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

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FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2005

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: 000-50249

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CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MARYLAND  
(STATE OF INCORPORATION)

52-2298116  
(I.R.S. EMPLOYER IDENTIFICATION NO.)

50 ROCKEFELLER PLAZA  
NEW YORK, NEW YORK  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICE)

10020  
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBERS:

INVESTOR RELATIONS (212) 492-8920  
(212) 492-1100

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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 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 is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes  No

Registrant has 127,067,650 shares of common stock, \$.001 par value outstanding at August 9, 2005.

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CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

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\* The summarized consolidated financial statements contained herein are unaudited; however, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of such financial statements have been included.

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

PART I  
Item 1. - FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS (Unaudited)  
*(in thousands except share amounts)*

	<b>JUNE 30, 2005</b>	<b>DECEMBER 31, 2004</b> <b>(NOTE)</b>
<b>ASSETS:</b>		
Land and buildings, net of accumulated depreciation of \$64,522 and \$47,756 at June 30, 2005 and December 31, 2004	\$ 1,720,490	\$ 1,695,066
Net investment in direct financing leases	437,662	291,367
Intangible assets, net of accumulated amortization of \$17,265 and \$8,503 at June 30, 2005 and December 31, 2004	229,953	228,760
Assets held for sale	—	19,385
Real estate under construction	30,120	25,115
Equity investments	186,352	180,479
Cash and cash equivalents	126,018	144,522
Marketable securities	11,796	32,150
Other assets, net	100,682	101,552
Total assets	<u>\$ 2,843,073</u>	<u>\$ 2,718,396</u>
<b>LIABILITIES, MINORITY INTEREST, AND SHAREHOLDERS' EQUITY:</b>		
Liabilities:		
Limited recourse mortgage notes payable	\$ 1,452,351	\$ 1,309,126
Accrued interest	8,035	7,694
Due to affiliates	6,361	6,159
Accounts payable and accrued expenses	12,975	9,878
Other liabilities	31,754	24,161
Prepaid rental income and security deposits	45,209	66,122
Deferred acquisition fees payable to affiliate	32,883	34,650
Dividends payable	20,208	19,908
Total liabilities	<u>1,609,776</u>	<u>1,477,698</u>
Minority interest	<u>189,703</u>	<u>176,490</u>
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Common stock, \$.001 par value; 240,000,000 shares authorized; issued and outstanding, 127,616,497 and 126,009,926 at June 30, 2005 and December 31, 2004	128	126
Additional paid-in capital	1,162,739	1,147,138
Dividend in excess of accumulated earnings	(106,432)	(85,151)
Accumulated other comprehensive (loss) income	(2,827)	6,189
	<u>1,053,608</u>	<u>1,068,302</u>
Less, treasury stock at cost, 1,068,322 and 416,149 shares at June 30, 2005 and December 31, 2004	(10,014)	(4,094)
Total shareholders' equity	<u>1,043,594</u>	<u>1,064,208</u>
Total liabilities, minority interest and shareholders' equity	<u>\$ 2,843,073</u>	<u>\$ 2,718,396</u>

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

Note: The balance sheet at December 31, 2004 has been derived from the audited consolidated financial statements at that date.

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)  
(in thousands except share and per share amounts)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
Revenues:				
Rental income	\$ 45,229	\$ 28,220	\$ 90,981	\$ 50,831
Interest income from direct financing leases	7,189	3,613	13,631	7,139
Other operating income	2,439	1,293	4,254	5,508
	<u>54,857</u>	<u>33,126</u>	<u>108,866</u>	<u>63,478</u>
Operating expenses:				
Depreciation and amortization	12,352	7,329	24,789	12,914
General and administrative	2,283	1,518	5,085	3,492
Property expenses	8,543	4,949	16,833	9,816
	<u>23,178</u>	<u>13,796</u>	<u>46,707</u>	<u>26,222</u>
Income from continuing operations before other interest income, minority interest, equity income, gains and losses and interest expense	31,679	19,330	62,159	37,256
Other interest income	1,149	666	2,098	1,671
Minority interest in income	(3,448)	(1,745)	(7,107)	(3,740)
Income from equity investments	3,965	2,123	7,940	4,194
Loss on sale of real estate	—	(48)	—	(48)
Gain on derivative instruments, net	69	—	69	—
(Loss) gain on foreign currency transactions, net	(1,767)	(139)	(3,288)	1,737
Interest expense	(21,803)	(11,424)	(43,491)	(20,423)
Income from continuing operations	9,844	8,763	18,380	20,647
Discontinued operations:				
Income (loss) from operations of discontinued properties	1,509	(261)	1,219	(541)
Loss on sale of real estate	(10)	—	(10)	—
Impairment charge on properties held for sale	—	—	(610)	—
Income (loss) from discontinued operations	1,499	(261)	599	(541)
Net income	<u>\$ 11,343</u>	<u>\$ 8,502</u>	<u>\$ 18,979</u>	<u>\$ 20,106</u>
Basic earnings per share:				
Earnings from continuing operations	\$ .08	\$ .08	\$ .15	\$ .19
Income (loss) from discontinued operations	.01	—	—	—
Net income	<u>\$ .09</u>	<u>\$ .08</u>	<u>\$ .15</u>	<u>\$ .19</u>
Dividends declared per share	<u>\$ .1594</u>	<u>\$ .1571</u>	<u>\$ .3183</u>	<u>\$ .3140</u>
Weighted average shares outstanding - basic	<u>126,678,873</u>	<u>106,584,821</u>	<u>126,443,370</u>	<u>106,342,394</u>

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

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)  
(in thousands)

	<b>THREE MONTHS ENDED JUNE 30,</b>		<b>SIX MONTHS ENDED JUNE 30,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Net income	\$ 11,343	\$ 8,502	\$ 18,979	\$ 20,106
Other comprehensive income (loss):				
Change in foreign currency translation adjustment	(6,184)	(2,311)	(8,347)	(2,834)
Change in unrealized appreciation (depreciation) of marketable securities	162	—	(155)	—
Unrealized loss on derivative instrument	(747)	(138)	(514)	(338)
	(6,769)	(2,449)	(9,016)	(3,172)
Comprehensive income	\$ 4,574	\$ 6,053	\$ 9,963	\$ 16,934

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

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED  
CONSOLIDATED STATEMENTS of CASH FLOWS (Unaudited)  
*(in thousands)*

	<b>SIX MONTHS ENDED JUNE 30,</b>	
	<b>2005</b>	<b>2004</b>
Cash flows from operating activities:		
Net income	\$ 18,979	\$ 20,106
Adjustments to reconcile net income to net cash provided by operating activities:		
(Income) loss from discontinued operations, including impairment charges on real estate and loss on sale	(599)	541
Depreciation and amortization of intangibles and deferred financing costs	25,700	13,204
Equity income in excess of distributions received	(982)	(136)
Straight-line rent adjustments	255	(3,424)
Settlement proceeds assigned to lender	—	(2,754)
Loss on sale of real estate	—	48
Gain on derivative instruments, net	(69)	—
Loss (gain) on foreign currency transactions, net	3,288	(1,737)
Issuance of shares to affiliate in satisfaction of fees due	5,432	2,705
Minority interest in income	7,107	3,740
Changes in operating assets and liabilities, net	1,183	(9,230)
Net cash provided by continuing operations	60,294	23,063
Net cash used in discontinued operations	(186)	(541)
Net cash provided by operating activities	60,108	22,522
Cash flows from investing activities:		
Distributions from operations of equity investments in excess of equity income	1,806	632
Acquisition of real estate and equity investments and other capitalized costs	(286,440)	(494,519)
VAT taxes recovered in connection with purchases of real estate, net	—	5,275
Payment of deferred acquisition fees	(6,001)	(3,253)
Purchase of short-term investments	—	(20,863)
Redemption of short-term investments	—	15,400
Purchase of securities	—	(19,125)
Proceeds from sale of marketable securities	20,000	61,100
Proceeds of amount receivable from sale of real estate from affiliate	—	3,034
Proceeds from sale of real estate	19,759	2,752
Net cash used in investing activities	(250,876)	(449,567)
Cash flows from financing activities:		
Proceeds from mortgages	210,361	247,688
Scheduled mortgage and note principal payments	(11,563)	(4,518)
Deferred financing costs and mortgage deposits, net of deposits refunded	—	(635)
Capital contributions from minority partner	23,528	56,241
Distributions paid to minority partners	(9,407)	(1,888)
Proceeds from issuance of stock, net of costs of raising capital	10,171	8,142
Dividends paid	(39,960)	(33,220)
Purchase of treasury stock	(5,920)	(1,755)
Net cash provided by financing activities	177,210	270,055
Effect of exchange rate changes on cash	(4,946)	(143)
Net decrease in cash and cash equivalents	(18,504)	(157,133)
Cash and cash equivalents, beginning of period	144,522	235,217
Cash and cash equivalents, end of period	\$ 126,018	\$ 78,084

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

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
*(in thousands except share and per share amounts)*

NOTE 1. BASIS OF PRESENTATION:

Corporate Property Associates 15 Incorporated (the “Company”) is a real estate investment trust (“REIT”) that invests in commercial and industrial properties leased to companies domestically and internationally. As a REIT, the Company is not subject to federal income taxation as long as it satisfies certain requirements relating to the nature of its income, the level of its distributions and other factors. The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Article 10 of Regulation S-X of the United States Securities and Exchange Commission (“SEC”). They do not include all information and notes required by generally accepted accounting principles for complete financial statements. All significant intercompany balances and transactions have been eliminated. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement of the results of the interim periods presented have been included. The results of operations for the interim periods are not necessarily indicative of results for the full year. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2004.

In connection with a lease termination agreement with a former tenant of a property during the fourth quarter of 2004, the Company received a \$500 promissory note. The Company fully reserved for this note at December 31, 2004 based on its evaluation of the tenant’s ability to pay. The former tenant satisfied its obligations under the note in the first quarter of 2005 by depositing all amounts due in an escrow account maintained on the Company’s behalf by the mortgage lender on the property. The previously unrecognized receipt of this note, which totals \$506 including unrecognized interest, was identified in the current period in connection with the Company’s analysis of its escrow activity and is included in income from continuing operations for the three and six-month periods ended June 30, 2005. Also included in income from continuing operations for the three and six-month periods ended June 30, 2005 is \$226 of previously unrecorded interest income from prior periods on escrow accounts held by secured lenders on other properties, which were also identified in connection with the Company’s analysis of its escrow accounts. These totals are included in the accompanying financial statements as follows: \$506 in other operating income, \$125 in income from equity investments, \$116 in other interest income and \$(15) in minority interest in income. Included in income (loss) from discontinued operations for the three and six-month periods ended June 30, 2005 is a loss of \$289, which represents the net effect of writing off certain assets and liabilities identified as a result of completing the sale of the Company’s Miami, Florida property (see Note 9).

Information About Geographic Areas

The Company has international investments in Belgium, Finland, France, Germany and the United Kingdom. These investments accounted for lease revenues (rental income and interest income from direct financing leases) of \$15,228 and \$6,899 for the three months ended June 30, 2005 and 2004, respectively, lease revenues of \$30,403 and \$14,000 for the six months ended June 30, 2005 and 2004, respectively, income from equity investments of \$90 and \$18 for the three months ended June 30, 2005 and 2004, respectively, and income from equity investments of \$152 and \$18 for the six months ended June 30, 2005 and 2004, respectively. As of June 30, 2005 and December 31, 2004, long-lived assets related to international investments were \$751,165 and \$566,088, respectively.

Reclassification

The financial statements included in this Form 10-Q have been adjusted to reflect the disposition (or planned disposition) of certain properties as discontinued operations for all periods presented (see Note 9). As a result, certain prior period amounts have been reclassified to conform to current period financial statement presentation.

For the periods ended June 30, 2005 and 2004, the Company purchased and sold auction-rate securities. As a result, certain amounts were reclassified in the accompanying statements of cash flows for the period ended June 30, 2004 to conform to the current period presentation.

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
(in thousands except share and per share amounts)

NOTE 2. TRANSACTIONS WITH RELATED PARTIES:

In connection with performing services on behalf of the Company, the advisory agreement between the Company and a wholly-owned subsidiary of W. P. Carey & Co. LLC (the "Advisor"), provides that the Advisor receive asset management and performance fees, each of which are 1/2 of 1% of average invested assets as defined in the advisory agreement. The performance fee is subordinated to the preferred return, a cumulative non-compounded distribution return of 6%. Effective in 2005, the advisory agreement was amended to allow the Advisor to elect to receive restricted common stock for any fee due from the Company. The Advisor has elected to receive the performance fee for 2005 in restricted shares of common stock of the Company. The Advisor is also reimbursed for the allocated cost of personnel needed to provide administrative services necessary to the operation of the Company. The Company incurred asset management fees of \$2,791 and \$1,648 for the three months ended June 30, 2005 and 2004, respectively, and \$5,554 and \$3,078 for the six months ended June 30, 2005 and 2004, respectively, with performance fees in like amounts, both of which are included in property expenses in the accompanying financial statements. The Company incurred personnel reimbursements of \$956 and \$580 for the three months ended June 30, 2005 and 2004, respectively, and \$1,881 and \$1,132 for the six months ended June 30, 2005 and 2004, respectively, which are included in general and administrative expenses in the accompanying financial statements.

Fees are payable to the Advisor for services provided to the Company relating to the identification, evaluation, negotiation, financing and purchase of properties. A portion of such fees is deferred and is payable in equal annual installments each January over no less than four years following the first anniversary of the date a property was purchased. Such deferred fees are only payable if the preferred return has been met. The unpaid portion of the deferred fees bears interest at an annual rate of 6% from the date of purchase of a property until paid. For transactions that were completed during the six months ended June 30, 2005, current and deferred fees were \$5,292 and \$4,234, respectively. For transactions that were completed during the six months ended June 30, 2004, current and deferred fees were \$7,775 and \$6,220, respectively. An annual installment of deferred fees was paid to the Advisor in January 2005.

NOTE 3. ACQUISITIONS OF REAL ESTATE AND REAL ESTATE INTERESTS:

A summary of the investments completed during the six months ended June 30, 2005 and 2004 is as follows:

PROPERTIES ACQUIRED

<u>LEASE OBLIGOR:</u>	<u>Cost</u>	<u>Location</u>	<u>Initial Annual Contractual Rent</u>	<u>Mortgage Financing</u>	<u>Annual Debt Service</u>	<u>Date Acquired</u>
Pohjola Non-Life Insurance Company(1)(2)	\$ 113,287	Helsinki, Finland	\$ 8,128	\$ 84,663	\$ 4,280	1/3/2005
Hellweg Die Profi-Baumarkte GmbH & Co. KG(1)(3)		16 properties in Germany	12,552	106,366	6,906	6/9/2005

EQUITY INVESTMENTS ACQUIRED

<u>LEASE OBLIGOR:</u>	<u>Cost</u>	<u>Location</u>	<u>Initial Annual Rent</u>	<u>Mortgage Financing</u>	<u>Annual Debt Service</u>	<u>Date Acquired</u>
The Talaria Company, LLC (4)	\$ 17,435	Stuart, FL; Portsmouth, RI and Southwest Harbor And Trenton, ME	\$ 1,549	\$ 10,500	\$ 922	5/6/2005

(1) Based on the applicable exchange rate on the date of acquisition.

(2) The Company owns a 60% interest in this investment with the remaining interest owned by an affiliate. Amounts in the table above represent 100% of the investment as the investment is consolidated by the Company.

(3) The Company owns a 75% interest in this investment with the remaining interest owned by an affiliate. Amounts in the table above represent 100% of the investment as the investment is consolidated by the Company.

(4) Amounts shown represent the Company's 30% interest in this investment. The remaining interest is owned by an affiliate.

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
(in thousands except share and per share amounts)

During the six months ended June 30, 2004, the Company completed real estate related investments totaling approximately \$319,400 (based on the exchange rate on the date of acquisition). Included in this total is \$180,250 representing an investment in 78 self-storage facilities that operate under the U-Haul brand name. These investments have been disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

NOTE 4. EQUITY INVESTMENTS:

The Company owns interests in single-tenant net leased properties leased to corporations (i) through noncontrolling interests in partnerships and limited liability companies in which its ownership interests are generally 50% or less and the Company exercises significant influence, and (ii) as tenants-in-common subject to common control. The ownership interests range from 30% to 64%. All of the underlying investments are owned with affiliates that have similar investment objectives as the Company. The lessees are Petsmart, Inc.; Builders FirstSource, Inc.; True Value Company; Hologic, Inc., Starmark Camhood LLC., Actuant Corporation, Marriott International, Inc. ("Marriott"), Advanced Micro Devices, Inc. ("AMD"), Compucom Systems, Inc. ("Compucom"), The Upper Deck Company ("Upper Deck"), Del Monte Corporation ("Del Monte") and The Talaria Company (doing business as The Hinckley Company or "Hinckley"). The interest in Hinckley was acquired in May 2005 (see Note 3).

Summarized combined financial information of the equity investees is as follows:

	<u>JUNE 30, 2005</u>	<u>DECEMBER 31, 2004</u>
Assets (primarily real estate)	\$ 797,060	\$ 763,997
Liabilities (primarily mortgage notes payable)	(482,868)	(451,998)
Partners' and members' equity	<u>\$ 314,192</u>	<u>\$ 311,999</u>
Company's share of equity investees' net assets	<u>\$ 186,352</u>	<u>\$ 180,479</u>
	<u>SIX MONTHS ENDED JUNE 30,</u>	
	<u>2005</u>	<u>2004</u>
Revenues (primarily rental income and interest income from direct financing leases)	\$ 44,488	\$ 22,837
Expenses (primarily interest on mortgages and depreciation)	(22,536)	(13,492)
Net income	<u>\$ 21,952</u>	<u>\$ 9,345</u>
Company's share of net income from equity investments	<u>\$ 7,940</u>	<u>\$ 4,194</u>

NOTE 5. INTEREST IN MORTGAGE LOAN SECURITIZATION:

The Company is accounting for its subordinated interest in the Carey Commercial Mortgage Trust ("CCMT") mortgage securitization as an available-for-sale marketable security, which is measured at fair value with all gains and losses from changes in fair value reported as a component of other comprehensive income as part of shareholders' equity. As of June 30, 2005, the fair value of the Company's interest was \$11,796, reflecting an aggregate unrealized gain of \$129 and cumulative net amortization of \$332 (\$199 for the six months ended June 30, 2005). The fair value of the Company's interests in CCMT is determined using a discounted cash flow model with assumptions of market rates and the credit quality of the underlying lessees.

One of the key variables in determining the fair value of the subordinated interest is current interest rates. As required by FAS No. 140, "Accounting for Transfer and Servicing of Financial Assets and Extinguishments of Liabilities," a sensitivity analysis of the current value of the interest based on adverse changes in market interest rates of 1% and 2% is as follows:

	<u>FAIR VALUE AS OF JUNE 30, 2005</u>	<u>1% ADVERSE CHANGE</u>	<u>2% ADVERSE CHANGE</u>
Fair value of the interest in CCMT	\$ 11,796	\$ 11,274	\$ 10,782

The above sensitivity analysis is hypothetical and changes in fair value, based on a 1% or 2% variation, should not be extrapolated because the relationship of the change in assumption to the change in fair value may not always be linear.

NOTE 6. DERIVATIVE INSTRUMENT:

During 2004 the Company obtained a \$23,171 variable rate mortgage loan and concurrently entered into an interest rate swap contract with the lender which effectively converted the variable rate debt service obligations of the loan to a fixed rate. The interest rate swap, which has a notional amount of \$21,957 as of June 30, 2005 and a term ending February 2014, is a derivative instrument designated as a cash flow hedge. The Company's objective in using derivatives is to limit its exposure to interest rate movements. To accomplish

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
(in thousands except share and per share amounts)

this objective, the Company has used interest rate swaps as part of its cash flow hedging strategy. At June 30, 2005, the interest rate swap had a fair value liability of \$1,042 and was included in other liabilities. The change in net unrealized loss of \$747 and \$138 for the three-month periods ended June 30, 2005 and 2004, respectively, and of \$514 and \$338 for the six-month periods ended June 30, 2005 and 2004, respectively, for this cash flow hedge is included in accumulated other comprehensive income in shareholders' equity.

NOTE 7. INTANGIBLES:

In connection with its acquisition of properties, the Company has recorded net lease intangibles of \$228,353, which are being amortized over periods ranging from 6 years and 5 months to 40 years. Amortization of below-market and above-market rent intangibles is recorded as an adjustment to revenue.

Intangibles are summarized as follows:

	<u>JUNE 30, 2005</u>	<u>DECEMBER 31, 2004</u>
Lease intangibles		
In-place lease	\$ 148,134	\$ 139,514
Tenant relationship	29,590	27,927
Above-market rent	69,494	69,822
Less: accumulated amortization	<u>(17,265)</u>	<u>(8,503)</u>
	<u>\$ 229,953</u>	<u>\$ 228,760</u>
Below-market rent	\$ (18,865)	\$ (19,056)
Less: accumulated amortization	<u>1,129</u>	<u>653</u>
	<u>\$ (17,736)</u>	<u>\$ (18,403)</u>

Net amortization of intangibles was \$4,267 and \$1,114 for the quarters ended June 30, 2005 and 2004, respectively, and \$8,615 and \$1,431 for the six months ended June 30, 2005 and 2004, respectively. Based on the intangibles recorded through June 30, 2005, annual net amortization of intangibles for each of the next five years is expected to be as follows: 2005 - \$17,021; 2006 - \$17,020; 2007 - \$17,020; 2008 - \$17,020; 2009 - \$17,020 and 2010 - \$17,020.

NOTE 8. COMMITMENTS AND CONTINGENCIES:

In March 2004, following a broker-dealer examination of Carey Financial, LLC ("Carey Financial"), the wholly-owned broker-dealer subsidiary of the Advisor, by the staff of the SEC, Carey Financial received a letter from the staff of the SEC alleging certain infractions by Carey Financial of the Securities Act of 1933, the Securities Exchange Act of 1934, the rules and regulations thereunder and those of the National Association of Securities Dealers, Inc. ("NASD").

The staff alleged that in connection with a public offering of shares of the Company, Carey Financial and its retail distributors sold certain securities without an effective registration statement. Specifically, the staff alleged that the delivery of investor funds into escrow after completion of the first phase of the offering (the "Phase I Offering"), completed in the fourth quarter of 2002 but before a registration statement with respect to the second phase of the offering (the "Phase II Offering") became effective in the first quarter of 2003, constituted sales of securities in violation of Section 5 of the Securities Act of 1933. In addition, in the March 2004 letter the staff raised issues about whether actions taken in connection with the Phase II offering were adequately disclosed to investors in the Phase I Offering. In the event the SEC pursues these allegations, or if affected investors of the Company bring a similar private action, the Company might be required to offer the affected investors the opportunity to receive a return of their investment. It cannot be determined at this time if, as a consequence of investor funds being returned by the Company, Carey Financial would be required to return to the Company the commissions paid by the Company on purchases actually rescinded. Further, as part of any action against the Advisor, the SEC could seek disgorgement of any such commissions or different or additional penalties or relief, including without limitation, injunctive relief and/or civil monetary penalties, irrespective of the outcome of any rescission offer. The potential effect such a rescission offer or SEC action may ultimately have on the operations of the Advisor, Carey Financial or the REITs managed by the Advisor, including the Company cannot be predicted at this time.

The staff also alleged in the March 2004 letter that the prospectus delivered with respect to the Phase I Offering contained material misrepresentations and omissions in violation of Section 17 of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder in that the prospectus failed to disclose that (i) the proceeds of the Phase I Offering would be used to advance commissions and expenses payable with respect to the Phase II Offering, and (ii) the payment of dividends to Phase II

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
*(in thousands except share and per share amounts)*

shareholders whose funds had been held in escrow pending effectiveness of the registration statement resulted in significantly higher annualized rates of return than were being earned by Phase I shareholders. Carey Financial has reimbursed the Company for the interest cost of advancing the commissions that were later recovered by the Company from the Phase II Offering proceeds.

In June 2004, the Division of Enforcement of the SEC (“Enforcement Staff”) commenced an investigation into compliance with the registration requirements of the Securities Act of 1933 in connection with the public offerings of shares of the Company during 2002 and 2003. In December 2004, the scope of the Enforcement Staff’s inquiries broadened to include broker-dealer compensation arrangements in connection with the Company and other REITs managed by the Advisor, as well as the disclosure of such arrangements. At that time the Advisor and Carey Financial received a subpoena from the Enforcement Staff seeking documents relating to payments by the Advisor, Carey Financial, and REITs managed by the Advisor to (or requests for payment received from) any broker-dealer, excluding selling commissions and selected dealer fees. The Advisor and Carey Financial subsequently received additional subpoenas and requests for information from the Enforcement Staff seeking, among other things, information relating to any revenue sharing agreements or payments (defined to include any payment to a broker-dealer, excluding selling commissions and selected dealer fees) made by the Advisor, Carey Financial or any Advisor-managed REIT in connection with the distribution of Advisor-managed REITs or the retention or maintenance of REIT assets. Other information sought by the SEC includes information concerning the accounting treatment and disclosure of any such payments, communications with third parties (including other REIT issuers) concerning revenue sharing, and documents concerning the calculation of underwriting compensation in connection with the REIT offerings under applicable NASD rules.

In response to the Enforcement Staff’s subpoenas and requests, the Advisor and Carey Financial have produced documents relating to payments made to certain broker-dealers, both during and after the offering process, for certain of the REITs managed by the Advisor (including Corporate Property Associates 10 Incorporated (“CPA<sup>®</sup>:10”), Carey Institutional Properties Incorporated (“CIP<sup>®</sup>”), Corporate Property Associates 12 Incorporated (“CPA<sup>®</sup>:12”), Corporate Property Associates 14 Incorporated (“CPA<sup>®</sup>:14”) and the Company), in addition to selling commissions and selected dealer fees.

Among the payments reflected in documents produced to the Enforcement Staff were certain payments, aggregating in excess of \$9,400, made to a broker-dealer which distributed shares of the REITs. The expenses associated with these payments, which were made during the period from early 2000 through the end of 2003, were borne by and accounted for on the books and records of the REITs. Of these payments, CPA<sup>®</sup>:10 paid in excess of \$40; CIP<sup>®</sup> paid in excess of \$870; CPA<sup>®</sup>:12 paid in excess of \$2,400; CPA<sup>®</sup>:14 paid in excess of \$4,900; and the Company paid in excess of \$1,200. In addition, other smaller payments by the REITs to the same and other broker-dealers have been identified aggregating less than \$1,000.

The Advisor, Carey Financial and the REITs, including the Company, are cooperating fully with this investigation and have provided information to the Enforcement Staff in response to the subpoenas and requests. Although no formal regulatory action has been initiated against the Advisor or Carey Financial in connection with the matters being investigated, the SEC may pursue such an action against either or both of them. The nature of the relief or remedies the SEC may seek cannot be predicted at this time. If such an action is brought, it could have a material adverse effect on the Advisor, Carey Financial and the Company, and the magnitude of that effect would not necessarily be limited to the payments described above but could include other payments and civil monetary penalties. In addition, any action brought against the Advisor or Carey Financial could have an indirect material adverse effect on the Company because of the Company’s dependence on the Advisor and Carey Financial for a broad range of services.

As of June 30, 2005, the Company was not involved in any material litigation.

The Company has provided indemnification in connection with divestitures. These indemnities address a variety of matters including environmental liabilities. The Company’s maximum obligations under such indemnification cannot be reasonably estimated. The Company is not aware of any claims or other information that would give rise to material payments under such indemnifications.

**NOTE 9. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS:**

In April 2005, the Company completed the sale of its vacant property in Miami, Florida formerly leased to Transworld Center, Inc. to a third party for net proceeds of \$19,419. The Company entered into an agreement in December 2004 to sell this property, at which time it reclassified the property as an asset held for sale and recognized a non-cash impairment charge of \$5,000 to reduce the property’s carrying value to an amount which approximated the sales price less estimated costs to sell. As a result of a quarterly review of this property’s carrying value, the Company recognized an additional non-cash charge of \$610 during the quarter ended

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
*(in thousands except share and per share amounts)*

March 31, 2005 to further reduce this property's carrying value to an amount which approximated the sales price less estimated costs to sell.

In addition, prior to the sale, the Company received cash of \$150 and a \$4,000 promissory note with a term of approximately 5 years from Transworld in settlement of its remaining lease obligations. Transworld also agreed to forfeit its \$1,694 security deposit. The Company has fully reserved the amounts due under the note. The Company has reflected income of approximately \$1,844 in discontinued operations in the three and six month periods ended June 30, 2005 relating to this settlement.

In accordance with FAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the results of operations, impairment charges and gain or loss on sales of real estate for properties held for sale are reflected in the accompanying financial statements as Discontinued Operations for all periods presented and are summarized as follows:

	<b>THREE MONTHS ENDED JUNE 30.</b>		<b>SIX MONTHS ENDED JUNE 30.</b>	
	2005	2004	2005	2004
Revenues (primarily forfeiture of a security deposit and lease termination fees)	\$ 2,427	\$ —	\$ 2,431	\$ —
Expenses (primarily property expenses)	(918)	(261)	(1,212)	(541)
Loss on sale of real estate	(10)	—	(10)	—
Impairment charge on real estate	—	—	(610)	—
Income (loss) from discontinued operations	<u>\$ 1,499</u>	<u>\$ (261)</u>	<u>\$ 599</u>	<u>\$ (541)</u>

NOTE 10. SUBSEQUENT EVENT:

In July 2005, the Company and CPA<sup>®</sup>:16-Global, each through 50% interests purchased land and buildings located in Paris, France, for (euro)88,352 (\$106,818 based on the exchange rate of the Euro on the date of acquisition) and assumed an existing lease agreement with the Paris Police Department. The assumed lease expires in June 2019 and does not provide for any renewal options. Annual rent as of the date of the lease assumption is (euro)5,011 (\$6,058 based on the exchange rate of the Euro on the date of acquisition). Limited recourse mortgage financing totaling (euro)65,000 (\$78,585 based on the exchange rate of the Euro on the date of acquisition) was obtained in connection with this purchase.

## CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

### ITEM 2. - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*(Amounts in thousands, except share amounts)*

The following discussion and analysis of financial condition and results of operations of Corporate Property Associates 15 Incorporated contain forward-looking statements and should be read in conjunction with the consolidated financial statements and notes thereto as of June 30, 2005. As used in this quarterly report on Form 10-Q, the terms "the Company," "we," "us" and "our" include Corporate Property Associates 15 Incorporated, its consolidated subsidiaries and predecessors, unless otherwise indicated. Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements may include words such as "anticipate," "believe," "expect," "estimate," "intend," "could," "should," "would," "may," "seeks," "plans" or similar expressions. Do not unduly rely on forward-looking statements. They give our expectations about the future and are not guarantees, and speak only as of the date they are made. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievement to be materially different from the results of operations or plan expressed or implied by such forward-looking statements. While we cannot predict all of the risks and uncertainties, they include, but are not limited to, the risk factors described in Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2004. Accordingly, such information should not be regarded as representations that the results or conditions described in such statements or that our objectives and plans will be achieved. Additionally, a description of our critical accounting estimates is included in the management's discussion and analysis section in our Annual Report on Form 10-K for the year ended December 31, 2004. There has been no significant change in such critical accounting estimates.

#### EXECUTIVE OVERVIEW

##### Business Overview

We are a real estate investment trust ("REIT") that invests in commercial and industrial properties leased to companies domestically and internationally. We were formed in 2001 and are managed by a wholly-owned subsidiary of W. P. Carey & Co. LLC (the "Advisor"). As a REIT, we are not subject to federal income taxation as long as we satisfy certain requirements relating to the nature of our income, the level of our distributions and other factors.

##### How We Earn Revenue

The primary source of our revenue is earned from leasing real estate. We invest in commercial and industrial properties that are then leased to companies domestically and internationally, primarily on a net lease basis. Revenue is subject to fluctuation because of lease expirations, lease terminations, the timing of new lease transactions, tenant defaults and sales of property.

##### How Management Evaluates Results of Operations

Management evaluates our results with a primary focus on the ability to generate cash flow necessary to meet its objectives of funding distributions to our shareholders and overall property appreciation. As a result, management's assessment of operating results gives less emphasis to the effect of unrealized gains and losses, which may cause fluctuations in net income for comparable periods but have no impact on cash flow, and to other noncash charges such as depreciation and impairment charges. In evaluating cash flow from operations, management includes equity distributions that are included in investing activities to the extent that the distributions in excess of equity income are the result of noncash charges such as depreciation and amortization. Management does not consider unrealized gains and losses resulting from short-term foreign currency fluctuations or derivative instruments when evaluating our ability to fund distributions. Management's evaluation of our potential for generating cash flow includes our assessment of the long-term sustainability of our real estate portfolio.

Our operations consist of the investment in and the leasing of industrial and commercial real estate. Management's evaluation of the sources of lease revenues for the six months ended June 30, 2005 and 2004 is as follows:

	<u>2005</u>	<u>2004</u>
Rental income from operating leases	\$ 90,981	\$ 50,831
Interest income from direct financing leases	<u>13,631</u>	<u>7,139</u>
	<u>\$ 104,612</u>	<u>\$ 57,970</u>

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

ITEM 2. - MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

(Amounts in thousands, except share amounts)

For the six-month periods ended June 30, 2005 and 2004, we earned net lease revenues (i.e., rental income and interest income from direct financing leases) from our direct ownership of real estate from the following lease obligations:

	<u>2005</u>	<u>2004</u>
Mercury Partners, LP and U-Haul Moving Partners, Inc. (a) (e)	\$ 14,271	\$ 4,926
Carrefour France, SA. (c) (e)	8,248	7,484
Clear Channel Communications, Inc. (e)	7,076	7,076
Thales S.A. (a) (c) (e)	5,719	—
Pohjola Non-Life Insurance Company (c) (d) (e)	3,835	—
Universal Technical Institute (a)	3,769	183
TietoEnator plc. (a) (c) (e)	3,605	—
Medica - France, SA (c) (e)	2,642	2,433
Foster Wheeler, Inc.	2,636	2,636
Life Time Fitness, Inc.	2,464	2,464
Information Resources, Inc. (b) (e)	2,157	—
Qualceram Shires plc. (c)	2,058	1,974
Lillian Vernon Corporation	1,924	1,924
Best Buy Co., Inc. (b) (e)	1,891	—
Berry Plastics Corporation (a)	1,604	1,431
ShopRite Supermarkets, Inc. (b) (e)	1,591	—
Other (b) (e)	39,122	25,439
	<u>\$ 104,612</u>	<u>\$ 57,970</u>

- (a) We placed into service or acquired our interest in this investment during 2004.  
 (b) Includes the Carey Institutional Properties Incorporated ("CIP<sup>®</sup>") real estate interests acquired in the September 2004 merger.  
 (c) Revenue amounts are subject to fluctuations in foreign currency exchange rates.  
 (d) We acquired our interest in this investment during 2005.  
 (e) Includes lease revenues applicable to minority interests. Minority interests included in the consolidated amounts above total \$21,723 and \$9,480 for the six-month periods ended June 30, 2005 and 2004, respectively.

We recognize income from equity investments of which lease revenues are a significant component. Our ownership interests range from 30% to 64%. For the six month ended June 30, 2005 and 2004, our share of net lease revenues in the following lease obligations was as follows:

	<u>2005</u>	<u>2004</u>
Marriott International, Inc. (b)	\$ 4,688	\$ —
Starmark Holdings L.L.C.	3,993	4,020
True Value Company	3,618	3,618
Advanced Micro Devices, Inc. (b)	1,742	—
Petsmart, Inc.	1,246	1,246
Hologic, Inc	1,010	1,010
Del Monte Corporation (b)	739	—
Compucom Systems, Inc (b)	731	—
The Upper Deck Company (b)	726	—
Actuant Corporation (a) (c)	384	47
Builders FirstSource, Inc.	288	286
The Talaria Company (Hinckley) (d)	232	—
	<u>\$ 19,397</u>	<u>\$ 10,227</u>

- (a) Revenue amounts are subject to fluctuations in foreign currency exchange rates.  
 (b) Includes the CIP<sup>®</sup> real estate interests acquired in the September 2004 merger.  
 (c) We sold a 49.99% interest in this investment in May 2004 to an affiliate pursuant to a purchase option.  
 (d) We acquired our interest in this investment during 2005.

## CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

### ITEM 2. - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

*(Amounts in thousands, except share amounts)*

#### Current Developments and Trends

Competition for investments continues to remain strong. Inflation and interest rates, at least for the short term, are expected to rise. Rising interest rates are expected to have the following impact on our business:

- Rising interest rates would likely cause a decline in the values of properties in our investment portfolio;
- Rising interest rates would likely cause an increase in inflation and a corresponding increase in the consumer price index ("CPI"), which over time will result in increased revenue and partially offset the impact of declining property values;
- The impact of rising interest rates would be mitigated through our use of fixed interest rates on the majority of our debt, except to the extent we seek financing on unencumbered properties;
- Rising interest rates would likely enable us to achieve higher rates of return on new investments, which would be partially offset by increased debt costs associated with increased interest rates; and
- Rising interest rates may have an impact on the credit quality of certain tenants.

We will continue to pursue our objectives through long-term investment transactions and diversifying our portfolio. We expect to continue investing in the international commercial real estate market, as we believe the international market may provide for favorable opportunities. In addition, financing terms are generally more favorable for international transactions. Financing terms for international transactions generally provide for lower interest rates and greater flexibility to finance the underlying property. These benefits are partially offset by shorter lease and loan maturities. Investing in additional international properties is also expected to increase our exposure to fluctuations in foreign currency exchange rates (the Euro and the British Pound).

For the six months ended June 30, 2005, cash flows generated from operations and equity investments of \$61,914 were sufficient to fund distributions paid and meet other obligations, including paying scheduled mortgage principal payments and making distributions to minority interests, which totaled \$60,930.

Management believes that as the portfolio matures there is a potential for an increase in the value of the portfolio and that any increase may not be reflected in the financial statements; however, rising interest rates and other market conditions may have an adverse affect on the future value of the portfolio.

#### CURRENT DEVELOPMENTS INCLUDE:

**ACQUISITIONS.** In May 2005, we and an affiliate, Corporate Property Associates 16 - Global Incorporated ("CPA<sup>®</sup>:16-Global"), through 30% and 70% interests, respectively, in a limited liability company, acquired land and buildings in Stuart, Florida; Portsmouth, Rhode Island and Southwest Harbor and Trenton, Maine for \$58,115 and entered into a net lease with The Talaria Company (doing business as "The Hinckley Company" or "Hinckley"). The lease has an initial term of 25 years with two 5-year renewal options followed by two 10-year renewal options and provides for initial annual rent of \$5,162. The lease also provides for rent increases every four years based on increases in the CPI. In connection with the acquisition, the limited liability company obtained a limited recourse mortgage loan of \$35,000 with a 20-year term and a fixed annual interest rate of 6.26%.

In June 2005, we and CPA<sup>®</sup>:16-Global, through 75% and 25% interests, respectively, in a limited liability company, acquired 16 retail facilities throughout Germany for \$154,171 (based on the exchange rate of the Euro as of the date of the agreement), and entered into a net lease with Hellweg Die Profi-Baumarkte GmbH & Co. KG ("Hellweg"). The lease has an initial term of 25 years with a 5-year renewal option and provides for initial annual rent of \$12,552 (based on the exchange rate of the Euro as of the date of the agreement). The lease also provides for rent increases every two years based on increases in the German CPI.

In connection with the acquisition, the limited liability company obtained a limited recourse mortgage loan of \$106,366 (based on the exchange rate of the Euro as of the date of the agreement) with a 10-year term and a fixed annual interest rate of 4.55%.

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

ITEM 2. - MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

*(Amounts in thousands, except share amounts)*

**DIVIDEND.** In June 2005, our board of directors approved and increased the second quarter dividend to \$.1594 per share payable in July 2005 to shareholders of record as of June 30, 2005.

**RESULTS OF OPERATIONS**

**Lease Revenues**

For the comparable quarters ended June 30, 2005 and 2004, lease revenues (rental income and interest income from direct financing leases) increased by \$20,585, primarily due to \$9,954 from new leases entered into during 2004 and 2005, \$8,639 from the properties acquired from CIP<sup>®</sup> in September 2004 (the "Merger") and \$1,781 from the completion of several build-to-suit projects primarily in 2004. Rent increases and fluctuations in foreign currency exchange rates did not have a significant impact on lease revenues during the current quarter. Our net leases generally have rent increases based on formulas indexed to increases in the CPI or other indices for the jurisdiction in which the property is located, sales overrides or other periodic increases, which are designed to increase lease revenues in the future.

For the comparable six-month periods ended June 30, 2005 and 2004, lease revenues increased by \$46,642, primarily due to the same factors described above. New leases entered into during 2004 and 2005 contributed \$25,031 of the increase, while rent from properties acquired in the Merger and the completion of several build-to-suit projects contributed \$17,096 and \$4,219, respectively.

**RECENT LEASE ACTIVITY** - The following lease activity occurred during the quarter ended June 30, 2005:

- In June 2005, we acquired 16 retail facilities throughout Germany and entered into a net lease with Hellweg which will contribute initial annual rent of \$12,552 (based on the exchange rate of the Euro as of the date of the agreement), of which our share is \$9,414.
- In May and June 2005, we entered into two net leases at a partially vacant property in Golden, Colorado which will contribute a total of \$294 of annual lease revenues. Also in June 2005, we entered into a lease agreement at a partially vacant property in Tulsa, Oklahoma which will contribute \$701 to annual lease revenues.

**UPCOMING LEASE ACTIVITY** - There are no lease expirations scheduled during the next 12 months. The following events are scheduled during the next 12 months:

- Humco Holdings Group, a lessee for properties in Texarkana, Texas and Orem, Utah, has a purchase option which is exercisable in August 2005. Annual rent for these properties is \$910. Humco has not yet indicated whether it intends to exercise the purchase option.
- Three build-to-suit projects, which are all expected to be completed by September 2005, are expected to contribute additional annual rent of approximately \$3,765 upon their completion.

**Other Operating Income**

Other operating income generally consists of costs reimbursable by tenants, lease termination payments and other non-rent related revenues including, but not limited to, settlements of claims against former lessees. We receive settlements in the ordinary course of business; however, the timing and amount of such settlements cannot always be estimated. Reimbursable costs are recorded as both income and property expense and, therefore, have no impact on net income. For the comparable quarters ended June 30, 2005 and 2004, other operating income increased \$1,146 as a result of \$506 of lease termination proceeds received from Trends Clothing Corp., which terminated its lease for a property in Miami, Florida in March 2005 (see Note 1 of the accompanying financial statements), and an increase in costs which are reimbursable by tenants.

For the comparable six-month periods ended June 30, 2005 and 2004, other operating income decreased by \$1,254, primarily as the result of the forfeiture of Fleming Companies, Inc.'s \$2,754 security deposit to us in the first quarter of 2004. The decrease was partially offset by increases in costs as described above.

## CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

### ITEM 2. - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

*(Amounts in thousands, except share amounts)*

#### Depreciation and Amortization

For the comparable three and six-month periods ended June 30, 2005 and 2004, depreciation and amortization increased \$5,023 and \$11,875, respectively, primarily as the result of investment activity in 2004 and 2005, including the Merger, and the completion of several build-to-suit projects, primarily in 2004.

#### General and Administrative Expenses

For the comparable quarters ended June 30, 2005 and 2004, general and administrative expenses increased \$765 primarily due to a \$376 increase in our share of expenses allocated by the Advisor due to an increase in our asset base and a \$238 increase in our share of rental expenses under an office-sharing agreement.

For the comparable six-month periods ended June 30, 2005 and 2004, general and administrative expenses increased \$1,593 primarily due to a \$749 increase in our share of expenses allocated by the Advisor due to an increase in our asset base, a \$342 increase in our share of rental expenses under an office-sharing agreement and a \$180 increase in auditing fees.

#### Property Expenses

For the comparable quarters ended June 30, 2005 and 2004, property expenses increased \$3,594 primarily due to an increase in asset management and performance fees of \$2,287, an increase in costs reimbursable by tenants of \$464 and increases in other property related expenses such as insurance and real estate taxes of \$345. These increases are primarily due to the growth of our asset base as a result of several investments in 2004 and 2005, including the Merger. As a result of Trends' lease termination in March 2005, annual carrying costs on this property are expected to be \$539 and contributed \$206 of the increase in property costs during the current period.

For the comparable six-month periods ended June 30, 2005 and 2004, property expenses increased \$7,017 primarily due to the same factors described above. Asset management and performance fees increased \$4,952, other property related expenses increased \$909 and costs reimbursable by tenants increased \$326.

#### Minority Interest in Income

For the comparable quarters ended June 30, 2005 and 2004, minority interest in income increased \$1,703, primarily due to investment activity in 2004 and 2005, including the Merger, which contributed \$1,566 of the increase. The investment in June 2005 of a 75% controlling interest in Hellweg is expected to generate approximately \$1,411 in distributions to the minority partner annually, subject to fluctuations in the foreign exchange rate of the Euro.

For the comparable six-month periods ended June 30, 2005 and 2004, minority interest in income increased \$3,367, primarily due to investment activity in 2004 and 2005, including the Merger.

#### Income From Equity Investments

For the three and six-month periods ended June 30, 2005 and 2004, income from equity investments increased by \$1,842 and \$3,746, respectively, primarily due to income from equity investments acquired in connection with the Merger. The investment in May 2005 of a 30% interest in Hinckley is expected to contribute approximately \$627 in annual cash flow (annual contractual rent less annual property level debt service).

Also included in income from equity investments for the three and six months ended June 30, 2005 is \$125 of previously unrecorded interest income from prior periods on escrow accounts held by secured lenders on other properties, which were identified in the current period in connection with the Company's analysis of its escrow accounts (see Note 1 of the accompanying financial statements).

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

ITEM 2. - MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

*(Amounts in thousands, except share amounts)*

(Loss) Gain on Foreign Currency Transactions, Net

For the quarter ended June 30, 2005, we incurred a net loss on foreign currency transactions of \$1,767 as compared to a net loss of \$139 in the comparable prior year quarter. This loss primarily consists of unrealized losses of \$1,762 on the translation of intercompany subordinated debt with scheduled principal repayments or accrued interest on such debt, primarily due to the continued strengthening of the U.S. dollar since March 31, 2005. During the quarter ended June 30, 2004, we recognized net foreign currency transaction losses of \$139, primarily on the translation of intercompany subordinated debt, as a result of the strengthening of the US dollar since March 31, 2004.

For the six months ended June 30, 2005, we incurred a net loss on foreign currency transactions of \$3,288 as compared to a net gain of \$1,737 in the comparable prior year period. This loss primarily consists of unrealized losses of \$3,230 on the translation of intercompany subordinated debt with scheduled principal repayments or accrued interest on such debt, primarily due to the strengthening of the US dollar since December 31, 2004. During the quarter ended June 30, 2004, we recognized net foreign currency transaction gains of \$1,737, primarily from the transfer of cash from a foreign subsidiary.

Interest Expense

For the comparable three and six-month periods ended June 30, 2005 and 2004, interest expense increased by \$10,379 and \$23,068, respectively, primarily due to interest expense on new mortgages obtained or assumed on properties acquired in 2004 and 2005, including the Merger.

Income (Loss) From Discontinued Operations

Income from discontinued operations of \$1,499 for the quarter ended June 30, 2005 represents the results of operations and the loss on sale of our Miami, Florida property, which was sold in April 2005. Income from operations of discontinued properties of \$1,509 for the current quarter includes the forfeiture of the former tenant's \$1,694 security deposit and a \$250 lease termination fee, which are partially offset by carrying costs incurred at the vacant property. In addition, we have received a \$4,000 promissory note with a term of approximately 5 years from Transworld in settlement of its remaining lease obligations. We have fully reserved the amounts due under the note. We incurred a loss of \$10 on the sale of this property, net of impairment charges previously recorded (see below). The loss from discontinued operations of \$261 for the comparable prior year quarter reflects carrying costs at the property.

Income from discontinued operations of \$599 for the six months ended June 30, 2005 represents the results of operations and the loss on sale of our Miami, Florida property and includes an impairment charge of \$610 which was recorded during the first quarter of 2005 in connection with the proposed sale. We had recorded a \$5,000 impairment charge on this property in 2004. The loss from discontinued operations of \$541 for the comparable prior year period is the result of carrying costs at the property.

Included in income (loss) from discontinued operations for the three and six months ended June 30, 2005, is a loss of \$289, which represents the net effect of writing off certain assets and liabilities identified as a result of completing the sale of the Company's Miami, Florida property (see Note 1 of the accompanying financial statements).

Net Income

For the comparable quarters ended June 30, 2005 and 2004, net income increased \$2,841. The increase in our asset base as a result of investment activity in 2005 and 2004, including the Merger generated increases in lease revenues and income from equity investments, which were partially offset by corresponding increases in property and interest expense and minority interest in income. Income also increased as a result of the recognition of \$1,499 of income from discontinued operations primarily as a result of the security deposit forfeiture and lease termination fee from the former tenant of the Miami, Florida property. These variances are described above.

For the comparable six-month periods ended June 30, 2005 and 2004, net income decreased by \$1,127, primarily due to net losses incurred on foreign currency transactions and the recognition of \$2,754 in other income in 2004 from the forfeiture of a tenant's security deposit. These decreases were partially offset by additional income generated as a result of the increase in our asset base. These variances are described above.

## CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

### ITEM 2. - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

*(Amounts in thousands, except share amounts)*

#### FINANCIAL CONDITION

##### Uses of Cash During the Period

Cash and cash equivalents totaled \$126,018 as of June 30, 2005, a decrease of \$18,504 from the December 31, 2004 balance. Management believes we have sufficient cash balances to meet our working capital needs including our distribution rate. Our use of cash during the period is described below.

**OPERATING ACTIVITIES** - In evaluating cash flow from operations, management includes equity distributions that are included in investing activities to the extent that the distributions in excess of equity income are the result of noncash charges such as depreciation and amortization. Cash flows from operating activities and distributions from the operations of equity investments in excess of equity income of \$61,914 were sufficient to fund distribution payments of \$39,960, scheduled mortgage principal payments of \$11,563 and distributions to minority interests of \$9,407.

Annual operating cash flow is expected to increase as a result of recent acquisition activity, including the Merger in September 2004, and the completion of several build-to-suit projects in 2004. Transactions in 2005 with Pohjola and Hellweg are expected to provide annual cash flow of approximately \$2,300 and \$4,200, respectively, net of amounts distributable to CPA<sup>®</sup>:16-Global, which owns 40% and 30% interests in the properties, respectively, and subject to fluctuations in foreign currency exchange rates. Our 30% interest in the Hinckley transaction is projected to provide additional annual cash flow of \$627. Scheduled rent increases at existing properties, most of which are based on increases in the CPI, should also contribute to increased operating cash flow.

**INVESTING ACTIVITIES** - Our investing activities are generally comprised of real estate transactions (purchases and sales), payment of our annual installment of deferred acquisition fees to our Advisor and the purchase of and sale of short-term investments and marketable securities which we intend to convert to cash. We used \$270,169 for our interests in Pohjola, Hellweg and Hinckley and capitalized costs of \$14,446 related to several build-to-suit projects that are expected to be completed during 2005. The annual installment of deferred acquisition fees was paid in January 2005 and totaled \$6,001. In April 2005, we sold a property in Miami, Florida formerly leased to Transworld and received proceeds of \$19,546. We also sold our holdings of auction-rate securities during the quarter ended June 30, 2005 and received proceeds of \$20,000 which are now invested in short-term money market instruments.

**FINANCING ACTIVITIES** - In addition to making scheduled mortgage principal payments, paying distributions to shareholders and making distributions to minority partners, we used \$5,920 to purchase treasury shares through a redemption plan which allows shareholders to sell shares back to us, subject to certain limitations. We also obtained \$10,171 as a result of issuing shares through our Distribution Reinvestment and Share Purchase Plan. In connection with the Pohjola and Hellweg transactions, we received mortgage proceeds of \$191,029 and received a contribution of \$23,450 from the minority partner. Annual debt service on the Pohjola and Hellweg mortgages is \$2,568 and \$5,180, net of CPA<sup>®</sup>:16-Global's minority interest (subject to fluctuations in the exchange rate of the Euro). We also obtained limited recourse financing totaling \$19,332 related to several build-to-suit projects.

Currently, the majority of our mortgages are limited recourse and bear interest at fixed rates, including a loan which effectively has a fixed rate as the result of our simultaneously entering into an interest rate swap agreement. Accordingly, our cash flow should not be adversely affected by increases in interest rates which are near historical lows. However, financings on future acquisitions will likely bear higher rates of interest.

##### Cash Resources

As of June 30, 2005, we had \$126,018 in cash and cash equivalents which will primarily be used for future real estate purchases and may be used for working capital needs, distributions and other commitments. In addition, debt may be incurred on unleveraged properties with a carrying value of \$89,268 as of June 30, 2005 and any proceeds may be used to finance future real estate purchases and for working capital needs.

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

ITEM 2. - MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

(Amounts in thousands, except share amounts)

Cash Requirements

During the next twelve months, cash requirements will include scheduled mortgage principal payment installments (we have no mortgage balloon payments scheduled until October 2008), paying distributions to shareholders, making distributions to minority partners, funding build-to-suit commitments on three projects that we currently project will total \$12,820 as well as other normal recurring operating expenses. We may also seek to use our cash to purchase new properties to further diversify our portfolio and maintain cash balances sufficient to meet working capital needs. Based on the projected increase in operating cash flows as described above, cash flow from operations and distributions from operations of equity investments in excess of equity income is expected to be sufficient to meet operating cash flow objectives during the next twelve months.

Other Matters

As of June 30, 2005, we ceased making payments on a limited recourse mortgage on a partially vacant property with an outstanding loan balance of approximately \$29,700. Under the terms of the mortgage, the lender has the right to accelerate our payment obligation and could commence foreclosure proceedings, but would not otherwise have recourse to our assets other than the property. We are currently in discussions with the lender evaluating several possible courses of action and the lender has not yet taken any formal action to accelerate our obligation or seek foreclosure.

We have foreign operations in Europe and may recognize transaction gains and losses from our foreign operations. We are subject to foreign currency exchange rate risk from the effects of changes in foreign currency exchange rates. We have obtained limited recourse mortgage financing at fixed rates of interest in the local currency. To the extent that currency fluctuations increase or decrease rental revenues as translated to dollars, the change in debt service, as translated to dollars, will partially offset the effect of fluctuations in revenue, and, to some extent mitigate the risk from changes in foreign currency rates.

OFF-BALANCE SHEET AND AGGREGATE CONTRACTUAL AGREEMENTS

The table below summarizes our contractual obligations as of June 30, 2005 and the effect that such commitments and obligations are expected to have on our liquidity and cash flow in future periods.

	<u>TOTAL</u>	<u>LESS THAN 1 YEAR</u>	<u>1-3 YEARS</u>	<u>3-5 YEARS</u>	<u>MORE THAN 5 YEARS</u>
Limited recourse mortgage notes payable (1)	\$ 2,182,533	\$ 138,503	\$ 223,246	\$ 269,965	\$ 1,550,819
Deferred acquisition fees due to affiliate (1)	37,357	11,375	19,992	5,990	—
Subordinated disposition fees (2)	957	—	—	—	957
Build-to-suit obligations (4)	12,820	12,820	—	—	—
Operating leases (3)	9,672	648	1,393	1,749	5,882
	<u>\$ 2,243,339</u>	<u>\$ 163,346</u>	<u>\$ 244,631</u>	<u>\$ 277,704</u>	<u>\$ 1,557,658</u>

(1) Amounts are inclusive of principal and interest.

(2) Payable, subject to meeting contingencies, in connection with any liquidity event.

(3) Operating lease obligations consist primarily of our share of minimum rents payable under an office cost-sharing agreement with certain affiliates for the purpose of leasing office space used for the administration of real estate entities. Such amounts are allocated among the entities based on gross revenues and are therefore subject to fluctuation.

(4) Represents remaining build-to-suit obligations for three projects that are all expected to be completed by the end of our third quarter ending September 30, 2005. Commitments include funding of up to \$9,499 for an expansion at an existing property leased to UTI Holdings, Inc., \$3,189 for a build-to-suit project for property leased to Oriental Trading Company, Inc. and \$132 for tenant improvements at a property leased to Integracolor., Ltd.

Amounts related to our foreign operations are based on the exchange rate of the local currencies as of June 30, 2005.

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

ITEM 2. - MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

*(Amounts in thousands, except share amounts)*

SUBSEQUENT EVENT

In July 2005, we and CPA<sup>®</sup>:16-Global, each through 50% interests purchased land and buildings located in Paris, France, for (euro)88,352 (\$106,818 based on the exchange rate of the Euro on the date of acquisition) and assumed an existing lease agreement with the Paris Police Department. The assumed lease expires in June 2019 and does not provide for any renewal options. Annual rent as of the date of the lease assumption is (euro)5,011 (\$6,058 based on the exchange rate of the Euro on the date of acquisition). Limited recourse mortgage financing totaling (euro)65,000 (\$78,585 based on the exchange rate of the Euro on the date of acquisition) was obtained in connection with this purchase.

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

Item 3. -- QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK  
(in thousands except share and per share amounts)

Market risk is the exposure to loss resulting from changes in interest rates, credit spreads, foreign currency exchange rates and equity prices. In pursuing our business plan, the primary market risks to which we are exposed are interest rate risk and currency exchange rates.

Interest Rate Risk

The value of our real estate is subject to fluctuations based on changes in interest rates, local and regional economic conditions and changes in the creditworthiness of lessees, and which may affect our ability to refinance our debt when balloon payments are scheduled.

Our marketable securities consist of our ownership interest in Carey Commercial Mortgage Trust ("CCMT"). The value of the marketable securities is subject to fluctuation based on changes in interest rates, economic conditions and the creditworthiness of lessees at the mortgaged properties. As of June 30, 2005, our interest in CCMT had a fair value of \$11,796.

Substantially all of our long-term debt either bears interest at fixed rates or is hedged through the use of interest rate swap instruments that convert variable rate debt service obligations to a fixed rate. The fair value of these instruments is affected by changes in market interest rates. The following table presents principal cash flows based upon expected maturity dates of our debt obligations and the related weighted-average interest rates by expected maturity dates for our fixed rate debt. The interest rate on our fixed rate debt as of June 30, 2005 ranged from 4.55% to 10.00%. The interest rate on our variable rate debt as of June 30, 2005 ranged from 3.57% to 6.95%.

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>THEREAFTER</u>	<u>TOTAL</u>	<u>FAIR VALUE</u>
Fixed rate debt	\$ 42,751	\$ 27,358	\$ 29,878	\$ 32,747	\$ 71,443	\$ 1,216,803	\$ 1,420,980	\$ 1,432,677
Average interest rate	6.15%	6.18%	6.17%	6.14%	6.73%	6.14%		
Variable rate debt	\$ 292	\$ 659	\$ 748	\$ 772	\$ 810	\$ 28,090	\$ 31,371	\$ 31,371

Annual interest expense from variable rate debt would increase or decrease by approximately \$94 for each change of 1% in annual interest rates. Included in variable rate debt is an interest rate swap agreement on a variable rate obligation with a balance at June 30, 2005 of \$21,957 (based on the exchange rate at June 30, 2005) for which the related cash flow is therefore not affected by changes in interest rates. A change in interest rates of 1% would increase or decrease the fair value of our fixed rate debt at June 30, 2005 by approximately \$88,530.

Foreign Currency Exchange Rate Risk

We have foreign operations in France, Germany, Ireland, Belgium, Finland and the United Kingdom and as such are subject to risk from the effects of exchange rate movements of foreign currencies, which may affect future costs and cash flows. Our foreign operations are currently conducted in the Euro and the British Pound. For both the Euro and the British Pound we are a net receiver of the foreign currency (we receive more cash than we pay out) and therefore our foreign operations benefit from a weaker U.S. dollar and are adversely affected by a stronger U.S. dollar relative to the Euro and the British Pound. We recognized foreign currency translation losses of \$1,767 and \$139 for the three-month periods ended June 30, 2005 and 2004, respectively, and we recognized a foreign currency translation loss of \$3,288 and gain of \$1,737 for the six-month periods ended June 30, 2005 and 2004, respectively. Such gains and losses are included in the accompanying financial statements and are primarily due to changes in foreign currency on accrued interest receivable on notes receivable from wholly-owned subsidiaries.

To date, we have not entered into any foreign currency forward exchange contracts to hedge the effects of adverse fluctuations in foreign currency exchange rates. We have either obtained limited recourse mortgage financing at a fixed rate of interest in the local currency or entered into interest rate swap contracts which effectively convert variable rate debt obligations to a fixed interest rate. To the extent that currency fluctuations affect rental revenues as translated to dollars, the change in debt service, as translated to dollars, will partially offset the fluctuations in revenue, and, to some extent mitigate the risk from changes in foreign currency rates.

Item 4. - CONTROLS AND PROCEDURES

Our disclosure controls and procedures include our controls and other procedures designed to ensure that information required to be disclosed in this and other reports filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is accumulated and communicated to our management, including our Chief Executive Officer and acting Chief Financial Officer, to allow timely decisions regarding required disclosure and to ensure that such information is recorded, processed, summarized and reported, within the required time periods.

Our Chief Executive Officer and acting Chief Financial Officer have conducted an evaluation of our disclosure controls and procedures as of June 30, 2005.

Based upon this evaluation, our Chief Executive Officer and acting Chief Financial Officer have concluded that our disclosure controls (as defined in Rule 13a-15(e) promulgated under the Exchange Act) are sufficiently effective to ensure that the information required to be disclosed by us in the reports we file under the Exchange Act is recorded, processed, summarized and reported with adequate timeliness.

There have been no changes during the most recent fiscal quarter in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

### PART II

*(Amounts in thousands, except share and per share amounts)*

#### Item 1. -- LEGAL PROCEEDINGS

In March 2004, following a broker-dealer examination of Carey Financial, LLC (“Carey Financial”), the wholly-owned broker-dealer subsidiary of the Advisor, by the staff of the Securities and Exchange Commission (the “SEC”), Carey Financial received a letter from the staff of the SEC alleging certain infractions by Carey Financial of the Securities Act of 1933, the Securities Exchange Act of 1934, the rules and regulations thereunder and those of the National Association of Securities Dealers, Inc. (“NASD”).

The staff alleged that in connection with a public offering of shares of the Company, Carey Financial and its retail distributors sold certain securities without an effective registration statement. Specifically, the staff alleged that the delivery of investor funds into escrow after completion of the first phase of the offering (the “Phase I Offering”), completed in the fourth quarter of 2002 but before a registration statement with respect to the second phase of the offering (the “Phase II Offering”) became effective in the first quarter of 2003, constituted sales of securities in violation of Section 5 of the Securities Act of 1933. In addition, in the March 2004 letter the staff raised issues about whether actions taken in connection with the Phase II offering were adequately disclosed to investors in the Phase I Offering. In the event the SEC pursues these allegations, or if affected investors of the Company bring a similar private action, the Company might be required to offer the affected investors the opportunity to receive a return of their investment. It cannot be determined at this time if, as a consequence of investor funds being returned by the Company, Carey Financial would be required to return to the Company the commissions paid by the Company on purchases actually rescinded. Further, as part of any action against the Advisor, the SEC could seek disgorgement of any such commissions or different or additional penalties or relief, including without limitation, injunctive relief and/or civil monetary penalties, irrespective of the outcome of any rescission offer. The potential effect such a rescission offer or SEC action may ultimately have on the operations of the Advisor, Carey Financial or the REITs managed by the Advisor, including the Company cannot be predicted at this time.

The staff also alleged in the March 2004 letter that the prospectus delivered with respect to the Phase I Offering contained material misrepresentations and omissions in violation of Section 17 of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder in that the prospectus failed to disclose that (i) the proceeds of the Phase I Offering would be used to advance commissions and expenses payable with respect to the Phase II Offering, and (ii) the payment of dividends to Phase II shareholders whose funds had been held in escrow pending effectiveness of the registration statement resulted in significantly higher annualized rates of return than were being earned by Phase I shareholders. Carey Financial has reimbursed the Company for the interest cost of advancing the commissions that were later recovered by the Company from the Phase II Offering proceeds.

In June 2004, the Division of Enforcement of the SEC (“Enforcement Staff”) commenced an investigation into compliance with the registration requirements of the Securities Act of 1933 in connection with the public offerings of shares of the Company during 2002 and 2003. In December 2004, the scope of the Enforcement Staff’s inquiries broadened to include broker-dealer compensation arrangements in connection with the Company and other REITs managed by the Advisor, as well as the disclosure of such arrangements. At that time the Advisor and Carey Financial received a subpoena from the Enforcement Staff seeking documents relating to payments by the Advisor, Carey Financial, and REITs managed by the Advisor to (or requests for payment received from) any broker-dealer, excluding selling commissions and selected dealer fees. The Advisor and Carey Financial subsequently received additional subpoenas and requests for information from the Enforcement Staff seeking, among other things, information relating to any revenue sharing agreements or payments (defined to include any payment to a broker-dealer, excluding selling commissions and selected dealer fees) made by the Advisor, Carey Financial or any Advisor-managed REIT in connection with the distribution of Advisor-managed REITs or the retention or maintenance of REIT assets. Other information sought by the SEC includes information concerning the accounting treatment and disclosure of any such payments, communications with third parties (including other REIT issuers) concerning revenue sharing, and documents concerning the calculation of underwriting compensation in connection with the REIT offerings under applicable NASD rules.

In response to the Enforcement Staff’s subpoenas and requests, the Advisor and Carey Financial have produced documents relating to payments made to certain broker-dealers, both during and after the offering process, for certain of the REITs managed by the Advisor (including Corporate Property Associates 10 Incorporated (“CPA<sup>®</sup>:10”), Carey Institutional Properties Incorporated (“CIP<sup>®</sup>”), Corporate Property Associates 12 Incorporated (“CPA<sup>®</sup>:12”), Corporate Property Associates 14 Incorporated (“CPA<sup>®</sup>:14”) and the Company), in addition to selling commissions and selected dealer fees.

Among the payments reflected in documents produced to the Enforcement Staff were certain payments, aggregating in excess of \$9,400, made to a broker-dealer which distributed shares of the REITs. The expenses associated with these payments, which were

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

made during the period from early 2000 through the end of 2003, were borne by and accounted for on the books and records of the REITs. Of these payments, CPA<sup>®</sup>:10 paid in excess of \$40; CIP<sup>®</sup> paid in excess of \$870; CPA<sup>®</sup>:12 paid in excess of \$2,400; CPA<sup>®</sup>:14 paid in excess of \$4,900; and the Company paid in excess of \$1,200. In addition, other smaller payments by the REITs to the same and other broker-dealers have been identified aggregating less than \$1,000.

The Advisor, Carey Financial and the REITs, including the Company, are cooperating fully with this investigation and have provided information to the Enforcement Staff in response to the subpoenas and requests. Although no formal regulatory action has been initiated against the Advisor or Carey Financial in connection with the matters being investigated, the SEC may pursue such an action against either or both of them. The nature of the relief or remedies the SEC may seek cannot be predicted at this time. If such an action is brought, it could have a material adverse effect on the Advisor, Carey Financial and the Company, and the magnitude of that effect would not necessarily be limited to the payments described above but could include other payments and civil monetary penalties. In addition, any action brought against the Advisor or Carey Financial could have an indirect material adverse effect on the Company because of the Company's dependence on the Advisor and Carey Financial for a broad range of services.

Item 2. -- UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS

(a) For the three-month period ended June 30, 2005, 276,263 shares were issued to the Advisor as consideration for performance fees. Shares were issued at \$10 per share.

(c) Issuer Purchases of Equity Securities

<u>PERIOD</u>	<u>TOTAL NUMBER OF SHARES PURCHASED</u>	<u>AVERAGE PRICE PAID PER SHARE</u>	<u>TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS (1)</u>
January 1, 2005 - January 31, 2005	180,863	\$ 9.03	N/A
February 1, 2005 - February 28, 2005	433	9.33	N/A
March 1, 2005 - March 31, 2005	—	—	N/A
April 1, 2005 - April 30, 2005	253,835	9.00	N/A
May 1, 2005 - May 31, 2005	3,250	9.00	N/A
June 1, 2005 - June 30, 2005	<u>213,792</u>	9.00	N/A
Total	<u>652,173</u>		

(1) All shares were purchased pursuant to the Company's redemption plan. The maximum amount of shares purchasable in any period depends on the availability of funds generated by the Distribution Reinvestment and Share Purchase Plan and other factors at the discretion of the Company's Board of Directors.

Item 4. - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

An annual Shareholders' meeting was held on June 9, 2005, at which time a vote was taken to elect our directors through the solicitation of proxies. The following directors were elected for a one-year term:

<u>Name of Director</u>	<u>Total Shares Voting</u>	<u>Shares Voting For</u>	<u>Shares Withheld</u>
Trevor P. Bond	65,111,996	64,137,926	974,070
William P. Carey	65,111,996	63,049,935	2,062,061
Gordon F. DuGan	65,111,996	64,120,165	991,831
Elizabeth P. Munson	65,111,996	64,147,306	964,690
Charles E. Parente	65,111,996	64,134,809	977,187

Item 6. - EXHIBITS

31.1 Certification of Chief Executive Officer

31.2 Certification of Chief Financial Officer

32.1 Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

8/15/2005  
Date

By: /s/ Claude Fernandez  
Claude Fernandez  
Managing Director and acting Chief Financial Officer  
(acting Principal Financial Officer)

8/15/2005  
Date

By: /s/ Michael D. Roberts  
Michael D. Roberts  
Executive Director and Controller  
(acting Principal Accounting Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO RULE 13a-14(a)

I, Gordon F. DuGan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Corporate Property Associates 15 Incorporated (the "Registrant");
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the Registrant and we have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
  - d) Disclosed in this quarterly report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls over financial reporting.

Date 8/15/2005

/s/ Gordon F. DuGan  
Gordon F. DuGan  
Vice Chairman and  
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO RULE 13a-14(a)

I, Claude Fernandez, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Corporate Property Associates 15 Incorporated (the "Registrant");
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the Registrant and we have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
  - d) Disclosed in this quarterly report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls over financial reporting.

Date 8/15/2005

/s/ Claude Fernandez  
Claude Fernandez  
acting Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Corporate Property Associates 15 Incorporated (the "Company") on Form 10-Q for the period ended June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gordon F. DuGan, Chief Executive Officer of the Company, certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Gordon F. DuGan

Gordon F. DuGan  
Vice Chairman and  
Chief Executive Officer

8/15/2005

Date

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Corporate Property Associates 15 Incorporated (the "Company") on Form 10-Q for the period ended June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Claude Fernandez, acting Chief Financial Officer of the Company, certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Claude Fernandez  
Claude Fernandez  
acting Chief Financial Officer

8/15/2005  
Date

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.