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THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

**THE FOLLOWING REPORT IS EXCERPTED FROM
THE WALL STREET TRANSCRIPT**

COMPANY INTERVIEW

GORDON F. DUGAN
W. P. Carey & Co. LLC

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W. P. Carey & Co. LLC (WPC)



GORDON F. DUGAN is President and Chief Executive Officer of W. P. Carey & Co. LLC, and CEO of its series of Corporate Property Associates (CPA) non-traded REIT funds. Mr. DuGan joined W. P. Carey as Assistant to the Chairman in 1988 and served in W. P. Carey's investment department in several capacities, including as Head of Investments. He serves as Trustee of the W. P. Carey Foundation, and is a member of the boards of the New York Pops and the Hewitt School. He recently joined the board of The Innocence Project and the Advisory Board of India 2020, Limited — a private equity firm investing in Indian middle-market businesses. A member of the Young Presidents Organization and the Council on Foreign Relations, Mr. DuGan has appeared

in numerous media outlets, including *Forbes*, *Institutional Investor*, *The Wall Street Journal*, *BusinessWeek*, Bloomberg and CNNfn. Mr. DuGan received his B.Sc. in economics from the Wharton School of the University of Pennsylvania.

SECTOR — REAL ESTATE

(ANN612) TWST: Please give our readers a brief history and overview of the company.

Mr. DuGan: W. P. Carey is an interesting company in that we have been in existence for a long time. We were founded in 1973; we have a terrific 30-year track record, and we manage approaching \$10 billion in assets — and not many people have heard of us. I attribute this to two things. One, we have kept a low profile and just gone about our business, and two, we've done a very good job for our investors of providing predictable income and managing their investments through various cycles. Generally it's either the more spectacular winners in a good market and the more spectacular failures in a bad market that get all the press. We've been somewhere in between, just cranking through and providing steady, attractive returns for investors.

TWST: Explain for us your business structure, as Carey itself is not a REIT, but you buy and manage real estate assets for non-traded REITs.

Mr. DuGan: Our corporate structure is very similar to a variety of other investment manager corporate structures, in that we're actually structured as a partnership for tax purposes. This is quite common now for investment managers in the alternative investment space, and so we are in good company there. The corporate structure provides a vehicle for us to manage investments on behalf of investors in a niche of the commercial real estate industry, which is known as either net lease investing or sale-leaseback investing. It's a niche of the commercial real estate market that we've been in since 1973 in the United States, and we have been in this niche in Europe since 1998. We invest heavily in both North America and in Europe in this niche, which is probably most easily defined as purchasing and leasing back to a single company real estate assets that they typically have owned on their balance sheet and are looking to sell but continue to get use of. They do it as a form of financing, and we are able to buy these assets from compa-

nies, then lease the assets back to them on a long-term basis, and provide hopefully steady returns for our investors through this vehicle. Our funds are structured as real estate investment trust's, and the investors in the funds that we manage are typically different than the investors in the public company. The public company is publicly traded; the funds are publicly registered but non-traded. And investors find both vehicles, both the public company as well as the REIT fund vehicle, attractive investments but slightly different. And so they tend to be slightly different investor bases. But it's a structure that works very well. We're able to raise a good deal of capital today, and we're doing so on behalf of these third-party investors who are seeking attractive risk-adjusted, income-based returns. Our niche of commercial real estate suits that very well.

TWST: The \$10 billion that you said is under management, that's across how many of CPA REITs?

Mr. DuGan: The \$10 billion includes assets that we might own on our balance sheet as well as the value of assets managed by the investment management company. We currently manage three funds that have been raised and invested — CPA 14, 15 and 16. And then we are currently raising and investing CPA 17.

TWST: So there is a certain portfolio that's owned on your own balance sheet, but that's not necessarily the majority of your focus?

Mr. DuGan: Yes, it's a small portfolio relative to our managed portfolio. But we do own a portfolio of assets on our balance sheet, and most of that has come about through merging the funds in some form or another onto our balance sheet as part of a liquidation strategy. That's the majority of those assets — it's a little bit more complicated than that, but that's basically the case. So we own some assets, but we manage far more than we own directly.

TWST: The latest REIT, CPA 17, is currently raising equity and investing. How much have you raised thus far?

Mr. DuGan: Our latest public figure is just under \$800 million to date. Fundraising has picked up through the end of last

year, and it's going very well. And I think for a couple of reasons the fundraising is going well. Number one, we have a track record of more than 30 years, investing money on behalf of individuals, and investors want to invest with people with long track records in their specialty. Number two, we were disciplined at the top of this last cycle. We shut down our fundraising for most of the period of 2005, 2006, 2007; we were out of fundraising mode much more than we were in fundraising mode. We stopped taking investor money for much of that period because of the difficulty in investing the money in an environment where there was too much money. So I think that's resonating with investors. And then thirdly, the way we invest is a style that tends to be more defensive than other commercial real estate strategies and tends to produce attractive levels of income. Those both seem to be resonating with people, as people are nervous about where to invest and are seeking reliable, attractive risk-adjusted returns.

"We expect international to continue to comprise a large percentage of our business, and we hope larger and larger over the long term. A big reason for the growth in that business is the sale-leaseback market in Europe is estimated to be four to five times the size of the United States' sale-leaseback market."

TWST: Do you expect your 2010 fundraising will be at a similar level as last year?

Mr. DuGan: I don't think we have a public statement on that, but what we have said is that fundraising picked up towards the end of last year and we are very gratified about that, and we are certainly hopeful that trend continues this year.

TWST: What about on the debt side? You were able to close a fairly significant amount of property financings or refinancings last year in what was obviously a very challenging debt environment. To what do you attribute that success, and do you expect to have similar access to debt this year?

Mr. DuGan: The debt markets are improving, although I'd say slightly. But there are a lot of reasons to be optimistic with respect to the debt markets. In terms of our own experience in 2009, what we found was because the loans that we had coming due were in the general vicinity of 50% loan-to-value loans — and they had been long-term, fixed-rate loans that had paid down over time — while it was an unbelievable amount of work, we were able to find replacement loans pretty much across the board. The other point I would make is that they tended to be bite-size loans, between \$5 million and \$50 million. Today and certainly in 2009, the larger the loan, the more difficult it was to find a lender because you are ruling out a lot of lenders just based on loan size as you get larger and larger. So we were able to refinance because, I think, the loans that we had coming due were made on very reasonable terms to us. We didn't have short-term debt coming due; we didn't have very high loan-to-value debt coming due, and we didn't have the sort of trade-mark excesses that we have seen in the debt markets. And as a re-

sult, we were able to manage through in a changed market. Using long-term, fixed-rate financing is always safer than short-term financing. Admittedly, it's generally also more expensive, but it's always, always safer. And 2009, I think, was a perfect example of the reason one bought that insurance policy — so that one could cash it in later. And last year was a year for us to cash in the fact that our borrowings were done on a more conservative basis. So we were able to find debt, but it wasn't easy.

However, what we're seeing going into 2010 is the debt markets are getting better. In the United States the CMBS market is coming back. We are seeing transactions; we are seeing lenders looking at CMBS. Because of the style of investment that we have, we don't need extremely high leverage to make our deals work. So we are able to utilize the debt that the market is willing to provide today because we have a lot of equity capital and a conservative capital structure. So the market terms today work for us, and it's getting better. In Europe there is still no revival of the CMBS market, and it may not come back in anything like the form it was. However, we are still finding loans for the most part. Again, it's difficult, but there are lenders in the marketplace in Europe. As we enter 2010, the picture looks a lot brighter than the beginning of 2009, I'll tell you that.

TWST: Talk a bit about investing abroad. For the past couple of years, it has been a pretty significant portion of your business. Why grow internationally? Do you expect international to continue to be a good portion of your overall business?

Mr. DuGan: Yes, we do. We expect international to continue to comprise a large percentage of our business, and we hope larger and larger over the long term. A big reason for the growth in that business is the sale-leaseback market in Europe is estimated to be four to five times the size of the United States' sale-leaseback market. So while it's mature, it's less mature than the United States'. And there is a lot of growth opportunity in the sale-leaseback market in Europe. At the end of 2009, we closed a sale-leaseback in Hungary, we closed a sale-leaseback in Spain. We hadn't invested in either of these countries prior to the end of 2009, and we were able to invest there in part because we are in this post-financial crisis marketplace, where there are opportunities available. The marketplace in Europe is much larger than the United States'. I would also say it's more competitive than the United States' in some ways, but it is much larger. When we had an opportunity in 1998 to expand our business into Europe, we did so by establishing an office in Paris. And we saw a very attractive opportunity at the time, and I think it's played out. But there is still an enormous amount of opportunity in Europe. Asia is another story. We have not cracked the code in Asia. And what we continue to say about Asia is that we haven't cracked the code, and until we do, I wouldn't raise anybody's expectations about Asia. North America is a great market for us; Europe is a great market for us, and there's a lot of growth opportunity in those two markets.

TWST: You have several offices abroad now, correct? In London, Paris, Amsterdam?

Mr. DuGan: We have investment officers in London, investment officers in New York. We have announced publicly that we are looking to grow our investment teams and take advantage of the opportunities we are seeing. We have a management office in

Amsterdam, and we have a small office in Shanghai.

TWST: What is it about the current economic and capital market environment that creates good buying opportunities for you with your target corporate deals?

Mr. DuGan: Our market now is, I think, a very attractive investment opportunity for a couple of reasons. Number one, there seems to be some equilibrium that's returned and returning to the marketplace. Debt providers are there; we have equity capital to invest. And companies realize that because there is some equilibrium in the capital markets, now is not a bad time to do a sale-leaseback. One of the objections we heard a year ago was that companies didn't want to sell their real estate and lease it back as much because they thought that there wasn't enough capital in the marketplace. What we found was after the financial crisis, there was a bit of a disconnect between buyers and sellers in the sale-leaseback space, and I think that disconnect has really narrowed to the point where there really isn't a disconnect. Buyers and sellers are willing to transact on market terms, and market conditions today are attractive. If you look at where interest rates are, whether it's three-month, one-year or 10-year, you are still in an extremely low interest rate environment. And all investment products are measured off of the riskless rate. Equities, bonds, the type of sale-leaseback investments that we make — with respect to these products, you have to keep going back to the reference point of the riskless rate. And in both Europe and the United States, it's quite low. And so we are able to achieve the returns we are achieving today, and those are attractive returns. And yet there is equilibrium in the marketplace because sellers know it's not a bad time to execute one of these transactions because there is a debt capital market that's returned and returning, and there are investors such as W. P. Carey that have equity to invest. It's returned to what I would say is more of an equilibrium. Whereas 2007 was a sellers' market and maybe for a short period 2009 was a buyers' market, now I would say it's at an equilibrium, which means it's an attractive market for the buyer but the seller can still get the execution that works for them. They don't have to sell at a massively distressed price, and they are not going to. So I think that's why it works.

TWST: I believe two of your most recent deals to be announced were the US Oncology headquarters here in the States and then abroad, the Spanish supermarket portfolio. Would you talk about why they were attractive to Carey, and how they exemplify the types of deal you seek?

Mr. DuGan: Yes, I think they are both good examples of the types of investment opportunities that we are finding and that we find attractive. US Oncology is a headquarters building in the Woodlands, Texas, which is a planned development community outside of Houston that has been a very attractive place for corporate headquarters facilities. We were able to structure the investment with a long-term lease with US Oncology, which is a leading company in its market. It's in the health care business, so it's not without some controversy, but it's a good company and a leader in its business. And we have a long-term lease on a very nice Class A asset in what is a good marketplace in one of the better general markets in the country, which is Houston. We felt that the income was secure, and we had an asset that we found quite attractive, and we have a long-term lease in place. As long as US Oncology is able to pay the

rent — which after our credit review, we felt they would be able to, obviously — we have a nice, long income stream, plus a nice asset that secures that income stream both during the lease and after. It's a more conservative way of investing in commercial real estate than obviously development or buying half-empty buildings and trying to reposition them. What we do tends to be more conservative, but I think it's a very attractive asset class in terms of risk-return.

“Even within the net lease industry, we tend to be somewhat unique in that we don't want to specialize in any one industry because then we have a lot of exposure to that industry, whether it's single-tenant retail, or restaurants or movie theaters. The beauty of diversification is it's meant to be a risk mitigation strategy.”

The portfolio in Spain was with a company called Eroski, they are the leading supermarket food retailer in the Basque region. They are not just in the Basque region, but this is a very large company with a dominant market position. And we were able to buy a portfolio of their properties in a region that they dominate, which is the Basque region in Northern Spain. This is a good example that opportunities are created in environments like what we've seen in 2009 and to some extent we continue to see in 2010, where Spain's economy has taken a hit. Spain has taken, in some respects, a significant hit, although the Basque region is better from an economic perspective than the rest of Spain. But when economies take a hit, there is opportunity to be found. We were able to buy a portfolio of supermarkets on a long-term lease with the leading retailer in their marketplace. And supermarkets tend to be a more defensive type of industry because food is not a discretionary purchase. So it fits the profile of long-term lease, steady income, a leading company and in a market that's taken its hits. But you would much rather invest in Spain in 2009 and 2010 than in 2006 and 2007, when yields were lower and people were betting that everything was going to appreciate to the sky. Now is an attractive time to think of Spain.

TWST: Overall, how diversified is your tenant base? What's typical for a credit?

Mr. DuGan: One of the keys to our business is to maintain a highly diversified tenant base. Even within the net lease industry, we tend to be somewhat unique in that we don't want to specialize in any one industry because then we have a lot of exposure to that industry, whether it's single-tenant retail, or restaurants or movie theaters. The beauty of diversification is it's meant to be a risk mitigation strategy. So one of the ways in which we mitigate risk is we have a broadly diversified investment strategy by industry and by tenant, and then by diversifying on those two bases, you tend to be diversified by geography and by property type. Within our tenant base, we have companies of various sizes, from smaller companies that may not be a household name to household companies. But all of them are reviewed by an independent investment committee that reviews them fully from a financial standpoint. We do all our own underwriting; we don't sub it out to anybody else. We don't

rely on rating agencies to do it for us, we do it ourselves. Not that the rating agencies can't do a good job, but we do our own underwriting; we do our own due diligence, and I think that disciplined process combined with diversification has been a real benefit for our investors.

TWST: Let's shift gears to discuss your stock. Do you think the market is putting a fair value on the company? What is your current dividend policy?

Mr. DuGan: On the former, we don't make public comments about stock price versus the value of the business. What I would say is we try to run our business and grow the value of the business irrespective of the stock price, and try not to use stock price as a score-keeping measure on a short-term basis. On a long-term basis, obviously, we need the value we create in the business to be recognized by the market. I would say that generally speaking, we are a much bigger player in our business than we are known as a public company, and we think that that provides some opportunity for investors. We have not done public equity raises in the past, so the story is not as broadly known as maybe it should be. We like, when we have an opportunity, to put our business and our business prospects in front of investors, and let them know that this is what we do, that we are a market leader in our business even if we are not a household name. And our business has been a terrific business historically.

On the dividend, it's just under 7%. If you believe the riskless rate is a good benchmark, which I think you have to believe — and our dividend yield today is around 7% — I think that's attractive in a world where it's very hard to find yield. We have historically run our business from a relatively conservative standpoint. We main-

tained our dividend in all of our funds last year; we increased the dividend in the public company last year. And at a time when most companies were slashing their dividends, we were able to continue to pay our dividends, which our investors really appreciate.

TWST: Is there anything else you think investors should know about Carey?

Mr. DuGan: I think we've hit the major themes. Just because a lot of people haven't heard of us doesn't mean that we can't be a market leader that's of a surprisingly decent size. We tend not to use company-level debt; we only have a small amount of company-level debt. Part of our conservatism has been not using too much leverage and using the most conservative type of leverage, which is long-term, fixed-rate and not guaranteed by the company or the fund for the most part. We do have a line of credit in W. P. Carey, but we've used debt prudently, and that's one of the reasons we were able to maintain or increase our dividend through a period when many people were in a position where they had to slash their dividend.

TWST: Thank you. (MN)

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Investors Brief

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Company Details (As of 10/30/09)

| | |
|-------------------------------------|---------------|
| Symbol (NYSE) | WPC |
| Yield | 7.2% |
| Price | \$27.70 |
| Assets Under Ownership & Management | \$9.9 billion |

*As of 9/30/09; includes cash on hand

For the Quarter Ended - September 30, 2009

In thousands except per share data

Operations

| | |
|-----------------------------|----------|
| Net Income ¹ | \$13,351 |
| Total Revenues ² | \$47,667 |
| EBITDA | \$29,201 |
| FFO | \$30,233 |

By Segment

| | |
|-----------------------|----------|
| EBITDA | |
| Investment Management | \$11,789 |
| Real Estate Ownership | \$17,412 |
| Total | \$29,201 |

FFO

| | |
|-----------------------|----------|
| Investment Management | \$12,788 |
| Real Estate Ownership | \$17,445 |
| Total | \$30,223 |

Market Capitalization

| | |
|---------------------|-------------|
| Debt Capitalization | \$465,326 |
| Equity | \$1,142,845 |
| Total | \$1,608,171 |

Per Share³

| | |
|------------------------------|---------|
| Adjusted Cash Flow (diluted) | \$1.79 |
| Dividend | \$1.494 |
| Payout Ratio | 83% |

¹Attributable to W. P. Carey members

²Net of reimbursed costs from affiliates

³For the nine months ended September 30, 2009

For more than 35 years, W. P. Carey & Co. LLC has been a constant source of capital, providing long-term sale-leaseback and build-to-suit financing for companies worldwide and managing a global investment portfolio approaching \$10 billion. Our cycle-tested strategy—portfolio diversification, a focus on tenant creditworthiness and the acquisition of critical operating assets—has enabled WPC to provide investors a steady cash flow through varying economic climates.

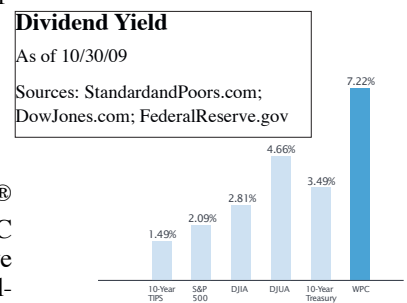
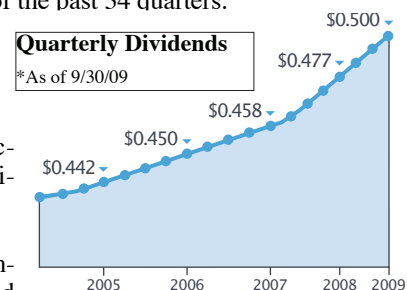
Increasing Income

▶ WPC has increased its dividend every year since it went public and for each of the past 34 quarters.

▶ With its current yield of approximately 7.2%, WPC may be attractive to income-oriented investors.

▶ We are focused on increasing our adjusted cash flow from operating activities—a vital metric to maintaining and growing our dividend.

▶ Since the introduction of the first CPA[®] program in 1979, WPC and its affiliates have paid more than \$3 billion to investors over 800 consecutive quarterly cash distributions.



Assets Under Management

▶ The CPA[®] REITs had real estate assets valued at approximately \$7.9 billion and total assets of \$8.4 billion as of September 30, 2009. The occupancy rate of their combined 93-million-square-foot portfolio was approximately 97%.

▶ As of September 30, 2009, the occupancy rate of our 17-million-square-foot owned portfolio was approximately 95%.

▶ We continue to increase our assets under management through our latest non-traded REIT offering, CPA[®]:17 – Global. Through October 30, 2009, CPA[®]:17 – Global has raised more than \$685 million of its up-to \$2 billion offering. For the third quarter of 2009, CPA[®]:17 – Global raised \$124.6 million, compared to \$100.3 million in the second quarter and \$71.5 million in the first quarter of this year.

Investors Brief

W. P. Carey & Co., LLC.

Performance as an Investment Manager

An investment manager is only as good as the performance of its managed funds. The track record of our CPA[®] programs has been built over a 30-year period of raising capital, investing and managing through various economic cycles and continues to play a large role in our strategy to grow assets under management. The most recent programs continue to operate and produce income for their shareholders. CPA[®]:17 – Global is still in its fundraising stage.

Recent CPA[®] Performance

| | Date of Final Closing | NAV as of 12/31/08 | Current Annualized Yield |
|--------------------------------|-----------------------|--------------------|--------------------------|
| CPA [®] : 14* | 1/9/02 | \$13.00 | 8.32% |
| CPA [®] : 15** | 8/7/03 | \$11.50 | 7.26% |
| CPA [®] : 16 - Global | 12/28/06 | \$9.80 | 6.62% |

Historical CPA[®] Performance

| | Date of Final Closing | % of Original Investments | Average Annual Return |
|-----------------------|-----------------------|---------------------------|-----------------------|
| CPA [®] : 1 | 6/12/79 | 237% | 7.17% |
| CPA [®] : 2 | 9/23/80 | 369% | 14.89% |
| CPA [®] : 3 | 5/13/82 | 408% | 18.81% |
| CPA [®] : 4 | 6/16/83 | 310% | 13.85% |
| CPA [®] : 5 | 12/21/83 | 210% | 7.72% |
| CPA [®] : 6 | 2/13/85 | 264% | 12.47% |
| CPA [®] : 7 | 9/17/87 | 215% | 10.15% |
| CPA [®] : 8 | 11/21/88 | 229% | 13.10% |
| CPA [®] : 9 | 4/30/90 | 184% | 9.59% |
| CPA [®] : 10 | 7/17/91 | 208% | 8.81% |
| CPA [®] | 2/6/92 | 242% | 11.22% |
| CPA [®] : 12 | 9/18/97 | 237% | 10.91% |
| Average | | | 11.56% |

Past performance is not a guarantee of future results.

Current Valuation

Combining its low relative valuation and high current dividend yield, investors may consider WPC attractive relative to the investment management sector and the broader markets.

| Trailing 12 Months | WPC Multiple |
|--------------------|--------------|
| EBITDA | 8.8x |
| FFO | 9.3x |
| As of 9/30/09 | |

*CPA[®]:14's yield is based on a \$9.55 per share investment value after adjusting for a \$0.45 per share special distribution paid in July 2006.

**CPA[®]:15's yield is based on a \$9.92 per share investment value after adjusting for a \$0.08 per share special distribution paid in January 2008.

News

\$120 Million New York Times Financing

In September, WPC and its affiliates closed a \$120 million loan with the Bank of China, New York Branch for The New York Times Company's Midtown Manhattan headquarters that was purchased in March 2009. Since the beginning of the credit crunch in September 2008, we have secured more than \$390 million in debt financings.

Two Deals Close in Q3

We closed two international transactions on behalf of the RE-ITs in the third quarter—a \$93.6 million sale-leaseback with UK retailer Tesco plc, our first Hungarian transaction, and a \$27.5 million build-to-suit transaction with UK public transport provider National Express for their main coach terminal and headquarters building.

Non-GAAP Financial Disclosure

EBITDA – Earnings before interest, taxes, depreciation and amortization is a non-GAAP financial measure used for assessing the performance of our business segments.

FFO – Funds from operations is a non-GAAP financial measure that is commonly used in evaluating real estate companies. Although the National Association of Real Estate Investment Trusts (NAREIT) has published a definition of FFO, real estate companies often modify this definition as they seek to provide financial measures that meaningfully reflect their operations.

Adjusted Cash Flow from Operating Activities – Cash flow from operating activities on a GAAP basis adjusted for certain timing differences and deferrals.

We believe that these non-GAAP financial measures are useful supplemental measures which assist investors to better understand the underlying performance of our business segments. These non-GAAP financial measures do not represent net income that is computed in accordance with GAAP and should not be considered an alternative to net income as an indicator of our financial performance. These non-GAAP financial measures may not be comparable to similarly titled measures of other companies. Please reference the form 8-K, which was filed on November 6, 2009 and is available on our website at www.wpcarey.com, for a reconciliation of these non-GAAP financial measures to our consolidated financial statements.