

# CPA:15

CORPORATE PROPERTY ASSOCIATES 15

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2007 FIRST QUARTER  
REPORT



GENERATING INCOME  
FOR INVESTORS SINCE 2001

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A MEMBER OF THE

W. P. CAREY

GROUP

# DEAR FELLOW SHAREHOLDERS

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We are pleased to provide you with updated information about our portfolio for the first quarter of 2007. As of March 31, 2007, our portfolio of single-tenant triple-net leased real estate assets consisted of 335 properties leased to 83 tenants. Totalling approximately 31 million square feet, these properties are located throughout the United States, Belgium, Finland, France, Germany, Poland and the United Kingdom.

## PORTFOLIO UPDATE

During the first quarter, we completed one investment as an \$11 million follow-on transaction to the \$183 million sale-leaseback we completed with OBI AG last year. We own a 75% interest in the property while our affiliate, CPA®:16 – Global, owns a 25% interest. In April, we and our affiliates provided \$437 million in financing to German Do-It-Yourself Retailer, Hellweg Die Profi-Baumärkte GmbH & Co. KG, through a partial purchase of the company's real estate subsidiary and a loan collateralized by 37 operating sites. This was also a follow-on to a \$154 million sale-leaseback we completed with Hellweg in 2005.

We continually strive to create value for our portfolio of properties by restructuring leases, refinancing mortgages, selling and releasing properties. We are proud to convey that as of March 31, CPA®:15's portfolio of properties is 100% occupied.

## MARSHALL E. BLUME APPOINTED INDEPENDENT DIRECTOR

We recently announced that Marshall E. Blume, Howard Butcher III Professor of Finance, Director of the Rodney L. White Center for Financial Research, and Past Chairman of the Finance Department at the Wharton School of the University of Pennsylvania, will serve as an independent director of CPA®:15. Dr. Blume has conducted groundbreaking research on investments, the financial markets and investor behavior and is currently an editor of *The Journal of Fixed Income* and the *Journal of Pension Fund Management & Investment*.

## MADISON'S TENDER OFFER

Madison Liquidity Investors has solicited CPA® investors for several years offering to acquire your shares at a steep discount. We recommend that you do not sell your shares to Madison Liquidity Investors. We strongly encourage you to contact your

financial advisor, W. P. Carey's Investor Relations Department at 1-800-WP CAREY or by email at [IR@wpcarey.com](mailto:IR@wpcarey.com), or view the Securities and Exchange Commission's website, [www.sec.gov](http://www.sec.gov), which can provide additional information on the dangers of these types of tender offers.

#### **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).

#### **ONLINE ACCOUNT 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.

2007 is looking to be a promising year. 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*



Benjamin P. Harris  
*President*

*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 March 31, 2007, 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)*

	Three months ended March 31,	
	2007	2006
<b>CASH FLOWS — OPERATING ACTIVITIES</b>		
Net income	\$ 13,581	\$ 15,339
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization including intangible assets and deferred financing costs	15,677	15,436
Straight-line rent adjustments	1,005	944
Income from equity investments in real estate in excess of distributions received	(878)	(463)
Minority interest in income	6,572	6,463
Issuance of shares to affiliate in satisfaction of fees due	3,464	2,947
Realized (gain) loss on foreign currency transactions and other gains, net	(240)	74
Unrealized loss (gain) on foreign currency transactions and other gains, net	502	(345)
Gains on sale of real estate, net	—	(2,852)
Changes in operating assets and liabilities	1,605	(168)
<b>Net cash provided by operating activities</b>	<b>41,288</b>	<b>37,375</b>
<b>CASH FLOWS — INVESTING ACTIVITIES</b>		
Distributions from equity investments in real estate in excess of equity income	4,967	258
Acquisitions of real estate and equity investments in real estate and other capitalized costs	(12,775)	(177,670)
VAT taxes paid in connection with acquisition of real estate	(2,336)	—
Proceeds from sale of real estate	—	17,357
Increase in cash due to consolidation of certain ventures	—	10,367
Payment of deferred acquisition fees to an affiliate	(10,802)	(9,455)
<b>Net cash used in investing activities</b>	<b>(20,946)</b>	<b>(159,143)</b>
<b>CASH FLOWS — FINANCING ACTIVITIES</b>		
Distributions paid	(21,098)	(20,462)
Distributions paid to minority interest partners	(5,363)	(7,718)
Contributions from minority interest partners	708	9,869
Proceeds from mortgages	21,789	145,222
Prepayment of mortgage principal	—	(7,763)
Scheduled payments of mortgage principal	(9,732)	(6,432)
Deferred financing costs and mortgage deposits, net of deposits refunded	35	235
Proceeds from issuance of shares, net of costs	5,080	4,740
Purchase of treasury stock	(4,668)	(2,790)
<b>Net cash (used in) provided by financing activities</b>	<b>(13,249)</b>	<b>114,901</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</b>		
Effect of exchange rate changes on cash	425	(144)
Net increase (decrease) in cash and cash equivalents	7,518	(7,011)
Cash and cash equivalents, beginning of period	174,375	131,448
Cash and cash equivalents, end of period	<b>\$ 181,893</b>	<b>\$ 124,437</b>

# CONSOLIDATED BALANCE SHEETS (UNAUDITED)

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

	March 31, 2007	December 31, 2006 (NOTE)
<b>ASSETS</b>		
Real estate, net	\$ 2,135,177	\$ 2,129,076
Net investment in direct financing leases	481,933	480,699
Equity investments in real estate	112,547	116,577
Real estate under construction	13,672	11,587
Cash and cash equivalents	181,893	174,375
Intangible assets, net	281,105	285,651
Funds in escrow	56,731	56,900
Other assets, net	83,263	81,431
Total assets	\$ 3,346,321	\$ 3,336,296
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Liabilities:		
Limited recourse mortgage notes payable	\$ 1,865,688	\$ 1,845,884
Prepaid and deferred rental income and security deposits	81,693	80,763
Accounts payable, accrued expenses and other liabilities	25,861	27,102
Due to affiliates	28,177	39,703
Distributions payable	21,288	21,099
Total liabilities	2,022,707	2,014,551
Minority interest in consolidated entities	279,038	275,809
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$0.001 par value; 240,000,000 shares authorized; 133,369,966 and 132,562,897 shares issued and outstanding, respectively	133	133
Additional paid-in capital	1,220,162	1,211,624
Distributions in excess of accumulated earnings	(147,104)	(139,223)
Accumulated other comprehensive income	15,896	13,245
	1,089,087	1,085,779
Less, treasury stock at cost, 4,667,261 and 4,178,710 shares, respectively	(44,511)	(39,843)
Total shareholders' equity	1,044,576	1,045,936
Total liabilities and shareholders' equity	\$ 3,346,321	\$ 3,336,296

*NOTE: The consolidated balance sheet at December 31, 2006 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 March 31,	
	2007	2006
<b>REVENUES</b>		
Rental income	\$ 59,141	\$ 54,139
Interest income from direct financing leases	10,622	10,044
Other operating income	1,531	338
	71,294	64,521
<b>OPERATING EXPENSES</b>		
Depreciation and amortization	(15,584)	(14,299)
Property expenses	(9,356)	(7,743)
General and administrative	(2,044)	(2,616)
	(26,984)	(24,658)
<b>OTHER INCOME AND EXPENSES</b>		
Income from equity investments in real estate	2,707	2,413
Other interest income	2,261	1,352
Minority interest in income	(6,572)	(6,463)
Gain on foreign currency transactions and other gains, net	(262)	351
Interest expense	(27,887)	(26,300)
	(29,753)	(28,647)
Income from continuing operations before income taxes	14,557	11,216
(Provision for) benefit from income taxes	(1,181)	151
Income from continuing operations	13,376	11,367
<b>DISCONTINUED OPERATIONS</b>		
Income from operations of discontinued properties	205	1,928
Gain on sale of real estate, net	—	2,852
Minority interest in income	—	(808)
Income from discontinued operations	205	3,972
<b>NET INCOME</b>	<b>\$ 13,581</b>	<b>\$ 15,339</b>
<b>EARNINGS PER SHARE</b>		
Income from continuing operations	\$ 0.11	\$ 0.09
Income from discontinued operations	—	0.03
Net income	<b>\$ 0.11</b>	<b>\$ 0.12</b>
<b>DISTRIBUTIONS DECLARED PER SHARE</b>	<b>\$ 0.1654</b>	<b>\$ 0.1614</b>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>	<b>128,796,569</b>	<b>128,016,772</b>



c/o Phoenix American Financial Services  
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