
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2006

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 000-50249

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

(Exact name of registrant as specified in its charter)

Maryland
(State of incorporation)

52-2298116
(I.R.S. Employer Identification No.)

50 Rockefeller Plaza
New York, New York
(Address of principal executive offices)

10020
(Zip Code)

Investor Relations (212) 492-8920
(212) 492-1100
(Registrant's telephone numbers, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Registrant has 128,866,512 shares of common stock, \$.001 par value outstanding at August 7, 2006.

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED
INDEX

PAGE NO.

PART I — FINANCIAL INFORMATION

Item 1. — Financial Statements*	
Consolidated Balance Sheets as of June 30, 2006 and December 31, 2005	2
Consolidated Statements of Income for the three and six months ended June 30, 2006 and 2005	3
Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2006 and 2005	3
Consolidated Statements of Cash Flows for the six months ended June 30, 2006 and 2005	4
Notes to Consolidated Financial Statements	5
Item 2. — Management’s Discussion and Analysis of Financial Condition and Results of Operations	13
Item 3. — Quantitative and Qualitative Disclosures About Market Risk	21
Item 4. — Controls and Procedures	22

PART II — OTHER INFORMATION

Item 1. — Legal Proceedings	23
Item 2. — Unregistered Sales of Equity Securities and Use of Proceeds	23
Item 4. — Submission of Matters to a Vote of Security Holders	23
Item 6. — Exhibits	23
Signatures	24

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

Forward Looking Statements

This quarterly report on Form 10-Q, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 2 of Part I of this report, 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, the risk factors described in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2005. Accordingly, such information should not be regarded as representations that the results or conditions described in such statements or that our objectives and plans will be achieved. Additionally, a description of our critical accounting estimates is included in the management’s discussion and analysis section in our Annual Report on Form 10-K for the year ended December 31, 2005. There has been no significant change in such critical accounting estimates.

As used in this quarterly report on Form 10-Q, the terms the “Company,” “we,” “us” and “our” include Corporate Property Associates 15 Incorporated, its consolidated subsidiaries and predecessors, unless otherwise indicated.

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

**PART I
ITEM 1. — FINANCIAL STATEMENTS**

CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands except share and per share amounts)

	<u>June 30, 2006</u>	<u>December 31, 2005</u> <u>(NOTE)</u>
ASSETS		
Real estate, net	\$ 2,134,137	\$ 1,754,493
Net investment in direct financing leases	467,928	440,415
Equity investments	102,417	185,055
Real estate under construction	2,038	—
Assets held for sale	—	13,873
Cash and cash equivalents	185,395	131,448
Marketable securities	10,905	11,323
Intangible assets, net	294,136	236,871
Funds in escrow	57,212	44,734
Other assets, net	53,460	38,289
Total assets	<u>\$ 3,307,628</u>	<u>\$ 2,856,501</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Limited recourse mortgage notes payable	\$ 1,830,804	\$ 1,469,149
Limited recourse mortgage notes payable on assets held for sale	—	7,831
Accrued interest	11,338	8,380
Due to affiliates	9,498	7,731
Accounts payable, accrued expenses and other liabilities	14,889	18,671
Prepaid and deferred rental income and security deposits	82,891	56,184
Deferred acquisition fees payable to affiliate	27,538	33,953
Distributions payable	20,799	20,460
Total liabilities	<u>1,997,757</u>	<u>1,622,359</u>
Minority interest in consolidated entities	<u>260,538</u>	<u>198,942</u>
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Common stock, \$.001 par value; 240,000,000 shares authorized; 130,906,381 and 129,310,515 shares issued and outstanding, respectively	131	129
Additional paid-in capital	1,194,742	1,178,700
Distributions in excess of accumulated earnings	(126,006)	(122,369)
Accumulated other comprehensive income (loss)	6,728	(5,597)
	<u>1,075,595</u>	<u>1,050,863</u>
Less, treasury stock at cost, 2,833,562 and 1,751,690 shares, respectively	<u>(26,262)</u>	<u>(15,663)</u>
Total shareholders' equity	<u>1,049,333</u>	<u>1,035,200</u>
Total liabilities and shareholders' equity	<u>\$ 3,307,628</u>	<u>\$ 2,856,501</u>

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

NOTE: The balance sheet at December 31, 2005 has been derived from the audited consolidated financial statements at that date.

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands except share and per share amounts)

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
REVENUES:				
Rental income	\$ 59,107	\$ 40,976	\$ 114,080	\$ 82,417
Interest income from direct financing leases	10,366	7,189	20,410	13,631
Other operating income	<u>1,851</u>	<u>1,254</u>	<u>2,188</u>	<u>1,746</u>
	<u>71,324</u>	<u>49,419</u>	<u>136,678</u>	<u>97,794</u>
OPERATING EXPENSES:				
Depreciation and amortization	(15,608)	(11,294)	(30,053)	(22,667)
Property expenses	(8,943)	(7,248)	(16,703)	(13,697)
General and administrative	(2,759)	(2,261)	(5,272)	(5,060)
Impairment charge	<u>(27,593)</u>	<u>—</u>	<u>(27,593)</u>	<u>—</u>
	<u>(54,903)</u>	<u>(20,803)</u>	<u>(79,621)</u>	<u>(41,424)</u>
OTHER INCOME AND EXPENSES:				
Income from equity investments	1,781	3,965	4,194	7,940
Other interest income	1,562	1,095	2,914	2,043
Minority interest in loss (income)	4,310	(2,815)	(2,276)	(5,816)
Gain (loss) on foreign currency transactions and other gains, net	1,091	(1,862)	1,365	(3,381)
Interest expense	<u>(28,644)</u>	<u>(19,653)</u>	<u>(55,115)</u>	<u>(39,153)</u>
	<u>(19,900)</u>	<u>(19,270)</u>	<u>(48,918)</u>	<u>(38,367)</u>
(Loss) income from continuing operations	<u>(3,479)</u>	<u>9,346</u>	<u>8,139</u>	<u>18,003</u>
DISCONTINUED OPERATIONS:				
(Loss) income from operations of discontinued properties	(644)	2,640	910	2,887
Gain (loss) on sale of real estate, net	42,426	(10)	45,278	(10)
Impairment charge on asset held for sale	—	—	—	(610)
Minority interest in income	<u>(15,810)</u>	<u>(633)</u>	<u>(16,495)</u>	<u>(1,291)</u>
Income from discontinued operations	<u>25,972</u>	<u>1,997</u>	<u>29,693</u>	<u>976</u>
NET INCOME	<u>\$ 22,493</u>	<u>\$ 11,343</u>	<u>\$ 37,832</u>	<u>\$ 18,979</u>
BASIC EARNINGS PER SHARE:				
(Loss) income from continuing operations	\$ (.03)	\$.07	\$.06	\$.14
Income from discontinued operations	<u>.20</u>	<u>.02</u>	<u>.23</u>	<u>.01</u>
Net income	<u>\$.17</u>	<u>\$.09</u>	<u>\$.29</u>	<u>\$.15</u>
DIVIDENDS DECLARED PER SHARE	<u>\$.1624</u>	<u>\$.1594</u>	<u>\$.3238</u>	<u>\$.3183</u>
WEIGHTED AVERAGE SHARES OUTSTANDING — BASIC	<u>128,573,708</u>	<u>126,678,873</u>	<u>128,296,778</u>	<u>126,443,370</u>

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in thousands)

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net income	\$ 22,493	\$ 11,343	\$ 37,832	\$ 18,979
Other comprehensive income:				
Change in foreign currency translation adjustment	5,883	(6,184)	8,029	(8,347)
Change in unrealized (loss) gain on marketable securities	(98)	162	(225)	(155)
Unrealized gain (loss) on derivative instrument	<u>3,023</u>	<u>(747)</u>	<u>4,521</u>	<u>(514)</u>
	<u>8,808</u>	<u>(6,769)</u>	<u>12,325</u>	<u>(9,016)</u>
Comprehensive income	<u>\$ 31,301</u>	<u>\$ 4,574</u>	<u>\$ 50,157</u>	<u>\$ 9,963</u>

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

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands except share amounts)

	Six months ended June 30,	
	2006	2005 (Revised)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 37,832	\$ 18,979
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization including intangible assets and deferred financing costs	31,782	25,700
Equity income in excess of distributions received	(1,109)	(982)
Minority interest in income	18,771	7,107
Straight-line rent adjustments	3,020	255
Issuance of shares to affiliate in satisfaction of fees due	6,387	5,432
Impairment charge	27,593	610
Realized loss on foreign currency transactions, net	(145)	58
Unrealized loss on foreign currency transactions and warrants, net	(1,220)	3,161
Gain on sale of real estate, net	(45,278)	10
Changes in operating assets and liabilities, net	<u>(4,707)</u>	<u>(222)</u>
Net cash provided by operating activities	<u>72,926</u>	<u>60,108</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Distributions from equity investments in excess of equity income	534	1,806
Acquisitions of real estate and equity investments and other capitalized costs (a)	(181,606)	(286,440)
Payment of deferred acquisition fees to an affiliate	(9,455)	(6,001)
Proceeds from sales of securities	—	20,000
Increase in cash due to consolidation of certain ventures	8,181	—
Proceeds from sale of real estate	<u>217,081</u>	<u>19,759</u>
Net cash provided by (used in) investing activities	<u>34,735</u>	<u>(250,876)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of stock, net of costs	9,657	10,171
Proceeds from mortgages	145,222	210,361
Scheduled mortgage principal payments	(15,468)	(11,563)
Prepayment of mortgage principal	(89,226)	—
Loan from affiliate	84,000	—
Repayment of loan to affiliate	(84,000)	—
Deferred financing costs and mortgage deposits, net of deposits refunded	(314)	—
Distributions paid	(41,130)	(39,960)
Distributions paid to minority partners	(63,641)	(9,407)
Contributions from minority partners	9,869	23,528
Purchase of treasury stock	<u>(10,599)</u>	<u>(5,920)</u>
Net cash (used in) provided by financing activities	<u>(55,630)</u>	<u>177,210</u>
Effect of exchange rate changes on cash	<u>1,916</u>	<u>(4,946)</u>
Net increase (decrease) in cash and cash equivalents	53,947	(18,504)
Cash and cash equivalents, beginning of period	<u>131,448</u>	<u>144,522</u>
Cash and cash equivalents, end of period	<u>\$ 185,395</u>	<u>\$ 126,018</u>

(a) The cost basis of real estate investments acquired during the six months ended June 30, 2006 and 2005 also includes deferred acquisition fees payable to W.P. Carey & Co. LLC (See Note 3) of \$3,039 and \$4,234, respectively.

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

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands except share and per share amounts)

Note 1. 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 lease 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 June 30, 2006, the Company’s portfolio consisted of 338 properties leased to 83 tenants and totaling approximately 30.9 million square feet. The Company was formed in 2001 and is managed by W. P. Carey & Co. LLC and its subsidiaries (the “advisor”). 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 the Company’s income, the level of the Company’s distributions and other factors.

Note 2. Basis of Presentation

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Article 10 of Regulation S-X of the United States Securities and Exchange Commission (“SEC”). Accordingly, they do not include all information and notes required by generally accepted accounting principles in the United States of America for complete financial statements. All significant intercompany balances and transactions have been eliminated. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement of the results of the interim periods presented have been included. The results of operations for the interim periods are not necessarily indicative of results for the full year. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2005.

Principles of Consolidation

The accompanying consolidated financial statements include all accounts of the Company, and its majority-owned and/or controlled subsidiaries. The portion of these entities not owned by the Company is presented as minority interest as of and during the periods consolidated.

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,” (“FIN46(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.

As a result of adopting the provisions of Emerging Issues Task Force Consensus on Issue No. 04-05, (“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” effective January 1, 2006, the Company now consolidates five limited partnerships and two limited liability companies with total assets of \$440,777 and total liabilities of \$294,739 at June 30, 2006 that were previously accounted for under the equity method of accounting.

Information about International Geographic Areas

The Company has international investments in Belgium, Finland, France, Germany, Poland and the United Kingdom. These investments accounted for lease revenues (rental income and interest income from direct financing leases) of \$23,019 and \$15,228 for the three months ended June 30, 2006 and 2005, respectively, and lease revenues of \$41,733 and \$30,403 for the six months ended June 30, 2006 and 2005, respectively. As of June 30, 2006 and December 31, 2005, long-lived assets related to international investments were \$1,074,142 and \$824,513, respectively.

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands except share and per share amounts)

Reclassifications and Revisions

Certain prior period amounts have been reclassified to conform to current period financial statement presentation. The financial statements included in this Form 10-Q have been adjusted to reflect the disposition (or planned disposition) of certain properties as discontinued operations for all periods presented (see Note 7).

The Company has revised its consolidated statement of cash flows for the six months ended June 30, 2005 to present the operating portion of the cash flows attributable to our discontinued operations on a combined basis.

Recent Accounting Pronouncements

In February 2006, the FASB issued SFAS No.155, "Accounting for Certain Hybrid Financial Instruments an Amendment of FASB No. 133 and 140" ("SFAS 155"). The purpose of SFAS No.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 No. 155 also eliminates the restriction on passive derivative instruments that a qualifying special-purpose entity may hold. The provisions of FAS 155 will be effective for the Company as of the beginning of its 2007 fiscal year. The Company is currently evaluating the impact of adopting FAS 155 on its consolidated financial statements.

In July 2006, the FASB issued FASB 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 provisions of FIN 48 will be effective for the Company as of the beginning of its 2007 fiscal year. The Company is currently evaluating the impact of adopting FIN 48 on its consolidated financial statements.

Note 3. 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, purchase and disposition of property, 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 will receive an asset management fee. The fee is 1% of average invested assets as defined in the advisory agreement, 1/2 of which (the "performance fee") is subordinated to the performance criterion, a cumulative non-compounded distribution return of 6%. Effective in 2005, the advisory agreement was amended to allow the advisor to elect to receive restricted common stock for any fees due from the Company. For 2006 and 2005, the advisor has elected to receive the performance fees through the issuance of restricted shares of common stock in the Company at net asset value.

In connection with the day-to-day operations, the advisor is also reimbursed for the allocated cost of personnel needed to provide administrative services necessary to the operations of the Company. The Company incurred base asset management fees of \$3,592 and \$2,791 for the three months ended June 30, 2006 and 2005, respectively, and \$7,033 and \$5,554 for the six months ended June 30, 2006 and 2005, respectively, with performance fees in like amounts, both of which are included in property expenses in the accompanying consolidated financial statements. The Company incurred personnel reimbursements of \$936 and \$956 for the three months ended June 30, 2006 and 2005, respectively and \$1,909 and \$1,881 for the six months ended June 30, 2006 and 2005, respectively, which are included in general and administrative expenses in the accompanying consolidated financial statements.

Fees are payable to the advisor for services provided to the Company relating to the identification, evaluation, negotiation, financing and purchase of properties. A portion of such fees is deferred and is payable in equal annual installments each January over no less than four years following the first anniversary of the date a property was purchased. Such deferred fees are only payable if the performance criterion is met. The unpaid portion of the deferred fees bears interest at an annual rate of 6% from the date of purchase until paid. For transactions that were completed during the six months ended June 30, 2006, current and deferred fees were \$3,799 and \$3,040, respectively. For transactions that were completed during the six months ended June 30, 2005, current and deferred fees were \$5,292 and \$4,234, respectively. An annual installment of \$9,455 in deferred fees was paid to the advisor in January 2006.

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands except share and per share amounts)

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 agreement with certain affiliates for the purpose of leasing office space used for the administration of real estate entities and for 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. Expenses incurred were \$272 and \$312 during the three months ended June 30, 2006 and 2005, respectively, and were \$551 and \$491 during the six months ended June 30, 2006 and 2005, respectively. The Company's estimated current share of future annual minimum lease payments is \$811 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.

Note 4. Real Estate

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

	<u>June 30, 2006</u>	<u>December 31, 2005</u>
Cost	\$ 2,256,785	\$ 1,832,767
Less: Accumulated depreciation	(122,648)	(78,274)
	<u>\$ 2,134,137</u>	<u>\$ 1,754,493</u>

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 \$357,550 at June 30, 2006 that were previously accounted for under the equity method of accounting.

Note 5. Equity Investments

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.; True Value Company; Hologic, Inc., Marriott International, Inc., The Upper Deck Co., Del Monte Corporation and The Talaria Company (doing business as The Hinckley Company).

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

	<u>June 30, 2006</u>	<u>December 31, 2005</u>
Assets (primarily real estate)	\$ 362,306	\$ 820,624
Liabilities (primarily mortgage notes payable)	(184,884)	(486,369)
Partners' and members' equity	<u>\$ 177,422</u>	<u>\$ 334,255</u>
Company's share of equity investees' net assets	<u>\$ 102,417</u>	<u>\$ 185,055</u>
	<u>Six months ended June 30,</u>	<u>2006</u>
	<u>2006</u>	<u>2005</u>
Revenues (primarily rental income and interest income from direct financing leases)	\$ 20,363	\$ 44,488
Expenses (primarily interest on mortgages and depreciation)	(9,139)	(22,536)
Net income	<u>\$ 11,224</u>	<u>\$ 21,952</u>
Company's share of net income from equity investments	<u>\$ 4,194</u>	<u>\$ 7,940</u>

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.

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands except share and per share amounts)

Note 6. Acquisitions of Real Estate-Related Investments

Real Estate Acquired

2006 — During the six months ended June 30, 2006, the Company and an affiliate, through 75% and 25% interests, respectively, completed an investment in Poland at a total cost of \$183,300, which is based upon the applicable exchange rate at the date of acquisition and is inclusive of minority interest. In connection with this investment, \$145,222, which is based upon the applicable exchange rate at the date of acquisition and is inclusive of minority interest, in non-recourse mortgage financing was obtained. Although the non-recourse mortgage financing is variable, as a result of entering into two interest rate swap agreements, effective July 2006 the Company will have an effective blended annual fixed interest rate of 5%. The financing has a term of 10 years.

2005 — During the six months ended June 30, 2005, the Company completed two investments (one in Germany and one in Finland), at a total cost of \$267,878, which is based upon the applicable exchange rate at the date of acquisition and is inclusive of minority interest. In connection with these investments, \$191,029, which is based upon the applicable exchange rate at the date of acquisition and is inclusive of minority interest, in non-recourse mortgage financing was obtained with a weighted average annual fixed interest rate and term of 4.6% and 10 years.

Equity Investments Acquired

2006 — During the six months ended June 30, 2006, the Company did not complete any equity investments.

2005 — During the six months ended June 30, 2005, the Company, together with an affiliate, completed a domestic equity investment where the Company's ownership interest is 30%. 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 limited recourse mortgage financing has an annual fixed interest rate of 6.26% and a 20 year term.

Real Estate Under Construction

2006 — During the six months ended June 30, 2006, the Company entered into a domestic build-to-suit project at a total estimated cost of \$14,660, based on current estimated construction costs. Costs incurred through June 30, 2006 of \$2,038 in connection with this investment have been presented in the balance sheet as real estate under construction.

2005 — During the six months ended June 30, 2005, the Company entered into two domestic build-to-suit projects at a total estimated cost of \$9,386.

Note 7. Discontinued Operations

Discontinued Operations

2006 — In June 2006, a joint 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 \$40,622, net of a \$10,253 writeoff of unrecoverable receivables related to future stated rent increases (inclusive of minority interests of \$16,249 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).

In June 2006, the Company completed the sale of a property in Rotherham, England for \$5,097, net of selling costs, and recognized a gain of \$1,804 (both amounts are based on the applicable exchange rate at the date of sale).

In March 2006, the Company completed the sale of a property in Miami, Florida to a third party for \$17,357, net of selling costs. In connection with this sale, the Company recognized a gain of \$2,852.

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands except share and per share amounts)

2005 — Included in income from discontinued operations for the three and six months ended June 30, 2005 are the following properties which were sold during 2005.

In December 2005, the Company sold its majority interest in the assets and liabilities of a joint venture company which owns property in Toulouse, France to the other third party joint venture partner for \$4,090, net of selling costs. In connection with this sale, the Company recognized a gain of \$1,672, excluding a reserve for uncollected rents of \$1,812 previously recognized against the property.

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. In addition, during 2005, the Company sold certain equipment at this property and recorded a loss of \$1,091.

In April 2005, the Company sold a vacant property in Miami, Florida formerly leased to Transworld Center, Inc. for \$19,419, net of selling costs. In connection with this sale, the Company recognized a loss of \$10, excluding impairment charges totaling \$5,610 previously recorded against the property, of which \$610 was recorded during the three months ended March 31, 2005. Prior to the sale, 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 June 30, 2006, Transworld has made periodic payments totaling \$850 on the promissory note. The Company has fully reserved the remaining amounts due under the note.

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the results of operations, impairments and gain or loss on sales of real estate 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:

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues (primarily rental revenues)	\$ 3,585	\$ 7,253	\$ 7,459	\$ 11,574
Expenses (primarily interest on mortgages including mortgage prepayment penalty, depreciation and property expenses)	(4,229)	(4,613)	(6,549)	(8,687)
Gain (loss) on sale of real estate, net	42,426	(10)	45,278	(10)
Impairment charge on asset held for sale	—	—	—	(610)
Minority interest in income	(15,810)	(633)	(16,495)	(1,291)
Income from discontinued operations	<u>\$ 25,972</u>	<u>\$ 1,997</u>	<u>\$ 29,693</u>	<u>\$ 976</u>

Note 8. Interest in Mortgage Loan Securitization

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

As of June 30, 2006, the fair value of the Company's interest was \$10,905, reflecting an unrealized loss of \$372 and accumulated amortization of \$723 (\$194 for the six months ended June 30, 2006). 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. At June 30, 2005, the fair value of the Company's interest in CCMT was \$11,796.

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

	<u>Fair value as of</u>	<u>1% Adverse change</u>	<u>2% Adverse change</u>
	<u>June 30, 2006</u>		
Fair value of the interest in CCMT	\$ 10,905	\$ 10,469	\$ 10,057

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands except share and per share amounts)

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

Note 9. Derivative Instruments

From time to time, the Company may obtain variable rate mortgage loans and may enter into interest rate swap contracts with lenders which effectively convert the variable rate debt service obligations of the loan to a fixed rate. 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 obligation. During 2004, the Company obtained a \$23,171 variable rate mortgage loan and entered into an interest rate swap agreement, which has a notional amount of \$21,680 at June 30, 2006 and a term ending February 2014. 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. To accomplish this objective, the Company has used interest rate swaps as part of its cash flow hedging strategy. At June 30, 2006, the interest rate swaps had a fair value asset of \$4,989 and a fair value liability of \$101, and were included in other assets and other liabilities, respectively. At June 30, 2005, the sole interest rate swap had a fair value liability of \$1,042 and was included in other liabilities. The change in net unrealized gain (loss) of \$3,023 and (\$747) for the three months ended June 30, 2006 and 2005, respectively, and of \$4,521 and (\$514) for the six months ended June 30, 2006 and 2005, respectively, for these cash flow hedges is included in accumulated other comprehensive income in shareholders' equity.

Note 10. Intangibles

In connection with its acquisition of properties, the Company has recorded net lease intangibles of \$309,427, 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:

	<u>June 30, 2006</u>	<u>December 31, 2005</u>
Lease intangibles		
In-place lease	\$ 198,356	\$ 157,737
Tenant relationship	36,321	29,474
Above-market rent	99,478	76,359
Less: accumulated amortization	<u>(40,019)</u>	<u>(26,699)</u>
	<u>\$ 294,136</u>	<u>\$ 236,871</u>
Below-market rent	\$ (24,728)	\$ (18,775)
Less: accumulated amortization	<u>2,318</u>	<u>1,622</u>
	<u>\$ (22,410)</u>	<u>\$ (17,153)</u>

Net amortization of intangibles, including the effect of foreign currency translation, was \$5,907 and \$4,267 for the three months ended June 30, 2006 and 2005, respectively, and \$11,426 and \$8,615 for the six months ended June 30, 2006 and 2005, respectively. Based on the intangibles recorded through June 30, 2006, annual net amortization of intangibles for each of the next five years is expected to be \$23,548.

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 \$37,630 at June 30, 2006 that were previously accounted for under the equity method of accounting.

In connection with the restructuring of a master lease agreement with Starmark Holdings LLC, ("Starmark Holdings") the Company has written off intangible assets totaling \$21,271, of which \$16,272 relates to in-place lease intangible assets and \$4,999 relates to tenant relationship intangible assets. Of the total intangible assets written off, \$18,678 relates to a limited liability company that was consolidated beginning in 2006 under the provisions of EITF 04-05 (See Note 12).

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands except share and per share amounts)

Note 11. Commitments and Contingencies

As of June 30, 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”), Carey Institutional Properties Incorporated (“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.

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands except share and per share amounts)

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 such an action against either or both of them. The nature of the relief or remedies the SEC may seek cannot be predicted at this time. If such an action is brought, it could have a material adverse effect on the advisor, Carey Financial and the Company, and the magnitude of that effect would not necessarily be limited to the payments described above but could include other payments and civil monetary penalties. In addition, any action brought against the advisor or Carey Financial could have an indirect material adverse effect on the Company because of the Company's dependence on the advisor and Carey Financial for a broad range of services.

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.

Note 12. Impairment Charges

In June 2006, the advisor's asset operating committee approved a plan to restructure a master lease agreement with Starmark Holdings covering 15 properties owned by a venture between the Company and certain of its affiliates and leased to Starmark Holdings 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 on January 1, 2006. The Company also leases two wholly-owned properties to Starmark Holdings under a separate master lease agreement. The aggregate carrying value of these investments as of June 30, 2006 and December 31, 2005 was as follows:

	<u>June 30, 2006</u>	<u>December 31, 2005</u>
Real estate, net	\$ 164,344	\$ 24,307
Equity investments	—	31,244
	<u>\$ 164,344</u>	<u>\$ 55,551</u>

Under the terms of the restructuring, the master lease agreement between the venture and Starmark Holdings will be terminated and ten properties will be re-leased among three new tenants unaffiliated with Starmark Holdings. In addition, four properties under the master lease agreement will be sold to one of the new tenants, the proceeds of which will be retained by the tenant as a lease inducement relating to six of the properties, and one property will be held for use by the venture. Upon termination of the master lease agreement, the venture expects to retain security deposits and prepaid rent totaling approximately \$7,600 in cash and a lease termination payment, which is currently estimated to range between \$6,500 and \$10,500. The amount and timing of the receipt of the lease termination payment is contingent upon the net proceeds Starmark Holdings expects to receive from the disposition of certain of its assets. The security deposit, prepaid rent and lease termination payment will be recognized as income upon termination of the master lease agreement, which is currently anticipated to occur during 2006. In connection with this restructuring, the venture defeased/repaid the existing debt of approximately \$101,100 in July 2006 and expects to obtain new limited recourse financing of approximately \$105,000 on the properties that will be re-leased. The venture expects to incur prepayment penalties and related debt defeasance costs totaling approximately \$10,800 during the quarter ending September 30, 2006 and currently anticipates obtaining new financing during 2006.

As a result of approving the restructuring plan, the Company incurred impairment charges totaling \$27,593 during the three months ended June 30, 2006 comprised of \$21,271 to write off intangible assets on properties leased to Starmark Holdings and \$6,322 to reduce the carrying value of the four properties to be sold to their estimated fair values.

The amounts stated 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.

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

ITEM 2. — MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(in thousands, except share amounts)

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the consolidated financial statements and notes thereto as of June 30, 2006.

EXECUTIVE OVERVIEW

Business Overview

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. 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 June 30, 2006, our portfolio consisted of 338 properties leased to 83 tenants and totaling approximately 30.9 million square feet. We were formed in 2001 and are managed by W. P. Carey & Co. LLC and its subsidiaries (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

Current developments include:

DISPOSITION ACTIVITY — In June 2006, a joint venture in which we 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 \$40,622, net of a \$10,253 writeoff of unrecoverable receivables related to future stated rent increases (inclusive of minority interests of \$16,249 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).

In June 2006, we completed the sale of a property in Rotherham, England for \$5,097, net of selling costs, and recognized a gain of \$1,804 (both amounts are based on the applicable exchange rate at the date of sale).

TENANT ACTIVITY — In June 2006, the advisor’s asset operating committee approved a plan to restructure a master lease agreement with Starmark Holdings LLC (“Starmark Holdings”) covering 15 properties owned by a venture between ourselves and certain of our affiliates and leased to Starmark Holdings under a master lease agreement. We own a 44% interest and are the managing member in a venture which owns these properties and, therefore, consolidate the investment on our financial statements pursuant to our adoption of EITF 04-05 on January 1, 2006. We also lease two wholly-owned properties to Starmark Holdings under a separate master lease agreement.

Under the terms of the restructuring, the master lease agreement between the venture and Starmark Holdings will be terminated and ten properties will be re-leased among three new tenants unaffiliated with Starmark Holdings. In addition, four properties under the master lease agreement will be sold to one of the new tenants, the proceeds of which will be retained by the tenant as a lease inducement relating to six of the properties, and one property will be held for use by the venture. Upon termination of the master lease agreement, the venture expects to retain security deposits and prepaid rent totaling approximately \$7,600 in cash and a lease termination payment, which is currently estimated to range between \$6,500 and \$10,500. The amount and timing of the receipt of the lease termination payment is contingent upon the net proceeds Starmark Holdings expects to receive from the disposition of certain of its assets. The security deposit, prepaid rent and lease termination payment will be recognized as income upon termination of the master lease agreement, which is currently anticipated to occur during 2006. In connection with this restructuring, the venture defeased/repaid the existing debt of approximately \$101,100 in July 2006 and expects to obtain new limited recourse financing of approximately \$105,000 on the properties that will be re-leased. The venture expects to incur prepayment penalties and related debt defeasance costs totaling approximately \$10,800 during the quarter ending September 30, 2006 and currently anticipates obtaining new financing during 2006.

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

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

(in thousands, except share amounts)

As a result of approving the restructuring plan, we incurred impairment charges totaling \$27,593 during the three months ended June 30, 2006 comprised of \$21,271 to write off intangible assets on properties leased to Starmark Holdings and \$6,322 to reduce the carrying value of the four properties to be sold to their estimated fair values.

The amounts stated 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.

QUARTERLY DISTRIBUTION — In June 2006, our board of directors approved and increased the 2006 second quarter distribution to \$.1624 per share payable in July 2006 to shareholders of record as of June 30, 2006.

Current trends include:

We continue 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.

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 quality 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. We benefit from a weaker U.S. dollar and are adversely affected by a stronger U.S. dollar relative to foreign currencies. Although the U.S. dollar has weakened since December 31, 2005, our results of operations have been negatively impacted by the strengthening of the average exchange rate of the U.S. dollar as compared to the comparable period in 2005.

Companies in automotive related industries (manufacturing, parts, services, etc.) are currently experiencing 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 \$3,494 for the six months ended June 30, 2006 and have an aggregate carrying value of \$51,174 as of June 30, 2006. Of these totals, Tower accounted for approximately \$1,268 of lease revenues for the six months ended June 30, 2006 and \$18,751 of carrying value at June 30, 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.

For the six months ended June 30, 2006, distributions paid to shareholders and minority partners and scheduled mortgage principal payments were substantially funded by cash flows generated from operations, equity investments and proceeds from the sale of real estate. Existing cash and cash equivalent reserves were used to fund the difference.

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 its objectives of funding distributions to our shareholders and overall property appreciation. As a result, management's assessment of operating results gives less emphasis to the effect of unrealized gains and losses, which may cause fluctuations in net income for comparable periods but have no impact on cash flow, and to other non-cash charges such as depreciation and impairment charges. In evaluating cash flow from operations, management includes equity distributions that are included in investing activities to the extent that the distributions in excess of equity income are the result of non-cash charges such as depreciation and amortization. Management

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

**ITEM 2. — MANAGEMENT’S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

(in thousands, except share amounts)

does not consider unrealized gains and losses resulting from short-term foreign currency fluctuations or derivative instruments when evaluating our ability to fund distributions. Management’s evaluation of our potential for generating cash flow includes an assessment of the long-term sustainability of our real estate portfolio.

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 six months ended June 30, 2006 and 2005 is as follows:

	Six months ended June 30,	
	2006	2005
Rental income	\$ 114,080	\$ 82,417
Interest income from direct financing leases	20,410	13,631
	<u>\$ 134,490</u>	<u>\$ 96,048</u>

For the six months ended June 30, 2006 and 2005, 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:

	Six months ended June 30,	
	2006	2005
Mercury Partners, LP and U-Haul Moving Partners, Inc. (a)	\$ 14,271	\$ 14,271
Starmark Holdings, LLC (g)	10,438	1,316
Carrefour France, SA. (a) (c)	7,972	8,248
True Value Company (b)	7,223	—
Hellweg Die Profi-Baumarkte GmbH & Co. KG (c) (d)	6,202	554
Thales S.A. (a) (c)	5,504	5,719
Advanced Micro Devices, Inc. (b)	4,605	—
Universal Technical Institute	4,037	3,769
Pohjola Non-Life Insurance Company (a) (c) (d)	3,732	3,835
OBI A.G. (a) (c) (e)	3,501	—
TietoEnator plc. (a) (c)	3,492	3,605
Police Prefecture, French Government (a) (c) (d)	3,049	—
Foster Wheeler, Inc. (f)	2,850	2,636
Médica — France, SA (a) (c)	2,639	2,642
Information Resources, Inc. (a) (f)	2,486	2,157
Life Time Fitness, Inc.	2,464	2,464
Compucom System (b)	2,033	—
Other (a) (c)	47,992	44,832
	<u>\$ 134,490</u>	<u>\$ 96,048</u>

(a) Includes lease revenues applicable to minority interests. Minority interests included in the consolidated amounts above total \$36,642 and \$21,723 for the six months ended June 30, 2006 and 2005, respectively.

(b) Interest in these investments have been consolidated as of January 2006.

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

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

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

(f) Increase is due to rent increase in 2005.

(g) Increase is due to consolidation of additional properties leased to Starmark Holdings beginning January 2006. In June 2006, the advisor entered into an agreement to restructure the lease with Starmark Holdings — see Current Developments and Trends section above.

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

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

(in thousands, except share amounts)

We recognize income from equity investments 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:

	Six months ended June 30,	
	2006	2005
Marriott International, Inc.	\$ 4,799	\$ 4,688
Petsmart, Inc.	1,272	1,246
Hologic, Inc	1,010	1,010
The Talaria Company (Hinckley)(a)	752	232
Del Monte Corporation	741	739
The Upper Deck Company	762	726
Builders FirstSource, Inc.	298	288
Starmark Holdings L.L.C.(b)	—	3,993
True Value Company (b)	—	3,618
Advanced Micro Devices, Inc.(b)	—	1,742
Compucom Systems, Inc (b)	—	731
Actuant Corporation (b)(c)	—	384
	<u>\$ 9,634</u>	<u>\$ 19,397</u>

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

(b) Interest in this investment has been consolidated as of January 2006.

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

RESULTS OF OPERATIONS

The presentation of results of operations for the six months ended June 30, 2006 were 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 (see charts above). This adoption had a significant impact on lease revenues, depreciation and amortization, income from equity investments, minority interest in income and interest expense (as described below).

Lease Revenues

For the three months ended June 30, 2006 and 2005, lease revenues (rental income and interest income from direct financing leases) increased by \$21,308, primarily due to \$13,450 resulting from the consolidation of entities pursuant to our adoption of EITF 04-05; \$6,062 from new leases entered into during 2005 and 2006; \$1,076 from rent increases at several existing properties and \$867 from the completion of several build-to-suit projects during 2005. These increases were partially offset by a decrease of \$161 resulting from fluctuations in average foreign currency exchange rates as compared to the comparable prior year period.

For the six months ended June 30, 2006 and 2005, lease revenues increased by \$38,442, primarily due to the same factors described above. Increases of \$23,733 resulting from the consolidation of entities pursuant to our adoption of EITF 04-05; \$12,199 from new leases entered into during 2005 and 2006; \$2,087 from the completion of several build-to-suit projects during 2005 and \$1,745 from rent increases at several properties were partially offset by a decrease of \$1,254 resulting from fluctuations in average foreign currency exchange rates as compared to the comparable prior year period.

The following significant lease activity occurred during the six months ended June 30, 2006:

— Initial annual rent from a property acquired in the six months ended June 30, 2006 approximates \$12,808, inclusive of minority interest, based on the exchange rate at the date of acquisition.

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

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

(in thousands, except share amounts)

Our net leases generally have rent increases based on formulas indexed to increases in the CPI or other indices for the jurisdiction in which the property is located, sales overrides or other periodic increases, which are designed to increase lease revenues in the future.

Depreciation and Amortization

For the three and six months ended June 30, 2006 as compared to the comparable 2005 periods, depreciation and amortization increased \$4,314 and \$7,386, respectively, primarily resulting from the consolidation of entities pursuant to our adoption of EITF 04-05; and to a lesser extent investments acquired in 2005 and 2006.

Property Expenses

For the three and six months ended June 30, 2006 as compared to the comparable 2005 periods, property expenses increased \$1,695 and \$3,006, respectively, primarily due to an increase of \$1,600 and \$2,957, respectively, in asset management and performance fees resulting from increases in property values as reflected in the annual third party valuation of our portfolio as of December 31, 2005 as well as the acquisition of properties in 2005 and 2006.

Impairment Charge

During the three and six months ended June 30, 2006, we recognized an impairment charge of \$27,593 in connection with entering into a plan to restructure a master lease agreement with Starmark Holdings (see Current Developments and Trends above). No impairment charge was recognized during the three and six months ended June 30, 2005.

Income from Equity Investments

Income from equity investments 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.

For the three and six months ended June 30, 2006 as compared to the comparable 2005 periods, income from equity investments decreased by \$2,184 and \$3,746, respectively, resulting primarily from the consolidation of entities pursuant to our adoption of EITF 04-05.

Minority Interest in Loss (Income)

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

For the three months ended June 30, 2006, we recognized minority interest in loss of \$4,310 as compared to minority interest in income of \$2,815 for the comparable 2005 period. For the six months ended June 30, 2006 and 2005, minority interest in income decreased \$3,540. These variances result primarily from the consolidation of entities pursuant to our adoption of EITF 04-05; which includes our minority interest partners' pro rata share of the Starmark Holdings impairment charge, and to a lesser extent, investments acquired in 2005 and 2006.

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

We recognized net gains on foreign currency transactions and other gains of \$1,091 and \$1,365 for the three and six months ended June 30, 2006 as compared to losses of \$1,862 and \$3,381 for the comparable three and six months ended June 30, 2005, respectively. These increases resulted primarily from the relative weakening of the U.S. dollar in the current year as compared with its strengthening during the comparable periods in 2005. Such gains result primarily from the repayment and translation of intercompany subordinated debt.

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

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

(in thousands, except share amounts)

Interest Expense

For the three months ended June 30, 2006 and 2005, interest expense increased by \$8,991, primarily due to a \$5,590 increase resulting from the consolidation of entities pursuant to our adoption of EITF 04-05 and \$2,906 of interest expense from mortgages obtained on properties acquired and build-to-suit projects completed in 2005 and 2006.

For the six months ended June 30, 2006 and 2005, interest expense increased \$15,962, primarily due to a \$11,589 increase resulting from the consolidation of entities pursuant to our adoption of EITF 04-05 and \$4,653 of interest expense from mortgages obtained on properties acquired and build-to-suit projects completed in 2005 and 2006. These increases were partially offset by a reduction in interest expense resulting from making scheduled mortgage principal payments.

Discontinued Operations

For the three and six months ended June 30, 2006, we earned income from discontinued operations of \$25,972 and \$29,693, respectively, primarily due to a gain on the sale of our New York property of \$40,622, of which \$16,249 is attributable to the minority partners' interest, and to a lesser extent, a gain on the sale of a property in the United Kingdom.

For the three months ended June 30, 2005, we earned income from discontinued operations of \$1,997 primarily due to income from the operations of discontinued properties. For the six months ended June 30, 2005, we earned income from discontinued operations of \$976 primarily due to income from the operations of discontinued properties of \$2,887, which was partially offset by an impairment charge of \$610.

Net Income

For the three and six months ended June 30, 2006 as compared to the comparable 2005 periods, net income increased by \$11,150 and \$18,853, respectively. These increases primarily reflect the recognition of gains on sale totaling \$42,426 and \$45,278 for the three and six month periods ended June 30, 2006, which were partially offset by impairment charges totaling \$27,593 recognized in the same periods.

FINANCIAL CONDITION

Uses of Cash During the Period

Cash and cash equivalents totaled \$185,395 as of June 30, 2006, an increase of \$53,947 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 use of cash during the period is described below.

OPERATING ACTIVITIES — One of our objectives is to use the cash flow from net leases (including equity investments) to meet operating expenses, service debt and fund distributions to shareholders and minority interest partners. During the six months ended June 30, 2006, distributions paid to shareholders of \$41,130, scheduled mortgage principal installments of \$15,468 and net distributions paid to minority interest partners of \$53,772 were partially funded by cash flows generated from operations and equity investments of \$73,460. Existing cash and cash equivalent resources and the proceeds from the sale of real estate in June 2006 were used to fund the difference of \$36,910, which primarily relates to the distribution to a minority partner of proceeds from the New York property sale.

The expected increase in annual operating cash flow resulting from our first quarter acquisition and scheduled rent increases at existing properties, most of which are based on increases in the CPI, is expected to be offset by the disposition of properties during our second quarter.

INVESTING ACTIVITIES — Our investing activities are generally comprised of real estate transactions (purchases and sales), payment of our annual installment of deferred acquisition fees and the purchase and sale of short-term investments and marketable securities which we intend to convert to cash. We used \$178,214 for an investment in Poland and incurred \$3,392 of capitalized costs primarily related to a build-to-suit project that is expected to be completed during 2007. The annual installment of deferred acquisition

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

**ITEM 2. — MANAGEMENT’S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

(in thousands, except share amounts)

fees was paid in January 2006 and totaled \$9,455. Our cash balances increased by \$8,181 resulting from the consolidation of entities pursuant to our adoption of EITF 04-05. For the six months ended June 30, 2006, we received proceeds of \$217,081, net of selling costs from the sale of real estate.

FINANCING ACTIVITIES — In addition to making scheduled mortgage principal payments, paying distributions to shareholders and minority partners, we also used \$10,599 to purchase treasury shares through a redemption plan which allows shareholders to sell shares back to us, subject to certain limitations. In connection with the sales of real estate, we paid off mortgages totaling \$89,226, primarily related to the sale of our New York property. In connection with the New York property sale, we obtained a loan from our advisor of \$84,000 to fund the mortgage payoff and used sale proceeds to repay this loan. In connection with an investment in Poland in our first quarter of 2006, we received mortgage proceeds of \$145,222 and received a contribution of \$9,869 from the minority partner. During the six months ended June 30, 2006, we also received \$9,657 from the issuance of stock, net of costs.

Cash Resources

As of June 30, 2006, we had \$185,395 in cash and cash equivalents which will primarily be used for future real estate investments and may be used for working capital needs, distributions and other commitments. In addition, debt may be incurred on unleveraged properties with a carrying value of \$60,602 as of June 30, 2006 and any proceeds may be used to finance future real estate purchases and for working capital needs.

Cash Requirements

During the next twelve months, cash requirements will include scheduled mortgage principal payment installments (we have no mortgage balloon payments scheduled until January 2009), paying distributions to shareholders and minority partners, funding a build-to-suit commitment as well as other normal recurring operating expenses. We may also seek to use our cash to invest in new properties to further diversify our portfolio and maintain cash balances sufficient to meet working capital needs. Based on the projected increase in operating cash flows as described above, cash flows from operations and distributions from operations of equity investments in excess of equity income are expected to be sufficient to meet operating cash flow objectives during the next twelve months. Accordingly, we expect to have sufficient cash flow to continue funding distributions to our shareholders. Distributions are determined based in part upon our long-term projections of cash flow.

Summary of Financing

The table below summarizes our mortgage notes payable as of June 30, 2006 and 2005, respectively.

	<u>June 30,</u>	
	<u>2006</u>	<u>2005</u>
Balance:		
Fixed rate	\$ 1,658,192	\$ 1,420,980
Variable rate (1)	<u>172,612</u>	<u>31,371</u>
Total	<u>\$ 1,830,804</u>	<u>\$ 1,452,351</u>
Percent of total debt:		
Fixed rate	91%	98%
Variable rate (1)	<u>9%</u>	<u>2%</u>
Total	<u>100%</u>	<u>100%</u>
Weighted average interest rate at end of period:		
Fixed rate	6.10%	6.05%
Variable rate (1)	5.25%	5.93%

(1) Currently, all of our mortgages are limited recourse and either bear interest at fixed rates or have been converted to fixed rate obligations through interest rate swap agreements. Accordingly, our cash flow should not be adversely affected by increases in interest rates. However, financings on future investments will likely bear higher rates of interest.

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

**ITEM 2. — MANAGEMENT’S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

(in thousands, except share amounts)

Other Matters

We have foreign operations in Europe and may recognize transaction gains and losses from our foreign operations. We are subject to foreign currency exchange rate risk from the effects of changes in foreign currency exchange rates. We have obtained limited recourse mortgage financing at fixed rates of interest in the given local currencies. 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 exchange rates.

In accordance with a loan agreement, we had an obligation to complete certain non-monetary actions within a specified period of time that were not completed and as a result, an event of default occurred as of March 31, 2006. During the second quarter of 2006, we completed all of our obligations in this respect and remedied the default.

Aggregate Contractual Agreements

The table below summarizes our contractual obligations as of June 30, 2006 and the effect that such commitments and obligations are expected to have on our liquidity and cash flow in future periods.

	<u>Total</u>	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>More than 5 years</u>
Mortgage notes payable — Principal	\$ 1,830,804	\$ 137,278	\$ 161,210	\$ 163,640	\$ 1,368,676
Mortgage notes payable — Interest (1)	741,068	93,374	185,311	170,490	291,893
Deferred acquisition fees due to affiliate — Principal	27,538	10,802	13,877	2,859	—
Deferred acquisition fees due to affiliate — Interest	3,379	1,652	1,510	217	—
Subordinated disposition fees (2)	3,249	—	—	—	3,249
Build-to-suit commitments (3)	12,815	12,815	—	—	—
Operating leases (4)	<u>8,244</u>	<u>479</u>	<u>1,587</u>	<u>1,620</u>	<u>4,558</u>
	<u>\$ 2,627,097</u>	<u>\$ 256,400</u>	<u>\$ 363,495</u>	<u>\$ 338,826</u>	<u>\$ 1,668,376</u>

(1) Interest on variable rate debt obligations was calculated using the applicable variable interest rate as of June 30, 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 approximately \$14,660, of which \$1,845 was funded as of June 30, 2006.

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

Amounts in the table above related to our foreign operations are based on the exchange rate of the local currencies as of June 30, 2006.

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

ITEM 3. — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (in thousands)

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

Interest Rate Risk

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

We own marketable securities through our ownership interest in the Carey Commercial Mortgage Trust (“CCMT”). The value of the marketable securities is subject to fluctuation based on changes in interest rates, economic conditions and the creditworthiness of lessees at the mortgaged properties. As of June 30, 2006, our interest in CCMT had a fair value of \$10,905. As of June 30, 2006, warrants issued to us by Information Resources, Inc. and Compucom Systems, Inc. are classified as derivative instruments and had an aggregate fair value of \$657.

At June 30, 2006, the majority of our long-term debt either bears interest at fixed rates or is hedged through the use of interest rate swap instruments that convert variable rate debt service obligations to a fixed rate. The fair value of these instruments is affected by changes in market interest rates. The following table presents principal cash flows based upon expected maturity dates of our debt obligations and the related weighted-average interest rates by expected maturity dates for our fixed rate debt. The annual interest rates on our fixed rate debt as of June 30, 2006 ranged from 4.45% to 11.15%. The annual interest rates on the variable rate debt as of June 30, 2006 ranged from 5.02% to 6.89%.

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Thereafter</u>	<u>Total</u>	<u>Fair value</u>
Fixed rate debt	\$ 119,036	\$ 31,613	\$ 34,772	\$ 150,461	\$ 63,784	\$ 1,258,526	\$ 1,658,192	\$ 1,780,924
Weighted average interest rate	7.15%	6.05%	6.02%	7.16%	6.48%	5.85%		
Variable rate debt	\$ 1,314	\$ 2,733	\$ 2,917	\$ 3,078	\$ 3,228	\$ 159,342	\$ 172,612	\$ 172,612

All of our variable debt obligations have been converted to fixed rate obligations through interest rate swap agreements for which the related cash flow is therefore not affected by changes in interest rates. The interest rate swaps have a net fair value asset of \$4,888 as of June 30, 2006. A change in interest rates of 1% would impact the fair value of our fixed rate debt at June 30, 2006 by approximately \$89,204.

Foreign Currency Exchange Rate Risk

We have foreign operations in France, Germany, Ireland, Belgium, Finland, Poland and the United Kingdom and as such are subject to risk from the effects of exchange rate movements of foreign currencies, which may affect future costs and cash flows. Our foreign operations for the preceding quarter were conducted in the Euro and the 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. We recognized a net foreign currency translation gain of \$1,258 and loss of \$3,280 for the six months ended June 30, 2006 and 2005, respectively. Such net gains and 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 fluctuations in revenue, and, to some extent mitigate the risk from changes in foreign currency exchange rates.

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

ITEM 4. — CONTROLS AND PROCEDURES

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

Our Chief Executive Officer and acting Chief Financial Officer have conducted a review of our disclosure controls and procedures as of June 30, 2006. Based upon this review, our Chief Executive Officer and acting Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Exchange Act) are sufficiently effective to ensure that the information required to be disclosed by us in the reports we file under the Exchange Act is recorded, processed, summarized and reported within the required time periods specified in the SEC’s rules and regulations.

There have been no changes during the second quarter of 2006 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

PART II

(in thousands, except share and per share amounts)

ITEM 1. — LEGAL PROCEEDINGS

Refer to Note 11, Commitments and Contingencies, of the consolidated financial statements for information regarding legal proceedings.

ITEM 2. — UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) For the three months ended June 30, 2006, 327,698 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.

(c) Issuer Purchases of Equity Securities

2006	Total number of shares purchased (1)	Average price paid per share	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)
April	—	—	N/A	N/A
May	—	—	N/A	N/A
June	<u>796,124</u>	\$ 9.81	N/A	N/A
Total	<u>796,124</u>			

(1) All shares were purchased pursuant to the Company’s redemption plan which we announced in November 2001. Under our redemption plan, 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.

ITEM 4. — SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

An annual shareholders’ meeting was held on June 8, 2006, at which time a vote was taken to elect our directors through the solicitation of proxies. The following directors were elected for a one-year term:

Name of Director	Total Shares Voting	Shares Voting For	Shares Withheld
Trevor P. Bond	66,004,810	65,945,918	58,892
William P. Carey	66,004,810	65,912,862	91,948
Gordon F. DuGan	66,004,810	65,930,685	74,125
Elizabeth P. Munson	66,004,810	65,963,375	41,435
James D. Price	66,004,810	65,939,645	65,165

ITEM 6. — EXHIBITS

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

SIGNATURES

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

CORPORATE PROPERTY ASSOCIATES 15
INCORPORATED

8/14/2006
Date

By: /s/ Mark J. DeCesaris
Mark J. DeCesaris
Managing Director and acting Chief Financial Officer
(acting Principal Financial Officer)

8/14/2006
Date

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

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

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

I, Gordon F. DuGan, certify that:

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

Date 8/14/2006

/s/ Gordon F. DuGan
Gordon F. DuGan
Chief Executive Officer

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED

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

I, Mark J. DeCesaris, certify that:

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

Date 8/14/2006

/s/ Mark J. DeCesaris

Mark J. DeCesaris
acting Chief Financial Officer

CORPORATE PROPERTY ASSOCIATES 15 INCORPORATED
CERTIFICATION OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Corporate Property Associates 15 Incorporated on Form 10-Q for the period ended June 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gordon F. DuGan, Chief Executive Officer of Corporate Property Associates 15 Incorporated, certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Gordon F. DuGan
Gordon F. DuGan
Chief Executive Officer

8/14/2006
Date

In connection with the Quarterly Report of Corporate Property Associates 15 Incorporated on Form 10-Q for the period ended June 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark J. DeCesaris, acting Chief Financial Officer of Corporate Property Associates 15 Incorporated, certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Mark J. DeCesaris
Mark J. DeCesaris
acting Chief Financial Officer

8/14/2006
Date

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Corporate Property Associates 15 Incorporated and will be retained by Corporate Property Associates 15 Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.