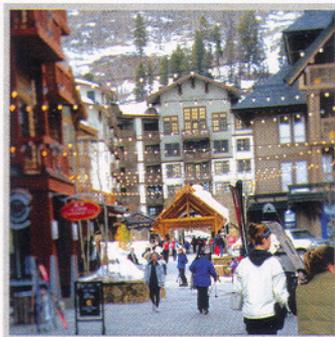
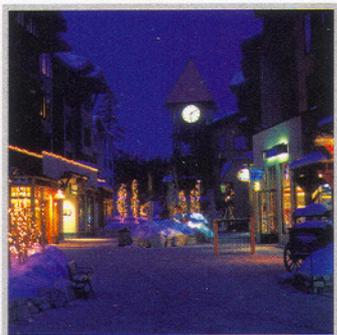


TO OUR SHAREHOLDERS

Last year, Baby Boomers began turning 60 at the rate of nearly 8,000 per day. These new retirees spend more time on leisure activities, desiring new experiences while pursuing their recreational passions. In addition, today's Baby Boomers are heavily family-focused, with the generation gap between Boomer parents and their children rapidly closing. They're eating, traveling and playing with their children and grandchildren in huge numbers and "playing catch-up" in light of precious family time that may have been lost during their career years. Buying power resulting from high-income careers and inheritances from their savings-minded parents has given large numbers of today's Baby Boomers the luxury of indulging in family attractions, resort amenities, and leisure and lifestyle activities where families gather.



From the inception of CNL Income Properties, we believed there was an undiscovered pool of diversified lifestyle-related properties to buy that would take advantage of this Baby Boomer phenomenon. In 2006, our vision to be the preeminent landlord of lifestyle real estate rapidly manifested itself as we identified portfolio opportunities in some of the country's most significant property sectors, including golf, mountain lifestyle and attractions, and developed relationships in other lifestyle asset classes like marinas.



KEY EVENTS

We believe we've discovered one of the few remaining underserved, under capitalized real estate sectors, and are acquiring income-producing assets for our investors. During the past three years, we've built this portfolio to more than \$1 billion across seven asset classes in 21 states and two provinces in Canada, with 18 operators. Since inception, we acquired interests in 65 properties and formed new relationships with several premier operators, including Booth Creek Ski Holdings, Marinas International, Heritage Golf, EAGL Golf, Intrawest and Trammell Crow.