

# CPA:15

2006 SECOND QUARTER REPORT

CORPORATE PROPERTY ASSOCIATES 15

GENERATING INCOME FOR INVESTORS SINCE 2001



A MEMBER OF THE

W. P. CAREY

GROUP

## Dear Fellow CPA®:15 Shareholders

We are pleased to provide you with updated information about CPA®:15's portfolio for the three-month period ended June 30, 2006.

Revenues, net income and cash flow from operating activities increased as compared to the same period in 2005. Our portfolio of single-tenant triple-net leased real estate assets continued to provide rising quarterly income to investors and as of June 30, 2006 consisted of 338 properties leased to 83 tenants, totaling approximately 31 million square feet located throughout the United States, Europe (Belgium, Finland, France, Germany, Poland) and the United Kingdom.

### Portfolio Update

In June 2006, we, together with our affiliate CPA®:14, completed the sale of a building in New York, NY for \$200 million and recognized a gain of \$40.6 million. We plan to reinvest these proceeds in other transactions.

In June 2006, we, together with our affiliates CPA®:12 and CPA®:14 ("the venture"), approved a plan to restructure a master lease agreement with Starmark Holdings, LLC ("Starmark Holdings") covering 15 properties. Under the terms of the agreement, the master lease will be terminated and ten properties will be re-leased among three new tenants unaffiliated with Starmark Holdings, four properties will be sold to one of the new tenants, and one property will be held for use by the venture. We recognized \$27.6 million in impairment charges which is reflected in our cash flow from operations for the six months ended June 30, 2006.

### Quarterly Distribution

Our second quarter 2006 distribution increased to \$.1624 per share, which equates to an annualized yield of 6.5% based on our original share price of \$10.00.

### Distribution Reinvestment and Share Purchase Plan (DRIP)

As a reminder, our DRIP enables you to reinvest your quarterly distributions in new CPA®:15 shares at our current Net Asset Value and enjoy the effects of compounding returns.

It's a convenient and cost-effective way to increase your investment portfolio. For more information about how you can take advantage of this program, please contact our Investor Relations Department at 1-800-WP CAREY or [IR@wpcarey.com](mailto:IR@wpcarey.com).

## Shareholder Access

Please consider receiving your future investor correspondence, such as this quarterly report, electronically. Register at [www.wpcarey.com/ShareholderAccess](http://www.wpcarey.com/ShareholderAccess) and you will find a convenient and cost-effective way to access your CPA®:15 investment information online 24 hours a day, seven days a week. In addition to lowering shareholder expenses, you will be able to access your current investment balances and distribution history, among other options.

On behalf of the entire CPA®:15 family, we thank you for your continued confidence and support.

With best regards,



Wm. Polk Carey  
*Chairman of the  
Board*



Gordon F. DuGan  
*Chief Executive  
Officer*



Anne Coolidge Taylor  
*President*

P.S. As always, please direct any change of address, name and transfer instructions to our transfer agent:

W. P. Carey & Co. LLC  
c/o Phoenix American Financial Services  
2401 Kerner Boulevard, San Rafael, CA 94901  
1-888-241-3737  
[www.wpcarey.com/ShareholderAccess](http://www.wpcarey.com/ShareholderAccess)

*Please note that this letter provides only a summary of the information contained in our quarterly report on Form 10-Q for the three-month period ended June 30, 2006, which we have filed with the Securities and Exchange Commission. We encourage you to read the full report, which can be found at [www.cpa15.com](http://www.cpa15.com).*

# Consolidated Statements of Cash Flows (Unaudited)

(in thousands except share amounts)

	Six months ended June 30,	
	2006	2005 (Revised)
<b>Cash flows from operating activities</b>		
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	(4,707)	(222)
Net cash provided by operating activities	<u>72,926</u>	<u>60,108</u>
<b>Cash flows from investing activities</b>		
Distributions from equity investments in excess of equity income	534	1,806
Acquisitions of real estate and equity investments and other capitalized costs <sup>(a)</sup>	(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	217,081	19,759
Net cash provided by (used in) investing activities	<u>34,735</u>	<u>(250,876)</u>
<b>Cash flows from financing activities</b>		
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	(10,599)	(5,920)
Net cash (used in) provided by financing activities	<u>(55,630)</u>	<u>177,210</u>
Effect of exchange rate changes on cash	1,916	(4,946)
Net increase (decrease) in cash and cash equivalents	53,947	(18,504)
Cash and cash equivalents, beginning of period	131,448	144,522
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 of \$3,039 and \$4,234, respectively.

## Consolidated Balance Sheets (Unaudited)

(in thousands except share and per share amounts)

	June 30, 2006	December 31, 2005 (Note)
<b>Assets</b>		
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	\$ 3,307,628	\$ 2,856,501
<b>Liabilities and Shareholders' Equity</b>		
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	1,997,757	1,622,359
Minority interest in consolidated entities	260,538	198,942
Commitments and contingencies		
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)
	1,075,595	1,050,863
Less, treasury stock at cost, 2,833,562 and 1,751,690 shares, respectively	(26,262)	(15,663)
Total shareholders' equity	1,049,333	1,035,200
Total liabilities and shareholders' equity	\$ 3,307,628	\$ 2,856,501

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

# Consolidated Statements of Income (Unaudited)

(in thousands except share and per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
<b>Revenues</b>				
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	1,851	1,254	2,188	1,746
	<u>71,324</u>	<u>49,419</u>	<u>136,678</u>	<u>97,794</u>
<b>Operating Expenses</b>				
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	(27,593)	—	(27,593)	—
	<u>(54,903)</u>	<u>(20,803)</u>	<u>(79,621)</u>	<u>(41,424)</u>
<b>Other Income and Expenses</b>				
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	(28,644)	(19,653)	(55,115)	(39,153)
	<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>
<b>Discontinued Operations</b>				
(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	(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>
<b>Net Income</b>	<u>\$ 22,493</u>	<u>\$ 11,343</u>	<u>\$ 37,832</u>	<u>\$ 18,979</u>
<b>Basic Earnings Per Share</b>				
(Loss) income from continuing operations	\$ (.03)	\$ .07	\$ .06	\$ .14
Income from discontinued operations	.20	.02	.23	.01
Net income	<u>\$ .17</u>	<u>\$ .09</u>	<u>\$ .29</u>	<u>\$ .15</u>
<b>Dividends Declared Per Share</b>	<u>\$ .1624</u>	<u>\$ .1594</u>	<u>\$ .3238</u>	<u>\$ .3183</u>
<b>Weighted Average Shares</b>				
<b>Outstanding - Basic</b>	<u>128,573,708</u>	<u>126,678,873</u>	<u>128,296,778</u>	<u>126,443,370</u>



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