CPA®:15

CORPORATE PROPERTY ASSOCIATES 15

2006 ANNUAL REPORT

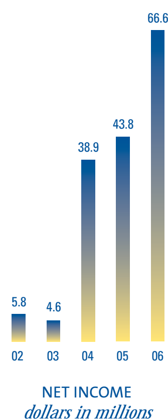
GENERATING INCOME FOR INVESTORS SINCE 2001

A MEMBER OF THE W. P. CAREY GROUP

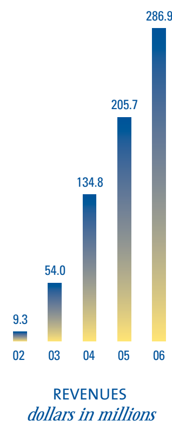
FINANCIAL HIGHLIGHTS

(In thousands except per share amounts)	For the years ended December 31, 2002	2003	2004[1]	2005	2006
OPERATING DATA[2]					
Revenues from continuing operations	$ 9,314	$ 53,982	$ 134,763	$ 205,670	$ 286,905
Net income	5,767	4,647	38,886	43,809	66,635
Cash flows from operating activities	13,333	55,536	90,721	124,049	144,818
Cash distributions paid[3]	6,179	40,498	67,797	80,475	82,850
PER SHARE DATA					
Distributions declared[3]	.61	.62	.63	.64	.65
BALANCE SHEET DATA					
Total assets	$ 806,298	$ 1,639,152	$ 2,718,396	$ 2,856,501	$ 3,336,296
Long-term obligations[4]	391,504	624,069	1,350,764	1,510,933	1,873,841

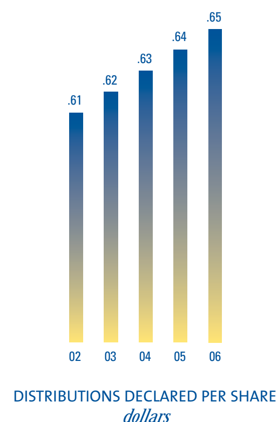
(1) Includes the impact of the merger with Carey Institutional Properties (CIP®), an affiliate, in September 2004.
(2) Certain prior year amounts have been reclassified to discontinued operations.
(3) We paid our first distribution in April 2002.
(4) Represents mortgage obligations and deferred acquisition fee installments.



NET INCOME
dollars in millions



REVENUES
dollars in millions



DISTRIBUTIONS DECLARED PER SHARE
dollars

DEAR FELLOW SHAREHOLDERS

We are pleased to report that 2006 was another successful year for CPA®:15 and our diversified portfolio of real estate assets continues to perform well. Revenues, net income, and cash flow from operating activities all increased from 2005 to 2006 and our portfolio of properties is continually expanding and fully occupied. As of December 31, 2006, our portfolio consisted of 334 properties leased to 83 tenants, totaling approximately 30.7 million square feet.

PORTFOLIO ACTIVITY

2006 was an active year for us; we acquired several new properties and opportunistically sold several properties. Highlights from 2006 include:

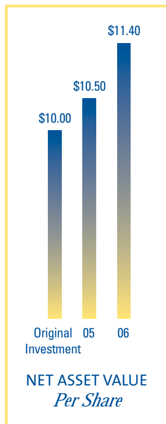
- A $183 million acquisition of several facilities throughout Poland, net leased to OBI AG, the fourth largest Do-It-Yourself retailer in the world. We acquired these facilities together with our affiliate, CPA®:16 – Global, with us owning a 75% interest and CPA®:16 – Global owning a 25% interest in these facilities. Our share of this acquisition totaled $137.5 million. OBI operates stores throughout Central and Eastern Europe and will use the funds from the transaction to expand its European footprint.
- Two acquisitions of properties in the United States and Germany net leased to Görtz & Schiele totaling $42 million. G+S predominantly supplies global automotive manufacturers with finished engine blocks and cylinder heads, as well as high volume pre-machined heads and blocks. In the first transaction, we purchased the German engine block manufacturer's entire U.S. production facility and in the second transaction we purchased its global headquarters in St. Ingebert, Germany. We acquired these facilities together with our affiliate, CPA®:16 – Global, with each of us owning a 50% interest in these facilities. Our share of these acquisitions totaled $21 million.
- The sale of a New York City office building for $208 million and a gain of $41.1 million. We owned this property together with an affiliate, CPA®:14. Based on our 60% ownership interest in this property, our share of the sale proceeds was $69.5 million after payment of an outstanding mortgage obligation and our share of the gain was $24.7 million. Our gain on equity invested in this transaction was 61%. We also sold three additional properties for net sales proceeds of $38 million and recognized a net gain of $7.8 million.

BERRY PLASTICS CORPORATION
Alsip, IL

GÖERTZ + SCHIELE CORPORATION
Auburn Hills, MI

DANKA OFFICE IMAGING COMPANY
St. Petersburg, FL

- Assisting Starmark Holdings LLC with a restructuring of its health club portfolio by modifying a lease covering 15 properties. This resulted in a sale of four properties and new leases with Lifetime Fitness and Town Sports. We own these properties together with our affiliate, CPA®:14, and have a 44% interest. While this restructuring resulted in a pro rata impairment charge totaling $12.1 million, we believe this transaction better positioned these properties and provided our portfolio with greater stability.



NET ASSET VALUE
Per Share

NET ASSET VALUE (NAV)

As of December 31, 2006, our NAV was determined to be $11.40, up 8.6% from year-end 2005 and 14% over the initial purchase price of $10 a share. Our total annual return for 2006, including cash distributions, was 14.7%. We calculate our NAV per share annually, based on a third party appraisal firm's estimate of the fair market value of our real estate. For further information regarding the calculation of NAVs, please refer to the Form 8-K filed on March 13, 2007 at www.cpa15.com. While we are extremely proud of this development, we understand there can be no assurance that the amount investors ultimately receive for their shares will equal the value determined by this process.

NEW DIRECTORS

In the last year, we were privileged to have both the former President of Penn Mutual Life Insurance Company, Mr. Richard J. Pinola, and the Wharton School's Director of Financial Research, Dr. Marshall E. Blume, join its board. Mr. Pinola, a Certified Public Accountant, joined all three CPA® boards in June 2006 as independent director and as chairman of the audit committees. Dr. Blume joined as independent director in April 2007.

As we continue to grow and develop our diversified portfolio of assets, we look forward to the support of our investors. Thank you for helping us make 2006 another successful year; we are excited about the prospects 2007 holds.

Sincerely,

Wm. Polk Carey
Chairman of the Board (Left)

Benjamin P. Harris
President (Center)

Gordon F. DuGan
Chief Executive Officer (Right)

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Forward-Looking Statements

This annual report, including "Management's Discussion and Analysis of Financial Condition and Results of Operations", contains forward-looking statements that involve risks, uncertainties and assumptions. 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, those described in Item 1A - Risk Factors in our annual report on Form 10-K. 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.

As used in this annual report, the terms "the Company," "we," "us" and "our" include Corporate Property Associates 15 Incorporated, its consolidated subsidiaries and predecessors, unless otherwise indicated.

SELECTED FINANCIAL DATA

(In thousands except per share amounts)	2006	2005	2004[1]	2003	2002
				For the years ended December 31,	
OPERATING DATA[2]					
Revenues from continuing operations	$ 286,905	$ 205,670	$ 134,763	$ 53,982	$ 9,314
Income from continuing operations	35,225	40,660	39,132	21,540	4,601
Basic earnings from continuing operations per share	0.27	0.32	0.34	0.27	0.23
Net income	66,635	43,809	38,886	4,647	5,767
Earnings per share	0.52	0.35	0.34	0.06	0.29
Cash distributions paid	82,850	80,475	67,797	40,498	6,179
Cash distributions declared per share	0.65	0.64	0.63	0.62	0.61
Payment of mortgage principal[3]	30,339	26,272	13,206	7,864	385
BALANCE SHEET DATA					
Total assets	$ 3,336,296	$ 2,856,501	$ 2,718,396	$ 1,639,152	$ 806,298
Long-term obligations[4]	1,873,841	1,510,933	1,350,764	624,069	391,504

(1) Includes the impact of the Merger in September 2004.
(2) Certain prior year balances have been reclassified to discontinued operations.
(3) Represents scheduled mortgage principal paid.
(4) Represents mortgage obligations and deferred acquisition fee installments

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In thousands, except share and per share amounts

EXECUTIVE OVERVIEW

Business Overview

As described in more detail in Item 1 of our annual report on Form 10-K, we are a real estate investment trust ("REIT") that invests in commercial properties leased to companies domestically and internationally. The primary source of our revenue is earned from leasing real estate, primarily on a triple-net lease basis. We were formed in 2001 and are managed by W. P. Carey & Co. LLC and its subsidiaries (collectively, the "advisor"). As a REIT, we are not subject to U.S. 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.

Current Developments and Trends

Significant business developments that occurred during 2006 are detailed in the Significant Developments During 2006 section of Item 1 of our annual report on Form 10-K.

Current trends include:

During 2006, we continued to see increased competition for net leased properties as capital continues to flow into real estate in general, and net leased real estate, in particular. We believe that low long-term interest rates by historical standards have created greater investor demand for yield-based investments, such as triple-net leased real estate, thus creating increased capital flows and a more competitive investment environment. We currently expect these trends to continue in 2007 but currently believe that several factors may provide us with continued investment opportunities in 2007, both domestically and internationally. These factors include increased merger and acquisition activity, which may provide additional sale-leaseback opportunities as a source of funding, a continued desire of corporations to divest themselves of real estate holdings and increasing opportunities for sale-leaseback transactions in the international market, which continues to make up a large portion of our investment opportunities.

Real estate valuations have risen significantly in recent years. To the extent that disposing of properties fits with our strategic plans, we may look to take advantage of increases in real estate prices by selectively disposing of properties.

Increases in long term interest rates would likely cause the value of our real estate assets to decrease. Increases in interest rates may also have an impact on the credit profile of certain tenants. Rising interest rates would likely cause an increase in inflation and a corresponding increase in the Consumer Price Index ("CPI"). To the extent that the CPI increases, additional rental income streams may be generated for leases with CPI adjustment triggers and partially offset the impact of declining property values. In addition, we constantly evaluate our debt exposure and to the extent that opportunities exist to refinance and lock in lower interest rates over a longer term, we may be able to reduce our exposure to short term interest rate fluctuation.

We have foreign operations and as such are subject to risk from the effects of exchange rate movements in foreign currencies, primarily the Euro and British pound sterling. Our results of foreign operations benefit from a weaker U.S. dollar and are adversely affected by a stronger U.S. dollar relative to foreign currencies. During 2006, the average rate for the U.S. dollar in relation to the Euro was moderately weaker than 2005, and as a result,

we experienced a moderately positive impact on our results of foreign operations for the current year as compared to 2005.

Companies in automotive related industries (manufacturing, parts, services, etc.) continue to experience a challenging environment, which has resulted in several companies filing for bankruptcy protection. We currently have five tenants in automotive-related industries, of which one, Tower Automotive, is operating under bankruptcy protection. Tower has not indicated whether it will affirm its lease. These five tenants accounted for lease revenues of $7,054 in 2006 and have an aggregate carrying value of $51,068 as of December 31, 2006. Of these totals, Tower accounted for approximately $2,551 of lease revenues for 2006 and $18,478 of carrying value at December 31, 2006. All tenants are current on their obligations including Tower, which is current on its obligations since filing for bankruptcy. If conditions in this industry weaken, additional tenants may file for bankruptcy protection and may disaffirm their leases as part of their bankruptcy reorganization plans. The net result of these trends could have an adverse impact on our results of operations.

How Management Evaluates Results of Operations

Management evaluates our results of operations with a primary focus on the ability to generate cash flow necessary to meet our objectives of funding distributions to stockholders and increase our equity in our real estate. 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 flows, and to other non-cash charges, such as depreciation and impairment charges.

Management considers cash flows from operations, cash flows from investing activities and cash flows from financing activities (as described in Financial Condition, below) to be important measures in the evaluation of our results of operations, liquidity and capital resources. Cash flows from operations are sourced primarily from long-term lease contracts. Such leases are generally triple-net and mitigate, to an extent, our exposure to certain property operating expenses. Management's evaluation of the amount and expected fluctuation of cash flows from operations is essential in assessing our ability to fund operating expenses, service our debt and fund distributions to stockholders.

Management considers cash flows from operating activities plus cash distributions from equity investments in real estate in excess of equity income as a supplemental measure of liquidity in evaluating our ability to sustain distributions to stockholders. Management considers this measure useful as a supplemental measure to the extent the source of distributions in excess of equity income in real estate is the result of non-cash charges, such as depreciation and amortization, because it allows management to evaluate such cash flows from consolidated and unconsolidated investments in a comparable manner. In deriving this measure, cash distributions from equity investments in real estate that are sourced from the sales of the equity investee's assets or refinancing of debt are excluded because they are deemed to be returns of investment and not returns on investment.

Management focuses on measures of cash flows from investing activities and cash flows from financing activities in its evaluation of our capital resources. Investing activities typically consist of the acquisition or disposition of investments in real property and the funding of capital expenditures with respect to real properties. Cash flows from financing activities primarily consist of the payment of distributions to stockholders, obtaining limited recourse mortgage financing, generally in connection with the acquisition or refinancing of properties, and the payment of mortgage principal amortization. Our financing strategy has been to purchase substantially all of our properties with a combination of equity and limited recourse mortgage debt. A lender on a limited recourse mortgage loan has recourse only to the property collateralizing such debt and not to any of our other assets. This strategy has allowed us to diversify our portfolio of properties and, thereby, limit our risk. In the event that a

balloon payment comes due, we may seek to refinance the loan, restructure the debt with existing lenders, evaluate our ability to pay the balloon payment from our cash reserves or sell the property and use the proceeds to satisfy the mortgage debt.

Our operations consist of the investment in and the leasing of commercial real estate. Management's evaluation of the sources of lease revenues for the years ended December 31, 2006, 2005 and 2004 is as follows:

	2006	2005	2004
Rental income	$ 230,227	$ 166,317	$ 114,032
Interest income from direct financing leases	41,515	32,831	18,097
	$ 271,742	$ 199,148	$ 132,129

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:

	2006	2005	2004
Mercury Partners, LP and U-Haul Moving Partners, Inc.[(a) (b)]	$ 28,541	$ 28,541	$ 19,197
Carrefour France, SA[(a) (c) (i)]	16,303	15,973	15,185
Lifetime Fitness, Inc.[(a) (d)]	15,735	4,928	4,928
True Value Company[(a) (d)]	14,471	—	—
Hellweg Die Profi-Baumarkte GmbH & Co. KG[(a) (c) (e)]	12,657	6,513	—
Thales SA[(a) (b) (c)]	11,213	11,073	4,538
OBI AG[(a) (c) (f)]	10,555	—	—
Advanced Micro Devices[(a) (d)]	9,210	—	—
Universal Technical Institute[(b)]	7,923	7,603	3,008
Pohjola Non-Life Insurance Company[(a) (c) (e)]	7,646	7,461	—
TietoEnator plc.[(a) (b) (c)]	7,131	6,981	3,381
Police Prefecture, French Government[(a) (c) (h)]	6,245	2,795	—
Foster Wheeler, Inc.	5,708	5,421	5,273
Medica - France, SA[(a) (c)]	5,527	5,231	5,020
Information Resources[(a) (g) (i)]	4,972	4,479	1,464
Qualceram Shires Ltd.[(c)]	4,136	4,012	3,983
Compucom[(d)]	4,065	—	—
Lillian Vernon	4,008	3,848	3,848
Other[(a) (c) (d) (g) (i)]	95,696	84,289	62,304
	$ 271,742	$ 199,148	$ 132,129

(a) Includes lease revenues applicable to minority interests. Minority interests included in the consolidated amounts above total $71,406, $39,450 and $21,815 for the years ended December 31, 2006, 2005 and 2004, respectively.

(b) We acquired or placed into service our interest in this investment during 2004.

(c) Revenue amounts are subject to fluctuations in foreign currency exchange rates.

(d) Interests in or a portion of interests in these investments have been consolidated as of January 2006 as a result of implementation of EITF 04-05.

(e) We acquired our interest in this investment during 2005.

(f) We acquired our interest in this investment during 2006.

(g) Includes the CIP® real estate interests acquired in the Merger in September 2004.

(h) Interest in this investment was acquired in 2005 and has been consolidated as of October 2005 as a result of the implementation of FIN 46(R).

(i) Increase is primarily due to CPI-based rent increases in 2006 and 2005.

We recognize income from equity investments in real estate of which lease revenues are a significant component. Our ownership interests range from 30% to 64%. Our share of net lease revenues in the following lease obligations is as follows:

	2006	2005	2004
Marriott International, Inc.[a]	$ 8,935	$ 8,833	$ 2,767
Petsmart, Inc.	2,518	2,491	2,491
Hologic, Inc.	2,028	2,020	2,020
The Upper Deck Company[a]	1,561	1,452	484
The Talaria Company (Hinckley)[b]	1,508	985	—
Del Monte Corporation[a]	1,478	1,471	493
Builders Firstsource, Inc.	598	576	574
Starmark Holdings, L.L.C.[c]	—	7,156	7,138
True Value Company[c]	—	7,236	7,236
Advanced Micro Devices, Inc.[a] [c]	—	3,484	1,086
Compucom Systems, Inc.[a] [c]	—	1,489	470
Actuant Corporation[c] [d] [f]	—	739	414
Police Prefecture, French Government[b] [d] [e]	—	662	—
	$ 18,626	$ 38,594	$ 25,173

(a) Includes the CIP® real estate interests acquired in the Merger in September 2004.
(b) We acquired our interest in this investment during 2005.
(c) Interests in these investments have been consolidated as of January 2006 as a result of implementation of EITF 04-05.
(d) Revenue amounts are subject to fluctuations in foreign currency exchange rates.
(e) Interest in this investment has been consolidated as of October 2005 as a result of the implementation of FIN 46(R).
(f) We sold a 49.99% interest in this investment in May 2004 to an affiliate pursuant to a purchase option, prior to which this investment was consolidated.

RESULTS OF OPERATIONS

The presentation of results of operations for the year ended December 31, 2006 was affected by our adoption of Emerging Issues Task Force Consensus on Issue No. 04-05, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights" ("EITF 04-05") effective January 1, 2006. As a result of adopting EITF 04-05, we now consolidate five limited partnerships and two limited liability companies, related to five tenants, that were previously accounted for as equity investments in real estate (see tables above). This adoption had a significant impact on lease revenues, depreciation and amortization, income from equity investments in real estate, minority interest in income and interest expense (as described below).

Lease Revenues

2006 vs. 2005 — For the years ended December 31, 2006 and 2005, lease revenues (rental income and interest income from direct financing leases) increased by $72,594, primarily due to $44,558 resulting from the consolida-

tion of entities pursuant to our adoption of EITF 04-05; $20,175 from new leases entered into during 2006 and 2005; $4,412 from rent increases at several properties, $2,090 from the full year effect of several build-to-suit projects completed during 2005 and $1,035 resulting from fluctuations in average foreign currency exchange rates as compared to 2005.

2005 vs. 2004 — For the years ended December 31, 2005 and 2004, lease revenues increased by $67,019 primarily due to $38,222 from new leases entered into during 2005 and 2004, $21,258 from the full year effect of properties acquired in the Merger in September 2004, $6,474 from the completion of several build-to-suit projects during 2005 and 2004 and $1,600 from rent increases at several properties.

Revenue is subject to fluctuation because of the timing of new lease transactions, lease terminations, lease expirations, tenant defaults and sales of properties.

Other Real Estate Income

Other real estate 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 tenant costs are recorded as both income and property expense and, therefore, have no impact on net income.

2006 vs. 2005 — For the years ended December 31, 2006 and 2005, other real estate income increased by $8,641 primarily due to the receipt of $8,145 of security deposits and prepaid rent from Starmark (inclusive of minority interest of $4,561) in 2006, on completion of our obligations related to the restructuring of Starmark's master lease (see Item 1 - Significant Developments During 2006 in our annual report on Form 10-K).

2005 vs. 2004 — For the years ended December 31, 2005 and 2004, other operating income increased by $3,888 primarily due to an increase in reimbursable tenant costs resulting from the continued growth in our portfolio.

Depreciation and Amortization

2006 vs. 2005 — For the years ended December 31, 2006 and 2005, depreciation and amortization increased $14,706, primarily resulting from the consolidation of entities pursuant to our adoption of EITF 04-05 and FIN 46(R) which contributed $9,471 of the increase and from investments acquired or placed into service in 2006 and 2005 which contributed $4,963 of the increase.

2005 vs. 2004 — For the years ended December 31, 2005 and 2004, depreciation and amortization expense increased by $15,988 primarily due to investment activity in 2005 and 2004 which contributed $10,610 of the increase and from the full year impact of properties acquired in the Merger in September 2004 which contributed $4,429 of the increase.

Property Expenses

2006 vs. 2005 — For the years ended December 31, 2006 and 2005, property expenses increased $5,915, primarily due to an increase in asset management and performance fees, resulting from an increase in our asset base as a result of investment activity in 2006 and 2005 as well as from increases in property values as a result of our initial third party valuation of our portfolio as of December 31, 2005.

2005 vs. 2004 — For the years ended December 31, 2005 and 2004, property expenses increased by $11,526, primarily due to a $7,174 increase in asset management and performance fees payable to the advisor and an increase in costs reimbursable by tenants.

General and Administrative

2006 vs. 2005 — For the years ended December 31, 2006 and 2005, total general and administrative expenses remained relatively unchanged. Increases in professional fees of approximately $1,500 were primarily offset by reductions in income taxes and other general and administrative expenses. Professional fees, which include legal and auditing services, increased primarily due to an increase in our asset base as a result of recent investment activity and legal fees incurred in connection with the Starmark transaction (see Item 1 - Significant Developments During 2006 in our annual report on Form 10-K).

2005 vs. 2004 — For the years ended December 31, 2005 and 2004, general and administrative expenses increased by $2,185, primarily due to an $828 increase in our share of expenses allocated by the advisor, a $539 increase in our share of rental expenses under an office-sharing agreement, a $530 increase in income taxes primarily incurred by a subsidiary located in the United Kingdom, a $411 increase in investor related costs, including printing and proxy solicitation costs and an increase in bad debt expense primarily for certain non-real estate related receivables of a French subsidiary which have been written off in connection with a sale. These increases were partially offset by a reduction in acquisition related expenses as a result of lower investment volume in 2005.

The increase in expenses allocated by the advisor results from the increase in our asset base due to recent investment activity while the increase in rent expenses is due to an increase in our revenue as rent is allocated under the office-sharing agreement based on revenue. Approximately $335 of the income taxes incurred by a subsidiary located in the United Kingdom has been reimbursed to us by the advisor.

Impairment Charge

During 2006, we recognized an impairment charge of $18,957 in connection with entering into a plan to restructure a master lease agreement with Starmark (see Item 1 – Significant Developments During 2006 in our annual report on Form 10-K). In addition, during the fourth quarter of 2006, we recognized impairment charges totaling $721 on two properties as a result of declines in the unguaranteed residual values of these properties. See Discontinued Operations below for a description of impairment charges recognized on assets held for sale during the past three years.

Income from Equity Investments in Real Estate

Income from equity investments in real estate represents our proportionate share of net income (revenue less expenses) from investments entered into with affiliates or third parties in which we have been deemed to have a non-controlling interest but exercise significant influence.

2006 vs. 2005 — For the years ended December 31, 2006 and 2005, income from equity investments in real estate decreased by $7,650, primarily from the consolidation of entities pursuant to our adoption of EITF 04-05 beginning January 2006.

2005 vs. 2004 — For the years ended December 31, 2005 and 2004, income from equity investments in real estate increased by $5,434, primarily due to increases of $4,384 and $550 related to the full year impact of equity investments in real estate acquired in 2004 (mainly due to the Merger in September 2004) and equity investments in real estate acquired in 2005, respectively.

Minority Interest in Income

We consolidate investments in which we are deemed to have a controlling interest. Minority interest in income represents the proportionate share of net income (revenue less expenses) from such investments that is attributable the partner(s) holding the non-controlling interest.

2006 vs. 2005 — For the years ended December 31, 2006 and 2005, minority interest in income increased by $7,287, primarily due to our adoption of EITF 04-05 in January 2006 and to a lesser extent, investments acquired in 2006 and 2005. Minority interest increased by $15,545 as a result of our adoption of EITF 04-05 and $1,404 from recent investment activity. These increases were partially offset by our minority interest partners' pro rata share of the Starmark impairment and debt prepayment/defeasance charges incurred in connection with the Starmark transaction (see Item 1 - Significant Developments During 2006 in our annual report on Form 10-K).

2005 vs. 2004 — For the years ended December 31, 2005 and 2004, minority interest in income increased by $4,798, primarily due to 2005 and 2004 investment activity, including the effect of the Merger which contributed $1,733 of the increase.

Gain (Loss) on Foreign Currency Transactions and Other Gains, Net

2006 vs. 2005 — For the year ended December 31, 2006 we recognized a net gain of $4,123 on foreign currency transactions and other gains as compared to a loss of $3,208 for 2005. These variances resulted primarily from the relative weakening of the U.S. dollar in 2006 as compared with its strengthening during 2005. Such gains result primarily from the repayment and translation of intercompany subordinated debt.

2005 vs. 2004 — For the year ended December 31, 2005, we recognized a net loss on foreign currency transactions and other gains of $3,208 as compared to a net gain of $5,457 for 2004. These variances resulted primarily from the relative strengthening of the U.S. dollar in 2005 as compared with its weakening in 2004.

Interest Expense

2006 vs. 2005 — For the years ended December 31, 2006 and 2005, interest expense increased by $41,341, primarily due to prepayment penalties and debt defeasance costs of $13,619, interest expense of $11,321 from the consolidation of entities pursuant to our adoption of EITF 04-05 in January 2006, $8,386 from mortgages obtained on properties acquired and build-to-suit projects placed into service in 2006 and 2005 and $2,568 from fluctuations in average foreign currency exchange rates as compared to 2005. Prepayment penalties and debt defeasance costs relate to the Starmark transaction ($10,072) and refinancing of the Oriental Trading Company mortgage ($3,547).

2005 vs. 2004 — For the years ended December 31, 2005 and 2004, interest expense increased by $32,728, primarily as a result of the addition of $999,633 of new limited recourse mortgage financing in connection with the Merger and properties acquired during 2005 and 2004. This increase was partially offset by a $26,272 reduction in mortgage notes payable balances as a result of making scheduled mortgage principal payments.

Discontinued Operations

2006 — For the year ended December 31, 2006, we earned income from discontinued operations of $31,410, primarily due to gains from the sale of a New York property of $41,101 and other properties totaling $7,769. These gains were partially offset by an impairment charge of $8,614 related to the Starmark transaction (See Item 1 - Significant Developments During 2006 in our annual report on Form 10-K) and $2,981 in prepayment penalties and related costs in connection with the prepayment of debt on the New York property. These amounts are inclusive of minority interest in income totaling $12,026.

2005 — For the year ended December 31, 2005, we earned income from discontinued operations of $3,149 primarily due to net income generated by discontinued properties totaling $6,687, which was partially offset by impairment charges totaling $1,210. These amounts are inclusive of minority interest in income totaling $2,899.

2004 — For the year ended December 31, 2004, we incurred a loss from discontinued operations of $246. Income generated by discontinued properties of $4,276, net of minority interest, was fully offset by an impairment charge of $5,000.

Net Income

2006 vs. 2005 — For the year ended December 31, 2006 and 2005, net income increased by $22,826. In addition to income generated by properties acquired or placed into service in 2006 and 2005, net income was also positively affected by gains on the sale of several properties totaling $48,870 and to a lesser extent, foreign currency transactions gains. These increases were partially offset by impairment charges, prepayment penalties and defeasance costs totaling $37,643 related to the Starmark transaction. These variances are described above.

2005 vs. 2004 — For the years ended December 31, 2005 and 2004, net income increased $4,923 primarily due to income generated by properties acquired in 2005 and 2004, including the full year impact of the Merger, which was partially offset by adverse fluctuations in the average foreign currency exchange rates in 2005 as compared to 2004. These variances are described above.

FINANCIAL CONDITION

Uses of Cash During the Period

Cash and cash equivalents totaled $174,375 as of December 31, 2006, an increase of $42,927 from the December 31, 2005 balance. We believe we have sufficient cash balances to meet our working capital needs including our current distribution rate. Our sources and use of cash during 2006 are described below.

Operating Activities

One of our objectives is to use the cash flow from net leases to meet operating expenses, service debt and fund distributions to shareholders. During 2006, distributions paid to shareholders of $82,850 and scheduled mortgage principal installments of $30,339 were funded by cash flows generated from operations of $144,818. Distributions paid to minority interest partners of $122,745 primarily relate to the distribution of proceeds from the sale of a New York property and distributions of cash flow generated from operations.

During 2006, we received $11,770 primarily from the release of security deposits and prepaid rent in connection with the Starmark transaction (see Item 1 - Significant Developments During 2006 in our annual report on Form 10-K). Also, as a result of the advisor's election in 2006 to continue to receive performance fees in restricted common stock, we paid performance fees of $13,440 in restricted common stock rather than in cash. For 2007, the advisor has elected to continue to receive performance fees in restricted common stock.

Investing Activities

Our investing activities are generally comprised of real estate transactions (purchases and sales of real estate) and the payment of our annual installment of deferred acquisition fees. During 2006, we used $202,890 to enter into an investment in Poland and, fund construction costs at a build-to-suit project, and contribute to joint ventures in connection with the purchase of two equity investments in real estate. The annual installment of deferred acquisition fees is paid each January to the advisor and totaled $9,455 in 2006. During 2006, we received proceeds of $237,985, net of selling costs from the sale of real estate, which relates primarily to the sale of a New York prop-

erty (see Impact of the New York Property Sale below). In addition, our cash balances increased by $8,181 resulting from the consolidation of entities pursuant to our adoption of EITF 04-05.

Financing Activities

In addition to making scheduled mortgage principal payments and paying distributions to shareholders and minority partners, we prepaid mortgage obligations totaling $205,883, including the defeasance/repayment of the mortgage on the Starmark properties (approximately $101,000) and the prepayment of the mortgage on a New York property (approximately $81,000) that was sold during 2006. We also used $24,180 to purchase treasury shares through a redemption plan that allows shareholders to sell shares back to us, subject to certain limitations. We obtained mortgage proceeds of $243,842 to fund investment activity which includes $25,000 of mortgage proceeds in connection with the refinancing of an expansion project. In connection with a New York property sale, we obtained a loan from the advisor of $84,000 to fund the mortgage payoff and used sale proceeds to repay this loan. We also received contributions totaling $67,101 from our minority partners, including the minority partners' share of the defeasance/repayment of the Starmark mortgage and related prepayment penalties and debt defeasance costs and received $19,488 from the issuance of stock, net of costs.

Summary of Financing

The table below summarizes our mortgage notes payable as of December 31, 2006 and 2005, respectively.

	December 31, 2006	December 31, 2005
BALANCE		
Fixed rate	$ 1,545,198	$ 1,456,240
Variable rate[1]	300,686	20,740
Total	$ 1,845,884	$ 1,476,980
PERCENT OF TOTAL DEBT		
Fixed rate	84%	99%
Variable rate[1]	16%	1%
	100%	100%
WEIGHTED AVERAGE INTEREST RATE AT END OF PERIOD		
Fixed rate	6.03%	5.93%
Variable rate[1]	5.37%	6.90%

(1) Included in variable rate debt at December 31, 2006 is (i) $180,772 in aggregate variable rate debt which has been effectively converted to fixed rates through interest rate swap derivative instruments and (ii) $119,914 in mortgage obligations which currently bear interest at fixed rates but which convert to variable rates during their term.

Impact of the New York Property Sale

During 2006, we sold a New York property for $200,012, net of selling costs and inclusive of minority interest. Our portion of the cash proceeds, after payment of selling costs, prepayment of the mortgage obligation, prepayment penalties and related costs associated with the mortgage prepayment and payments to the minority interest partner, totaled approximately $69,500. A portion of these cash proceeds were used to finance acquisitions in the fourth quarter of 2006 while the remainder will be used for future investment opportunities and for working capital needs.

The increase in annual operating cash flow (lease revenue less property level debt) resulting from our acquisitions in 2006 and expected increase from scheduled rent increases at existing properties, most of which are based on increases in the CPI, is expected to be offset by the reduction in operating cash flow resulting from the sale of our New York property during the second quarter of 2006.

Cash Resources

As of December 31, 2006, our cash resources consisted of cash and cash equivalents of $174,375, of which $21,882, at current exchange rates, was held in foreign bank accounts to maintain local capital requirements, and unleveraged properties with a carrying value of $44,735. Our cash resources can be used to fund future investments, as well as to maintain sufficient working capital balances and meet other commitments. We intend to fund quarterly distribution from the cash generated from our real estate portfolio.

We expect cash flows from operating activities to be affected by several factors in 2007 including:

- The impact from any investments we enter into during 2007, the full year impact of investments entered into during 2006 and the expected completion of a build-to-suit project in 2007, all of which we currently expect will have a net positive impact on our cash flow.
- The advisor's election in 2007 to continue to receive performance fees in restricted shares.
- Scheduled rent increases on several properties during 2007 should result in additional cash flow.
- The full year impact of dispositions completed in 2006 which will reduce cash flow in 2007.

Cash Requirements

During 2007, cash requirements will include scheduled mortgage principal payments including mortgage balloon payments totaling $4,006 with $292 due in July 2007 and $3,714 due in December 2007, paying distributions to shareholders and minority partners, funding a build-to-suit commitment as well as other normal recurring operating expenses. We also expect to seek to use our cash to invest in new properties to further diversify our portfolio, and expect to maintain cash balances sufficient to meet working capital needs. We expect cash flows from operations to be sufficient to meet operating cash flow objectives during 2007.

Aggregate Contractual Agreements

The table below summarizes our contractual obligations as of December 31, 2006 and the effect that these obligations are expected to have on our liquidity and cash flow in future periods.

	Total	Less than 1 Year	1—3 Years	3—5 Years	More than 5 years
Mortgage notes payable — Principal	$ 1,845,884	$ 41,262	$ 196,718	$ 222,504	$ 1,385,400
Mortgage notes payable — Interest[1]	808,792	108,823	204,721	177,493	317,755
Deferred acquisition fees — Principal	27,957	10,802	14,087	3,068	—
Deferred acquisition fees — Interest	3,400	1,610	1,554	236	—
Subordinated disposition fees[2]	4,044	—	—	—	4,044
Build-to-suit commitments[3]	6,006	6,006	—	—	—
Property improvements[5]	8,800	4,400	4,400	—	—
Operating leases[4]	8,560	700	1,693	1,753	4,414
	$ 2,713,443	$ 173,603	$ 423,173	$ 405,054	$ 1,711,613

(1) Interest on variable rate debt obligations was calculated using the applicable variable interest rate as of December 31, 2006.

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

(3) Represents remaining build-to-suit commitment for a property in La Vista, Nebraska where estimated total construction costs are currently projected to total $14,660, of which $8,654 was funded as of December 31, 2006.

(4) Operating lease obligations consist primarily of our share of future 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 adjusted quarterly.

(5) Represents our pro rata share of landlord improvements on the Life Time properties (see Item 1 - Significant Developments During 2006 in our annual report on Form 10-K).

Amounts in the table above related to our foreign operations are based on the exchange rate of the local currencies as of December 31, 2006.

As of December 31, 2006, we have no material capital lease obligations for which we are the lessee, either individually or in the aggregate.

In connection with the purchase of many of our properties, we required the sellers to perform environmental reviews. We believe, based on the results of such reviews, that our properties were in substantial compliance with Federal and state environmental statutes at the time the properties were acquired. However, portions of certain properties have been subject to some degree of contamination, principally in connection with leakage from underground storage tanks, surface spills or historical on-site activities. In most instances where contamination has been identified, tenants are actively engaged in the remediation process and addressing identified conditions. Tenants are generally subject to environmental statutes and regulations regarding the discharge of hazardous materials and any related remediation obligations. In addition, our leases generally require tenants to indemnify us from all liabilities and losses related to the leased properties with provisions of such indemnification specifically addressing environmental matters. The leases generally include provisions that allow for periodic environmental assessments, paid for by the tenant, and allow us to extend leases until such time as a tenant has satisfied its environmental obligations. Certain of the leases allow us to require financial assurances from tenants such as performance bonds or letters of credit if the costs of remediating environmental conditions are, in our estimation, in excess of specified amounts. Accordingly, we believe that the ultimate resolution of any environmental matter should not have a material adverse effect on our financial condition, liquidity or results of operations.

Subsequent Events
In January 2007, we obtained $11,100 of limited recourse mortgage financing on an existing domestic property which was previously unencumbered. The mortgage financing has an annual fixed interest rate of 5.6% and a 10 year term.

Effective April 2, 2007, Trevor Bond is resigning from our board of directors in connection with his appointment to the advisor's board of directors. Marshall Blume was appointed as an independent director of our board of directors, effective April 2, 2007.

CRITICAL ACCOUNTING ESTIMATES

Our significant accounting policies are described in Note 2 to the consolidated financial statements. Many of these accounting policies require certain judgment and the use of certain estimates and assumptions when applying these policies in the preparation of our consolidated financial statements. On a quarterly basis, we evaluate these estimates and judgments based on historical experience as well as other factors that we believe to be reasonable under the circumstances. These estimates are subject to change in the future if underlying assumptions or factors change. Certain accounting policies, while significant, may not require the use of estimates. Those accounting policies that require significant estimation and/or judgment are listed below.

Classification of Real Estate Assets
We classify our directly owned leased assets for financial reporting purposes as either real estate subject to operating leases or net investment in direct financing leases at the inception of a lease or when significant lease terms are amended. This classification is based on several criteria, including, but not limited to, estimates of the remaining economic life of the leased assets and the calculation of the present value of future minimum rents. In determining the classification of a lease, we use estimates of remaining economic life provided by third party appraisals of the leased assets. The calculation of the present value of future minimum rents includes determining a lease's implicit interest rate, which requires an estimate of the residual value of leased assets as of the end of the non-cancelable lease term. Different estimates of residual value result in different implicit interest rates and could possibly affect the financial reporting classification of leased assets. The contractual terms of our leases are not necessarily different for operating and direct financing leases; however the classification is based on accounting pronouncements which are intended to indicate whether the risks and rewards of ownership are retained by the lessor or substantially transferred to the lessee. Management believes that it retains certain risks of ownership regardless of accounting classification. Assets classified as net investment in direct financing leases are not depreciated but are written down to expected residual value of the lease term, therefore, the classification of assets may have a significant impact on net income even though it has no effect on cash flows.

Identification of Tangible and Intangible Assets in Connection with Real Estate Acquisitions
In connection with the acquisition of properties, purchase costs are allocated to tangible and intangible assets and liabilities acquired based on their estimated fair values. The value of tangible assets, consisting of land, buildings and tenant improvements, is determined as if vacant. Intangible assets including the above-market value of leases, the value of in-place leases and the value of tenant relationships are recorded at their relative fair values. The

below-market values of leases are also recorded at their relative fair values and are included in prepaid rental income and security deposits in the accompanying consolidated financial statements.

The value attributed to tangible assets is determined in part using a discount cash flow model which is intended to approximate what a third party would pay to purchase the property as vacant and rent at current "market" rates. In applying the model, we assume that the disinterested party would sell the property at the end of a market lease term. Assumptions used in the model are property-specific as it is available; however, when certain necessary information is not available, we will use available regional and property-type information. Assumptions and estimates include a discount rate or internal rate of return, marketing period necessary to put a lease in place, carrying costs during the marketing period, leasing commissions and tenant improvements allowances, market rents and growth factors of such rents, market lease term and a cap rate to be applied to an estimate of market rent at the end of the market lease term.

Above-market and below-market lease intangibles are based on the difference between the market rent and the contractual rents and are discounted to a present value using an interest rate reflecting our current assessment of the risk associated with the lease acquired. We acquire properties subject to net leases and consider the credit of the lessee in negotiating the initial rent.

The total amount of other intangibles is allocated to in-place lease values and tenant relationship intangible values based on our evaluation of the specific characteristics of each tenant's lease and our overall relationship with each tenant. Characteristics we consider in allocating these values include the expectation of lease renewals, nature and extent of the existing relationship with the tenant, prospects for developing new business with the tenant and the tenant's credit quality, among other factors. Intangibles for above-market and below-market leases, in-place lease intangibles and tenant relationships are amortized over their estimated useful lives. In the event that a lease is terminated, the unamortized portion of each intangible, including market rate adjustments, in-place lease values and tenant relationship values, are charged to expense.

Factors considered include the estimated carrying costs of the property during a hypothetical expected lease-up period, current market conditions and costs to execute similar leases. Estimated carrying costs include real estate taxes, insurance, other property operating costs, expectation of funding tenant improvements and estimates of lost rentals at market rates during the hypothetical expected lease-up periods, based on assessments of specific market conditions. Estimated costs to execute leases include commissions and legal costs to the extent that such costs are not already incurred with a new lease that has been negotiated in connection with the purchase of the property.

Basis of Consolidation

When we obtain an economic interest in an entity, we evaluate the entity to determine if the entity is deemed a variable interest entity ("VIE"), and if we are deemed to be the primary beneficiary, in accordance with FASB Interpretation No. 46(R), "Consolidation of Variable Interest Entities" ("FIN 46(R)"). We consolidate (i) entities that are VIEs and of which we are deemed to be the primary beneficiary and (ii) entities that are non-VIEs which we control. Entities that we account for under the equity method (i.e. at cost, increased or decreased by our share of earnings or losses, less distributions) include (i) entities that are VIEs and of which we are not deemed to be the primary beneficiary and (ii) entities that are non-VIEs which we do not control, but over which we have the ability to exercise significant influence. We will reconsider our determination of whether an entity is a VIE and who the primary beneficiary is if certain events occur that are likely to cause a change in the original determinations.

During 2005, we entered into a joint venture with CPA®:16 - Global, an affiliate, in which we both own a 50% interest in a property in Paris, France that is leased to the Prefecture de Police. In accordance with FIN 46(R), we consolidate this VIE as we believe that we are the primary beneficiary.

In June 2005, the Emerging Issues Task Force issued EITF 04-05, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights" ("EITF 04-05"). The scope of EITF 04-05 is limited to limited partnerships or similar entities that are not variable interest entities under FIN 46(R). The Task Force reached a consensus that the general partners in a limited partnership (or similar entity) are presumed to control the entity regardless of the level of their ownership and, accordingly, may be required to consolidate the entity. This presumption may be overcome if the agreements provide the limited partners with either (a) the substantive ability to dissolve (liquidate) the limited partnership or otherwise remove the general partners without cause or (b) substantive participating rights. If it is deemed that the limited partners' rights overcome the presumption of control by a general partner of the limited partnership, the general partner shall account for its investment in the limited partnership using the equity method of accounting. We adopted EITF 04-05 in June 2005 for all arrangements created or modified after June 29, 2005. For all other arrangements, we adopted EITF 04-05 on January 1, 2006. As a result of adopting EITF 04-05, we now consolidate five limited partnerships and two limited liability companies with total assets of $452,421 and total liabilities of $261,752 at December 31, 2006 that were previously accounted for under the equity method of accounting. The portion of these entities not owned by us is presented as minority interest as of and during the periods consolidated. All material inter-entity transactions have been eliminated.

We have interests in five joint ventures that are consolidated and have minority interests that have finite lives and were considered mandatorily redeemable non-controlling interests prior to the issuance of FSP 150-3. As a result of the deferral provisions of FSP 150-3, these minority interests have not been reflected as liabilities.

Impairments

Impairment charges may be recognized on long-lived assets, including but not limited to, real estate, direct financing leases, assets held for sale and equity investments in real estate. Estimates and judgments are used when evaluating whether these assets are impaired. When events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, we perform projections of undiscounted cash flows, and if such cash flows are insufficient, the assets are adjusted (i.e., written down) to their estimated fair value. An analysis of whether a real estate asset has been impaired requires us to make our best estimate of market rents, residual values and holding periods. In our evaluations, we generally obtain market information from outside sources; however, such information requires us to determine whether the information received is appropriate to the circumstances. As our investment objective is to hold properties on a long-term basis, holding periods used in the analyses generally range from five to ten years. Depending on the assumptions made and estimates used, the future cash flow projected in the evaluation of long-lived assets can vary within a range of outcomes. We will consider the likelihood of possible outcomes in determining the best possible estimate of future cash flows. Because in most cases, each of our properties is leased to one tenant, we are more likely to incur significant writedowns when circumstances change because of the possibility that a property will be vacated in its entirety and, therefore, it is different from the risks related to leasing and managing multi-tenant properties. Events or changes in circumstances can result in further non-cash writedowns and impact the gain or loss ultimately realized upon sale of the assets.

We perform a review of our estimate of residual value of our direct financing leases at least annually to determine whether there has been an other than temporary decline in the current estimate of residual value of the

underlying real estate assets (i.e., the estimate of what we could realize upon sale of the property at the end of the lease term). If the review indicates a decline in residual value, that is other than temporary, a loss is recognized and the accounting for the direct financing lease will be revised to reflect the decrease in the expected yield using the changed estimate, that is, a portion of the future cash flow from the lessee will be recognized as a return of principal rather than as revenue. While an evaluation of potential impairment of real estate subject to operating leases is determined by a change in circumstances, the evaluation of a direct financing lease can be affected by changes in long-term market conditions even though the obligations of the lessee are being met. Changes in circumstances include, but are not limited to, vacancy of a property not subject to a lease and termination of a lease. We may also assess properties for impairment because a lessee is experiencing financial difficulty and because management expects that there is a reasonable probability that the lease will be terminated in a bankruptcy proceeding or a property remains vacant for a period that exceeds the period anticipated in a prior impairment evaluation.

Investments in unconsolidated joint ventures are accounted for under the equity method and are recorded initially at cost, as equity investments in real estate and subsequently adjusted for our proportionate share of earnings and cash contributions and distributions. On a periodic basis, we assess whether there are any indicators that the value of equity investments in real estate may be impaired and whether or not that impairment is other than temporary. To the extent impairment has occurred, the charge shall be measured as the excess of the carrying amount of the investment over the fair value of the investment.

When we identify assets as held for sale, we discontinue depreciating the assets and estimate the sales price, net of selling costs, of such assets. If in our opinion, the net sales price of the assets which have been identified for sale is less than the net book value of the assets, an impairment charge is recognized and a valuation allowance is established. To the extent that a purchase and sale agreement has been entered into, the allowance is based on the negotiated sales price. To the extent that we have adopted a plan to sell an asset but have not entered into a sales agreement, we will make judgments of the net sales price based on current market information. We will continue to review the initial valuation for subsequent changes in the fair value less cost to sell and will recognize an additional impairment charge or a gain (not to exceed the cumulative loss previously recognized). If circumstances arise that previously were considered unlikely and, as a result, we decide not to sell a property previously classified as held for sale, the property is reclassified as held and used. A property that is reclassified is measured and recorded individually at the lower of (a) its carrying amount before the property was classified as held for sale, adjusted for any depreciation expense that would have been recognized had the property been continuously classified as held and used or (b) the fair value at the date of the subsequent decision not to sell.

Provision for Uncollected Amounts from Lessees

On an ongoing basis, we assess our ability to collect rent and other tenant-based receivables and determine an appropriate allowance for uncollected amounts. Because we have a limited number of lessees (18 lessees represented approximately 65% of annual lease revenue during 2006), we believe that it is necessary to evaluate the collectibility of these receivables based on the facts and circumstances of each situation rather than solely using statistical methods. We generally recognize a provision for uncollected rents and other tenant receivables and measure our allowance against actual arrearages. For amounts in arrears, we make subjective judgments based on our knowledge of a lessee's circumstances and may reserve for the entire receivable amount from a lessee because there has been significant or continuing deterioration in the lessee's ability to meet its lease obligations.

Fair Value of Assets and Liabilities

In connection with the Merger in 2004, we acquired a subordinated interest in a mortgage trust that consists of limited recourse loans on 62 properties that we own or two of our affiliates own. The fair value of the interests in the trust is determined using a discounted cash flow model with assumptions of market rates and the credit quality of the underlying lessees. If there are adverse changes in either market rates or the credit quality of the lessees, the model and, therefore, the income recognized from the subordinated interests and the fair value would be adjusted.

We measure derivative instruments, including certain derivative instruments embedded in other contracts, if any, at fair value and record them as an asset or liability, depending on our right or obligations under the applicable derivative contract. For derivatives designated as fair value hedges, the changes in the fair value of both the derivative instrument and the hedged item are recorded in earnings (i.e., the forecasted event occurs). For derivatives designated as cash flow hedges, the effective portions of the derivatives are reported in other comprehensive income and are subsequently reclassified into earnings when the hedged item affects earnings. Changes in the fair value of derivative instruments not designated as hedging and ineffective portions of hedges are recognized in earnings in the affected period. To determine the value of warrants for common stock which are classified as derivatives, various estimates are included in the options pricing model used to determine the value of a warrant.

Interest to be Capitalized in Connection with Real Estate Under Construction

Operating real estate is stated at cost less accumulated depreciation. Costs directly related to build-to-suit projects, primarily interest, if applicable, are capitalized. Interest capitalized in 2006 and 2005 was approximately $240 and $654, respectively. We consider a build-to-suit project as substantially completed upon the completion of improvements. If portions of a project are substantially completed and occupied and other portions have not yet reached that stage, the substantially completed portions are accounted for separately. We allocate costs incurred between the portions under construction and the portions substantially completed and only capitalize those costs associated with the portion under construction. We do not have a credit facility and determine an interest rate to be applied for capitalizing interest based on an average rate on our outstanding limited recourse mortgage debt.

Income Taxes

We have elected and expect to continue to be treated as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"). In order to maintain our qualification as a REIT, we are required, among other things, to distribute at least 90% of our net taxable income (excluding net capital gains) to our shareholders and meet certain tests regarding the nature of our income and assets. As a REIT, we are not subject to U.S. federal income tax to the extent we distribute our net taxable income annually to our shareholders. Accordingly, no provision for U.S. federal income taxes is included in the accompanying consolidated financial statements. We have and intend to continue to operate so that we meet the requirements for taxation as a REIT. Many of these requirements, however, are highly technical and complex. If we were to fail to meet these requirements, we would be subject to U.S. federal income tax. We are subject to certain state, local and foreign taxes.

Recent Accounting Pronouncements

EITF 04-05

We adopted EITF 04-05 in June 2005 for all limited partnerships created or modified after June 29, 2005 and on January 1, 2006 for all other arrangements. Refer to "Critical Accounting Estimates - Basis of Consolidation" above for a discussion of EITF 04-05 and its effect on our financial position and results of operations.

FSP FAS 13-1

In October 2005, the FASB issued Staff Position No. 13-1 "Accounting for Rental Costs Incurred during a Construction Period" ("FSP FAS 13-1"). FSP FAS 13-1 addresses the accounting for rental costs associated with operating leases that are incurred during the construction period. FSP FAS 13-1 makes no distinction between the right to use a leased asset during the construction period and the right to use that asset after the construction period. Therefore, rental costs associated with ground or building operating leases that are incurred during a construction period shall be recognized as rental expense, allocated over the lease term in accordance with SFAS No. 13 and Technical Bulletin 85-3. FSP FAS 13-1 is effective for the first reporting period beginning after December 15, 2005. We adopted FSP FAS 13-1 as required on January 1, 2006 and the initial application of this Staff Position did not have a material impact on our financial position or results of operations.

SFAS 155

In February 2006, the FASB issued Statement No. 155, "Accounting for Certain Hybrid Financial Instruments an Amendment of FASB No. 133 and 140" ("SFAS 155"). The purpose of SFAS 155 is to simplify the accounting for certain hybrid financial instruments by permitting fair value re-measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. SFAS 155 also eliminates the restriction on passive derivative instruments that a qualifying special-purpose entity may hold. We must adopt SFAS 155 effective January 1, 2007 and do not believe that this adoption will have a material impact on our financial position or results of operations.

FIN 48

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" ("FIN 48"), which clarifies the accounting for uncertainty in income tax positions. This Interpretation requires that we recognize in its consolidated financial statements the impact of a tax position that is more likely than not to be sustained upon examination based on the technical merits of the position. We must adopt FIN 48 effective January 1, 2007. We are currently evaluating the impact of adopting FIN 48 on its consolidated financial statements.

SAB 108

In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108") which was issued in order to eliminate the diversity of practice surrounding how public companies quantify financial statement misstatements.

Traditionally, there have been two widely-recognized methods for quantifying the effects of financial statement misstatements: the "rollover" method and the "iron curtain" method. The rollover method focuses primarily on the impact of a misstatement on the income statement - including the reversing effect of prior year misstatements - but its use can lead to the accumulation of misstatements in the balance sheet. The iron curtain method, on the other hand, focuses primarily on the effect of correcting the period-end balance sheet with less emphasis on the reversing effects of prior year errors on the income statement. We currently use the iron curtain method for quantifying identified financial statement misstatements.

In SAB 108, the SEC staff established an approach that requires quantification of financial statement misstatements based on the effects of the misstatements on each of our financial statements and the related financial statement disclosures. This model is commonly referred to as a "dual approach" because it requires quantification

of errors under both the iron curtain and rollover methods. SAB 108 permits existing public companies to initially apply its provisions either by (i) restating prior financial statements as if the “dual approach” had always been used or (ii) recording the cumulative effect of initially applying the “dual approach” as adjustments to the carrying values of assets and liabilities as of January 1, 2006 with an offsetting adjustment recorded to the opening balance of retained earnings. Use of the “cumulative effect” transition method requires detailed disclosure of the nature and amount of each individual error being corrected through the cumulative adjustment and how and when it arose. We adopted SAB 108 using the cumulative effect transition method effective December 31, 2006. The adoption of SAB 108 did not have an impact on our financial position or results of operations.

SFAS 157

In September 2006, the FASB issued Statement No. 157, “Fair Value Measurements” (“SFAS 157”). SFAS 157 provides guidance for using fair value to measure assets and liabilities. This statement clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing the asset or liability. SFAS 157 establishes a fair value hierarchy, giving the highest priority to quoted prices in active markets and the lowest priority to unobservable data. SFAS 157 applies whenever other standards require assets or liabilities to be measured at fair value. This statement is effective for our 2008 fiscal year, although early adoption is permitted. We believe that the adoption of SFAS 157 will not have a material effect on our financial position or results of operations.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In thousands

MARKET RISKS

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

We are exposed to the impact of interest rate changes primarily through our borrowing activities. To limit this exposure, we attempt to obtain mortgage financing on a long-term, fixed-rate basis. However, from time to time, we or our joint venture partners may obtain variable rate mortgage loans and may enter into interest rate swap agreements with lenders which effectively convert the variable rate debt service obligations of the loan to a fixed rate. These interest rate swaps are derivative instruments designated as cash flow hedges on the forecasted interest payments on the debt obligation. Interest rate swaps are agreements in which a series of interest rate flows are exchanged over a specific period. The notional amount on which the swaps are based is not exchanged.

Our objective in using derivatives is to limit our exposure to interest rate movements. We do not use derivative instruments to hedge foreign exchange rate risk exposure, credit/market risks or for speculative purposes.

We account for our derivative instruments in accordance with SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities," as amended ("SFAS 133"). Certain stock warrants that were granted to us by lessees in connection with structuring the initial lease transactions are defined as derivative instruments because these stock warrants are readily convertible to cash or provide for net settlement upon conversion. Pursuant to SFAS 133, changes in the fair value of such derivative instruments are determined using an option pricing model and are recognized currently in earnings as gains or losses.

Because we transact business Belgium, Finland, France, Germany, Poland and the United Kingdom, we are also exposed to foreign exchange rate movements. We manage foreign exchange rate movements by generally placing both our debt obligation to the lender and the tenant's rental obligation to us in the local currency, but remain subject to such movements to the extent of the difference.

Interest Rate Risk

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

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political conditions, and other factors beyond our control. An increase in interest rates would likely cause the value of our owned and managed assets to decrease, which would create lower revenues from managed assets lower investment performance for the managed funds. Increases in interest rates may also have an impact on the credit profile of certain tenants.

Although we have not experienced any credit losses on investments in loan participations, in the event of a significant rising interest rate environment and/or economic downturn, loan defaults could increase and result in

us recognizing credit losses, which could adversely affect our liquidity and operating results. Further, such defaults could have an adverse effect on the spreads between interest earning assets and interest bearing liabilities.

During 2006, we obtained a 120,257 variable rate mortgage loan ($145,222 based upon the applicable exchange rate at the date of acquisition), and entered into two interest rate swap agreements which combined have a notional amount which match the scheduled debt principal amounts to the outstanding balance over the related term ending July 2016. The interest rate swap agreements became effective in July 2006. Our affiliate owns a 25% interest in this venture. During 2004, we obtained a $23,171 variable rate mortgage loan and concurrently entered into an interest rate swap agreement, which has a notional amount of $23,139 and $20,740 as of December 31, 2006 and 2005, respectively and a term ending February 2014. At December 31, 2006, the interest rate swaps had a fair value of $3,676 and were included in other assets. At December 31, 2005, the sole interest rate swap had a fair value liability of $903.

We own marketable securities through our ownership interests 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 December 31, 2006, our interest in CCMT had a fair value of $11,129. As of December 31, 2006, warrants issued to us by Information Resources, Inc., Compucom Systems, Inc. and Fitness Ventures are classified as derivative instruments and had an aggregate fair value of $1,891.

At December 31, 2006, all of our long-term debt either bears interest at fixed rates, is fixed through the use of interest rate swap instruments that convert variable rate debt service obligations to a fixed rate, or is at a fixed rate but which converts to variable rates during the term. 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 annual interest rates on our fixed rate debt as of December 31, 2006 ranged from 4.25% to 10%. The annual interest rates on our variable rate debt as of December 31, 2006 ranged from 5% to 6.87%

	2007	2008	2009	2010	2011	Thereafter	Total	Fair value
Fixed rate debt	$ 35,156	$ 33,515	$ 148,723	$ 61,622	$ 143,295	$ 1,122,887	$ 1,545,198	$ 1,541,780
Weighted average interest rate	6.21%	6.06%	7.19%	6.53%	6.10%	5.83%		
Variable rate debt	$ 6,106	$ 6,818	$ 7,662	$ 8,445	$ 9,142	$ 262,513	$ 300,686	$ 300,686

As more fully described in Summary of Financing above, our current variable rate debt obligations include some obligations which are currently subject to variable rate obligations but have been hedged and some obligations which may convert to variable during their term. A change in interest rates of 1% would increase or decrease by an aggregate of $87,981 the combined fair value of our fixed rate debt, our hedges of variable rate debt and our mortgage obligations which are currently fixed rate but which have interest rate reset features which may change the interest rates to variable rates during their term.

Foreign Currency Exchange Rate Risk

We have foreign operations in the European Union 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 for the preceding year were conducted in the Euro and the British pound sterling (U.K.). For these currencies 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 foreign currency. Net realized foreign currency translation gains (losses) were $824, $(645) and $3,414, for the years ended December 31, 2006, 2005 and 2004, respectively and net unrealized foreign currency translation gains (losses) were $1,958, $(2,736) and $2,091 for the years ended December 31, 2006, 2005 and 2004, respectively. Such gains (losses) are included in the accompanying consolidated 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 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.

Scheduled future minimum rents, exclusive of renewals, under non-cancelable leases during each of the next five years and thereafter from our foreign operations, are as follows:

Lease Revenues (1)	2007	2008	2009	2010	2011	Thereafter	Total
Euro	$ 84,510	$ 84,510	$ 84,510	$ 81,964	$ 73,772	$ 566,737	$ 976,003
British pound sterling	8,158	8,303	8,673	8,743	8,814	199,041	241,732
	$ 92,668	$ 92,813	$ 93,183	$ 90,707	$ 82,586	$ 765,778	$ 1,217,735

Scheduled debt service payments (principal and interest) for the mortgage notes payable during each of the next five years and thereafter from our foreign operations, are as follows:

Debt Service (1) (2)	2007	2008	2009	2010	2011	Thereafter	Total
Euro	$ 53,902	$ 54,717	$ 55,682	$ 56,973	$ 117,464	$ 739,377	$ 1,078,115
British pound sterling	8,281	4,567	4,785	8,553	4,261	67,486	97,933
	$ 62,183	$ 59,284	$ 60,467	$ 65,526	$ 121,725	$ 806,863	$ 1,176,048

(1) Based on the applicable December 31, 2006 exchange rate. Contractual rents and mortgage notes are denominated in the functional currency of the country of each property.

(2) Interest on variable rate debt obligations was calculated using the applicable variable interest rate as of December 31, 2006.

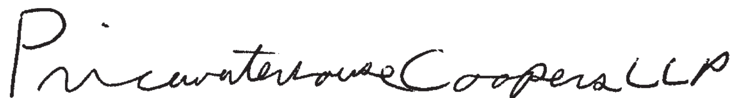
Debt service payments for 2010 and 2011 include balloon payments of $3,860 (British pounds sterling) and $40,667 (Euro), respectively. Additionally, as a result of statutory lease durations in France, projected debt service obligations exceed projected lease revenues in the years 2011 and thereafter. We currently expect the impact from future lease renewals, including any renewals on our properties in France, will be sufficient to cover our debt service obligations in those years.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Corporate Property Associates 15 Incorporated:

In our opinion, the consolidated balance sheets and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Corporate Property Associates 15 Incorporated and its subsidiaries at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the Company adopted EITF 04-05 in 2006.



PricewaterhouseCoopers LLP
New York, New York
March 22, 2007

CONSOLIDATED BALANCE SHEETS

In thousands, except share and per share amounts

	December 31, 2006	2005
ASSETS		
Real estate, net	$ 2,129,076	$ 1,754,493
Net investment in direct financing leases	480,699	440,415
Equity investments in real estate	116,577	185,055
Real estate under construction	11,587	—
Assets held for sale	—	13,873
Cash and cash equivalents	174,375	131,448
Marketable securities	11,167	11,323
Intangible assets, net	285,651	236,871
Funds in escrow	56,900	44,734
Other assets, net	70,264	38,289
Total assets	$ 3,336,296	$ 2,856,501
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Limited recourse mortgage notes payable	$ 1,845,884	$ 1,469,149
Limited recourse mortgage notes payable on assets held for sale	—	7,831
Accrued interest	12,112	8,380
Accounts payable, accrued expenses and other liabilities	14,990	18,671
Due to affiliates	11,746	7,731
Deferred acquisition fees payable to affiliate	27,957	33,953
Prepaid and deferred rental income and security deposits	80,763	56,184
Distributions payable	21,099	20,460
Total liabilities	2,014,551	1,622,359
Minority interest in consolidated entities	275,809	198,942
Commitments and contingencies (Note 14)		
Shareholders' equity:		
Common stock, $0.001 par value; 240,000,000 shares authorized; 132,562,897 and 129,310,515 shares issued and outstanding, respectively	133	129
Additional paid-in capital	1,211,624	1,178,700
Distributions in excess of accumulated earnings	(139,223)	(122,369)
Accumulated other comprehensive income (loss)	13,245	(5,597)
	1,085,779	1,050,863
Less, treasury stock at cost, 4,178,710 and 1,751,690 shares, respectively	(39,843)	(15,663)
Total shareholders' equity	1,045,936	1,035,200
Total liabilities and shareholders' equity	$ 3,336,296	$ 2,856,501

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

CONSOLIDATED STATEMENTS OF INCOME

In thousands, except share and per share amounts

	For the years ended December 31,		
	2006	2005	2004
REVENUES			
Rental income	$ 230,227	$ 166,317	$ 114,032
Interest income from direct financing leases	41,515	32,831	18,097
Other real estate income	15,163	6,522	2,634
	286,905	205,670	134,763
OPERATING EXPENSES			
Depreciation and amortization	(60,644)	(45,938)	(29,950)
Property expenses	(37,196)	(31,281)	(19,755)
General and administrative	(10,697)	(10,597)	(8,412)
Impairment charge	(19,678)	—	—
	(128,215)	(87,816)	(58,117)
OTHER INCOME AND EXPENSES			
Income from equity investments in real estate	7,849	15,499	10,065
Other interest income	7,044	4,368	3,291
Minority interest in income	(18,785)	(11,498)	(6,700)
Gain (loss) on foreign currency transactions and other gains, net	4,123	(3,208)	5,457
Interest expense	(123,696)	(82,355)	(49,627)
	(123,465)	(77,194)	(37,514)
Income from continuing operations	35,225	40,660	39,132
DISCONTINUED OPERATIONS			
Income from operations of discontinued properties	3,180	6,687	7,021
Gain on sale of real estate, net	48,870	571	478
Impairment charges on assets held for sale	(8,614)	(1,210)	(5,000)
Minority interest in income	(12,026)	(2,899)	(2,745)
Income (loss) from discontinued operations	31,410	3,149	(246)
Net Income	$ 66,635	$ 43,809	$ 38,886
EARNINGS PER SHARE			
Income from continuing operations	$ 0.27	$ 0.32	$ 0.34
Income from discontinued operations	0.25	0.03	—
Net income	$ 0.52	$ 0.35	$ 0.34
Distributions Declared Per Share	$ 0.6516	$ 0.6386	$ 0.6306
Weighted Average Shares Outstanding	128,478,526	126,926,108	112,766,233

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In thousands

	For the years ended December 31,		
	2006	2005	2004
Net income	$ 66,635	$ 43,809	$ 38,886
Other comprehensive income (loss):			
Change in foreign currency translation adjustment	14,967	(10,920)	3,118
Change in unrealized gain (loss) on marketable securities	190	(491)	344
Unrealized gain (loss) on derivative instruments	3,685	(375)	(528)
	18,842	(11,786)	2,934
Comprehensive income	$ 85,477	$ 32,023	$ 41,820

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the years ended December 31, 2006, 2005 and 2004
In thousands, except share and per share amounts

	Common Stock	Additional Paid-in Capital	Distribution in Excess of Accumulated Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at January 1, 2004	$ 106	$ 944,788	$ (52,887)	$ 3,255	$ (171)	$ 895,091
20,328,907 shares issued $.001 par, at $10 per share, net of offering costs	20	202,350				202,370
Distributions declared			(71,150)			(71,150)
Net income			38,886			38,886
Change in other comprehensive income (loss)				2,934		2,934
Repurchase of 397,342 shares					(3,923)	(3,923)
Balance at December 31, 2004	126	1,147,138	(85,151)	6,189	(4,094)	1,064,208
3,300,589 shares issued $.001 par, at $10 per share, net of offering costs	3	31,562				31,565
Distributions declared			(81,027)			(81,027)
Net income			43,809			43,809
Change in other comprehensive income (loss)				(11,786)		(11,786)
Repurchase of 1,335,541 shares					(11,569)	(11,569)
Balance at December 31, 2005	129	1,178,700	(122,369)	(5,597)	(15,663)	1,035,200
3,252,382 shares issued $.001 par, at $10 and $10.50 per share, net of offering costs	4	32,924				32,928
Distributions declared			(83,489)			(83,489)
Net income			66,635			66,635
Change in other comprehensive income (loss)				18,842		18,842
Repurchase of 2,427,020 shares					(24,180)	(24,180)
Balance at December 31, 2006	$ 133	$ 1,211,624	$ (139,223)	$ 13,245	$ (39,843)	$ 1,045,936

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands

	For the years ended December 31,		
	2006	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 66,635	$ 43,809	$ 38,886
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization including intangible assets and deferred financing costs	62,142	52,003	35,105
Income from equity investments in real estate in excess of distributions received	(1,891)	(1,101)	(632)
Minority interest in income	30,811	14,397	9,445
Straight-line rent adjustments	1,220	1,189	(5,200)
Issuance of shares to affiliate in satisfaction of fees due	13,440	11,190	6,487
Impairment charges	28,292	1,210	5,000
Unrealized gain (loss) on foreign currency transactions and other gains, net	(3,299)	2,563	(2,043)
Gains on sale of real estate, net	(48,870)	(571)	(478)
Realized gain (loss) on foreign currency transactions	(824)	645	(3,414)
Gain on extinguishment of debt	—	(363)	—
Funds released from escrow and restricted cash	11,770	—	—
Settlement proceeds assigned to tenant / lender	(7,678)	(338)	(2,754)
Changes in operating assets and liabilities, net of operating assets acquired and liabilities assumed in connection with acquisition of business operations	(6,930)	(584)	10,319
Net cash provided by operating activities	144,818	124,049	90,721
CASH FLOWS FROM INVESTING ACTIVITIES			
Distributions from equity investments in real estate in excess of equity income	1,184	3,069	1,570
Acquisitions of real estate and equity investments in real estate and other capitalized costs[a]	(202,890)	(394,128)	(688,335)
Payment of deferred acquisition fees to an affiliate	(9,455)	(6,001)	(3,253)
Purchase of short-term investments	—	—	(17,782)
Proceeds from redemption of short-term investments	—	—	55,615
Purchases of securities	—	—	(39,125)
Proceeds from sales of securities	—	20,000	130,125
Value added taxes recoverable on purchases of real estate	—	—	5,134
Proceeds from sale of real estate and equipment	237,985	23,723	16,828
Deposit of escrow from proceeds from sale of real estate	(4,754)	—	—
Increase in cash due to consolidation of certain ventures	8,181	—	—
Cash acquired in acquisition of business operations[b]	—	—	86,626
Cash payments to shareholders of acquired company	—	—	(231,826)
Net cash provided by (used in) investing activities	30,251	(353,337)	(684,423)

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

(Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands

	For the years ended December 31,		
	2006	2005	2004
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions paid	(82,850)	(80,475)	(67,797)
Distributions to minority interest partners	(122,745)	(18,505)	(6,900)
Contributions from minority interest partners	67,101	37,589	76,720
Proceeds from mortgages[c]	243,842	301,493	495,954
Prepayment of mortgage principal	(205,883)	—	—
Scheduled payments of mortgage principal	(30,339)	(26,272)	(13,206)
Deferred financing costs and mortgage deposits, net of deposits refunded	(399)	(585)	(163)
Prepayment of note payable	—	—	(3,862)
Loan from affiliate	84,000	—	—
Repayment of loan from affiliate	(84,000)	—	—
Proceeds from issuance of shares, net of costs	19,488	20,375	21,954
Purchase of treasury stock	(24,180)	(11,569)	(3,923)
Net cash (used in) provided by financing activities	(135,965)	222,051	498,777
Effect of exchange rate changes on cash	3,823	(5,837)	4,230
Net increase (decrease) in cash and cash equivalents	42,927	(13,074)	(90,695)
Cash and cash equivalents, beginning of year	131,448	144,522	235,217
Cash and cash equivalents, end of year	$ 174,375	$ 131,448	$ 144,522

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

(Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands

NON-CASH INVESTING AND FINANCING ACTIVITIES

(a) The cost basis of real estate investments acquired during 2006, 2005 and 2004 also includes deferred acquisition fees payable to W. P. Carey & Co. LLC of $3,459, $5,304 and $13,899, respectively.

(b) The merger with Carey Institutional Properties Incorporated ("CIP®"), as described in Note 3 to the consolidated financial statements, consisted of the acquisition and assumption of certain assets and liabilities, respectively, at fair value in exchange for the issuance of shares, a cash payment to CIP® shareholders who elected to redeem their shares and certain costs, as follows:

Real estate accounted for under the operating method	$ 228,465
Net investment in direct financing leases	136,638
Intangible assets	106,641
Equity investments in real estate	94,251
Investment in mortgage loan securitization	11,999
Other assets	3,255
Mortgage notes payable (cost $205,572)	(202,186)
Amounts due to CIP® shareholders[(i)]	(231,826)
Other liabilities [(ii)]	(24,161)
Minority interest	(35,497)
Issuance of common stock	(174,205)
Cash acquired in acquisition of CIP®'s business operations	$ 86,626

As part of the merger, the Company issued 17,420,571 shares of common stock of the Company to shareholders of CIP® in exchange for 15,982,176 shares of common stock of CIP®.

(i) Consists of distribution payable of $90,913 and $140,913 for redemption of shares, both of which were paid in 2004.

(ii) Includes current and deferred fees of $6,385 and $5,108 payable to the advisor (see Note 4 to the consolidated financial statements).

(c) Net of $7,678 and $1,941 held back by tenant / lenders to fund escrow accounts in 2006 and 2004. No such funds were held back by lenders in 2005.

SUPPLEMENTAL CASH FLOW INFORMATION

	For the years ended December 31,		
	2006	2005	2004
Interest paid, net of amounts capitalized	$ 107,569	$ 86,417	$ 53,639
Interest capitalized	$ 240	$ 654	$ 3,298

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share amounts

1
BUSINESS

Corporate Property Associates 15 Incorporated (the "Company") is a real estate investment trust ("REIT") that invests in commercial properties leased to companies domestically and internationally. The primary source of the Company's revenue is earned from leasing real estate, primarily on a triple-net basis. Revenue is subject to fluctuation because of the timing of new lease transactions, lease terminations, lease expirations, tenant defaults and sales of properties. As of December 31, 2006, the Company's portfolio consisted of 334 properties leased to 83 tenants and totaling approximately 30.7 million square feet. Subject to certain restrictions and limitations, the business of the Company is managed by W. P. Carey & Co. LLC ("WPC") and its subsidiaries (collectively referred to as the "advisor"). As of December 31, 2006, the advisor owns 4,528,437 shares of the Company's common stock.

Organization

The Company was formed as a Maryland corporation on February 26, 2001. Between November 7, 2001 and November 8, 2002, the Company sold a total of 39,930,312 shares of common stock for gross proceeds of $399,303 in gross offering proceeds. Between March 20, 2003 and August 7, 2003, the Company completed an offering for an additional 64,687,294 shares of its common stock to the public, for gross proceeds of $646,873. These proceeds have been combined with limited recourse mortgage debt to purchase the Company's real estate portfolio. As a REIT, the Company is not subject to U.S. 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.

On September 1, 2004, the Company completed a merger (the "Merger") with CIP®, an affiliate, for a total purchase price $519,477. Refer to Note 3 for details of the Merger.

2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

When the Company obtains an economic interest in an entity, the Company evaluates the entity to determine if the entity is deemed a variable interest entity ("VIE"), and if the Company is deemed to be the primary beneficiary, in accordance with FASB Interpretation No. 46(R), "Consolidation of Variable Interest Entities" ("FIN 46(R)"). The Company consolidates (i) entities that are VIEs and of which the Company is deemed to be the primary beneficiary and (ii) entities that are non-VIEs which the Company controls. Entities that the Company accounts for under the equity method (i.e., at cost, increased or decreased by the Company's share of earnings or losses, less distributions) include (i) entities that are VIEs and of which the Company is not deemed to

be the primary beneficiary and (ii) entities that are non-VIEs which the Company does not control, but over which the Company has the ability to exercise significant influence. The Company will reconsider its determination of whether an entity is a VIE and who the primary beneficiary is if certain events occur that are likely to cause a change in the original determinations.

During 2005, the Company entered into a joint venture with CPA®:16 - Global, an affiliate, in which both own a 50% interest in a property in Paris, France that is leased to the Prefecture de Police. In accordance with FIN 46(R), the Company consolidates this VIE as it believes that the Company is the primary beneficiary.

In June 2005, the Emerging Issues Task Force issued EITF 04-05, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights" ("EITF 04-05"). The scope of EITF 04-05 is limited to limited partnerships or similar entities that are not variable interest entities under FIN 46(R). The Task Force reached a consensus that the general partners in a limited partnership (or similar entity) are presumed to control the entity regardless of the level of their ownership and, accordingly, may be required to consolidate the entity. This presumption may be overcome if the agreements provide the limited partners with either (a) the substantive ability to dissolve (liquidate) the limited partnership or otherwise remove the general partners without cause or (b) substantive participating rights. If it is deemed that the limited partners' rights overcome the presumption of control by a general partner of the limited partnership, the general partner shall account for its investment in the limited partnership using the equity method of accounting. The Company adopted EITF 04-05 in June 2005 for all arrangements created or modified after June 29, 2005. For all other arrangements, the Company adopted EITF 04-05 on January 1, 2006. As a result of adopting EITF 04-05, the Company now consolidates five limited partnerships and two limited liability companies with total assets of $452,421 and total liabilities of $261,752 at December 31, 2006 that were previously accounted for under the equity method of accounting. The portion of these entities not owned by the Company is presented as minority interest as of and during the periods consolidated. All material inter-entity transactions have been eliminated.

The Company has interests in five joint ventures that are consolidated and has minority interests that have finite lives and were considered mandatorily redeemable non-controlling interests prior to the issuance of FSP 150-3. As a result of the deferral provisions of FSP 150-3, these minority interests have not been reflected as liabilities. The carrying value of these minority interests at December 31, 2006 and 2005 was $32,622 and $62,812, respectively. The fair value of these minority interests at December 31, 2006 and 2005 was $65,794 and $56,360, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications and Revisions

Certain prior year amounts have been reclassified to conform to the current year's financial statement presentation. The consolidated financial statements included in our anual report on Form 10-K have been adjusted to reflect the disposition (or planned disposition) of certain properties as discontinued operations for all periods presented.

Purchase Price Allocation

In connection with the Company's acquisition of properties, purchase costs are allocated to the tangible and intangible assets and liabilities acquired based on their estimated fair values. The value of the tangible assets, consisting of land, buildings and tenant improvements, are determined as if vacant. Intangible assets including the above-market value of leases, the value of in-place leases and the value of tenant relationships are recorded at their relative fair values. Below-market value of leases are also recorded at their relative fair values and are included in other liabilities in the accompanying consolidated financial statements.

Above-market and below-market in-place lease values for owned properties are recorded based on the present value (using an interest rate reflecting the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the leases negotiated and in-place at the time of acquisition of the properties and (ii) management's estimate of fair market lease rates for the property or equivalent property, measured over a period equal to the remaining non-cancelable term of the lease. The capitalized above-market lease value is amortized as a reduction of rental income over the remaining non-cancelable term of each lease. The capitalized below-market lease value is amortized as an increase to rental income over the initial term and any fixed rate renewal periods in the respective leases.

The total amount of other intangibles is allocated to in-place lease values and tenant relationship intangible values based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with each tenant. Characteristics that are considered in allocating these values include the nature and extent of the existing relationship with the tenant, prospects for developing new business with the tenant, the tenant's credit quality and the expectation of lease renewals among other factors. Third party appraisals or management's estimates are used to determine these values.

Factors considered in the analysis include the estimated carrying costs of the property during a hypothetical expected lease-up period, current market conditions and costs to execute similar leases. The Company also considers information obtained about a property in connection with its pre-acquisition due diligence. Estimated carrying costs include real estate taxes, insurance, other property operating costs and estimates of lost rentals at market rates during the hypothetical expected lease-up periods, based on management's assessment of specific market conditions. Management also considers estimated costs to execute leases, including commissions and legal costs, to the extent that such costs are not already incurred with a new lease that has been negotiated in connection with the purchase of the property.

Intangibles for both in-place and above-market leases are amortized to expense over the remaining initial lease term while intangibles for both tenant relationships and below-market leases are amortized to expense over the remaining initial lease term and any expected renewal terms. No amortization period for any intangible asset will exceed the remaining depreciable life of the building. In the event that a lease is terminated, the unamortized portion of each intangible is charged to expense. The purchase price allocation in connection with the Merger is described in Note 3.

Real Estate Under Construction and Redevelopment

For properties under construction, operating expenses including interest charges and other property expenses, including real estate taxes, are capitalized rather than expensed and incidental revenue is recorded as a reduction of capitalized project (i.e., construction) costs. Interest is capitalized by applying the interest rate applicable to outstanding borrowings to the average amount of accumulated expenditures for properties under construction during the period.

Cash and Cash Equivalents and Short-Term Investments

The Company considers all short-term, highly liquid investments that are both readily convertible to cash and have a maturity of three months or less at the time of purchase to be cash equivalents. Items classified as cash equivalents include commercial paper and money-market funds. At December 31, 2006 and 2005, the Company's cash and cash equivalents were held in the custody of several financial institutions, including international institutions, and these balances, at times, exceed federally insurable limits. The Company mitigates this risk by depositing funds only with major financial institutions.

Marketable Securities

Marketable securities, which consist of an interest in collateralized mortgage obligations as of December 31, 2006 and 2005 (see Note 10), are classified as available for sale securities and reported at fair value, with the Company's interest in unrealized gains and losses on these securities reported as a component of other comprehensive income (loss) until realized.

Other Assets

Included in other assets are deferred charges and deferred rental income. Deferred charges are costs incurred in connection with mortgage financings and refinancings and are amortized over the terms of the mortgages using the effective interest method and included in interest expense in the accompanying consolidated financial statements. Deferred rental income is the aggregate cumulative difference for operating leases between scheduled rents, which vary during the lease term, and rent recognized on a straight-line basis.

Deferred Acquisition Fees Payable to Affiliate

Fees are payable for services provided by the advisor 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 annual installments totaling 2% of the purchase price of the properties over no less than four years following the first anniversary of the date a property was purchased (see Note 4).

Treasury Stock

Treasury stock is recorded at cost.

Real Estate Leased to Others

Real estate is leased to others on a net lease basis whereby the tenant is generally responsible for all operating expenses relating to the property, including property taxes, insurance, maintenance, repairs, renewals and improvements. Expenditures for maintenance and repairs including routine betterments are charged to operations as incurred. Significant renovations that increase the useful life of the properties are capitalized. For the year ended December 31, 2006, lessees were responsible for the direct payment of real estate taxes of approximately $29,000.

The Company diversifies its real estate investments among various corporate tenants engaged in different industries, by property type and geographically. Two tenants, Mercury Partners, LP and U-Haul Moving Partners, Inc., jointly represented 10% of total lease revenue, inclusive of minority interest during 2006. Substantially all of the Company's leases provide for either scheduled rent increases, periodic rent increases based on formulas indexed to increases in the Consumer Price Index ("CPI") or percentage rents. CPI increases are contingent on future events and are therefore not included in straight-line rent calculations. Rents from percentage rents are recognized as reported by the lessees, that is, after the level of sales requiring a rental payment to the Company is reached.

The leases are accounted for as operating or direct financing leases. Such methods are described below:

Operating leases — Real estate is recorded at cost less accumulated depreciation; future minimum rental revenue is recognized on a straight-line basis over the term of the related leases and expenses (including depreciation) are charged to operations as incurred (Note 5).

Direct financing method — Leases accounted for under the direct financing method are recorded at their net investment (Note 6). Unearned income is deferred and amortized to income over the lease terms so as to produce a constant periodic rate of return on the Company's net investment in the lease.

On an ongoing basis, the Company assesses its ability to collect rent and other tenant-based receivables and determines an appropriate allowance for uncollected amounts. Because the Company has a limited number of lessees (18 lessees represented approximately 65% of annual lease revenue during 2006), the Company believes that it is necessary to evaluate the collectibility of these receivables based on the facts and circumstances of each situation rather than solely using statistical methods. The Company generally recognizes a provision for uncollected rents and other tenant receivables and measures its allowance against actual arrearages. For amounts in arrears, the Company makes subjective judgments based on its knowledge of a lessee's circumstances and may reserve for the entire receivable amount from a lessee because there has been significant or continuing deterioration in the lessee's ability to meet its lease obligations. For the years ended December 31, 2006 and 2005, the allowance for uncollected rents was $458.

Depreciation

Depreciation of building and related improvements is computed using the straight-line method over the estimated useful lives of the properties - generally ranging from 30 to 40 years. Depreciation of tenant improvements is computed using the straight-line method over the lesser of the remaining term of the lease or the estimated useful life.

Impairments

When events or changes in circumstances indicate that the carrying amount may not be recoverable, the Company assesses the recoverability of its long-lived assets and certain intangible assets based on projections of undiscounted cash flows, without interest charges, over the life of such assets. In the event that such cash flows are insufficient, the assets are adjusted to their estimated fair value. The Company performs a review of its estimate of the residual value of its direct financing leases at least annually to determine whether there has been an other than temporary decline in the Company's current estimate of residual value of the underlying real estate assets (i.e., the estimate of what the Company could realize upon sale of the property at the end of the lease term). If the review indicates a decline in residual value that is other than temporary, a loss is recognized and the accounting for the direct financing lease will be revised to reflect the decrease in the expected yield using the changed estimate, that is, a portion of the future cash flow from the lessee will be recognized as a return of principal rather than as revenue.

Investments in unconsolidated joint ventures are accounted for under the equity method and are recorded initially at cost as equity investments in real estate and are subsequently adjusted for the Company's proportionate share of earnings and cash contributions and distributions. On a periodic basis, the Company assesses whether there are any indicators that the value of equity investments in real estate may be impaired and whether or not that impairment is other than temporary. To the extent impairment has occurred, the charge shall be measured as the excess of the carrying amount of the investment over the fair value of the investment.

When the Company identifies assets as held for sale, it discontinues depreciating the assets and estimates the sales price, net of selling costs, of such assets. If in the Company's opinion, the net sales price of the assets which

have been identified for sale is less than the net book value of the assets, an impairment charge is recognized and a valuation allowance is established. To the extent that a purchase and sale agreement has been entered into, the allowance is based on the negotiated sales price. To the extent that the Company has adopted a plan to sell an asset but has not entered into a sales agreement, it will make judgments of the net sales price based on current market information. The Company will continue to review the initial valuation for subsequent changes in the fair value less costs to sell and will recognize an additional impairment charge or a gain (not to exceed the cumulative loss previously recognized). If circumstances arise that previously were considered unlikely and, as a result, the Company decides not to sell a property previously classified as held for sale, the property is reclassified as held and used. A property that is reclassified is measured and recorded individually at the lower of (a) its carrying amount before the property was classified as held for sale, adjusted for any depreciation expense that would have been recognized had the property been continuously classified as held and used or (b) the fair value at the date of the subsequent decision not to sell.

Foreign Currency Translation

The Company consolidates its real estate investments in the European Union and owns interests in properties in the European Union. The functional currencies for these investments are primarily the Euro and the British pound sterling (U.K.). The translation from these local currencies to the U.S. dollar is performed for assets and liabilities using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted average exchange rate during the period. The gains and losses resulting from such translation are reported as a component of other comprehensive income as part of shareholders' equity. As of December 31, 2006 and 2005, the cumulative foreign currency translation adjustment gain (loss) was $10,420 and ($4,547), respectively.

Foreign currency transactions may produce receivables or payables that are fixed in terms of the amount of foreign currency that will be received or paid. A change in the exchange rates between the functional currency and the currency in which a transaction is denominated increases or decreases the expected amount of functional currency cash flows upon settlement of that transaction. That increase or decrease in the expected functional currency cash flows is a foreign currency transaction gain or loss that generally will be included in determining net income for the period in which the exchange rate changes. Likewise, a transaction gain or loss (measured from the transaction date or the most recent intervening balance sheet date, whichever is later), realized upon settlement of a foreign currency transaction generally will be included in net income for the period in which the transaction is settled. Foreign currency transactions that are (i) designated as, and are effective as, economic hedges of a net investment and (ii) intercompany foreign currency transactions that are of a long-term nature (that is, settlement is not planned or anticipated in the foreseeable future), when the entities to the transactions are consolidated or accounted for by the equity method in the Company's financial statements will not be included in determining net income but will be accounted for in the same manner as foreign currency translation adjustments and reported as a component of other comprehensive income as part of shareholder's equity. The contributions to the equity investments in real estate were funded in part through subordinated debt.

Foreign currency intercompany transactions that are scheduled for settlement, consisting primarily of accrued interest and the translation to the reporting currency of intercompany subordinated debt with scheduled principal repayments, are included in the determination of net income, and the Company recognized unrealized gains (losses) of $1,958, ($2,736) and $2,091 from such transactions for the years ended December 31, 2006, 2005 and 2004, respectively. For the years ended December 31, 2006, 2005 and 2004, the Company recognized realized gains (losses) of $824, ($645) and $3,414, respectively, on foreign currency transactions in connection with the transfer of cash from foreign operations of subsidiaries to the parent company.

Derivative Instruments

The Company accounts for its derivative instruments in accordance with SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities," as amended ("SFAS 133"). Certain stock warrants which were granted to the Company by lessees in connection with structuring the initial lease transactions are defined as derivative instruments because such stock warrants are readily convertible to cash or provide for net settlement upon conversion. Pursuant to SFAS 133, changes in the fair value of such derivative instruments are determined using an option pricing model and are recognized currently in earnings as gains or losses. Changes in fair value for the year ended December 31, 2006 generated an unrealized gain of $1,342. As of December 31, 2006, warrants issued to the Company by Information Resources, Inc., Compucom Systems, Inc. and Fitness Ventures are classified as derivative instruments and had an aggregate fair value of $1,891 and $549 at December 31, 2006 and 2005, respectively. The Company has interest rate swap instruments on variable rate loans which had notional amounts of $180,772 and $20,740 as of December 31, 2006 and 2005, respectively. The interest rate swaps are derivative instruments designated as a cash flow hedges which allow the Company to limit its exposure to interest rate movements. Changes in the fair value of the interest rate swap agreements are included in other comprehensive income (loss). The interest rate swaps were entered into in 2004 and 2006 and reflected unrealized gains (losses) of $2,782, ($903) and ($528) at December 31, 2006, 2005 and 2004, respectively.

Assets Held for Sale

Assets held for sale are accounted for at the lower of carrying value or fair value less costs to dispose. Assets are classified as held for sale when the Company has committed to a plan to actively market a property for sale and expects that a sale will be completed within one year. The results of operations and the related gain or loss on sale of properties classified as held for sale are included in discontinued operations (see Note 9).

If circumstances arise that previously were considered unlikely and, as a result, the Company decides not to sell a property previously classified as held for sale, the property is reclassified as held and used. A property that is reclassified is measured and recorded individually at the lower of (a) its carrying amount before the property was classified as held for sale, adjusted for any depreciation expense that would have been recognized had the property been continuously classified as held and used or (b) the fair value at the date of the subsequent decision not to sell.

The Company recognizes gains and losses on the sale of properties when among other criteria, the parties are bound by the terms of the contract, all consideration has been exchanged and all conditions precedent to closing have been performed. At the time the sale is consummated, a gain or loss is recognized as the difference between the sale price less any closing costs and the carrying value of the property.

Income Taxes

The Company has elected and expects to continue to be treated as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"). In order to maintain its qualification as a REIT, the Company is required, among other things, to distribute at least 90% of its net taxable income (excluding net capital gains) to its shareholders and meet certain tests regarding the nature of its income and assets. As a REIT, the Company is not subject to U.S. federal income tax to the extent it distributes its net taxable income annually to its shareholders. Accordingly, no provision for U.S. federal income taxes is included in the accompanying consolidated financial statements. The Company has and intends to continue to operate so that it meets the requirements for taxation as a REIT. Many of these requirements, however, are highly technical and complex. If the Company were to fail to meet these requirements, the Company would be subject to U.S. federal income tax. The Company is subject to certain state, local and foreign taxes. State, local and franchise taxes of $149, $1,071

and $612 are included in general and administrative expenses for the years ended December 31, 2006, 2005 and 2004, respectively.

During the third quarter of 2005, upon being advised that certain distributions, beginning with the April 2004 distribution, might be construed to be preferential dividends, the Company promptly notified the IRS and submitted a request for a closing agreement. In March 2006, the Company entered into a closing agreement with the IRS, under which the IRS reached a final determination that it would not challenge the Company's qualification as a REIT, or the deductibility of dividends paid to its shareholders, for the tax years ended December 31, 2005 and 2004 based upon the manner in which the Company issued shares in its distribution reinvestment plan. In settlement of this matter, the advisor made a payment of $129 to the IRS and the Company cancelled the issuance of a de minimis number of shares issued pursuant to its distribution reinvestment plan that may have caused the dividends to be preferential.

Earnings Per Share

The Company has a simple equity capital structure with only common stock outstanding. As a result, earnings per share, as presented, represents both basic and dilutive per-share amounts for all periods presented in the accompanying consolidated financial statements.

Recent Accounting Pronouncements

EITF 04-05

The Company adopted EITF 04-05 in June 2005 for all limited partnerships created or modified after June 29, 2005 and on January 1, 2006 for all other arrangements. Refer to Basis of Consolidation above for a discussion of the effect of EITF 04-05 on the Company's financial position and results of operations.

FSP FAS 13-1

In October 2005, the FASB issued Staff Position No. 13-1 "Accounting for Rental Costs Incurred during a Construction Period" ("FSP FAS 13-1"). FSP FAS 13-1 addresses the accounting for rental costs associated with operating leases that are incurred during the construction period. FSP FAS 13-1 makes no distinction between the right to use a leased asset during the construction period and the right to use that asset after the construction period. Therefore, rental costs associated with ground or building operating leases that are incurred during a construction period shall be recognized as rental expense, allocated over the lease term in accordance with SFAS No. 13 and Technical Bulletin 85-3. FSP FAS 13-1 is effective for the first reporting period beginning after December 15, 2005. The Company adopted FSP FAS 13-1 as required on January 1, 2006 and the initial application of this Staff Position did not have a material impact on its financial position or results of operations.

SFAS 155

In February 2006, the FASB issued Statement No. 155, "Accounting for Certain Hybrid Financial Instruments an Amendment of FASB No. 133 and 140" ("SFAS 155"). The purpose of SFAS 155 is to simplify the accounting for certain hybrid financial instruments by permitting fair value re-measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. SFAS 155 also eliminates the restriction on passive derivative instruments that a qualifying special-purpose entity may hold. The Company must adopt SFAS 155 effective January 1, 2007 and does not believe that this adoption will have a material impact on its financial position or results of operations.

FIN 48

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109" ("FIN 48"), which clarifies the accounting for uncertainty in income tax positions. This Interpretation requires that the Company not recognize in its consolidated financial statements the impact of a tax position that fails to meet the more likely than not recognition threshold based on the technical merits of the position. The Company must adopt FIN 48 effective January 1, 2007. The Company is currently evaluating the impact of adopting FIN 48 on its consolidated financial statements.

SAB 108

In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108") which was issued in order to eliminate the diversity of practice surrounding how public companies quantify financial statement misstatements.

Traditionally, there have been two widely-recognized methods for quantifying the effects of financial statement misstatements: the "roll-over" method and the "iron curtain" method. The roll-over method focuses primarily on the impact of a misstatement on the income statement - including the reversing effect of prior year misstatements - but its use can lead to the accumulation of misstatements in the balance sheet. The iron-curtain method, on the other hand, focuses primarily on the effect of correcting the period-end balance sheet with less emphasis on the reversing effects of prior year errors on the income statement. The Company currently uses the iron-curtain method for quantifying identified financial statement misstatements.

In SAB 108, the SEC staff established an approach that requires quantification of financial statement misstatements based on the effects of the misstatements on each of the Company's financial statements and the related financial statement disclosures. This model is commonly referred to as a "dual approach" because it requires quantification of errors under both the iron curtain and roll-over methods. SAB 108 permits existing public companies to initially apply its provisions either by (i) restating prior financial statements as if the "dual approach" had always been used or (ii) recording the cumulative effect of initially applying the "dual approach" as adjustments to the carrying values of assets and liabilities as of January 1, 2006 with an offsetting adjustment recorded to the opening balance of retained earnings. Use of the "cumulative effect" transition method requires detailed disclosure of the nature and amount of each individual error being corrected through the cumulative adjustment and how and when it arose. The Company adopted SAB 108 effective December 31, 2006 using the cumulative effect transition method. The adoption of SAB 108 did not have animpact on the Company's financial position or results of operations.

SFAS 157

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS No. 157 provides guidance for using fair value to measure assets and liabilities. This statement clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing the asset or liability. SFAS No. 157 establishes a fair value hierarchy, giving the highest priority to quoted prices in active markets and the lowest priority to unobservable data. SFAS No. 157 applies whenever other standards require assets or liabilities to be measured at fair value. This statement is effective for the Company's 2008 fiscal year, although early adoption is permitted. The Company believes that the adoption of SFAS 157 will not have a material effect on its financial position or results of operations.

3 BUSINESS COMBINATION WITH CAREY INSTITUTIONAL PROPERTIES INCORPORATED

On September 1, 2004, a subsidiary of the Company and Carey Institutional Properties Incorporated ("CIP®"), an affiliated REIT managed by the advisor, completed a Merger pursuant to a merger agreement dated June 4, 2004 between the companies. The Merger provided a liquidation option for CIP® shareholders and provided for the continued growth and enhancement of the Company's investment portfolio. Under the terms of the Merger, which was approved by the shareholders of both companies at special meetings of the shareholders of each company held on August 24, 2004, the Company's subsidiary is the surviving company. The total purchase price for CIP® was $519,477, which is comprised of 17,420,571 shares ($174,206 based on $10 per share) of the Company's common stock, $140,913 in consideration for CIP® shareholders who redeemed their interests, fair value of debt assumed of $202,186 and transaction costs of $2,172. Prior to the completion of the Merger, CIP®'s interests in certain real estate assets that did not meet the investment objectives of the Company were sold to the advisor.

Under the terms of the merger agreement, each CIP® shareholder had the option of receiving either 1.09 shares of newly issued Company common stock or $10.90 in cash for each CIP® common share that he or she owned as of August 31, 2004. The exchange ratio for issuing shares was based on a third party valuation of CIP® and pursuant to fairness opinions that each company received from separate investment banking firms. Shareholders holding 15,982,176 shares of CIP® common stock received 17,420,571 shares of Company common stock and shareholders holding 12,927,812 shares of CIP® common stock elected to receive cash of $140,913 in consideration for redeeming their CIP® interests.

The Company accounted for the Merger under the purchase method of accounting. The purchase price was allocated to the assets acquired and liabilities assumed based upon their fair values. The assets acquired primarily consist of commercial real estate assets net leased to single tenants, cash, a subordinated interest in a mortgage loan securitization, receivables and deposits. The liabilities assumed primarily consist of mortgage notes payable, accrued interest, accounts payable, security deposits and amounts due to former CIP® shareholders. The amounts due to former CIP® shareholders were paid prior to September 30, 2004. The results of operations for the year ended December 31, 2004 include CIP® for the period from September 1, 2004 to December 31, 2004.

In connection with evaluating the fair value of real estate interests acquired, the Company assigned a portion of the value to both tangible assets and intangible assets. Intangible assets consist of values attributable to above-market and below-market leases, in-place lease intangibles and tenant relationships. As more fully described in Note 2, the allocation of value to tangible and intangible assets is based on certain critical accounting estimates. The value attributed to tangible assets is determined in part using a discounted cash flow model which is intended to approximate what a third party would pay to purchase the property as vacant and rent at "market" rates. Above-market and below-market lease intangibles are based on the difference between the market rent and the contractual rents and are discounted to a present value using an interest rate reflecting the Company's assessment of the risk associated with the lease acquired. In-place lease and tenant relationship values are based on the specific characteristics of each lease and estimated carrying costs of the property during a hypothetical expected lease-up period, current market conditions and costs to execute similar leases. The fair values of the interest in the mortgage loan securitization and mortgage notes payable were determined using cash flow models and assumptions about market interest rates at or near the date of the Merger. Substantially all of the other assets acquired and lia-

bilities assumed approximated their stated values and are short-term in nature.

4 AGREEMENTS AND TRANSACTIONS WITH RELATED PARTIES

Pursuant to an advisory agreement between the Company and the advisor, the advisor performs certain services for the Company including the identification, evaluation, negotiation, financing, purchase and disposition of investments, the day-to-day management of the Company and the performance of certain administrative duties. The advisory agreement between the Company and the advisor provides that the advisor receive asset management and performance fees, each of which are 1/2 of 1% per annum of average invested assets as defined in the advisory agreement. The performance fees are subordinated to the performance criterion, a non-compounded cumulative distribution return of 6% per annum. The asset management and performance fees are be payable in cash or restricted stock at the option of the advisor. For 2006, the advisor elected to receive its performance fees in restricted shares of common stock of the Company. The Company incurred base asset management fees of $13,957, $11,468 and $7,881 in 2006, 2005 and 2004, respectively, with performance fees in like amounts, which are included in property expenses in the accompanying consolidated financial statements.

In connection with structuring and negotiating acquisitions and related mortgage financing on behalf of the Company, the advisory agreement provides for acquisition fees averaging not more than 4.5%, based on the aggregate cost of investments acquired, of which 2% is deferred and payable in equal annual installments each January over no less than four years following the first anniversary of the date a property was purchased. Unpaid installments bear interest at an annual rate of 6%. Current acquisition fees were $4,324, $6,630 and $17,373 for investments that were acquired during 2006, 2005 and 2004, respectively. Deferred acquisition fees were $3,459, $5,304 and $13,899 for investments that were acquired during 2006, 2005 and 2004, respectively, and are payable to the advisor. An annual installment of deferred fees was paid to the advisor in January 2006.

In connection with managing the Company's day-to-day operations, the Company also reimburses the advisor for the allocated cost of personnel needed to provide administrative services necessary to the operations of the Company. The Company incurred personnel reimbursements of $3,921, $3,697 and $2,869 in 2006, 2005 and 2004, respectively, which are included in general and administrative expenses in the accompanying consolidated financial statements.

The advisor is obligated to reimburse the Company for the amount by which operating expenses of the Company exceeds the 2%/25% guidelines (the greater of 2% of average invested assets or 25% of net income) as defined in the advisory agreement for any twelve-month period. If in any year the operating expenses of the Company exceed the 2%/25% guidelines, the advisor will have an obligation to reimburse the Company for such excess, subject to certain conditions. If the independent directors find that such excess expenses were justified based on any unusual and nonrecurring factors which they deem sufficient, the advisor may be paid in future years for the full amount or any portion of such excess expenses, but only to the extent that such reimbursement would not cause the Company's operating expenses to exceed this limit in any such year. Charges related to asset impairment, bankruptcy of lessees, lease payment defaults, extinguishment of debt or uninsured losses are generally not considered unusual and nonrecurring. A determination that a charge is unusual and nonrecurring, such as the costs of significant litigation that are not associated with day-to day operations, or uninsured losses that are beyond the size or scope of the usual course of business based on the event history and experience of the advisor and independent directors, is made at the sole discretion of the independent directors. The Company will record any

reimbursement of operating expenses as a liability until any contingencies are resolved and will record the reimbursement as a reduction of asset management and performance fees at such time that a reimbursement is fixed, determinable and irrevocable. The operating expenses of the Company have not exceeded the amount that would require the advisor to reimburse the Company.

The advisor is entitled to receive subordinated disposition fees based upon the cumulative proceeds arising from the sale of Company assets since the inception of the Company, subject to certain conditions. Pursuant to the subordination provisions of the advisory agreement, the disposition fees may be paid only after the shareholders receive 100% of their initial investment from the proceeds of asset sales and a cumulative annual distribution return of 6% (based on an initial share price of $10) since the inception of the Company. The advisor's interest in such disposition fees amounted to $4,580 and $1,273 as of December 31, 2006 and 2005, respectively. Payment of such amount, however, cannot be made until the subordination provisions are met. The Company has concluded that payment of such disposition fees is probable and all fees from completed property sales have been accrued. Subordinated disposition fees are included in the determination of realized gain or loss on the sale of properties. The obligation for disposition fees is included in due to affiliates in the accompanying consolidated financial statements.

The Company owns interests in limited partnerships and limited liability companies which range from 30% to 75% and a jointly-controlled 64% interest in two properties subject to a master net lease, with the remaining interests generally owned by affiliates.

The Company is a participant in an entity with certain affiliates for the purpose of leasing office space used for the administration of real estate entities and sharing the associated costs. Pursuant to the terms of the agreement, the Company's share of rental occupancy and leasehold improvement costs is based on gross revenues of the affiliates. Expenses incurred in 2006, 2005 and 2004 were $1,090, $1,010 and $471, respectively. The Company's current share of aggregate future annual minimum lease payments is $886 through 2016.

In connection with the sale of a property in June 2006, the Company borrowed $84,000 from its advisor to defease the outstanding mortgage on the property. Proceeds from the sale were used to repay the borrowing. The Company incurred interest expense of $18 in connection with this borrowing.

5 REAL ESTATE

Real estate, which consists of land and buildings leased to others, at cost, and accounted for as operating leases is summarized as follows:

	December 31, 2006	2005
Cost	$ 2,274,562	$ 1,832,767
Less: Accumulated depreciation	(145,486)	(78,274)
	$ 2,129,076	$ 1,754,493

As a result of adopting the provisions of EITF 04-05, the Company now consolidates five limited partnerships and two limited liability companies with net real estate assets of $345,334 at December 31, 2006 that were previously accounted for under the equity method of accounting.

The Company and an affiliate own interests in a venture owning 15 properties formerly leased to Starmark

Holdings L.L.C. ("Starmark") (formerly the parent of Starmark Camhood L.L.C.) under a master lease agreement. The Company owns a 44% interest and is the managing member in a venture which owns these properties and, therefore, consolidates the investment on its financial statements pursuant to its adoption of EITF 04-05. The Company also leases two wholly-owned properties to Starmark Holdings under a separate master lease agreement.

In January 2006, the advisor entered into a cooperation agreement with Starmark. Under this cooperation agreement, the advisor, on behalf of the Company and its affiliate, agreed to cooperate in Starmark's efforts to sell its existing individual leasehold interests to third parties and restructure the lease agreements. Additionally, Starmark's financial covenants were replaced by certain payment restrictions and an agreement to reserve certain of the proceeds of sale of the leasehold interests and other Starmark properties to cover certain costs the venture incurred in connection with transactions under the cooperation agreement.

In June 2006, the advisor approved a plan to restructure the master lease agreement with Starmark. Under the restructuring plan, six properties under the master lease agreement were re-leased to Life Time Fitness, Inc. ("Life Time"), a new tenant unaffiliated with Starmark, and Life Time entered into a commitment to provide $20,000 of improvements to these six properties. In connection with the restructuring, four properties formerly leased to Starmark were transferred to Life Time in exchange for Life Time's commitment to use $10,000 to fund a portion of the improvements to the six leased properties. This commitment is secured by letters of credit totaling $10,000. The venture has transferred title of these four properties to Life Time and the venture has no continuing involvement in the transferred properties. No gain or loss was recorded on the transfer of the four properties as the venture had previously written down the four transferred properties to their estimated fair values, as described below. The remaining $10,000 of improvements to the six leased properties will be funded through a rent abatement to the tenant of $2,322 and through security deposits and prepaid rent totaling $7,678 that were released by Starmark in the third quarter of 2006. The $20,000 of improvements are for the benefit of the venture and will be retained by the venture upon expiration of the lease. One additional property was re-leased to Town Sports International Holdings, Inc., a second new tenant unaffiliated with Starmark, on terms similar to the original lease with Starmark. The master lease agreement was amended to remove these properties.

As a result of approving the restructuring plan, during 2006, the venture recognized impairment charges on this investment totaling $27,571, comprised of a charge of $21,271 to write off intangible assets on properties leased to Starmark, of which $18,957 is included in income from continuing operations and $2,314 is included in income from discontinued operations, and an impairment charge of $6,300 included in income from discontinued operations to reduce the carrying value of the four transferred properties to their estimated fair values. The venture also prepaid/defeased the existing debt of $100,857 and incurred prepayment penalties and debt defeasance costs totaling $10,072. During the fourth quarter of 2006, the venture obtained new limited recourse mortgage financing of $80,000 on the Life Time properties at a fixed annual interest rate of 5.75% with a 10-year term.

In December 2006, a third party, Fitness Ventures LLC ("Fitness Ventures") purchased 100% of the existing shareholders' interests in the ownership of Starmark. At this time, Fitness Ventures issued the venture warrants to acquire up to 10% of its equity and entered into new leases for the four properties remaining under the master lease and for the two wholly-owned properties. The new leases have terms that are similar to the original leases. Concurrent with these transactions, the cooperation agreement with Starmark was terminated and the venture recognized lease termination income of $8,145, of which $7,678 represents security deposits and prepaid rent from Starmark and $467 represents the release of real estate tax escrows funded by the venture which have been replaced by escrows funded by the new lessees.

The amounts above are inclusive of minority interest. The minority venture partners will be allocated their

share of the net income effects of the termination revenue and the defeasance/repayment costs of the existing debt in the periods described.

The scheduled future minimum rents, exclusive of renewals and expenses paid by tenants and future CPI-based increases, under non-cancelable operating leases are as follows:

Year ending December 31,	
2007	$ 223,801
2008	224,688
2009	225,624
2010	224,365
2011	217,883
Thereafter through 2028	1,810,484

6
NET INVESTMENT IN DIRECT FINANCING LEASES

Net investment in direct financing leases is summarized as follows:

	December 31, 2006	December 31, 2005
Minimum lease payments receivable	$ 788,766	$ 814,567
Unguaranteed residual value	381,777	345,551
	1,170,543	1,160,118
Less: unearned income	(689,844)	(719,703)
	$ 480,699	$ 440,415

During 2006, the Company recognized impairment charges totaling $721 on two properties as a result of declines in the unguaranteed residual value of these properties.

Scheduled future minimum rents, exclusive of renewals and expenses paid by tenants and future CPI-based increases, under non-cancelable direct financing leases are as follows:

Year ending December 31,	
2007	$ 41,833
2008	41,656
2009	41,752
2010	42,062
2011	42,192
Thereafter through 2033	579,271

Percentage rent revenue was approximately $434 in 2006 and 2005. There was no percentage rent revenue in 2004.

7
EQUITY INVESTMENTS IN REAL ESTATE

The Company owns interests in single-tenant net leased properties leased to corporations through noncontrolling interests in (i) partnerships and limited liability companies in which its ownership interests are 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., Hologic, Inc., Marriott International, Inc., The Upper Deck Co., Del Monte Corporation, The Talaria Company (doing business as The Hinckley Company) and Goertz + Schiele GmbH & Co. and subsidiaries. The interests in the Marriott, Upper Deck and Del Monte properties were acquired in September 2004 in connection with the Merger. The interest in Hinckley was acquired in May 2005. The interests in Goertz + Schiele were acquired in November and December 2006.

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

	December 31, 2006	2005
Assets (primarily real estate)	$ 412,578	$ 820,624
Liabilities (primarily mortgage notes payable)	(202,465)	(486,369)
Partners' and members' equity	$ 210,113	$ 334,255
Company's share of equity investees' net assets	$ 116,577	$ 185,055

	For the years ended December 31, 2006	2005	2004
Revenue (primarily rental income and interest income from direct financing leases)	$ 43,390	$ 90,685	$ 84,612
Expenses (primarily interest on mortgages and depreciation)	(18,371)	(46,658)	(45,799)
Net income	$ 25,019	$ 44,027	$ 38,813
Company's share of net income from equity investments in real estate	$ 7,849	$ 15,499	$ 10,065

As a result of adopting the provisions of EITF 04-05, the Company now consolidates five limited partnerships and two limited liability companies that were previously accounted for under the equity method of accounting, and had a carrying value of $83,214 at December 31, 2005.

8
ACQUISITIONS OF REAL ESTATE-RELATED INVESTMENTS

Real Estate Acquired

2006 — The Company and an affiliate, through 75% and 25% interests in a venture, respectively, acquired an investment in Poland at a total cost of $183,300, which is based upon the applicable exchange rate of the Euro at

the date of acquisition and is inclusive of minority interest. In connection with this investment, the Company and its affiliate obtained $145,222 of non-recourse mortgage financing, based upon the applicable exchange rate of the Euro at the date of acquisition and inclusive of minority interest. Although the mortgage financing is variable, as a result of entering into two interest rate swap agreements, the Company has an effective blended annual fixed interest rate of 5%. The financing has a term of 10 years.

2005 — The Company completed three investments, at a total cost of $374,527, which is based upon the applicable exchange rate at the date of acquisition where appropriate. In connection with these investments, $269,614 in limited recourse mortgage financing was obtained with a weighted average annual interest rate and term of approximately 4.5% and 10 years, respectively. Included in the total cost of investments is $106,649 representing an investment in certain land and office facilities located in Paris, France. In connection with this investment, the Company obtained limited recourse mortgage financing of $78,585, based upon the applicable exchange rate at the date of closing, at a fixed annual interest rate of 4.35% for a term of 10 years.

Equity Investments in Real Estate Acquired

2006 — The Company, together with an affiliate, completed two equity investments in real estate (one in the United States and one in Germany) in entities where the Company's ownership interests are 50%. The Company is accounting for these investments under the equity method of accounting, as the Company does not have a controlling interest but exercises significant influence. The Company's proportionate share of cost and limited recourse mortgage financing in these investments is $20,987 and $11,719, respectively, based upon the applicable exchange rate at the date of acquisition. The weighted average annual fixed interest rate and term of the mortgage financing is 5.73% and 10 years, respectively.

2005 — The Company, together with an affiliate, completed an equity investment in real estate in an entity where the Company's ownership interest is less than 50%. The Company is accounting for this investment under the equity method of accounting, as the Company does not have a controlling interest. The Company's proportionate share of cost and limited recourse mortgage financing in this investment is $17,496 and $10,500, respectively. The annual interest rate and term of the mortgage financing is 6.26% and 20 years, respectively.

Real Estate Under Construction

2006 — The Company entered into a build-to-suit project to construct an addition at an existing facility up to a total projected cost of $14,660 of which $8,654 was expended through December 31, 2006. In connection with this transaction, the Company refinanced a limited recourse mortgage of $15,800 for $25,000 in August 2006. This transaction allowed the Company to obtain additional limited recourse mortgage financing at a lower fixed annual interest rate of 6.56% versus 6.98%. The new financing matures in September 2026.

2005 — The Company entered into three build-to-suit projects to construct additions at existing facilities at a total cost of $10,702. In connection with the completion of real estate under construction, the Company obtained limited recourse mortgage financing of $31,879 at a weighted average interest rate and term of approximately 6.4% and 16.5 years, respectively. All real estate under construction had been placed in service as of December 31, 2005.

9
DISCONTINUED OPERATIONS

2006 — A consolidated venture in which the Company and an affiliate hold 60% and 40% interests, respectively, sold a property in New York, New York leased to Clear Channel for $200,012, net of selling costs and inclusive of minority interest of $80,005. In connection with the sale, the venture recognized a gain on the sale of $41,101, net of a $10,253 writeoff of unrecoverable receivables related to future stated rent increases (inclusive of minority interests of $16,441 and $4,101, respectively). In connection with the sale, the venture also repaid the existing limited recourse mortgage obligation of $81,166 and incurred a charge for prepayment penalties and related costs totaling $2,981 (inclusive of minority interest of $32,466 and $1,192, respectively).

The Company also sold two domestic properties and an international property for combined proceeds of $37,973, net of selling costs, and recognized a net gain on sale of $7,769. In addition, the Company has accounted for the transfer of four properties to Lifetime Time (see Note 5) as a sale, as title was transferred to the new tenant and the Company has no continuing involvement in the transferred properties. No gain or loss was recorded on the sale of the four properties as the Company recognized impairment charges totaling $8,614 (inclusive of minority interest of $4,824) during 2006 to reduce the carrying value of the four transferred properties to their estimated fair values.

2005 — The Company sold domestic and international properties for combined proceeds of $23,509, net of selling costs, and recognized a combined net gain on sale of $1,662, excluding a reserve for uncollected rents of $1,812 previously recorded against the international property and impairment charges totaling $5,610 previously recorded against the domestic property. Prior to the sale of the domestic property, the Company received cash of $150 and a $4,000 promissory note with a term of approximately five years from the former tenant in settlement of its remaining lease obligations. The former tenant also agreed to forfeit its $1,694 security deposit. Through December 31, 2006, the tenant has made periodic payments totaling $1,300 on the promissory note. The Company has reserved for substantially all the remaining amounts due under the note.

In November 2005, the Company entered into a deed-in-lieu transaction with the lender of limited recourse mortgage financing at a partially vacant property in Tulsa, Oklahoma. In connection with this transaction, the Company transferred the property to the lender in return for release from the outstanding debt obligation and recorded a charge on extinguishment of debt of $363. The Company had previously recognized impairment charges totaling $24,600 against this property. During 2005, the Company also sold certain equipment at this property and recorded a loss of $1,091.

2004 — The Company sold a domestic property for $11,041, net of selling costs, and recognized a gain of $478. This property was acquired in September 2004 in connection with the Merger.

In accordance with SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the results of operations, impairment charges, gain or loss on sale of real estate and minority interest in income for properties held for sale are reflected in the accompanying consolidated financial statements as discontinued operations for all periods presented and are summarized as follows:

	For the years ended December 31,		
	2006	2005	2004
Revenues (primarily rental revenues)	$ 10,729	$ 21,752	$ 20,718
Expenses (primarily interest on mortgages including mortgage prepayment penalty, depreciation and property expenses)	(7,549)	(15,065)	(13,697)
Gain on sales of real estate, net	48,870	571	478
Impairment charges on assets held for sale	(8,614)	(1,210)	(5,000)
Minority interest in income	(12,026)	(2,899)	(2,745)
Income (loss) from discontinued operations	$ 31,410	$ 3,149	$ (246)

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INTEREST IN MORTGAGE LOAN SECURITIZATION

The Company is accounting for its subordinated interest in the Carey Commercial Mortgage Trust ("CCMT") mortgage securitization, acquired in September 2004 in connection with the Merger, as an available-for-sale security, which is measured at fair value with all gains and losses from changes in fair value reported as a component of accumulated other comprehensive income as part of shareholders' equity.

As of December 31, 2006 and 2005, the fair value of the Company's interest was $11,129 and $11,323, respectively, reflecting an unrealized gain (loss) of $43 and ($147) and accumulated amortization of $914 and $529 at December 31, 2006 and 2005, respectively. The fair value of the Company's interests in the CCMT mortgage securitization 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 SFAS 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 the market interest rates of 1% and 2% is as follows:

	Fair value as of December 31, 2006	1% adverse change	2% adverse change
Fair value of the Company's interest in CCMT	$ 11,129	$ 10,703	$ 10,297

The above sensitivity 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.

11
INTANGIBLES

In connection with its acquisition of properties, the Company has recorded net lease intangibles of $313,413, which are being amortized over periods ranging from six years and five months to 40 years. Amortization of below-market and above-market rent intangibles is recorded as an adjustment to revenue. Below-market rent intangibles are included in prepaid and deferred rental income and security deposits in the accompanying consolidated financial statements.

Intangibles are summarized as follows:

	December 31, 2006	2005
Lease intangibles		
In-place lease	$ 201,568	$ 157,737
Tenant relationship	36,585	29,474
Above-market rent	100,012	76,359
Less: accumulated amortization	(52,514)	(26,699)
	285,651	236,871
Below-market rent	(24,752)	(18,775)
Less: accumulated amortization	2,960	1,622
	(21,792)	(17,153)

Net amortization of intangibles, including the effect of foreign currency translation, was $22,653, $18,458 and $7,370 for the years ended December 31, 2006, 2005 and 2004, respectively. Based on the intangibles recorded through December 31, 2006, annual net amortization of intangibles for each of the next five years is expected to be $22,792.

As a result of adopting the provisions of EITF 04-05, the Company now consolidates five limited partnerships and two limited liability companies with net intangible assets of $37,275 at December 31, 2006 that were previously accounted for under the equity method of accounting.

In connection with the restructuring of a master lease agreement with Starmark, the Company has written off intangible assets totaling $21,271 (inclusive of minority interest of $10,460). During 2006, six properties under the master lease agreement were re-leased to a new tenant unaffiliated with Starmark and four properties were transferred to this tenant as a lease inducement. In connection with the transfer, the Company reclassified the results of operations of these properties as discontinued operations (see Note 9). Of the total intangible assets written off, $16,272 relates to in-place lease intangible assets, of which $14,456 is included in income from continuing operations and $1,816 is included in income from discontinued operations, and $4,999 relates to tenant relationship intangible assets of which $4,501 is included in income from continuing operations and $498 is included in income from discontinued operations.

12
DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's mortgage notes payable had a carrying value of $1,845,884 and $1,476,980 and an estimated fair value of $1,842,466 and $1,470,571 at December 31, 2006 and 2005, respectively. The Company's marketable securities, including the interest in CCMT, had a carrying value of $11,086 and $11,470 and a fair value of $11,129 and $11,323 at December 31, 2006 and 2005, respectively. The carrying values of other financial assets and liabilities approximated their fair values at December 31, 2006 and 2005. The fair value of debt instruments was evaluated using a discounted cash flow model with rates which take into account the credit of the tenants and interest rates risks.

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MORTGAGE NOTES PAYABLE

Mortgage notes payable, all of which are limited recourse to the Company, are collateralized by an assignment of real property and direct financing leases with a carrying value of $2,609,978 as of December 31, 2006. All of the Company's mortgage notes payable either bear interest at fixed rates, are fixed through the use of interest rate swap instruments that convert variable rate debt service obligations to a fixed rate, or are at a fixed rate but which convert to variable rates during their term. Mortgage notes payable had fixed annual interest rates ranging from 4.25% to 10% and variable annual interest rates ranging from 5% to 6.87% as of December 31, 2006.

Scheduled principal payments during each of the next five years and thereafter are as follows:

Year ending December 31,	Total Debt	Fixed Rate Debt	Variable Rate Debt
2007	$ 41,262	$ 35,156	$ 6,106
2008	40,333	33,515	6,818
2009	156,385	148,723	7,662
2010	70,067	61,622	8,445
2011	152,437	143,295	9,142
Thereafter through 2032	1,385,400	1,122,887	262,513
Total	$ 1,845,884	$ 1,545,198	$ 300,686

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COMMITMENTS AND CONTINGENCIES

As of December 31, 2006, the Company was not involved in any material litigation.

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 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®:10"), CIP®, Corporate Property Associates 12 Incorporated ("CPA®:12"), Corporate Property Associates 14 Incorporated ("CPA®: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 $9,600, 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®:10 paid in excess of $40; CIP® paid in excess of $875; CPA®:12 paid in excess of $2,455; CPA®:14 paid in excess of $4,990; and the Company paid in excess of $1,240. 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 Company expects the SEC may pursue 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 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.

Several state securities regulators have sought information from Carey Financial relating to the matters described above. While one or more states may commence proceedings against Carey Financial in connection with these inquiries, the Company does not currently expect that these inquiries will have a material effect on the advisor or Carey Financial incremental to that caused by any SEC action.

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RISK MANAGEMENT AND USE OF FINANCIAL INSTRUMENTS

Risk Management

In the normal course of its on-going business operations, the Company encounters economic risk. There are three main components of economic risk: interest rate risk, credit risk and market risk. The Company is subject to interest rate risk on its interest-bearing liabilities. Credit risk is the risk of default on the Company's operations and tenants' inability or unwillingness to make contractually required payments. Market risk includes changes in the value of the properties and related loans held by the Company due to changes in interest rates or other market factors. In addition, the Company transacts business in Belgium, Finland, France, Germany, Poland and the United Kingdom and is also subject to the risks associated with changing exchange rates.

Use of Derivative Financial Instruments

The Company is exposed to the impact of interest rate changes primarily through its borrowing activities. To limit this exposure, the Company attempts to obtain mortgage financing on a long-term, fixed-rate basis. However, from time to time, the Company may obtain variable rate mortgage loans and may enter into interest rate swap agreements with lenders which effectively convert the variable rate debt service obligations of the loan to a fixed rate. These interest rate swaps are derivative instruments designated as cash flow hedges on the forecasted interest payments on the debt obligation. The Company's objective in using derivatives is to limit its exposure to interest rate movements. The Company does not use derivative instruments to hedge foreign exchange rate risk exposure, credit/market risks or for speculative purposes.

The Company is also exposed to foreign exchange rate movements in the Euro and British Pound. The Company manages foreign exchange rate movements by generally placing both our debt obligation to the lender and the tenant's rental obligation to us in the local currency but remain subject to such movements to the extent of the difference.

During 2006, the Company obtained a 120,257 variable rate mortgage loan ($145,222 based upon the applicable exchange rate at the date of acquisition), and entered into two interest rate swap agreements which combined have a notional amount which match the scheduled debt principal amounts to the outstanding balance over the related term ending July 2016. The interest rate swap agreements became effective in July 2006. An affiliate of the Company owns a 25% interest in this venture. During 2004, the Company obtained a $23,171 variable rate mortgage loan and concurrently entered into an interest rate swap agreement, which has a notional amount of $23,139 and $20,740 as of December 31, 2006 and 2005, respectively and a term ending February 2014.

At December 31, 2006, the interest rate swaps had a fair value of $3,676 and were included in other assets. At December 31, 2005, the sole interest rate swap had a fair value liability of $903. The change in net unrealized gain (loss) of $3,685, $375 and $528 for the years ended December 31, 2006, 2005 and 2004, respectively, are included in other comprehensive income in shareholders' equity.

The Company owns stock warrants that were granted to the Company by lessees in connection with structuring the initial lease transactions which are defined as derivative instruments because these stock warrants are readily convertible to cash or provide for net settlement upon conversion. Changes in fair value for the years ended December 31, 2006 and 2005, generated an unrealized gain of $1,342 and $172, respectively. As of December 31, 2006 and 2005, warrants issued to the Company by Information Resources, Inc., Compucom Systems, Inc. and Fitness Ventures are classified as derivative instruments and had an aggregate fair value of $1,891 and $549, respectively.

Concentration of Credit Risk

Concentrations of credit risk arise when a number of tenants are engaged in similar business activities, or conduct business in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations, including those to the Company, to be similarly affected by changes in economic conditions. The Company regularly monitors its portfolio to assess potential concentrations of credit risk. The Company believes our portfolio is reasonably well diversified and does not contain any unusual concentration of credit risks.

The Company's real estate properties and related loans are located in the United States (66%) and Europe (34%), with France (15%) representing the only significant concentration (greater than 10% of annualized lease revenue). In addition, Mercury Moving Partners LP and U-Haul Moving Partners, Inc. jointly represented 10% of lease revenue in 2006, inclusive of minority interest. The Company's real estate properties contain significant

concentrations in the following asset types as of December 31, 2006: office (26%), industrial (18%), warehouse/distribution (17%), retail (15%) and self-storage (10%) and the following tenant industries as of December 31, 2006: retail trade (22%) and electronics (12%).

16
SHAREHOLDERS' EQUITY

Distributions

Distributions paid to shareholders consist of ordinary income, capital gains, return of capital or a combination thereof for income tax purposes. For the three years ended December 31, 2006, distributions per share reported for tax purposes were as follows:

	2006	2005	2004
Ordinary income	$ 0.38	$ 0.24	$ 0.40
Capital gains	0.27	—	0.04
Return of capital	—	0.40	0.19
	$ 0.65	$ 0.64	$ 0.63

The Company declared a quarterly distribution of $0.1644 per share in December 2006, which was paid in January 2007 to shareholders of record as of December 31, 2006.

Accumulated Other Comprehensive Income (Loss)

As of December 31, 2006 and 2005, accumulated other comprehensive income (loss) reflected in shareholders' equity is comprised of the following:

	2006	2005
Unrealized gain (loss) on marketable securities	$ 43	$ (147)
Unrealized gain (loss) on derivative instruments	2,782	(903)
Foreign currency translation adjustment	10,420	(4,547)
Accumulated other comprehensive income (loss)	$ 13,245	$ (5,597)

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SEGMENT INFORMATION

The Company has determined that it operates in one business segment, real estate operations, with domestic and foreign investments.

Geographic information for the real estate operations segment is as follows:

2006	Domestic	Foreign[1]	Total Company
Revenues	$ 192,308	$ 94,597	$ 286,905
Operating expenses	(96,898)	(31,317)	(128,215)
Income from equity investments in real estate	7,833	16	7,849
Interest expense, net	(76,897)	(39,755)	(116,652)
Other, net[2]	(12,945)	(1,717)	(14,662)
Income from continuing operations	$ 13,401	$ 21,824	$ 35,225
Equity investments in real estate	$ 107,946	$ 8,631	$ 116,577
Total long-lived assets	1,907,493	1,116,097	3,023,590
Total assets	2,164,221	1,172,075	3,336,296

2005	Domestic	Foreign[1]	Total Company
Revenues	$ 135,923	$ 69,747	$ 205,670
Operating expenses	(64,080)	(23,736)	(87,816)
Income from equity investments in real estate	15,204	295	15,499
Interest expense, net	(49,307)	(28,680)	(77,987)
Other, net[2]	(6,132)	(8,574)	(14,706)
Income from continuing operations	$ 31,608	$ 9,052	$ 40,660
Equity investments in real estate	$ 182,298	$ 2,757	$ 185,055
Total long-lived assets	1,792,321	824,513	2,616,834
Total assets	1,981,608	874,893	2,856,501

2004	Domestic	Foreign[1]	Total Company
Revenues	$ 95,946	$ 38,817	$ 134,763
Operating expenses	(45,730)	(12,387)	(58,117)
Income from equity investments in real estate	9,889	176	10,065
Interest expense, net	(30,438)	(15,898)	(46,336)
Other, net[2]	(3,339)	2,096	(1,243)
Income from continuing operations	$ 26,328	$ 12,804	$ 39,132
Equity investments in real estate	$ 177,522	$ 2,957	$ 180,479
Total long-lived assets	1,850,051	570,736	2,420,787
Total assets	2,120,272	598,124	2,718,396

(1) Consists of operations in the European Union.

(2) Consists of minority interest in income and gains and losses on foreign currency transactions and other gains, net.

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SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	For the three months ended			
	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006
Revenues	$ 64,521	$ 70,486	$ 70,669	$ 81,229
Operating expenses	(24,503)	(46,086)	(28,069)	(29,557)
Net income	15,339	22,493	5,296	23,507
Earnings per share	0.12	0.17	0.05	0.18
Distributions declared per share	0.1614	0.1624	0.1634	0.1644

	For the three months ended			
	March 31, 2005	June 30, 2005	September 30, 2005	December 31, 2005
Revenues	$ 48,077	$ 49,094	$ 53,656	$ 54,843
Operating expenses	(20,556)	(20,736)	(24,541)	(21,983)
Net income	7,636	11,343	8,415	16,415
Earnings per share	0.06	0.09	0.07	0.13
Distributions declared per share	0.1589	0.1594	0.1599	0.1604

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SUBSEQUENT EVENTS

In January 2007, the Company obtained $11,100 of limited recourse mortgage financing on an existing domestic property which was previously unencumbered. The mortgage financing has an annual fixed interest rate of 5.6% and a 10 year term.

Effective April 2, 2007, Trevor Bond is resigning from the Company's board of directors in connection with his appointment to the advisor's board of directors. Marshall Blume was appointed as an independent director of the Company's board of directors, effective April 2, 2007.

MARKET FOR COMPANY'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Unlisted Shares and Distributions

There is no established public trading market for our shares. As of March 16, 2007, there were 41,183 holders of record of our common stock.

We are required to distribute annually at least 90% of our distributable REIT taxable income to maintain our status as a REIT. Quarterly distributions declared by us for the past two years are as follows:

	2006	2005
First quarter	$ 0.1614	$ 0.1589
Second quarter	0.1624	0.1594
Third quarter	0.1634	0.1599
Fourth quarter	0.1644	0.1604
	$ 0.6516	$ 0.6386

Unregistered Sales of Equity Securities

For the three months ended December 31, 2006, 329,585 shares of common stock were issued to the advisor as consideration for performance fees. Shares were issued at $10.50 per share. Since none of these transactions were considered to have involved a "public offering" within the meaning of Section 4(2) of the Securities Act, as amended, the shares issued were deemed to be exempt from registration. In acquiring our shares, the advisor represented that such interests were being acquired by it for the purposes of investment and not with a view to the distribution thereof. We previously reported other sales of unregistered shares during the past three years in our prior filings.

Issuer Purchases of Equity Securities

2006 Period	Total number of shares purchased[(1)]	Average price plans or programs[(1)]	Total number of shares purchased as part of publicly announced plans or programs[(1)]	Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs[(1)]
October	—	$ —	N/A	N/A
November	—	$ —	N/A	N/A
December	444,263	$ 9.77	N/A	N/A
Total	444,263			

(1) All shares were purchased pursuant to our redemption plan. In November 1997, we announced a redemption plan under which we may elect to redeem shares subject to certain conditions and limitations. 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 our Board of Directors. The redemption plan will terminate if and when our shares are listed on a national securities market.

REPORT ON FORM 10-K

The advisor will supply to any shareholder, upon written request and without charge, a copy of the annual report on Form 10-K for the year ended December 31, 2006 as filed with the SEC. The 10-K may also be obtained through the SEC's EDGAR database at www.sec.gov.

CORPORATE INFORMATION

Management

Wm. Polk Carey
Chairman of the Board

Gordon F. DuGan
Chief Executive Officer

Benjamin P. Harris
President

Mark J. DeCesaris
Managing Director, Acting Chief Financial Officer and Chief Administrative Officer

Claude Fernandez
Managing Director and Chief Accounting Officer

Susan C. Hyde
Managing Director and Director of Investor Relations

Jan F. Kärst
Managing Director – Investments

Edward V. LaPuma
Managing Director – Investments

John D. Miller
Chief Investment Officer

John J. Park
Managing Director – Strategic Planning

Anne Coolidge Taylor
Managing Director – Investments

Thomas E. Zacharias
Managing Director and Chief Operating Officer

Douglas E. Barzelay
General Counsel

Jason E. Fox
Executive Director – Investments

Jeffrey S. Lefleur
Executive Director – Investments

Thomas Ridings
Executive Director – Accounting

Michael D. Roberts
Executive Director – Accounting

Gino M. Sabatini
Executive Director – Investments

Kristin Chung
Senior Vice President and Controller

Christopher Franklin
Senior Vice President

Donna M. Neiley
Senior Vice President – Asset Management

Richard J. Paley
Senior Vice President and Associate General Counsel

Gagan S. Singh
Senior Vice President – Finance

Yvonne Cheng
First Vice President – Asset Management

L. Janusz Hooker
First Vice President – Investments

Robert C. Kehoe
First Vice President and Treasurer

Leonard Law
First Vice President and Chief Information Officer

David G. Termine
First Vice President – Accounting

Sheena R. Laughlin
Director of Human Resources

Investment Committee of Carey Asset Management Corp.

Nathaniel S. Coolidge
Former Head of Bond and Corporate Finance Department, John Hancock Mutual Life Insurance Company

Dr. Lawrence R. Klein
Nobel Laureate in Economics, Benjamin Franklin Professor Economics (Emeritus), University of Pennsylvania

Frank J. Hoenemeyer
Former Vice Chairman and Chief Investment Officer, The Prudential Insurance Company of America

Dr. Karsten von Köller
Chairman, Lone Star Germany GmbH

George E. Stoddard
Former Head of the Direct Placement Department, The Equitable Life Assurance Society of The United States

Directors

Wm. Polk Carey
Chairman of the Board

Gordon F. DuGan
Chief Executive Officer

Dr. Marshall E. Blume
Director, Rodney L. White Center for Financial Research, University of Pennsylvania

Elizabeth P. Munson
President, The Rockefeller Trust Company

Richard J. Pinola
Chief Executive Officer and Chairman, Right Management Consultants

James D. Price
President, Price & Marshall, Inc.

Corporate Information

Auditors
PricewaterhouseCoopers LLP

Executive Offices
Corporate Property Associates 15, Inc.
50 Rockefeller Plaza
New York, NY 10020
212-492-1100
1-800-WP CAREY

Transfer Agent
Phoenix American Financial Services, Inc.
2401 Kerner Boulevard
San Rafael, CA 94901
1-888-241-3737
www.wpcarey.com/shareholderaccess

Annual Meeting
June 15, 2007 at 9:30 a.m.
at the Executive Offices

Form 10-K
A Copy of The Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission may be obtained at www.sec.gov or without charge by writing the Executive Offices at the above address.

E-Delivery
To receive future investor-related correspondence electronically go to www.wpcarey.com/shareholderaccess

Web site
www.cpa15.com

E-mail
CPA15@wpcarey.com

Note: Management services are provided by officers of W. P. Carey & Co. LLC, the Company's advisor, and its subsidiaries.

CPA®:15

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