

W. P. Carey Inc.  
Form 10-Q  
May 09, 2014

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 March 31, 2014

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.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Smaller reporting company

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(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  
o No

Registrant has 99,348,860 shares of common stock, \$0.001 par value, outstanding at April 30, 2014.

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## Forward-Looking Statements

This Quarterly Report on Form 10-Q, or the Report, including Management’s Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, 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 be,” “will continue,” “will likely result,” and similar expressions. It is important to note that our actual results could be materially different from those projected in such forward-looking statements. You should exercise caution in relying on forward-looking statements as they involve known and unknown risks, uncertainties and other factors that may materially affect our future results, performance, achievements or transactions. Information on factors which could impact actual results and cause them to differ from what is anticipated in the forward-looking statements contained herein is included in this Report as well as in our other filings with the Securities and Exchange Commission, or the SEC, including but not limited to those described in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2013 as filed with the SEC on March 4, 2014, or the 2013 Annual Report. 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

## Item 1. Financial Statements.

## W. P. CAREY INC.

## CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands, except share and per share amounts)

	March 31, 2014	December 31, 2013
Assets		
Investments in real estate:		
Real estate, at cost (inclusive of \$243,429 and \$78,782, respectively, attributable to variable interest entities, or VIEs)	\$4,487,928	\$2,516,325
Operating real estate, at cost (inclusive of \$38,714 and 0, respectively, attributable to VIEs)	84,494	6,024
Accumulated depreciation (inclusive of \$19,727 and \$18,238, respectively, attributable to VIEs)	(193,370)	(168,958)
Net investments in properties	4,379,052	2,353,391
Net investments in direct financing leases (inclusive of \$65,560 and \$18,089, respectively, attributable to VIEs)	898,335	363,420
Assets held for sale	95,209	86,823
Equity investments in real estate and the Managed REITs	186,965	530,020
Net investments in real estate	5,559,561	3,333,654
Cash and cash equivalents (inclusive of \$2,003 and \$37, respectively, attributable to VIEs)	198,947	117,519
Due from affiliates	32,497	32,034
Goodwill	700,024	350,208
In-place lease intangible assets, net (inclusive of \$36,012 and \$3,385, respectively, attributable to VIEs)	997,520	467,127
Above-market rent intangible assets, net (inclusive of \$15,224 and \$2,544, respectively, attributable to VIEs)	595,430	241,975
Other assets, net (inclusive of \$21,568 and \$4,246, respectively, attributable to VIEs)	255,489	136,433
Total assets	\$8,339,468	\$4,678,950
Liabilities and Equity		
Liabilities:		
Non-recourse debt (inclusive of \$152,223 and \$29,042, respectively, attributable to VIEs)	\$2,961,999	\$1,492,410
Senior credit facility and unsecured term loan	366,278	575,000
Senior unsecured notes	498,210	—
Below-market rent and other intangible liabilities, net (inclusive of \$11,665 and \$3,481, respectively, attributable to VIEs)	182,741	128,202
Accounts payable, accrued expenses and other liabilities (inclusive of \$8,234 and \$2,988, respectively, attributable to VIEs)	291,038	166,385
Deferred income taxes (inclusive of \$854 and 0, respectively, attributable to VIEs)	89,250	39,040
Distributions payable	90,079	67,746
Total liabilities	4,479,595	2,468,783
Redeemable noncontrolling interest	7,303	7,436
Commitments and contingencies (Note 13)		
Equity:		

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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; 100,392,711 and 69,299,949 shares issued, respectively; and 99,348,295 and 68,266,570 shares outstanding, respectively	100	69
Additional paid-in capital	4,016,019	2,256,503
Distributions in excess of accumulated earnings	(302,799	) (318,577 )
Deferred compensation obligation	29,342	11,354
Accumulated other comprehensive income	17,443	15,336
Less: treasury stock at cost, 1,044,416 and 1,033,379 shares, respectively	(60,948	) (60,270 )
Total W. P. Carey stockholders' equity	3,699,157	1,904,415
Noncontrolling interests	153,413	298,316
Total equity	3,852,570	2,202,731
Total liabilities and equity	\$8,339,468	\$4,678,950

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 March	
	31,	2013
	2014	
Revenues		
Real estate revenues:		
Lease revenues	\$ 123,213	\$ 72,460
Reimbursable tenant costs	6,030	3,117
Operating property revenues	4,993	227
Other	1,000	679
	135,236	76,483
Revenues from affiliates:		
Reimbursable costs	39,732	11,968
Structuring revenue	17,750	6,342
Asset management revenue	9,777	10,015
Dealer manager fees	6,676	1,223
	73,935	29,548
	209,171	106,031
Operating Expenses		
Depreciation and amortization	52,782	29,376
Reimbursable tenant and affiliate costs	45,762	15,085
Merger and acquisition expenses	29,613	121
General and administrative	28,111	19,698
Property expenses, excluding reimbursable tenant costs	8,429	1,765
Stock-based compensation expenses	7,045	9,149
	171,742	75,194
Other Income and Expenses		
Gain on change in control of interests	103,574	—