger and CPA<sup>®</sup>:16 Merger.

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## Notes to Consolidated Financial Statements (Unaudited)

## Note 13. Commitments and Contingencies

On December 31, 2013, Mr. Ira Gaines and entities affiliated with him commenced a purported class action (Ira Gaines, et al. v. Corporate Property Associates 16 – Global Incorporated, Index. No. 650001/2014, N.Y. Sup. Ct., N.Y. County) against us, WPC REIT Merger Sub Inc., CPA®:16 – Global, and the directors of CPA®:16 – Global regarding the CPA®:16 Merger. On April 11, 2014, we and the other defendants filed a motion to dismiss the complaint, as amended, in its entirety, and on October 15, 2014, the judge granted that motion to dismiss. The plaintiffs filed a Notice of Appeal on November 24, 2014 and had until August 24, 2015 to file that appeal. On August 21, 2015, plaintiffs withdrew with prejudice their Notice of Appeal. As a result, the decision that the trial court rendered in our favor on October 15, 2014 is now final, and the case has been dismissed.

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

## Note 14. Stock-Based Compensation and Equity

## At-The-Market Equity Offering

On June 3, 2015, we filed a prospectus supplement with the SEC pursuant to which we may offer and sell shares of our common stock, up to an aggregate gross sales price of \$400.0 million, through an “at-the-market,” or ATM, offering program with a consortium of banks acting as sales agents. We intend to use the net proceeds from any such ATM offering to reduce indebtedness, which may include amounts outstanding under our Revolver, to fund potential future acquisitions, and for general corporate purposes. Through September 30, 2015, we had not issued any shares pursuant to this ATM program.

## Stock-Based Compensation

We maintain several stock-based compensation plans, which are more fully described in the 2014 Annual Report. There have been no significant changes to the terms and conditions of any of our stock-based compensation plans or arrangements during the nine months ended September 30, 2015.

## Restricted and Conditional Awards

Nonvested restricted stock awards, or RSAs, restricted share units, or RSUs, and performance share units, or PSUs, at September 30, 2015 and changes during the nine months ended September 30, 2015 were as follows:

	RSA and RSU Awards		PSU Awards	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Nonvested at January 1, 2015	442,502	\$ 53.03	877,641	\$ 32.06
Granted <sup>(a)</sup>	189,893	69.92	65,277	85.61
Vested <sup>(b)</sup>	(264,628 )	49.23	(792,465 )	56.27
Forfeited	(10,391 )	66.56	—	—
Adjustment <sup>(c)</sup>	—	—	171,419	48.98
Nonvested at September 30, 2015 <sup>(d)</sup>	357,376	\$ 64.43	321,872	\$ 55.26

(a)

The grant date fair value of RSAs and RSUs reflect our stock price on the date of grant. The grant date fair value of PSUs were determined utilizing a Monte Carlo simulation model to generate a range of possible future stock prices for both us and the plan defined peer index over the three-year performance period. To estimate the fair value of PSUs granted during the nine months ended September 30, 2015, we used a risk-free interest rate of 1.0% and an expected volatility rate of 20.2% (the plan defined peer index assumes 13.5%) and assumed a dividend yield of zero.

The total fair value of shares vested during the nine months ended September 30, 2015 was \$57.7 million.

Employees have the option to take immediate delivery of the shares upon vesting or defer receipt to a future date, pursuant to previously-made deferral elections. At September 30, 2015 and December 31, 2014, we had an obligation to issue 1,430,900 and 848,788 shares, respectively, of our common stock underlying such deferred awards, which is recorded within W. P. Carey stockholders' equity as a Deferred compensation obligation of \$57.4 million and \$30.6 million, respectively.

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## Notes to Consolidated Financial Statements (Unaudited)

Vesting and payment of the PSUs is conditioned upon certain company and market performance goals being met during the relevant three-year performance period. The ultimate number of PSUs to be vested will depend on the extent to which the performance goals are met and can range from zero to three times the original awards. In connection with the payment of the PSUs granted in 2012, which were paid out in February 2015, we adjusted the shares during the nine months ended September 30, 2015 to reflect the actual number of shares issued. There was no impact on our consolidated financial statements related to these adjustments, as the initial fair value of our PSUs factored in the variability associated with the performance features of these awards.

(d) At September 30, 2015, total unrecognized compensation expense related to these awards was approximately \$24.5 million, with an aggregate weighted-average remaining term of 1.8 years.

During the nine months ended September 30, 2015, 135,649 stock options were exercised with an aggregate intrinsic value of \$4.6 million. At September 30, 2015, there were 337,130 stock options outstanding, of which 300,136 were exercisable.

## Earnings Per Share

Under current authoritative guidance for determining earnings per share, all nonvested share-based payment awards that contain non-forfeitable rights to distributions are considered to be participating securities and therefore are included in the computation of earnings per share under the two-class method. The two-class method is an earnings allocation formula that determines earnings per share for each class of common shares and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. Our nonvested RSUs and RSAs contain rights to receive non-forfeitable distribution equivalents or distributions, respectively, and therefore we apply the two-class method of computing earnings per share. The calculation of earnings per share below excludes the income attributable to the nonvested RSUs and RSAs from the numerator and such nonvested shares in the denominator. The following table summarizes basic and diluted earnings (in thousands, except share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income attributable to W. P. Carey	\$21,745	\$27,337	\$121,209	\$207,554
Allocation of distribution equivalents paid on nonvested RSUs and RSAs in excess of income	(73	) (113	) (408	) (855
Net income – basic	21,672	27,224	120,801	206,699
Income effect of dilutive securities, net of taxes	—	(8	) —	74
Net income – diluted	\$21,672	\$27,216	\$120,801	\$206,773
Weighted-average shares outstanding – basic	105,813,237	100,282,082	105,627,423	96,690,675
Effect of dilutive securities	523,803	848,366	830,072	1,038,306
Weighted-average shares outstanding – diluted	106,337,040	101,130,448	106,457,495	97,728,981

For the three and nine months ended September 30, 2015 and 2014, there were no potentially dilutive securities excluded from the computation of diluted earnings per share.

## Redeemable Noncontrolling Interest

We account for the noncontrolling interest in WPCI held by a third party as a redeemable noncontrolling interest, as we have an obligation to redeem the interest at fair value, subject to certain conditions pursuant to a put option held by the third party. This obligation is required to be settled in shares of our common stock. On October 1, 2013, we received a notice from the holder of the noncontrolling interest in WPCI regarding the exercise of the put option,

pursuant to which we are required to purchase the third party's 7.7% interest in WPCI. Pursuant to the terms of the related put agreement, the value of that interest was determined based on a third-party valuation as of October 31, 2013, which is the end of the month that the put option was exercised.

## Notes to Consolidated Financial Statements (Unaudited)

The following table presents a reconciliation of redeemable noncontrolling interest (in thousands):

	Nine Months Ended September 30,	
	2015	2014
Beginning balance	\$6,071	\$7,436
Redemption value adjustment	8,551	(306)
Net income	—	137
Distributions	—	(926)
Change in other comprehensive income	—	5
Ending balance	\$14,622	\$6,346

## Transfers to Noncontrolling Interests

The following table presents a reconciliation of the effect of transfers in noncontrolling interest (in thousands):

	Nine Months Ended September 30,	
	2015	2014
Net income attributable to W. P. Carey	\$121,209	\$207,554
Transfers to noncontrolling interest		
Decrease in W. P. Carey's additional paid-in capital for purchases of less-than-wholly-owned investments in connection with the CPA <sup>®</sup> :16 Merger	—	(41,374)
Net transfers to noncontrolling interest	—	(41,374)
Change from net income attributable to W. P. Carey and transfers to noncontrolling interest	\$121,209	\$166,180

## Reclassifications Out of Accumulated Other Comprehensive (Loss) Income

The following tables present a reconciliation of changes in Accumulated other comprehensive (loss) income by component for the periods presented (in thousands):

	Three Months Ended September 30, 2015			
	Gains and Losses on Derivative Instruments	Foreign Currency Translation Adjustments	Gains and Losses on Marketable Securities	Total
Beginning balance	\$30,796	\$(151,608)	\$35	\$(120,777)
Other comprehensive income (loss) before reclassifications	2,259	(37,138)	—	(34,879)
Amounts reclassified from accumulated other comprehensive income (loss) to:				
Interest expense	672	—	—	672
Other income and (expenses)	(1,642)	—	—	(1,642)
Total	(970)	—	—	(970)
Net current period other comprehensive (loss) income	1,289	(37,138)	—	(35,849)
Net current period other comprehensive gain attributable to noncontrolling interests and redeemable noncontrolling interest	—	(43)	—	(43)
Ending balance	\$32,085	\$(188,789)	\$35	\$(156,669)



## Notes to Consolidated Financial Statements (Unaudited)

	Three Months Ended September 30, 2014			
	Gains and Losses on Derivative Instruments	Foreign Currency Translation Adjustments	Gains and Losses on Marketable Securities	Total
Beginning balance	\$(12,052 )	\$26,224	\$43	\$14,215
Other comprehensive income (loss) before reclassifications	15,725	(55,096 )	(12 )	(39,383 )
Amounts reclassified from accumulated other comprehensive income (loss) to:				
Interest expense	661	—	—	661
Other income and (expenses)	(337 )	—	—	(337 )
Equity in earnings of equity method investments in the Managed Programs and real estate	102	—	—	102
Total	426	—	—	426
Net current period other comprehensive income (loss)	16,151	(55,096 )	(12 )	(38,957 )
Net current period other comprehensive loss attributable to noncontrolling interests and redeemable noncontrolling interest	—	3,471	—	3,471
Ending balance	\$4,099	\$(25,401 )	\$31	\$(21,271 )
	Nine Months Ended September 30, 2015			
	Gains and Losses on Derivative Instruments	Foreign Currency Translation Adjustments	Gains and Losses on Marketable Securities	Total
Beginning balance	\$13,597	\$(89,177 )	\$21	\$(75,559 )
Other comprehensive income (loss) before reclassifications	22,326	(103,127 )	14	(80,787 )
Amounts reclassified from accumulated other comprehensive income (loss) to:				
Interest expense	1,890	—	—	1,890
Other income and (expenses)	(5,728 )	—	—	(5,728 )
Total	(3,838 )	—	—	(3,838 )