

CapLease, Inc.  
Form DEF 14A  
April 23, 2012

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

CAPLEASE, INC.  
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

**CAPLEASE, INC.**

**1065 Avenue of the Americas**

**New York, NY 10018**

**annual Meeting of Stockholders**

April 30, 2012

To Our Stockholders:

On behalf of our Board of Directors, I cordially invite you to attend the 2012 Annual Meeting of Stockholders of CapLease, Inc. (the "Company"). This meeting will be held at the New York office of Hunton & Williams LLP, 200 Park Avenue, New York, New York 10166, on Thursday, June 14, 2012, at 10:00 a.m. local time.

The matters to be acted upon at the meeting are described in detail in the accompanying Notice of Annual Meeting and Proxy Statement. Also enclosed with this Proxy Statement are your proxy card, instructions for voting and the 2011 Annual Report to stockholders. You are being asked to elect directors, approve executive compensation (or the say-on-pay vote), and ratify the appointment of our auditors and conduct any other business properly raised at the meeting or any adjournment or postponement thereof.

Your vote is very important. Please take a moment now to cast your vote, whether or not you plan to attend the meeting, by completing, signing, dating and returning the enclosed proxy using the enclosed self-addressed, stamped envelope. You may still vote in person at the meeting, even if you return a proxy.

I look forward to seeing you at the meeting.

Best regards,

Paul H. McDowell

Chairman of the Board and Chief Executive Officer

**CAPLEASE, INC.**

**1065 Avenue of the Americas**

**New York, NY 10018**

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To be held June 14, 2012**

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NOTICE IS HEREBY GIVEN that the 2012 Annual Meeting of Stockholders (the “Meeting”) of CapLease, Inc., a Maryland corporation (the “Company”), will be held at the New York office of Hunton & Williams LLP, 200 Park Avenue, New York, New York 10166, on Thursday, June 14, 2012, at 10:00 a.m. local time. The matters to be considered by stockholders at the Meeting, which are described in detail in the accompanying Proxy Statement, are:

1. To elect six directors to hold office until the annual meeting of stockholders to be held in 2013 and until their successors are elected;
2. To approve, on an advisory basis, executive compensation (or the say-on-pay vote);
3. To ratify the appointment of McGladrey & Pullen LLP as our independent registered public accounting firm for the year ending December 31, 2012; and
4. To transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

The Board of Directors (the “Board”) has fixed the close of business on April 9, 2012, as the record date for the Meeting. Only stockholders of record of our common stock as of that date are entitled to notice of, and to vote at, the Meeting and any adjournment or postponement thereof.

The accompanying proxy is being solicited by the Board. The Board recommends a vote “FOR” Items 1, 2 and 3. This notice and Proxy Statement are first being mailed to stockholders on or about April 30, 2012.

Please complete and promptly return the enclosed proxy card in the envelope provided whether or not you plan to attend the Meeting. Doing so will not prevent you from voting in person at the Meeting if you choose to do so. It will, however, help to assure that a quorum is present for the Meeting.

By Order of the Board,

Paul C. Hughes  
Corporate Secretary

New York, New York

April 30, 2012

**Important Notice Regarding the Availability of Proxy Materials**

**For the Stockholder Meeting to Be Held on June 14, 2012**

**The Company's Proxy Statement and 2011 Annual Report to Stockholders are available at <http://www.caplease.com/proxy>.**

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**CAPLEASE, INC.**

**1065 Avenue of the Americas**

**New York, NY 10018**

Proxy Statement

This Proxy Statement is being furnished in connection with the solicitation of proxies by the Board of Directors of CapLease, Inc. (the “Board”), a Maryland corporation (“we,” “us” or the “Company”), for use at the Company’s 2012 Annual Meeting of Stockholders (the “Meeting”). The Meeting will be held at the New York office of Hunton & Williams LLP, 200 Park Avenue, New York, New York 10166, on Thursday, June 14, 2012, at 10:00 a.m. local time, and any adjournment or postponement thereof. This Proxy Statement, the foregoing notice and the enclosed proxy card are first being mailed to stockholders of the Company on or about April 30, 2012. Only stockholders of record of our common stock at the close of business on April 9, 2012 (the “Record Date”) will be entitled to notice of, and to vote at, the Meeting.

**Questions and Answers About the Meeting and Voting**

The questions and answers set forth below provide general information regarding this Proxy Statement and the Meeting.

**What will stockholders be voting on at the Meeting?**

1. To elect six directors to hold office until the annual meeting of stockholders to be held in 2013 and until their successors are elected;
2. To approve, on an advisory basis, executive compensation (or the say-on-pay vote);
3. To ratify the appointment of McGladrey & Pullen LLP as our independent registered public accounting firm for the year ending December 31, 2012; and
- 4.

To transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

**Who is entitled to vote at the Meeting and how many votes do they have?**

Common stockholders of record at the close of business on the Record Date, April 9, 2012, may vote at the Meeting. Each share of common stock has one vote. There were 66,766,965 shares of common stock outstanding on the Record Date.

Holders of our Series A cumulative redeemable preferred stock are not entitled to vote at the Meeting.

**What percentage of our common stock do the directors and executive officers own?**

Our directors and executive officers owned approximately 5.1% of our common stock, as of the Record Date. (See the discussion under the heading "Ownership of Our Common Stock" for more details.)

**How do I vote?**

You must be present, or represented by proxy, at the Meeting in order to vote your shares. Even if you plan to attend the Meeting, we encourage you to vote your shares by proxy. Since we expect that many of our common stockholders will be unable to attend the Meeting in person, we send proxy cards to all of our common stockholders to enable them to vote.

**What is a proxy?**

A proxy is a person you appoint to vote on your behalf. If you complete and return the enclosed proxy card, your shares will be voted in accordance with your instructions by the proxies identified on the proxy card.

**By completing and returning this proxy card, who am I designating as my proxy?**

You will be designating Paul H. McDowell, our Chairman of the Board and Chief Executive Officer, and Paul C. Hughes, our Vice President, General Counsel and Corporate Secretary, as your proxy. They may act on your behalf together or individually and will have the authority to appoint a substitute to act as proxy.

**How will my proxy vote my shares?**

Your proxy will vote according to the instructions on your proxy card.

We do not intend to bring any other matter for a vote at the Meeting, and we do not know of anyone else who intends to do so. However, your proxies are authorized to vote on your behalf, in their discretion, on any other business that properly comes before the Meeting or any adjournment or postponement thereof.

**How do I vote using my proxy card?**

Simply complete, sign and date the enclosed proxy card and return it in the postage-paid, self-addressed envelope provided.

**How do I change or revoke my proxy?**

You may change or revoke your proxy at any time before your shares are voted at the Meeting by:

- executing and delivering another later dated proxy card;

• notifying the Company's Corporate Secretary, in writing at CapLease, Inc., 1065 Avenue of the Americas, New York, NY 10018, that you are changing or revoking your proxy; or

- attending and voting by ballot in person at the Meeting.

Attendance at the Meeting will not itself revoke a proxy. All signed proxies that have not been revoked will be voted at the Meeting. If your proxy contains any specific instructions, they will be followed.

**Who will count the votes?**

An inspector of election designated by the Board will count the votes.

**What constitutes a quorum?**

A quorum, which is necessary to conduct business at the Meeting, constitutes a majority of the outstanding shares of our common stock entitled to be cast at the Meeting, present in person or represented by proxy. If you sign and return your proxy card, your shares will be counted in determining the presence of a quorum, even if you withhold your vote or abstain from voting. If a quorum is not present at the Meeting, the chairman of the meeting or the stockholders present in person or by proxy may adjourn the Meeting to a date not more than 120 days after the Record Date, until a quorum is present.

**What are my voting choices when voting on director nominees, and what vote is needed to elect directors?**

When voting on the election of director nominees to serve until the 2013 Annual Meeting of Stockholders and until their successors are elected, you may:

- vote in favor of all nominees;
- withhold votes as to all nominees; or
- withhold votes as to one or more specific nominees.

A nominee is elected to the Board if a plurality of votes cast in the election of directors is cast “for” the nominee. Any votes withheld will not be counted in determining the number of votes cast and, therefore, will have no effect on the outcome of the proposal. In the event that any nominee for director is unavailable for election, the Board may either reduce the number of directors or choose a substitute nominee. If the Board chooses a substitute nominee, the shares represented by a proxy will be voted for the substitute nominee, unless other instructions are given in the proxy.

The Board recommends that the stockholders vote “FOR” all of the nominees.

**What are my voting choices when casting my advisory approval of executive compensation (or the say-on-pay vote)?**

When casting your advisory approval of executive compensation, you may:

- vote in favor of the proposal;
- vote against the proposal; or
- abstain from voting.

The affirmative vote of a majority of the votes cast is required for advisory approval of executive compensation. Abstentions will not be counted in determining the number of votes cast and, therefore, will have no effect on the outcome of the proposal.

The Board recommends that the stockholders vote “FOR” the advisory approval of executive compensation.

**What are my voting choices when voting on the ratification of the appointment of McGladrey & Pullen LLP as our independent registered public accounting firm?**

When voting on the ratification of the appointment of McGladrey & Pullen LLP as our independent registered public accounting firm, you may:

- vote in favor of the ratification;
- vote against the ratification; or
- abstain from voting.

The affirmative vote of a majority of the votes cast is required for approval of the ratification of McGladrey & Pullen LLP. Abstentions will not be counted in determining the number of votes cast and, therefore, will have no effect on the outcome of the proposal.

The Board recommends that the stockholders vote “FOR” the ratification of McGladrey & Pullen LLP.

**What if I do not specify a choice for a matter when returning a proxy?**

If you sign your proxy but do not give voting instructions, the individuals named as proxy holders on the proxy card will vote “FOR” the election of all nominees, “FOR” advisory approval of executive compensation, “FOR” the ratification of McGladrey & Pullen LLP and in their discretion on any other matters that may properly come before the Meeting.

**Will my shares be voted if I do not provide my proxy or vote at the Meeting?**

If you do not provide your proxy or vote at the Meeting and your shares of common stock are registered directly in your name with our transfer agent (American Stock Transfer & Trust Company), your shares of common stock will not be voted.

If you do not provide your proxy or vote at the Meeting and your shares of common stock are held in street name with a bank, brokerage firm or other nominee (i.e., in “street name”), your nominee may vote your shares in its discretion on the proposal to ratify McGladrey & Pullen LLP, but may not vote your shares on the proposal to elect directors and the advisory approval of executive compensation. The ratification of our independent registered public accounting firm is a “routine matter” under the rules of the New York Stock Exchange on which nominees are permitted to vote on behalf of their clients if no voting instructions are furnished. The proposal to elect directors and the advisory approval of executive compensation are “non-routine” matters on which nominees are not permitted to vote on behalf of their clients if no voting instructions are furnished.

**Who is soliciting my proxy, how is it being solicited and who pays the cost?**

The Board is soliciting your proxy for the Meeting. The solicitation process is being conducted primarily by mail. However, proxies may also be solicited in person, by telephone or facsimile. We pay the cost of soliciting proxies and may use employees to solicit proxies and also reimburse stockbrokers and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation material to the owners of our common stock.

**What does it mean if I receive more than one proxy card?**



If you receive more than one proxy card, it means you have multiple accounts with our transfer agent, and to vote all your shares you will need to sign and return all proxy cards.

**May stockholders ask questions at the Meeting?**

Yes. At the end of the Meeting, our representatives will answer questions from stockholders.

## Ownership of Our Common Stock

The following table sets forth certain information regarding the ownership of common stock as of April 9, 2012, by (i) each of our directors, (ii) each of our executive officers and (iii) all of our directors and executive officers as a group. Unless otherwise indicated, all shares are owned directly and the indicated person has sole voting and investment power.

Name	Beneficial Ownership		
	Shares(1)	Percentage	
Paul H. McDowell	757,641	1.1	%
William R. Pollert	674,913	(2)	1.0 %
Shawn P. Seale	779,698	(3)	1.1 %
Robert C. Blanz	666,412		*
Paul C. Hughes	304,060		*
Michael E. Gagliardi	66,850	(4)	*
Catherine F. Long	13,800		*
Jeffrey F. Rogatz	52,850		*
Howard A. Silver	68,300		*
Directors and executive officers as a group (9 persons)	3,384,524	5.1	%

\* Represents less than 1% of the outstanding common stock.

(1) Includes shares of common stock subject to restricted stock awards for which the person has the right to vote as follows: Mr. McDowell, 260,790; Mr. Pollert, 191,593; Mr. Seale, 259,686; Mr. Blanz, 246,338; Mr. Hughes, 142,645; Mr. Gagliardi, 14,300; Ms. Long, 11,900; Mr. Rogatz, 14,300; Mr. Silver, 17,001; and all directors and executive officers as a group, 1,158,553.

(2) Includes 5,000 shares owned by his spouse. Mr. Pollert disclaims beneficial ownership of these shares.

(3) Includes 10,858 shares owned by his spouse and 30,000 shares owned by his mother-in-law and father-in-law. Mr. Seale disclaims beneficial ownership of these shares.

(4) Includes 2,500 shares owned by his spouse and 500 shares owned by his daughter. Mr. Gagliardi disclaims beneficial ownership of these shares.

The following table sets forth information regarding persons or groups known to us to be beneficial owners of more than 5% of our common stock.

Name	Shares	Percentage as of April 9, 2012	
The Vanguard Group, Inc.(1)	6,645,596	9.9	%
Morgan Stanley, et al.(2)	5,295,173	7.9	%
BlackRock, Inc.(3)	4,762,632	7.1	%
Huber Capital Management LLC(4)	3,626,096	5.4	%
Vanguard Specialized Funds-Vanguard REIT Index Fund(5)	3,584,537	5.4	%

(1) According to a Schedule 13G/A filed with the Securities and Exchange Commission by The Vanguard Group, Inc. on April 10, 2012. The address for The Vanguard Group, Inc. is 100 Vanguard Blvd., Malvern, PA 19355.

(2) According to a Schedule 13G/A filed with the Securities and Exchange Commission by Morgan Stanley and Morgan Stanley Capital Services LLC (the "Morgan Stanley Filers") on February 9, 2012. The address for the Morgan Stanley Filers is 1585 Broadway, New York, NY 10036.

(3) According to a Schedule 13G/A filed with the Securities and Exchange Commission by BlackRock, Inc. on February 13, 2012. The address for BlackRock, Inc. is 40 East 52<sup>nd</sup> Street, New York, NY 10022.

(4) According to a Schedule 13G filed with the Securities and Exchange Commission by Huber Capital Management LLC on February 9, 2012. The address for Huber Capital Management LLC is 10940 Wilshire Blvd., Suite 925, Los Angeles, CA 90024.

(5) According to a Schedule 13G/A filed with the Securities and Exchange Commission by Vanguard Specialized Funds-Vanguard REIT Index Fund on January 27, 2012. The address for Vanguard Specialized Funds-Vanguard REIT Index Fund is 100 Vanguard Blvd., Malvern, PA 19355.

## Board of Directors

## Board of Directors

The primary responsibility of the Board is to foster the long-term success of the Company, consistent with its fiduciary duty to the stockholders. The Board has responsibility for establishing broad corporate policies, setting strategic direction, and overseeing management, which is responsible for the day-to-day operations of the Company. In fulfilling this role, each director must act in good faith in a manner he or she reasonably believes to be in the best interests of the Company with the care an ordinarily prudent person in a like position would use under similar circumstances. The directors are regularly kept informed about our business at meetings of the board and its Committees and through supplemental reports and communications. The responsibilities of the Board's standing Committees are addressed separately in this Proxy Statement.

Our Board is currently comprised of six members: Paul H. McDowell, William R. Pollert, Michael E. Gagliardi, Catherine F. Long, Jeffrey F. Rogatz and Howard A. Silver. The Board, upon the recommendation of the Nominating and Corporate Governance Committee, has affirmatively determined that each of the following directors is independent within the general independence listing standards prescribed by the New York Stock Exchange ("NYSE") and our Corporate Governance Guidelines: Michael E. Gagliardi, Catherine F. Long, Jeffrey F. Rogatz and Howard A. Silver. The Board has adopted, as part of our Corporate Governance Guidelines, categorical standards of director independence that are attached hereto as Annex A to assist in making these independence determinations. Each of the above-named directors qualifies as independent under these standards.

The Board held six meetings in 2011. Directors are expected to attend Board meetings, the annual Meeting of Stockholders and meetings of the Committees on which they serve, with the understanding that on occasion a director may be unable to attend a meeting. During 2011, each director attended more than 75% of the aggregate number of meetings of the Board and all Committees on which he or she served. All directors attended our Annual Meeting of Stockholders in 2011.

The Board has adopted Corporate Governance Guidelines and a Code of Business Conduct and Ethics, which can be found at the investors section of the Company's website at [www.caplease.com](http://www.caplease.com). The information on the Company's website is not, and shall not be deemed to be, a part of this Proxy Statement or incorporated into any other filings the Company makes with the Securities and Exchange Commission.

## Board Leadership Structure

Paul H. McDowell currently serves as the Chairman of the Board and Chief Executive Officer. The Board does not have a policy as to whether the Chairman of the Board should be a non-management director or a member of management. Instead, the Board selects its Chairman in the manner it determines to be in the best interest of the Company's stockholders. When the Chairman is a member of Company management, the Board also selects an independent director to act as the Lead Independent Director of the Board. Since its initial public offering, the Company has had a separate non-employee Chairman and Chief Executive Officer from March 2004 through December 2007, and a combined Chairman and Chief Executive Officer from December 2007 to the present. The Board believes that its current leadership structure, with Mr. McDowell serving as both Chief Executive Officer and Chairman of the Board, is appropriate given Mr. McDowell's past experience serving in these roles, the efficiencies of having the Chief Executive Officer also serve in the role of Chairman and the Company's strong corporate governance structure. The Company's Lead Independent Director is currently Howard A. Silver. As Lead Independent Director, Mr. Silver's duties include:

- Presiding over executive sessions of the non-management directors;
- Calling meetings of the non-management directors as he deems necessary;
- Serving as liaison between the Chief Executive Officer and the non-management directors;
- Advising the Chief Executive Officer of the Board's informational needs;
- Being available for communication by stockholders; and
- Leading the Board in anticipating and responding to crises.

The Lead Independent Director is invited to attend all meetings of Committees of the Board of which he or she is not a member.

During 2011, our non-management directors met in executive session four times.

During the meetings of the non-management directors, the Lead Independent Director has the power to lead the meeting and set the agenda, but all non-management directors are encouraged to and do suggest topics for discussion.

#### Communications with the board

Our Board and Audit Committee have adopted a whistleblower policy to allow employees, stockholders and other interested persons to communicate directly with our Audit Committee, including to report complaints relating to accounting, internal accounting controls or auditing matters. Interested persons may call our 24-hour, toll-free whistleblower hotline at (866) 851-8180 to report a concern. Our Board or the non-management directors specifically may also be contacted regarding any other concerns through our whistleblower hotline. All communications to our whistleblower hotline will be reported directly to Mr. Silver, our Audit Committee Chairman and Lead Independent Director.

#### Committees of the board

The Board has established various Committees of the Board to assist it with the performance of its responsibilities. These Committees and their members are listed below. The Board designates the members of these Committees and the Committee Chairs annually at its organizational meeting following the Annual Meeting of Stockholders, based on the recommendation of the Nominating and Corporate Governance Committee. The Board has adopted written charters for each of these Committees, which can be found at the investors section of the Company's website at [www.caplease.com](http://www.caplease.com). The Chair of each Committee develops the agenda for that Committee and determines the frequency and length of Committee meetings.

*Audit Committee.* Our Board has established an Audit Committee, which is currently composed of three independent directors, Messrs. Silver (Chairman) and Rogatz and Ms. Long. The Committee's primary duties are to:

- review and discuss with management and our independent auditor our annual and quarterly financial statements and related disclosures, including disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the results of the independent auditor's audit or review;

- review our financial reporting processes and internal control over financial reporting;

- oversee the audit and other services of our independent registered public accounting firm and be directly responsible for the appointment, independence, qualifications, compensation and oversight of the independent registered public

accounting firm, who reports directly to the Audit Committee;

· provide an open means of communication among our independent registered public accounting firm, management, our internal auditing function and our Board;

· review any disagreements between our management and the independent registered public accounting firm regarding our financial reporting;

· prepare the Audit Committee report for inclusion in our Proxy Statement for our annual stockholder meetings; and

· establish procedures for complaints received regarding our accounting, internal accounting control and auditing matters.

The Audit Committee met nine times in 2011.

#### Audit Committee Matters

Upon the recommendation of the Nominating and Governance Committee, the Board has determined that each of our Audit Committee members is independent of management and free of any relationships that, in the opinion of the Board, would interfere with the exercise of independent judgment and is independent, as that term is defined under the enhanced independence standards for audit committee members in the Securities Exchange Act of 1934, as amended, and the rules promulgated thereunder, as incorporated into the listing standards of the New York Stock Exchange (“NYSE”).

The Board has determined that Messrs. Silver and Rogatz and Ms. Long are all “audit committee financial experts,” as that term is defined in the rules promulgated by the Securities and Exchange Commission pursuant to the Sarbanes-Oxley Act of 2002. The Board has further determined that each of the members of the Audit Committee is financially literate and that, as required by the NYSE listing standards, at least one member of the Committee has accounting or related financial management expertise, as such terms are interpreted by the Board in its business judgment.

Our Board does not have a policy setting rigid limits on the number of audit committees on which a member of our Audit Committee may serve. Instead, in cases where an Audit Committee member serves on more than three public company audit committees, the Board evaluates whether such simultaneous service would impair the service of such member on our Audit Committee. Currently, no member of our Audit Committee serves on more than three public company audit committees.

#### Audit Committee Pre-Approval Policies

The Audit Committee must pre-approve all services rendered by the Company's independent registered public accounting firm. The Audit Committee has delegated to its Chairman the authority to grant any pre-approvals in between scheduled meetings. Any decision to grant pre-approval is presented to the full Audit Committee at its next scheduled meeting.

*Compensation Committee.* Our board has established a Compensation Committee, which is currently composed of three independent directors as defined under the general independence standards of the NYSE listing standards and our Corporate Governance Guidelines, Messrs. Gagliardi (Chairman) and Rogatz and Ms. Long. In addition, the Committee members are "non-employee directors" (within the meaning of Rule 16b-3 of the Exchange Act) and "outside directors" (within the meaning of Section 162(m) of the Internal Revenue Code). The Committee's primary duties are to:

- approve corporate goals and objectives relevant to executive officer compensation and evaluate performance in light of those goals and objectives;

- determine and approve executive officer compensation, including base salary and incentive awards;

- make recommendations to the Board regarding compensation plans;

- administer our stock plan; and

- prepare a report on executive compensation for inclusion in our Proxy Statement for our annual stockholder meetings.

Our Compensation Committee determines and approves all elements of executive officer compensation. It also provides recommendations to the full Board with respect to non-employee director compensation.



As part of its annual executive officer compensation determination, the Compensation Committee may or may not engage a compensation consultant to provide advisory services. If the Committee engages a consultant, the consultant may also be engaged to assist with the Committee's non-employee director compensation review. The Committee did not engage a compensation consultant in connection with its executive officer compensation determinations for the fiscal year ended December 31, 2011, although it did so for each of the prior two fiscal years (in each case, FPL Associates L.P.). For each year, the consultant was engaged directly by the Compensation Committee without any recommendation from management. The consultant was engaged to provide an analysis of the Company's executive officer pay levels against our peers, and to offer recommendations for executive officer compensation. FPL did not provide any other services to the Company during any year. In making its executive officer compensation determinations, the Compensation Committee also reviews recommendations from our chairman of the Board and chief executive officer.

The Compensation Committee met seven times in 2011.

*Nominating and Corporate Governance Committee.* Our board has also established a nominating and corporate governance committee, which is currently composed of three independent directors as defined under the general independence standards of the NYSE listing standards and our Corporate Governance Guidelines, Messrs. Rogatz (Chairman), Gagliardi and Silver. The Committee's primary duties are to:

recruit new directors, consider director nominees recommended by stockholders and others and recommend nominees for election as directors;

review the size and composition of our Board and its Committees;

oversee the evaluation of the Board;

recommend actions to increase the Board's effectiveness; and

develop, recommend and oversee our corporate governance principles, including our Code of Business Conduct and Ethics and our Corporate governance Guidelines.

The nominating and corporate governance committee met four times in 2011.

*Investment Oversight Committee.* Our Board has established an investment oversight committee, which is currently composed of Messrs. McDowell (Chairman), Rogatz and Silver. The primary function of the investment oversight committee is to approve all portfolio investments we make in excess of \$50 million unless such investments have been approved by the full Board.

The investment oversight committee did not meet in 2011.

We recommend that stockholders review the charters for the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee, available at our website at [www.caplease.com](http://www.caplease.com) for a full description of the respective Committees' responsibilities.

#### Compensation Committee Interlocks and Insider Participation

As noted above, the Compensation Committee currently consists of Messrs. Gagliardi (Chairman) and Rogatz and Ms. Long. None of Messrs. Gagliardi or Rogatz or Ms. Long is or has been one of our executive officers. Further, none of our executive officers has ever served as a member of the compensation committee or as a director of another entity whose executive officers served on our Compensation Committee or as a member of our Board.

#### Risk Oversight

The Board believes that oversight of the Company's risk management efforts is the responsibility of the entire Board. During the year, management makes regular reports to the Board, and the Board regularly reviews the subject of risk management. Additionally, the charters of certain of the Board's Committees assign oversight responsibility for particular areas of risk. For example, our Audit Committee oversees management of risks related to accounting, auditing and financial reporting and maintaining effective internal controls for financial reporting. Our Nominating and Corporate Governance Committee oversees risk associated with our corporate governance guidelines and code of conduct, including compliance with listing standards for independent directors, committee assignments and conflicts of interest. Our Compensation Committee oversees the risk related to our executive compensation plans and arrangements. All of these risks are discussed with the entire Board in the ordinary course of the chairperson's report of Committee activities at regular Board meetings.

#### Code of Business Conduct and Ethics

Our Code of Business Conduct and Ethics applies to all of our officers, employees and directors, including our chief executive officer, chief financial officer, chief accounting officer and controller. We have always conducted our business in accordance with the highest standards of conduct. Full compliance with the letter and spirit of the laws applicable to our businesses is fundamental to us. Equally important are equitable conduct and fairness in our business operations and in our dealings with others. Our Code of Business Conduct and Ethics reflects the foregoing principles.

We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K relating to amendments to or waivers from any provision of the Code of Business Conduct and Ethics applicable to our chief executive officer, chief financial officer, chief accounting officer or controller by posting such information on our website at [www.caplease.com](http://www.caplease.com).

### Corporate Governance Guidelines

The Board has also adopted a set of Corporate Governance Guidelines that reflect our governance principles and our commitment to maintaining high corporate governance standards.

The Nominating and Corporate Governance Committee is responsible for periodically reviewing the Corporate Governance Guidelines and the Code of Business Conduct and Ethics and for considering and, as necessary, making recommendations on governance issues that should be addressed by the Board.

### Conflict of Interest Policy

We have a written conflict of interest policy that provides that any transaction with any of our directors, officers or employees or in which any of these individuals has a material interest must be approved by a vote of a majority of our disinterested directors.

### Corporate Profile

The following are selected elements of our corporate profile:

our Board has opted out of the business combination provisions of the Maryland General Corporation Law, or MGCL;



our amended and restated bylaws contain a provision exempting from the control share acquisition statute of the MGCL any and all acquisitions by any person of shares of stock in our Company; and

we generally cannot merge, sell all or substantially all of our assets or engage in a share exchange or similar transaction outside the ordinary course of business unless approved by the stockholders entitled to cast at least a majority of the votes entitled to be cast on the matter.

If our Board were to adopt a resolution opting into the business combination statute or amend our bylaws to remove the exemption from the control share acquisition statute, these provisions of the MGCL may discourage others from trying to acquire control of our Company and may increase the difficulty of consummating any such offer.

For a complete description of our corporate profile, we refer you to the MGCL, our charter and our amended and restated bylaws. We have filed our charter and amended and restated bylaws as exhibits to our periodic reports under the Securities Exchange Act of 1934, as amended (see our Annual Report on Form 10-K for the fiscal year ended December 31, 2011).

Proposal 1—Election of Directors

In accordance with our charter, each member of our Board is elected annually.

The Nominating and Corporate Governance Committee is responsible for reviewing with the Board, the requisite skills and characteristics of new Board members as well as the composition of the Board as a whole. This assessment includes members' qualification as independent, as well as consideration of diversity, age, skills and experience in the context of the Board's needs. The Board has not adopted a policy with respect to minimum qualifications for directors, nor has the Board adopted a formal diversity policy for nominees. Nominees for directorships are selected by the Nominating and Corporate Governance Committee and recommended to the Board in accordance with the policies and principles in its charter. The Nominating and Corporate Governance Committee does not distinguish between nominees recommended by stockholders and other nominees. Stockholders wishing to suggest candidates to the Nominating and Corporate Governance Committee for consideration as directors must submit a written notice to the Company's Corporate Secretary, who will provide it to the Nominating and Corporate Governance Committee. Our amended and restated bylaws set forth the procedures a stockholder must follow to nominate directors. These procedures are summarized in this Proxy Statement under the caption "Stockholder Proposals for 2013 Annual Meeting of Stockholders." Our Nominating and Corporate Governance Committee did not receive any recommendations of director candidates from any stockholder or group of stockholders during 2011. We did not utilize any third-party search firms to assist in identifying potential director candidates during 2011.

All of the nominees for director are directors presently. As noted under "Board of Directors" above, our Board is currently comprised of six members and the Board has nominated these six director candidates for re-election at the Meeting. Upon completion of the Meeting, one vacancy on the Board will continue to exist, and the Board plans to continue to review potential non-employee director candidates as part of its process of determining whether to add a Board member to fill such vacancy. In the event the Board identifies a qualified candidate and determines to fill the vacancy, it will appoint such candidate to serve as a member of the Board until the next Annual Meeting of Stockholders.

The following table sets forth the name and the position(s) currently held by each person nominated as a director:

Name	Title
Paul H. McDowell <sup>(1)</sup>	Chairman of the Board and Chief Executive Officer
William R. Pollert	President and Director
Michael E. Gagliardi <sup>(2)(3)</sup>	Director
Catherine F. Long <sup>(2)(4)(5)</sup>	Director
Jeffrey F. Rogatz <sup>(1)(2)(3)(4)(5)</sup>	Director
Howard A. Silver <sup>(1)(3)(4)(5)</sup>	Lead Independent Director

- (1) Member of Investment Oversight Committee
- (2) Member of Compensation Committee
- (3) Member of Nominating and Corporate Governance Committee
- (4) Member of Audit Committee
- (5) Audit Committee Financial Expert

Each of these directors, if re-elected, will serve as director until the Annual Meeting of Stockholders held in 2013 and the election and qualification of the director's respective successor or until the director's earlier death, removal or resignation.

The Board has adopted a general policy that a director may not stand for re-election if he or she has attained the age of 75 unless the Board has voted, on an annual basis, to waive the mandatory retirement age.

## Board Biographies

All nominees have consented to be named, and have agreed to serve if elected. Although it is not anticipated that any of the persons named above will be unable or unwilling to stand for re-election, a proxy, in the event of such occurrence, may be voted for a substitute nominee to be designated by the Board, or, as an alternative, the Board may reduce the number of directors to be elected at the Meeting or leave the position(s) vacant. Ages listed below are as of December 31, 2011.

Name	Business Experience
<p>Paul H. McDowell</p> <p>Age 51</p>	<p>Mr. McDowell is a founder of our company. He has been continuously employed by us or our predecessor companies since 1994, including as chief executive officer since March 2001, and as senior vice president, general counsel and secretary from 1994 until February 2001. He has served on our Board since November 2003 and was elected chairman of the Board in December 2007. He served on the Board of Directors of our predecessor, Capital Lease Funding, LLC (“CLF, LLC”), from November 2001 until March 2004. He is also a member of our investment committee, a committee consisting of our key employees that oversees our underwriting and due diligence process. From 1991 until 1994, Mr. McDowell was corporate counsel for Sumitomo Corporation of America, the principal U.S. subsidiary of one of the world’s largest integrated trading companies. As corporate counsel, Mr. McDowell advised on a wide range of domestic and international corporate legal matters, including acquisitions, complex financing transactions, power plant development, shipping, litigation management and real estate. From 1987 to 1990, Mr. McDowell was an associate in the corporate department at the Boston law firm of Nutter, McClennen &amp; Fish. Mr. McDowell serves on the Board of Directors of Feldman Mall Properties, Inc., which was a public company within the past five years. Mr. McDowell received a JD with honors from Boston University School of Law in 1987 and received a BA from Tulane University in 1982.</p>
<p>William R. Pollert</p> <p>Age 67</p>	<p>Mr. Pollert is a founder of our company. He has been continuously employed by us or our predecessor companies since 1994, including as president since 1994, and chief executive officer from 1994 to March 2001. He has served on our Board since November 2003, and served on the Board of Directors of CLF, LLC, from November 2001 until March 2004. He is also a member of our investment committee. From 1993 until 1995, Mr. Pollert was the president and chief executive officer of Equitable Bag Co., Inc., a leading manufacturer of custom bag products for non-food retailers and specialty packaging. From 1986 to 1993, Mr. Pollert held a variety of senior management positions at Triarc Companies, Inc. (which owned Arby’s, RC Cola, Graniteville and National Propane); Trian Group L.P.C.; Avery, Inc. (which owned Uniroyal Chemical Co.); and Triangle Industries, Inc. (which owned American National Can Co., Brandt, Inc., Triangle Wire &amp; Cable, Inc. and Rowe International, Inc.). The senior management positions included chief executive officer or chief operating officer of several of the companies owned by Triarc, Trian, Avery and Triangle. Triarc, Trian, Avery, Triangle and Equitable Bag Co., Inc., were at one time or are currently controlled by Nelson Peltz and Peter May. From 1973 to 1985, Mr. Pollert held a variety of senior management positions at International Paper Company, ending as vice president of the consumer packaging business and a member of its executive operating committee. Mr. Pollert received a Ph.D. in management and organization sciences from the University of Florida, an MBA in finance from Columbia University, and a BA from Lehigh University.</p>



Michael E. Mr. Gagliardi has served on our Board since March 2004. He currently serves as an advisor to  
Gagliardi HSBC-Halbis Investments as an independent contractor. From May 2005 until November 2009, Mr.  
Age 54 Gagliardi was employed by HSBC Investments (USA) Inc. Mr. Gagliardi served as a member of the  
Board of Directors of Atlantic Advisors LLC, a registered investment advisor, from 1999 until Atlantic's  
acquisition by HSBC in May 2005. Atlantic provides investment, finance and advisory services to an  
international client base. Mr. Gagliardi was a founding partner of Wasserstein Perella Emerging Markets  
("WPEM") (now Dresdner Kleinwort Wasserstein) and served as its chief executive officer from 1993  
through 1999. Prior to founding WPEM, Mr. Gagliardi was director of Emerging Markets at UBS  
(formerly Swiss Bank Corporation). Mr. Gagliardi has served on the board of directors of the Emerging  
Market Traders Association and the board of directors advisory council at Fairfield University. Mr.  
Gagliardi received an MBA from Pace University in 1983 and received a BS from Fairfield University in  
1979.

Name	Business Experience
Catherine F. Long	<p>Ms. Long has served on our Board since March 2011. Ms. Long has served as Executive Vice President, Chief Financial Officer and Treasurer of STORE Capital Corporation since its inception in May 2011. STORE Capital Corporation is a real estate investment trust focused on acquiring single tenant real estate to be leased on a triple net basis to retail, distribution and service-oriented companies throughout the United States. Ms. Long also serves on STORE Capital Corporation’s investment committee, among other committee appointments. Ms. Long was Senior Vice President, Chief Financial Officer and Treasurer of Spirit Finance Corporation, a real estate investment trust focused on acquiring single tenant real estate leased to retail, distribution and service-oriented companies, from its inception in August 2003 until February 2010. Prior to 2003, Ms. Long served since 1990 in various capacities, including Principal Accounting Officer, with Franchise Finance Corporation of America, a real estate investment trust focused on the restaurant industry, and its successor, an affiliate of GE Capital. Prior to her employment with Franchise Finance Corporation of America, Ms. Long was a senior manager specializing in the real estate industry with the public accounting firm of Arthur Andersen. She received her degree in accounting with high honors from Southern Illinois University and has been a certified public accountant since 1980. Ms. Long received a CFO of the Year award for 2008 from the Arizona Chapter of Financial Executives International, a professional association for senior financial executives.</p>
Age 55	
Jeffrey F. Rogatz	<p>Mr. Rogatz has served on our Board since March 2004. Mr. Rogatz has been a Managing Director with Robert W. Baird &amp; Co. (“Baird”), an investment banking firm, since October 2011. Prior to joining Baird, Mr. Rogatz was the founder and President of Triangle Real Estate Advisors LLC, a real estate asset management company, which is the manager of Triangle Real Estate Securities Fund LLC. Mr. Rogatz was also founder and President of Ridgeway Capital LLC (“Ridgeway Capital”), a real estate investment and advisory firm that invests in office, industrial and retail leased assets in the Mid-Atlantic area, and provides advisory services to various clients which have included several publicly traded real estate investment trusts, and co-founder of Palladian Realty Capital which provides consulting and advisory services to public and private real estate companies. Prior to founding Ridgeway Capital in 2001, Mr. Rogatz was chief financial officer of Brandywine Realty Trust (“Brandywine”), a New York Stock Exchange listed real estate investment trust. Prior to joining Brandywine in 1999, Mr. Rogatz was a managing director and head of the REIT practice for Legg Mason Wood Walker, Incorporated. Mr. Rogatz is a member of the National Association of Real Estate Investment Trusts, Urban Land Institute and the International Council of Shopping Centers. Mr. Rogatz is a board member of CubeSmart, a publicly traded real estate investment trust providing self-storage solutions around the country, the Friends of Woodlawn Library, Inc. and Opera Delaware, and a member of the William and Mary Business School Foundation Board. Mr. Rogatz received an MBA in finance with honors from the College of William and Mary in 1987 and received a BS from the University of Virginia in 1983.</p>
Age 50	
Howard A. Silver	<p>Mr. Silver has served on our Board since March 2004. Mr. Silver held various executive positions with Equity Inns, Inc. (“Equity Inns”), a NYSE listed real estate investment trust, from May 1994 until October 2007 when Equity Inns was sold to Whitehall Global Real Estate Funds. At the time of the sale, Mr. Silver held the positions of chief executive officer and president and was also a director of Equity Inns, and he has also held the positions of chief operating officer, executive vice president of finance, secretary, treasurer and chief financial officer. Mr. Silver is presently a director of Great Wolf Lodge, a public indoor water park resort, where he serves as chairman of the Audit Committee and a member of the Nominating and Corporate Governance Committee. Mr. Silver is also a director of Education Realty Trust, a public student housing real estate investment trust, where he serves as a member of the Compensation Committee and the Nominating and Corporate Governance Committee. From 1992 until 1994, Mr. Silver served as chief financial officer of Alabaster Originals, L.P., a fashion jewelry wholesaler. Mr. Silver has been a certified</p>
Age 57	

public accountant since 1980 and was employed, from 1987 to 1992, by Ernst & Young LLP and, from 1978 to 1986, by Coopers & Lybrand L.L.P. Mr. Silver graduated cum laude from the University of Memphis with a BS in accountancy in 1976.

In assessing the needs of the Board, the Nominating and Corporate Governance Committee has sought to identify individuals qualified to fill vacant director positions or to stand for re-election based on input from all Board members and the following general criteria: directors should possess practical wisdom, sound judgment and a broad range of experience that is relevant to the Company's business and complementary to the background of the other directors. The Board's decision to nominate the directors was based principally on the following factors:

Mr. McDowell	Mr. Pollert	Mr. Gagliardi
· Founder of the Company	· Founder of the Company	· Board continuity and Company knowledge by virtue of Board membership since our initial public offering, or IPO, in 2004
· Most senior executive of the Company	· Second most senior executive of the Company	· Unique perspective by virtue of financial and investment experience
· Extensive commercial real estate experience with focus on net lease market	· Extensive commercial real estate experience with focus on net lease market	· Significant senior management experience
· Legal experience	· Broad senior management experience both inside and outside the real estate industry	
Ms. Long	Mr. Rogatz	Mr. Silver
· Extensive commercial real estate experience with focus on net lease market	· Board continuity and Company knowledge by virtue of Board membership since our IPO in 2004	· Board continuity and Company knowledge by virtue of Board membership since our IPO in 2004
· Broad senior management experience in a variety of real estate entity structures	· Extensive commercial real estate experience	· Extensive commercial real estate experience
· Public company financial reporting and operations experience	· Senior real estate investment banking experience	· Extensive senior management experience
· Broad experience in real estate finance	· Public company financial reporting and operations experience	· Public company financial reporting and operations experience
		· Public company directorship experience

## Compensation of Directors

The members of our Board who are also our employees do not receive any additional compensation for their services on our Board. The table below sets forth the compensation earned by the Company's non-employee directors for the fiscal year ended December 31, 2011:

Name	Fees Earned or Paid in Cash	Stock Awards <sup>(1)</sup>	All Other Compensation <sup>(2)</sup>	Total
Michael E. Gagliardi	\$ 53,500	\$ 33,060	\$ 4,276	\$90,836
Stanley Kreitman <sup>(3)</sup>	24,800	0	3,164	27,964
Catherine F. Long <sup>(4)</sup>	43,152	33,060	1,112	77,324
Jeffrey F. Rogatz	60,500	33,060	4,276	97,836
Howard A. Silver	74,500	39,440	5,159	119,099

(1) Represents the grant date fair value of stock awards during 2011. 2011 stock awards are scheduled to vest in three equal annual installments beginning on the first anniversary of the grant date. The aggregate number of stock awards outstanding on December 31, 2011 is as follows: Mr. Gagliardi, 15,700; Mr. Kreitman, 0; Ms. Long, 5,700; Mr. Rogatz, 15,700; and Mr. Silver, 18,901.

(2) Represents dividends on awards of Company common stock still subject to forfeiture as of the dividend payment date.

(3) Mr. Kreitman retired from our Board in June 2011.

(4) Ms. Long was elected to our Board in March 2011.

We also reimburse reasonable travel expenses of non-employee directors incurred in connection with their Board and Committee meeting attendance.

**The Board unanimously recommends a vote FOR each of the nominees named in Proposal 1.**



Our Executive Officers

The following individuals currently serve as our executive officers. Ages are as of December 31, 2011.

Name	Age	Title
Paul H. McDowell	51	Chairman of the Board and Chief Executive Officer
William R. Pollert	67	President
Shawn P. Seale	48	Senior Vice President, Chief Financial Officer and Treasurer
Robert C. Blanz	54	Senior Vice President and Chief Investment Officer
Paul C. Hughes	44	Vice President, General Counsel and Corporate Secretary

Biographical information for Messrs. McDowell and Pollert is contained above under the heading “Proposal 1—Election of Directors.” Biographical information with regard to our other executive officers is set forth below.

*Shawn P. Seale* is a founder of our company. He has been continuously employed by us or our predecessor companies since 1994, including as Senior Vice President, Chief Financial Officer and Treasurer since 1994. He served on our Board from November 2003 until March 2004 and the Board of Directors of CLF, LLC, from November 2001 until March 2004. He is a member of our investment committee. Prior to CapLease, Mr. Seale was also a founder of Taylor Consulting Group, a corporate consulting firm in Atlanta, and served as vice president and treasurer from 1988 until 1995. From 1985 to 1988, Mr. Seale was a management and finance consultant at Ernst & Whinney (a predecessor to Ernst & Young). Mr. Seale is a certified public accountant. Mr. Seale received a BS from the Massachusetts Institute of Technology in 1985.

*Robert C. Blanz* has been continuously employed by us or our predecessor companies since October 1999, including as our Senior Vice President since October 1999 and our Chief Investment Officer since October 2003. Mr. Blanz is responsible for the firm’s investment activities including equity, debt and structured finance investments. Mr. Blanz also manages our permanent debt financing strategies including mortgage financings and CDO structuring. Mr. Blanz’s responsibilities also include credit, transaction underwriting and asset management. Mr. Blanz is also a member of our investment committee. From 1997 until 1999, Mr. Blanz was a director in the real estate structured finance department at Standard and Poor's. Before moving to Standard & Poor's, he was vice president in the real estate principal transactions group at Dean Witter. Mr. Blanz received an MBA from Columbia University in 1996 and a BS from the State University of New York in 1980. He is also a certified public accountant.

*Paul C. Hughes* has been our Vice President, General Counsel and Corporate Secretary since January 2005. Prior to that time, he was an attorney practicing in the area of corporate and securities matters at Hunton & Williams LLP from September 2000 until January 2005, and at Parker Chapin LLP from September 1997 until September 2000. Mr. Hughes is also a certified public accountant and was employed by Grant Thornton LLP from January 1989 until June

1997.

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## Executive Compensation

### Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management of the Company. Based on this review, the Compensation Committee recommended to the Company's Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Submitted by:

Compensation Committee

Michael E. Gagliardi (Chairman)

Catherine F. Long

Jeffrey F. Rogatz

*The information contained in the report above shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference in such filing.*

Compensation Discussion and Analysis

### Summary

Our Compensation Committee is comprised of three independent directors and reviews and approves all elements of compensation for the named executive officers. The Committee's compensation determinations have historically

reflected the Committee's business judgment based on its assessment of Company performance compared to defined performance measures established by the Committee at the beginning of each year as well as other Company and individual performance measures deemed relevant by the Committee and market conditions. The Committee is currently undertaking a comprehensive review of its compensation process and may adopt changes to such process for 2012 and future years. With respect to 2011, the Committee determined that although the Company had a good year from an operational point of view with solid performance against the pre-defined criteria, total shareholder return was down significantly and therefore a reduction in total compensation was appropriate. As a result, the Compensation Committee determined to reduce total cash bonuses by 9% overall, and total incentive compensation by 5% overall, and to apply an 80% performance vesting percentage for 2011, resulting in 20% of the 2011 eligible shares failing to vest as scheduled.

#### Discussion of Business Results and Executive Performance

Heading into 2011, the Board was focused on maintaining enterprise and earnings growth and continuing to strengthen the Company's balance sheet. The Board's view was that solid execution on these goals would drive the Company's stock price higher, thereby lowering the Company's cost of equity capital and positioning the Company well for continued portfolio growth in 2011 and beyond. Consistent with those themes, the Compensation Committee established performance metrics for 2011 that included objective measures like the absolute level of new investment activity and the Company's spread on new investments, and subjective measures like balance sheet improvement transactions. The Compensation Committee also established total shareholder return as a performance measure for 2011.

During 2011, the Company performed as follows relative to the performance metrics discussed above and certain other significant transactions:

New investment activity of approximately \$110 million, including two completed properties with a total purchase price of \$53.5 million and a build-to-suit development project scheduled for completion in the first quarter of 2013 with an expected total investment of \$53 million. All of these new properties have capitalization rates and lease terms exceeding the Company's portfolio averages, and debt levels below the Company's portfolio average.

The above assets were added at an average yield that reflects an approximately 250 basis point spread to the cost of the related debt and an approximately 650 basis point spread to the yield on a United States Treasury note with a 10 year maturity.

Sold the assets and liabilities comprising the Company's collateralized debt obligation, or CDO, at a small gain, which generated about \$30 million in proceeds to recycle into the business. The CDO sale also enabled the Company to significantly lower its debt investments to about \$95 million, or 5% of the total portfolio, at December 31, 2011, and significantly reduce its overall leverage which was at approximately 66% at year-end. The Company's overall leverage ratio is a non-GAAP financial measure. For more information about non-GAAP financial measures, see Annex B of this Proxy Statement.

Through the CDO sale and other transactions, the Company reduced debt obligations by \$258 million during 2011.

Cost effectively raised equity capital of \$54 million during the first quarter through a marketed offering of common stock at a price of \$5.60 per share and repurchased \$6.7 million of common stock during the third and fourth quarter at an average price of \$3.79 per share.

Delivered funds from operations as adjusted for comparability of \$0.62 per share in 2011, exceeding the high end of the Company's guidance of \$0.61 per share. Funds from operations and funds from operations as adjusted for comparability are non-GAAP financial measures. For more information about non-GAAP financial measures, see Annex B of this Proxy Statement.

CapLease's 2011 total shareholder return (inclusive of dividends) declined 26.1%, compared with a positive 4.7% return from the primary REIT index (RMZ), and a positive 2.7% weighted average return from the Compensation Committee selected peer group<sup>1</sup>. However, CapLease's stock price return over the last three years was 177%, compared to 78.5% for the Compensation Committee selected peer group.

The Committee made the judgment in early 2012 that the Company had a good year from an operational standpoint in 2011, with solid execution on portfolio growth, new asset returns and balance sheet improvement. But that success was not immediately reflected in the Company's stock price which declined during 2011 although the Company's stock price return over the last three years compared favorably to the Compensation Committee selected peer group. Based on the Committee's overall assessment of the performance of the Company and the management team, it determined to reduce total executive compensation for 2011. Specifically, the Committee made the following compensation determinations for 2011:

Established a compensation pool of \$4.3 million for the named executive officers, which represented a decrease of about 2% from 2010, and was 8% higher than the 25<sup>th</sup> percentile of the Compensation Benchmark Peer Group<sup>2</sup>;

Decreased incentive compensation about 5% from 2010, with cash bonuses down 9% and stock incentive compensation basically unchanged, reflecting the Committee's judgment to reduce total executive compensation for 2011;

Increased base salaries 4%, basically reflecting cost of living increases required under the named executive officer employment agreements;

Allocated approximately 35% of the total compensation pool to restricted stock awards, in line with prior year awards including 34% in 2010; and

Determined that 80% of prior period restricted stock awards scheduled to vest in March 2012, vested at that time, and the remaining 20% was either available for vesting in future years or in the case of certain awards forfeited. The 80% vesting percentage again reflects the Committee's judgment to reduce total executive compensation for 2011.

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The Compensation Committee has historically looked at two separate peer groups for different purposes: a narrow list of single tenant REIT only peers is used for total shareholder return comparison purposes (the "Shareholder Return Peer Group") and a much broader list of companies is used for compensation comparison purposes ("the "Compensation Benchmark Peer Group"). The Shareholder Return Peer Group is comprised of REITs that have a significant focus in the single tenant commercial property space. For the year ended December 31, 2011, the Shareholder Return Peer Group was comprised of the following companies: Lexington Realty Trust, Entertainment Properties Trust, National Retail Properties, Inc., Realty Income Corp., One Liberty Properties, Inc., Getty Realty Corp. and NorthStar Realty Finance Corp.

<sup>2</sup>For the fiscal year ended December 31, 2011, the Committee reviewed a compensation survey that summarized 2010 executive compensation at 136 publicly traded commercial real estate companies.

The year-end 2011 named executive officer compensation pool was as follows:

Name	2012 Base Salary	2011 Cash Bonus	2011 Incentive Award (grant of shares of restricted common stock)	Total
Paul H. McDowell	\$ 447,000	\$ 350,000	\$ 350,000	\$1,147,000
Shawn P. Seale	351,000	250,000	350,000	951,000
William R. Pollert	246,000	155,000	260,000	661,000
Robert C. Blanz	301,000	283,000	333,000	917,000
Paul C. Hughes	237,000	190,000	195,000	622,000
Total	\$ 1,582,000	\$ 1,228,000	\$ 1,488,000	\$4,298,000

### Compensation Philosophy

The Compensation Committee's judgments reflect the following philosophies:

The Committee employs a "team" compensation philosophy in setting executive compensation, reflecting the partnership manner in which the management group operates.

Compensation determinations are significantly discretionary and include an objective assessment of a variety of both Company and individual performance factors.

The Committee pays a significant component of annual compensation awards as long-term performance-based compensation through restricted stock grants that may be forfeited if performance or service conditions are not met.

The Committee's "team" philosophy entails assessing the performance of the management team and the Company in the aggregate, and then determining a total compensation pool for all of the named executive officers. The size of the pool reflects various factors as determined to be relevant by the Committee, and will normally include the Committee's assessment of Company and individual performance factors and market conditions, a review of market pay rates and recommendations in the most recent compensation study, and considerations of the size of the compensation pool in prior periods.

Once the total compensation pool is determined, the Committee retains discretion on how to allocate the pool to individual officers and amongst compensation components. In making individual determinations, however, the Committee is guided generally by market pay rates as reflected in the most recent compensation report. With respect to compensation mix, the Committee's practice is to structure a significant component of the compensation awards as long-term performance based compensation (through restricted stock awards), thereby aligning the interests of the officers with our stockholders.

The foregoing methodology is presently under review by the Committee as described below and may be changed in future periods.

### Compensation Setting Process

We have a Compensation Committee comprised of three independent directors, Messrs. Gagliardi (Chairman) and Rogatz and Ms. Long. Under our Compensation Committee charter, the Compensation Committee determines and approves all elements of executive officer compensation.

The compensation committee's primary objectives in determining executive officer compensation are:

- developing an overall compensation package that is at market levels and thus fosters executive officer retention; and
- aligning the interests of our executive officers with our stockholders by linking a significant portion of the compensation package to performance.

Our executive officer compensation package consists of three primary elements: base salary, annual cash bonus and restricted stock awards. The Committee believes that these three elements reflect market practice for the Company's REIT peers and balance the need to offer our executive officers a compensation package that rewards current performance while providing strong short-term and long-term incentives.

The Committee determines the amount of each element annually, generally in January or February. Under the employment agreements we entered into with Messrs. McDowell, Seale, Pollert, Blanz and Hughes, each individual is entitled to an annual percentage salary increase at least equal to the increase in the cost of living, though they all agreed to defer that increase for their base salaries for 2009 and 2010. Any additional salary increase, cash bonus and restricted stock award are entirely at the Committee's discretion. All restricted stock awards are made out of the pool of shares available for issuance under our 2004 stock incentive plan. In order to simplify management and maintain consistency of awards and vesting periods, restricted stock awards are made effective as of March 24 (or the next business day after March 24), the anniversary date of the closing of our initial public offering.

To assist with its annual compensation determination, the Compensation Committee has often engaged a compensation consultant to summarize market pay rates and provide recommendations for named executive officer pay, although it elected not to do so for the fiscal year ended December 31, 2011, as it had retained a consultant for each of the two prior fiscal years. When engaged, the consultant typically compares the Company's existing executive officer pay rates against market pay rates at a variety of levels (e.g., 25<sup>th</sup> percentile, median, 75<sup>th</sup> percentile) within one or more peer groups. The Committee engaged FPL Associates L.P. in connection with the named executive officer compensation determinations for each of the fiscal years ended December 31, 2010 and December 31, 2009.

In order to ensure the Committee is considering prior period awards and all forms of compensation, it reviews a summary of all restricted stock awards made to each named executive officer and a tally sheet of all compensation paid to each named executive officer. The Committee also reviews recommendations from Paul McDowell, our chairman of the Board and chief executive officer.

Historically, the Committee's compensation determinations have reflected the Committee's business judgment based on its assessment of a variety of both Company and individual performance factors as well as market conditions. The Committee is, however, currently undertaking a comprehensive review of its compensation setting process. It intends to engage a compensation consultant to assist with such review. Based on the results of its review, the Committee may adopt changes to its compensation process for 2012 and future years.

Historically, the Committee has established certain overall Company performance criteria annually at the beginning of each year. For 2011, the Committee established and reviewed the following performance metrics:

- Total shareholder return (which includes dividends paid) versus the Shareholder Return Peer Group.

Yield on new assets versus the 10 year Treasury yield. The Committee compares the expected return or yield on new investments to the yield on a United States Treasury note with a 10 year maturity.

New investment absolute volume, versus budget.

Funds from operations, or FFO, as adjusted for comparability, versus budget. As stated above, FFO as adjusted for comparability is a non-GAAP financial measure. For more information about non-GAAP financial measures, see Annex B of this Proxy Statement.

Balance sheet improvement transactions.

The Board established the budget at the beginning of 2011 at its estimate of aggressive but attainable levels. The Company's actual total shareholder return was compared to the actual returns of the Shareholder Return Peer Group. Balance sheet improvement transactions is a subjective measure and was not compared to a budget or peer group measure.

The Committee coupled its review of the above pre-defined performance factors with its own subjective analysis. This subjective analysis included considerations such as a review of other Company performance criteria, market and unique conditions affecting the Company and achievement of strategic goals, and an analysis of individual contributions such as level and breadth of responsibility, length of tenure and individual contributions to the Company's strategic plan. The individual performance factors for the named executive officers for 2011 included the following:

Paul McDowell, Chairman and Chief Executive Officer: implementation of strategic plan; overall leadership of the Company; interaction with business and investor community; Board interaction

William Pollert, President: implementation of strategic plan; oversight of investment and financing activities; employee management



Shawn Seale, Chief Financial Officer: implementation of strategic plan; overall management of financial affairs; management of financial reporting; management of information technology; interaction with business and investor community; employee management; REIT and tax compliance

Robert Blanz, Chief Investment Officer: implementation of strategic plan; direct and manage all investment purchase and sale and asset financing transactions; asset management

Paul Hughes, General Counsel: manage legal affairs and compliance; SEC disclosure compliance; REIT and tax compliance; manage outside counsel

### Long-Term Compensation/Restricted Stock Awards

The Committee pays a significant component of each annual compensation award in the form of long-term compensation. The Committee has historically made restricted stock awards that it believes achieves its objectives of offering a competitive compensation package that rewards long-term decision-making and links pay to performance. The terms of the restricted stock awards include:

All awards are subject to forfeiture and are scheduled to vest over three or five years at the Committee's discretion, with one-third (in the case of a three year vesting period) or one-fifth (in the case of a five year vesting period) of the shares available for vesting each year. The 2011 awards are scheduled to vest over three years.

A significant portion of each award vests on the basis of performance, with the balance of the award vesting solely on the basis of time (i.e., continued employment). The 2011 awards were allocated 75% as performance-based awards and 25% as time-based awards, the same allocation the Committee has used since 2006.

For the performance component of each award, the Committee will make a determination annually of the percentage of performance shares which will vest as scheduled. Shares which fail to vest as scheduled in the first two years (in the case of a three year vesting period) or four years (in the case of a five year vesting period) based on the Committee's determination are not forfeited but will "roll-forward" and are available for vesting in subsequent years. As described under "Discussion of Business Results and Executive Performance" above, the Committee determined an 80% vesting percentage for awards scheduled to vest in March 2012, resulting in a total of 51,552 shares not vesting on schedule and rolling forward for potential vesting in future years.

All shares which are unvested as of the end of the three or five year vesting cycle will be forfeited. As a result of the Committee establishing an 80% vesting percentage for awards scheduled to vest in March 2012, a total of 6,270 shares have been forfeited.

In order to provide an element of current reward, executive officers are entitled to receive dividends on and vote restricted stock awards unless and until forfeited.

The Committee believes the use of a three to five year vesting period is an appropriate at-risk period and aligns the long-term interest of management with our stockholders. Further, the Committee believes that our executive officers are highly incentivized because a significant portion of their stock award is subject to forfeiture if performance criteria are not met. The Committee also believes that the “roll-forward” feature for unvested awards allows performance to be measured on a long-term basis, rather than entirely on the short-term, which incentivizes management to make decisions in the long-term best interest of the Company rather than to meet short-term performance goals and vesting schedules.

#### Other Perquisites and Benefits

In addition to the base salary, cash bonus and stock award components of compensation discussed above, the employment agreements we entered into with Messrs. McDowell, Seale, Pollert, Blanz and Hughes provide them with limited perquisites and special benefits in certain circumstances in connection with the termination of their employment. The perquisites are reviewed annually by the Committee and consist of life and disability insurance coverage at defined levels and, in the case of Messrs. McDowell and Seale, a \$10,000 annual tax preparation and financial planning reimbursement. The named executive officers are also entitled to an indemnification payment for any income taxes they must pay as a result of the insurance and tax preparation and financial planning reimbursement perquisites. The named executive officers have agreed to defer the whole life insurance policy benefit available under their employment agreements, in favor of a variable universal life insurance benefit, which is less costly to the Company. The employment agreements, with the exception of Mr. Hughes, were entered into at the time of our initial public offering and were intended to reward the named executive officers for attaining a monetization event and offer them compensation terms that are competitive with our public REIT peers. With the exception of unvested stock awards, which automatically vest for all of our employees (including our executive officers) upon a change of control, all change of control severance is “double trigger,” meaning it is only paid in the event of both a change of control event and a termination, rather than simply at a change of control.

Other Compensation Related Policies

During December 2010, our Board adopted two new corporate governance policies which we believe further our objective of aligning the interests of our executive officers and stockholders and enhance our pay for performance philosophy. We adopted (i) stock ownership guidelines for the Company's directors and executive officers and (ii) an incentive compensation clawback policy applicable to the Company's executive officers.

The Company's stock ownership guidelines include the following minimum stock ownership standards for the executive officers and non-employee directors:

Title	Guideline
Chief Executive Officer	A multiple of 4x annual base salary
Chief Financial Officer	A multiple of 3x annual base salary
All other Executive Officers	A multiple of 2x annual base salary
Directors	A multiple of 3x annual stock award retainer

For purposes of the guidelines, ownership includes shares owned directly by the individual, including pursuant to the Company's 2004 stock incentive plan or successor plan, whether vested or unvested. New directors and executive officers have five years from appointment to achieve compliance. As of December 31, 2011, all of our executive officers and all of our directors who have been such for at least five years were in compliance with our stock ownership guidelines.

Under the Company's clawback policy, the Board may recover incentive compensation paid to any current or former executive officer of the Company if all of the following conditions apply:

the Company's financial statements are required to be restated due to material non-compliance with any financial reporting requirements under the federal securities laws (other than a restatement due to a change in accounting rules);

as a result of such restatement, a performance measure which was a material factor in determining the award is restated; and

in the discretion of the Compensation Committee, a lower payment would have been made to the executive officer based upon the restated financial results.

The clawback policy applies to any incentive compensation paid on or after December 7, 2010 and the recovery period is the three (3) year period preceding the date on which the Company is required to prepare the accounting restatement.

#### Say-on-Pay Vote

At our June 2011 Annual Meeting of Stockholders, we held our first say-on-pay advisory stockholder vote on the compensation of our named executive officers. In determining compensation policies and decisions for 2011 and beyond, the Compensation Committee noted that the Company's proposal regarding the say-on-pay vote had broad support among the stockholders. No specific component of the 2011 executive compensation program was altered based on the results of the say-on-pay vote.

## Summary Compensation Table

The table below sets forth the compensation earned by the Company's principal executive officer, principal financial officer and each other executive officer (the "named executive officers") for each of the fiscal years ended December 31, 2011, December 31, 2010 and December 31, 2009.

Name and Principal Position	Year	Salary	Bonus	Stock Awards <sup>(1)</sup>	All Other Compensation <sup>(2)</sup>	Total
Paul H. McDowell Chairman of the Board and Chief Executive Officer	2011	\$428,867	\$350,000	\$411,875	\$148,301	\$1,339,043
	2010	416,700	360,000	385,390	147,754	1,309,844
	2009	416,700	325,000	253,101	114,709	1,109,510
Shawn P. Seale Senior Vice President, Chief Financial Officer and Treasurer	2011	336,133	250,000	407,143	134,383	1,127,659
	2010	329,300	325,000	374,050	132,012	1,160,362
	2009	329,300	290,000	245,799	101,914	967,013
William R. Pollert President	2011	236,333	155,000	297,244	127,869	816,446
	2010	231,500	180,000	269,656	125,339	806,495
	2009	232,410	155,000	177,562	101,602	666,574
Robert C. Blanz Senior Vice President and Chief Investment Officer	2011	288,917	283,000	383,827	114,249	1,069,993
	2010	283,000	315,000	356,926	112,692	1,067,618
	2009	283,000	280,000	230,002	85,506	878,508
Paul C. Hughes Vice President, General Counsel and Corporate Secretary	2011	225,866	190,000	221,137	59,759	696,762
	2010	221,200	175,000	199,393	57,603	653,196
	2009	221,200	170,000	118,386	40,840	550,426

(1) Represents the grant date fair value of stock awards during each fiscal year.

(2) Includes the following amounts:

Name	Year	Dividends on awards of Company common stock still subject to forfeiture as of the dividend payment date	Company paid life and disability insurance and related income tax indemnification	Tax return preparation and financial planning reimbursement and related income tax indemnification
Paul H. McDowell	2011	\$ 68,558	\$ 77,394	\$ 2,349
	2010	68,192	77,213	2,349

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	2009	40,046	72,428	2,235
Shawn P. Seale	2011	67,744	49,472	17,167
	2010	66,568	49,472	15,972
	2009	38,492	50,975	12,447
William R. Pollert	2011	49,518	78,351	—
	2010	48,168	77,171	—
	2009	27,471	74,131	—
Robert C. Blanz	2011	64,091	50,158	—
	2010	63,038	49,654	—
	2009	36,233	49,273	—
Paul C. Hughes	2011	36,707	23,052	—
	2010	35,032	22,571	—
	2009	18,885	21,955	—

## Grants of Plan-Based Awards

The table below sets forth the plan-based awards to the Company's named executive officers for the fiscal year ended December 31, 2011. All awards were made pursuant to the Company's 2004 stock incentive plan.

Name	Grant Date	Dates of Compensation Committee Action	Estimated Future Payout Under Equity Incentive Plan Awards			Grant Date Fair Value of Stock Awards
			Threshold	Target	Maximum	
Paul H. McDowell	March 24, 2011	February 8, 2011	N/A	27,765	N/A	\$ 161,037
	March 24, 2011	February 8, 2011 February 9, 2010	N/A	9,096	N/A	\$ 52,757
	March 24, 2011	February 8, 2011 January 30, 2009	N/A	19,752	N/A	\$ 114,562
	March 24, 2011	February 8, 2011 February 11, 2008	N/A	8,160	N/A	\$ 47,328
	March 24, 2011	February 8, 2011 February 13, 2007	N/A	6,240	N/A	\$ 36,192
Shawn P. Seale	March 24, 2011	February 8, 2011	N/A	27,765	N/A	\$ 161,037
	March 24, 2011	February 8, 2011 February 9, 2010	N/A	9,096	N/A	\$ 52,757
	March 24, 2011	February 8, 2011 January 30, 2009	N/A	19,752	N/A	\$ 114,562
	March 24, 2011	February 8, 2011 February 11, 2008	N/A	7,584	N/A	\$ 43,987
	March 24, 2011	February 8, 2011 February 13, 2007	N/A	6,000	N/A	\$ 34,800
William R. Pollert	March 24, 2011	February 8, 2011	N/A	20,565	N/A	\$ 119,277
	March 24, 2011	February 8, 2011 February 9, 2010	N/A	6,744	N/A	\$ 39,115
	March 24, 2011	February 8, 2011 January 30, 2009	N/A	14,640	N/A	\$ 84,912

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	March 24, 2011	February 8, 2011 February 11, 2008	N/A	5,100	N/A	\$ 29,580
	March 24, 2011	February 8, 2011 February 13, 2007	N/A	4,200	N/A	\$ 24,360
Robert C. Blanz	March 24, 2011	February 8, 2011	N/A	26,325	N/A	\$ 152,685
	March 24, 2011	February 8, 2011 February 9, 2010	N/A	8,628	N/A	\$ 50,042
	March 24, 2011	February 8, 2011 January 30, 2009	N/A	18,732	N/A	\$ 108,646
	March 24, 2011	February 8, 2011 February 11, 2008	N/A	7,092	N/A	\$ 41,134
	March 24, 2011	February 8, 2011 February 13, 2007	N/A	5,400	N/A	\$ 31,320



Name	Grant Date	Dates of Compensation Committee Action	Estimated Future Payout Under Equity Incentive Plan Awards Threshold	Estimated Future Payout Under Equity Incentive Plan Awards		Grant Date Fair Value of Stock Awards
				Target	Maximum	
Paul C. Hughes	March 24, 2011	February 8, 2011	N/A	15,435	N/A	\$ 89,523
	March 24, 2011	February 8, 2011	N/A	5,016	N/A	\$ 29,093
	February 9, 2010					
	March 24, 2011	February 8, 2011	N/A	10,896	N/A	\$ 63,197
	January 30, 2009					
March 24, 2011	February 8, 2011	N/A	3,540	N/A	\$ 20,532	
	February 11, 2008					
March 24, 2011	February 8, 2011	N/A	3,240	N/A	\$ 18,792	
	February 13, 2007					

The Company has made stock awards annually. As noted above, all awards vest over three or five years, with a significant component of each annual award vesting only if performance criteria determined by the Compensation Committee are met (the “performance component”), and the balance vesting solely on the basis of time (i.e., continued employment) (the “time component”). For the performance component of each award, the relevant accounting guidance provides that to the extent performance criteria have not been determined, the “grant date” (for purposes of determining the value of the award to be expensed over time and commencement of the period of expense accrual) is deferred for that portion of the award until such criteria are determined. As a result, the tables above include portions of the stock awards to the named executive officers from March 2011, March 2010, March/June 2009, March 2008 and March 2007. Specifically, the tables include (i) the entire time component of the March 2011 award and the portion of the performance component of the March 2011 award vesting in 2011, (ii) the portion of the performance component of the March 2010 award vesting in 2011, (iii) the portion of the performance component of the March/June 2009 award vesting in 2011, (iv) the portion of the performance component of the March 2008 award vesting in 2011, and (v) the portion of the performance component of the March 2007 award vesting in 2011. The tables exclude the portion of the performance component of the March 2011 award available for vesting in years after 2011, or the following number of shares: Mr. McDowell, 33,935; Mr. Seale, 33,935; Mr. Pollert, 25,135; Mr. Blanz, 32,175; and Mr. Hughes, 18,865.

The Compensation Committee does not establish levels of threshold, target and maximum payouts for plan-based awards. A fixed number of shares was awarded annually, with a portion of the award being forfeited if performance and/or service conditions are not met. The payout reported in the target column of the “Grants of Plan-Based Awards” table represents all awards with a grant date (as defined under the relevant accounting guidance) in 2011 which have vested and become non-forfeitable.

We use the closing stock price on the grant date as our estimate of the grant date fair value of the award.



## Outstanding Equity Awards at Fiscal Year-End

The table below sets forth the outstanding equity awards that have not vested for each named executive officer as of December 31, 2011. As of December 31, 2011, the Company had not made any option awards.

Name	Stock Awards		Equity Incentive Plan Awards	
	Number of Units or Shares that Have Vested	Number of Shares or Units that Have Not Vested	Number of Unearned Shares or Other Rights that Have Not Vested <sup>(1)</sup>	Market or Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested
Paul H. McDowell	N/A	N/A	258,700	\$ 1,045,148
Shawn P. Seale	N/A	N/A	256,380	\$ 1,035,775
William R. Pollert	N/A	N/A	187,860	\$ 758,954
Robert C. Blanz	N/A	N/A	242,320	\$ 978,973
Paul C. Hughes	N/A	N/A	139,422	\$ 563,265

(1) Shares are scheduled to vest as follows, although actual vesting may differ.

	March 2012	March 2013	March 2014	March 2015
Paul H. McDowell	92,646	82,247	68,647	15,160
Shawn P. Seale	91,286	81,287	68,647	15,160
William R. Pollert	66,373	59,373	50,874	11,240
Robert C. Blanz	85,920	76,920	65,100	14,380
Paul C. Hughes	49,253	43,854	37,955	8,360

Stock Vested Table

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The following table sets forth vesting of restricted stock for each of the named executive officers during the fiscal year ended December 31, 2011. The Company has not made any option awards.

Name	Stock Awards	
	Number of Shares on Vesting	Value Realized on Vesting
Paul H. McDowell	81,642	\$ 473,524
Shawn P. Seale	78,395	\$ 454,691
William R. Pollert	56,083	\$ 325,281
Robert C. Blanz	75,241	\$ 436,398
Paul C. Hughes	41,349	\$ 239,824

All shares in the above table vested on March 24, 2011, and the “Value Realized on Vesting” reflects the closing stock price on that date (\$5.80 per share).

Securities Authorized for Issuance under Equity Compensation Plans

Our stock incentive plan is our sole equity compensation plan and has been approved by our stockholders. The number of shares to be issued upon exercise of outstanding awards and the number of shares remaining available for future issuance under our stock incentive plan as of December 31, 2011, were as follows:

	(a)	(b)	(c)
Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	-0-	N/A	1,371,425

Since December 31, 2011, we have made restricted stock awards under our stock incentive plan in the aggregate of 497,700 shares to our executive officers, other employees and directors.

## Employment of Our Executives

We have entered into employment agreements with each of our executive officers. We entered into employment agreements with Messrs. McDowell, Pollert, Seale and Blanz upon the closing of our initial public offering in March 2004. We entered into an employment agreement with Mr. Hughes in February 2007, and we also amended our employment agreement with Mr. Blanz at that time.

## Salary, Bonus and Other Benefits

Under the above agreements, each of our executive officers is entitled to an annual base salary, and an annual bonus and restricted stock awards at the discretion of the Compensation Committee. The agreements provide that each individual is entitled to an annual percentage salary increase at least equal to the increase in the cost of living. The Compensation Committee established the following current base salaries for the executive officers during February 2012: Mr. McDowell, \$447,000; Mr. Pollert, \$246,000; Mr. Seale, \$351,000; Mr. Blanz, \$301,000; and Mr. Hughes, \$237,000.

Each officer is also eligible for the same benefits, including participation in our retirement and welfare plans, as other similarly situated employees, and such other benefits as our Board may, from time to time, establish. The agreements contemplate that the Company will provide and pay for a whole life insurance policy at defined levels per individual and a disability insurance policy providing for income replacement in the event of disability of at least 95% of the individual's base salary. The executive officers have agreed to defer the whole life insurance policy benefit and in place of such benefit the Company has purchased for each executive officer's benefit a variable universal life insurance policy. The policy is a form of permanent life insurance that establishes a fixed death benefit while also accumulating cash value inside the policy for the executive officer's benefit. The Company has established an annual premium to be paid by the Company for the benefit of each executive officer as follows: Mr. McDowell, \$34,320; Mr. Pollert, \$34,570; Mr. Seale, \$22,215; Mr. Blanz, \$19,980; and Mr. Hughes, \$6,120. The executive officers can purchase a death benefit of up to the following amount through the policy: Mr. McDowell, \$2,000,000; Mr. Pollert, \$1,000,000; Mr. Seale, \$1,500,000; Mr. Blanz, \$1,000,000; and Mr. Hughes, \$500,000. We also provide the executive officers with a disability insurance benefit providing a monthly income replacement until age 65 in the event of disability of: Mr. McDowell, \$21,900; Mr. Pollert, \$18,000; Mr. Seale, \$19,050; Mr. Blanz, \$21,600; and Mr. Hughes, \$24,950. Messrs. McDowell and Seale are also entitled to a tax preparation and financial planning reimbursement of up to \$10,000 annually. The executive officers are also entitled to an indemnification payment for any income taxes they must pay as a result of the insurance and tax preparation and financial planning reimbursement perquisites.

## Term

Each agreement was entered into for an initial term of approximately three years, and automatically extends for one additional year each December 31, unless either party provides written notice to the other party at least 90 days prior to December 31 that it does not wish to renew the agreement. However, each officer and the Company has reserved the right to terminate his agreement at any time for any reason, subject to the severance that may be due as described below.

#### Severance

*Non-Renewal.* In the event the Company elects not to renew the agreement, the officer will be entitled to his base salary for the remaining term, plus a lump sum payment on the date his employment ends equal to his then current annual base salary.

*Death or Disability.* If the officer's employment is terminated as a result of his death or disability, he (or his estate) will be entitled to a lump sum payment equal to:

- a *pro rata* portion of his highest annual bonus for the prior three calendar years; and
- immediate vesting of all unvested stock awards granted under our stock incentive plan.

*Without Cause or with Good Reason.* If the officer's employment is terminated by the Company without "cause" or by him with "good reason" (and other than in connection with his death or disability or a decision not to extend the agreement), such officer will be entitled to the following severance:

- three times his then current annual base salary for Messrs. McDowell, Seale and Blanz or two times in the case of Messrs. Pollert and Hughes;

- three times average annual bonus for the past three years for Messrs. McDowell, Seale and Blanz or two times in the case of Messrs. Pollert and Hughes;

- a *pro rata* portion of his highest annual bonus for the prior three calendar years;
- continued payment of the employer portion of life, health and disability premiums for 24 months; and
- immediate vesting of all unvested stock awards granted under our stock incentive plan.

“Cause” and “good reason” are generally defined to mean:

Cause	Good Reason
the executive’s conviction of, or a plea of guilty or <i>nolo contendere</i> to, a felony;	· a reduction in base salary;
the executive’s intentional failure to substantially perform reasonably assigned material duties;	· a demotion or a material reduction in duties, subject to a 30-day right to cure;
the executive’s willful misconduct in the performance of the executive’s duties; or	· a requirement for the executive to be based at a location other than the New York, New York metropolitan area; or
the executive’s material breach of any non-competition or non-disclosure agreement in effect between him and us.	· any material breach of the employment agreement by us, subject to a 30-day right to cure.

*Change of Control.* Each officer is entitled to the same benefits described above for a termination without cause or with good reason, plus a gross-up for any excise taxes imposed by the Internal Revenue Service, in the event his employment is terminated in connection with a “change of control” of our Company. These benefits will be paid if any of the following circumstances apply:

- termination is without cause or with good reason within 12 months following a change of control;
- termination is without cause while the Company is negotiating a transaction that reasonably could result in a change of control; or
- termination is without cause and a change of control occurs within three months of termination.

A “change of control” is generally defined to mean:



the acquisition by any person of more than 50% of our then outstanding voting securities;

the merger or consolidation of our Company with another entity, unless the holders of our voting shares immediately prior to the merger or consolidation have at least 50% of the combined voting stock of the surviving entity of the merger or consolidation;

the sale or disposition of all or substantially all of our assets;

the liquidation or dissolution of our Company; or

directors who constituted our Board on the date of the agreement cease for any reason to constitute a majority of our directors, unless the nomination of the successor to any such director is approved by a majority of our directors in office immediately prior to such cessation.

In addition, under the terms of our 2004 stock incentive plan, all unvested stock awards to the executive officers (as well as to all of our other employees) will automatically vest upon a change of control of our Company (irrespective of a termination of employment).

Each officer must execute a release of all claims for the benefit of our Company, its affiliates and our officers and directors in order to receive any severance payment described above.

#### Non-Compete

Each officer has also agreed not to compete with us or solicit our customers or employees for the one-year period after termination of his employment for any reason.

## Quantification of Hypothetical Benefits

The following tables quantify the payments we would be required to make to our named executive officers assuming their employment was terminated or a change of control occurred as of December 31, 2011.

	Hypothetical Payments to Mr. McDowell				
	Termination as a Result of Non-Renewal (in thousands)	Termination Result of Death or Disability	Termination without Cause or with Good Reason	Termination in Connection with Change of Control	Change of Control
Multiple of salary	\$1,293.9	\$ 0	\$ 1,293.9	\$ 1,293.9	\$ 0
Multiple of bonus	0	0	1,029.4	1,029.4	0
Pro rata bonus	0	0	0	0	0
Payment of insurance premiums	0	0	116.4	116.4	0
Value of vesting remaining unvested stock awards	0	1,045.1	1,045.1	1,045.1	1,045.1
Excise tax gross-up	0	0	0	1,195.9	0
Total	\$1,293.9	\$ 1,045.1	\$ 3,484.8	\$ 4,680.7	\$ 1,045.1

	Hypothetical Payments to Mr. Seale				
	Termination as a Result of Non-Renewal (in thousands)	Termination Result of Death or Disability	Termination without Cause or with Good Reason	Termination in Connection with Change of Control	Change of Control
Multiple of salary	\$1,012.5	\$ 0	\$ 1,012.5	\$ 1,012.5	\$ 0
Multiple of bonus	0	0	934.4	934.4	0
Pro rata bonus	0	0	0	0	0
Payment of insurance premiums	0	0	87.8	87.8	0
	0	1,035.8	1,035.8	1,035.8	1,035.8

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Value of vesting remaining unvested stock awards

Excise tax gross-up	0	0	0	1,044.1	0
Total	\$1,012.5	\$ 1,035.8	\$ 3,070.5	\$ 4,114.6	\$ 1,035.8

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	Hypothetical Payments to Mr. Pollert				
	Termination as a Result of	Termination as a Result of	Termination without Cause	Termination in Connection with Change of Control	Change of Control
	Death or Disability	Death or Disability	or with Good Reason	of Control	Control
	(in thousands)				
Multiple of salary	\$ 711.9	\$ 0	\$ 474.6	\$ 474.6	\$ 0
Multiple of bonus	0	0	356.3	356.3	0
Pro rata bonus	0	0	0	0	0
Payment of insurance premiums	0	0	108.9	108.9	0
Value of vesting remaining unvested stock awards	0	759.0	759.0	759.0	759.0
Excise tax gross-up	0	0	0	0	0
<b>Total</b>	<b>\$ 711.9</b>	<b>\$ 759.0</b>	<b>\$ 1,698.8</b>	<b>\$ 1,698.8</b>	<b>\$ 759.0</b>

	Hypothetical Payments to Mr. Blanz				
	Termination as a Result of	Termination as a Result of	Termination without Cause	Termination in Connection with Change of Control	Change of Control
	Death or Disability	Death or Disability	or with Good Reason	of Control	Control
	(in thousands)				
Multiple of salary	\$ 870.3	\$ 0	\$ 870.3	\$ 870.3	\$ 0
Multiple of bonus	0	0	904.4	904.4	0
Pro rata bonus	0	0	0	0	0
Payment of insurance premiums	0	0	88.7	88.7	0
Value of vesting remaining unvested stock awards	0	979.0	979.0	979.0	979.0
Excise tax gross-up	0	0	0	992.7	0
<b>Total</b>	<b>\$ 870.3</b>	<b>\$ 979.0</b>	<b>\$ 2,842.4</b>	<b>\$ 3,835.1</b>	<b>\$ 979.0</b>



	Hypothetical Payments to Mr. Hughes				
	Termination as a Result of a Non-Renewal (in thousands)	Termination as a Result of Death or Disability (in thousands)	Termination without Cause or with Good Reason	Termination in Connection with Change of Control	Change of Control
Multiple of salary	\$680.4	\$ 0	\$ 453.6	\$ 453.6	\$ 0
Multiple of bonus	0	0	330.0	330.0	0
Pro rata bonus	0	0	0	0	0
Payment of insurance premiums	0	0	56.3	56.3	0
Value of vesting remaining unvested stock awards	0	563.3	563.3	563.3	563.3
Excise tax gross-up	0	0	0	458.9	0
Total	\$680.4	\$ 563.3	\$ 1,403.2	\$ 1,862.1	\$ 563.3

In cases where a pro rata bonus is payable (i.e., termination as a result of death or disability, termination without cause or with good reason, or termination in connection with a change of control), we have assumed the full 2011 bonus is paid, and therefore, no pro rata bonus is payable.

#### 401(k) Plan

We have established a 401(k) Plan for our employees. The 401(k) Plan is a defined contribution plan intended to qualify under section 401 of the Internal Revenue Code. All of our employees who are at least 21 years old are eligible to participate on the first day of the first payroll period following three months of employment. Participants may make pre-tax contributions to the 401(k) Plan of between 1% and 100% of their eligible earnings, subject to a statutorily prescribed annual limit. We may at our discretion make matching contributions to the 401(k) Plan in amounts to be determined annually. Each participant is fully vested in his or her contributions and in any discretionary matching contributions made to his or her account. Contributions by the participants or by us to the 401(k) Plan, and the income earned on such contributions, are generally not taxable to the participants until withdrawn. Any contributions by us are generally deductible by us when made. All contributions are held in trust as required by law. Individual participants may direct the trustee to invest their accounts in authorized investment alternatives.

Proposal 2—Advisory Approval of Executive Compensation

In July 2010, the United States Congress passed and President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”). The Dodd-Frank Act imposes a number of primarily corporate governance and disclosure obligations on the Company, including a requirement to conduct an advisory or non-binding vote of its stockholders on executive compensation at least once every three years (the say-on-pay vote) and a requirement to conduct an advisory vote of its stockholders on how frequently to conduct the say-on-pay vote at least once every six years (the say-on-pay frequency vote).

At the Company’s 2011 Annual Meeting of Stockholders, the Company conducted its first say-on-pay vote and say-on-pay frequency vote. With respect to the say-on-pay frequency vote, the stockholders were given the choice to vote for a say-on-pay vote every year, every two years or every three years. At the 2011 meeting, the proposal to conduct a say-on-pay vote every year received the greatest number of votes. The Board then determined to follow the choice of its stockholders and conduct the say-on-pay vote every year until the next required say-on-pay frequency vote. Therefore, the Company is conducting a say-on-pay vote at the Meeting. The proposal is summarized below.

As described under “Compensation Discussion and Analysis” above, the Company’s Compensation Committee has approved the compensation paid to the Company’s executive officers, and the Board has recommended that the Company’s stockholders express their views on the Company’s executive compensation by adopting the following resolution:

RESOLVED, that the stockholders approve the compensation of the Company’s executive officers, as disclosed pursuant to Item 402 of Regulation S-K (which disclosure includes the Compensation Discussion and Analysis, the compensation tables and other narrative executive compensation disclosures).

Because your vote is advisory, it will not be binding upon the Company, the Board or the Compensation Committee. However, the Compensation Committee will take into account the outcome of the vote when making future executive compensation decisions.

**The Board unanimously recommends a vote FOR the advisory approval of executive compensation.**

## The Audit Committee

### Report of the Audit Committee

In accordance with our Audit Committee Charter, our Audit Committee oversees our financial reporting process on behalf of our Board. Management has the primary responsibility for the preparation, presentation and integrity of our financial statements, accounting and financial reporting principles, internal control over financial reporting, and procedures designed to ensure compliance with accounting standards, applicable laws and regulations. The Audit Committee's responsibility is to monitor and oversee these processes. In fulfilling its oversight responsibilities, our Audit Committee reviewed and discussed the audited financial statements in the Annual Report on Form 10-K for the year ended December 31, 2011, with management, including a discussion of the quality of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

Our Audit Committee reviewed with the independent registered public accounting firm, who is responsible for auditing our financial statements and for expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States, the firm's judgments as to the quality of our accounting principles and such other matters as are required to be discussed with the Audit Committee under Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as amended.

In addition, our Audit Committee received the written disclosures and the letter from our independent registered public accounting firm required by the Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, as amended, discussed with our independent registered public accounting firm the firm's independence from both management and our company and considered the compatibility of our independent registered public accounting firm's provision of non-audit services to our company with its independence.

In reliance on the reviews and discussions referred to above, but subject to the limitations on the role and responsibility of our Audit Committee referred to below, our Audit Committee recommended to our Board that (and our Board has approved) the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2011, for filing with the SEC.

The members of our Audit Committee are not professional accountants. Committee members rely on the information provided to them and on the representations made by management and the independent registered public accounting firm. Accordingly, our Audit Committee serves an oversight role and does not itself determine that management has maintained appropriate accounting and financial reporting principles or appropriate internal control over financial reporting and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, our Audit Committee's considerations and discussions referred to above do not assure that



the audit of our financial statements has been carried out in accordance with the standards of the Public Company Accounting Oversight Board (United States), that the financial statements are presented in accordance with United States generally accepted accounting principles or that McGladrey & Pullen LLP is in fact “independent.”

Submitted by:

Audit Committee

Howard A. Silver (Chairman)

Catherine F. Long

Jeffrey F. Rogatz

*The information contained in the report above shall not be deemed to be “soliciting material” or to be “filed” with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference in such filing.*

Proposal 3—Ratification of McGladrey & Pullen LLP

as Our Independent Registered Public Accounting Firm

The Audit Committee has appointed McGladrey & Pullen LLP as our independent registered public accounting firm for the year ending December 31, 2012. A representative of McGladrey & Pullen is expected to be present at the Meeting, will have an opportunity to make a statement if he or she so desires and will be available to respond to appropriate questions.

Stockholder ratification of the Audit Committee’s appointment of our independent registered public accounting firm is not required by our amended and restated bylaws or otherwise. However, our Board is submitting the appointment of McGladrey & Pullen LLP to the stockholders for ratification as a matter of what it considers to be good corporate practice. Even if the appointment is ratified, our Board in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if the Board determines that such a change would be in our and the stockholders’ best interests. If the Audit Committee’s selection is not ratified, the Audit Committee will take that fact into consideration, together with such other factors it deems appropriate, in determining its next selection of an independent registered public accounting firm.

**The Board unanimously recommends a vote FOR the ratification of McGladrey & Pullen LLP.**

Fees Paid to Independent Registered Public Accounting Firm

The following is a summary of the fees and expenses billed to the Company by McGladrey & Pullen for professional services rendered for the fiscal years ended December 31, 2011 and December 31, 2010.

	2011	2010
Audit fees <sup>(1)</sup>	\$552,650	\$626,386
Audit-related fees	—	—
Tax fees	—	—
All other fees	—	—
Total fees	\$552,650	\$626,386

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(1)Includes fees for annual financial statement audit work, quarterly financial statement reviews and comfort letters on and review of SEC registration statements. The fee for the annual audit and quarterly reviews was fixed at

\$525,000 for 2011 and 2010.

## Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers and directors and persons who own more than 10% of the Company's shares of common stock to file reports of ownership and changes in ownership of our shares of common stock and any other equity securities with the Securities and Exchange Commission (the "SEC") and the New York Stock Exchange. Executive officers, directors and greater than 10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. To our knowledge, based solely upon a review of Section 16(a) reports furnished to us for fiscal year 2011 or written representations that no other reports were required, we believe that all filing requirements under Section 16(a) for fiscal year 2011 were complied with on a timely basis.

## 2011 Annual Report to Stockholders

We have enclosed along with this Proxy Statement a copy of the Company's 2011 Annual Report to stockholders that includes all financial statements and schedules. We will provide without charge additional copies of the 2011 Annual Report to each person solicited by this Proxy Statement upon request in writing to Brad D. Cohen, Director of Investor Relations, CapLease, Inc., 1065 Avenue of the Americas, New York, NY 10018.

## Beneficial Owners

Institutions that hold shares in street name for two or more beneficial owners with the same address are permitted to deliver a single Proxy Statement and Annual Report to that address. Any such beneficial owner may request a separate copy of this Proxy Statement or the Annual Report by contacting our Corporate Secretary in writing at 1065 Avenue of the Americas, New York, NY 10018, or by telephone at (212) 217-6300. Beneficial owners with the same address who receive more than one Proxy Statement and Annual Report may request delivery of a single Proxy Statement and Annual Report by contacting our Corporate Secretary as provided in the preceding sentence.

## Other Matters

As of the date of this Proxy Statement, the Board does not intend to present any matter for action at the 2012 Annual Meeting of Stockholders other than as set forth in the Notice of Annual Meeting. If any other matters properly come before the Meeting or any adjournment or postponement thereof, it is intended that the holders of the proxies will act in accordance with their best judgment.

## Stockholder Proposals for 2013 Annual Meeting of Stockholders

To be eligible for inclusion in the proxy materials for the Company's 2013 Annual Meeting of Stockholders, stockholder proposals must be received at the Company's principal executive offices, Attention: Corporate Secretary, by December 31, 2012. We will consider written proposals received by that date for inclusion in our proxy statement in accordance with regulations governing the solicitation of proxies. A stockholder who wishes to present a proposal at the Company's 2013 Annual Meeting of Stockholders, but who does not request that the Company solicit proxies for the proposal, must submit the proposal to the Company's principal executive offices, Attention: Corporate Secretary, no earlier than December 31, 2012 and no later than January 30, 2013.

In addition to the timing requirements set forth above, our amended and restated bylaws contain certain additional requirements that a stockholder must meet to nominate one or more persons for election as directors at an annual meeting or to make any other proposal to be acted upon at an annual meeting.

Article II, Section 12 of our amended and restated bylaws allows any stockholder entitled to vote in the election of directors generally to nominate one or more persons for election as directors at an Annual Meeting only if written notice of such stockholder's intent to make such nomination or nominations has been delivered in writing to our Corporate Secretary not later than the 90<sup>th</sup> day nor more than the 120<sup>th</sup> day before the anniversary of the date of the first mailing of our Proxy Statement for the immediately preceding year's Annual Meeting, provided that in the event that the date of the mailing of the notice for the Annual Meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the 120<sup>th</sup> day prior to the date of mailing of the notice for such Annual Meeting and not later than the close of business on the later of the 90<sup>th</sup> day prior to the date of mailing of the notice for such Annual Meeting or the tenth day following the day on which public announcement of the date of such meeting is first made by us.

Because this Proxy Statement was first mailed to our stockholders on April 30, 2012, our Corporate Secretary must receive written notice of a stockholder's intent to make such nomination or nominations at the 2013 Annual Meeting of Stockholders not later than the close of business on January 30, 2013, and not earlier than the close of business on December 31, 2012.

Each notice of a stockholder proposal must set forth:

as to each person whom the stockholder proposes to nominate for election or re-election as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest (even if an election contest is not involved), or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934 (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); and

as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and of the beneficial owner, if any, on whose behalf the proposal is made.

The stockholder giving the notice, and the beneficial owner, if any, on whose behalf the nomination or proposal is made, must set forth:

- the name and address of such stockholder, as they appear on our books, and of such beneficial owner; and
- the number of shares of each class of our stock which are owned beneficially and of record by such stockholder and such beneficial owner.

If the Board has determined that directors will be elected at a special meeting of stockholders, any stockholder of the Company who is a stockholder of record both at the time of giving of notice of such meeting and at the time of the special meeting, and who is entitled to vote at the meeting and who complies with the notice procedures in the next sentence may nominate a person for election to the Company's Board. Such stockholder must deliver a notice containing the information described above to the Corporate Secretary not earlier than the close of business on the 120<sup>th</sup> day prior to such special meeting and not later than the close of business on the later of the 90<sup>th</sup> day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting.

These requirements are separate from the requirements of the SEC that a stockholder must meet to have a proposal included in our Proxy Statement.

We will also furnish any stockholder a copy of our amended and restated bylaws without charge upon written request to the Corporate Secretary. We have filed a copy of our amended and restated bylaws as Exhibit 3.6 to our Annual Report on Form 10-K, for the fiscal year ended December 31, 2011.

By Order of the Board,

Paul C. Hughes  
Corporate Secretary

April 30, 2012

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**Annex A**

**CAPLEASE, INC.**

**Independence Determination Guidelines**

A director is considered independent if the Board makes an affirmative determination that the director has no material relationship with the Company after broadly considering all relevant facts and circumstances. The Board has established the categorical standards set forth below to assist it in making such determinations. A director will not be considered independent if the director:

is, or who has been within the last three years, an employee of the Company or any of its subsidiaries, or whose immediate family member is, or has been within the last three years, an executive officer of the Company or any of its subsidiaries;

has received, or who has an immediate family member serving as an executive officer who has received, during any 12-month period within the last three years, more than \$120,000 in direct compensation from the Company or any of its subsidiaries, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

(A) is, or whose immediate family member is, a current partner of a firm that is the Company's internal or external auditor; (B) is a current employee of such a firm; (C) has an immediate family member who is a current employee of such a firm and who personally works on the Company's audit; or (D) was or whose immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Company's audit within that time;

is, or has been within the last three years, or whose immediate family member is or has been within the last three years, employed as an executive officer of another company where any of the Company's present executives at the same time serves or served on that company's compensation committee;

is a current employee, or whose immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company or any of its subsidiaries for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues (as reported for the last completed fiscal year); or

is, or within the last three years has been, an executive officer of a charitable organization that receives contributions from the Company or any of its subsidiaries in an amount which, in any single fiscal year, exceeds the greater of \$1



million of 2% of such charitable organization's consolidated gross revenues.

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**Annex B****Non-GAAP Financial Measures**

The table below presents a reconciliation of each non-GAAP financial measure disclosed in this Proxy Statement to the most comparable GAAP measure.

**Calculation of Funds from Operations, as Adjusted for Comparability:**

(Amounts in thousands, except per share amounts)	For the year ended December 31, 2011
Net income (loss) allocable to common stockholders	\$ (8,345 )
Add (deduct):	
Non-controlling interest in consolidated subsidiaries	(20 )
Depreciation and amortization expense on real property	47,632
Depreciation and amortization expense on discontinued operations	1,996
(Gain) loss on property sales	(1,426 )
Provision for loss on property investment	0
Provision for loss on property investment on discontinued operations	16,423
Funds from operations	56,260
Items that affect comparability (income) expense:	
(Gain) loss on investments other than real property, net	(648 )
(Gain) loss on extinguishment of debt	3,698
(Gain) loss on extinguishment of debt discontinued operations	(18,861 )
Funds from operations, as adjusted for comparability	\$ 40,449
Weighted average number of common shares outstanding, basic and diluted	64,758
Weighted average number of OP units outstanding	156
Weighted average number of common shares and OP units outstanding, diluted	64,914
Funds from operations, as adjusted for comparability, per share	\$ 0.62

Funds from operations, or FFO, is a non-GAAP financial measure. We believe FFO is a useful additional measure of our performance because it facilitates an understanding of our operating performance after adjustment for real estate depreciation, a non-cash expense which assumes that the value of real estate assets diminishes predictably over time. In addition, we believe that FFO provides useful information to the investment community about our financial performance as compared to other REITs, since FFO is generally recognized as an industry standard for measuring the operating performance of an equity REIT. FFO does not represent cash generated from operating activities in accordance with GAAP and is not indicative of cash available to fund cash needs. FFO should not be considered as an alternative to net income or earnings per share determined in accordance with GAAP as an indicator of our operating

performance or as an alternative to cash flow as a measure of liquidity. Since all companies and analysts do not calculate FFO in a similar fashion, our calculation of FFO may not be comparable to similarly titled measures reported by other companies.

We calculate FFO in accordance with standards established by the National Association of Real Estate Investment Trusts ("NAREIT") which defines FFO as net income (loss) (computed in accordance with GAAP) excluding gains (or losses) from sales of property and impairment losses on depreciable real estate, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures.

We also disclose FFO as adjusted for items that affect comparability, as we believe this measure is a useful proxy for existing portfolio performance and, therefore, provides a meaningful presentation of operating performance. This adjusted FFO measure should not be considered as an alternative to net income or earnings per share determined in accordance with GAAP as an indicator of our operating performance or as an alternative to cash flow as a measure of liquidity. It also differs from the NAREIT's definition of FFO and may not be comparable to similarly titled measures reported by other companies.

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Calculation of Leverage Ratio:

(Amounts in thousands, except percentages)	For the year ended December 31, 2011	
Debt		
Mortgages on real estate investments	\$ 972,924	
Credit agreement	70,668	
Secured term loan	88,142	
Convertible senior notes	34,522	
Other long-term debt	30,930	
Total debt	\$ 1,197,186	
Assets		
Total assets	\$ 1,641,623	
Accumulated depreciation and amortization on owned properties	268,209	
Intangible liabilities on real estate investments	(35,219	)
Prepaid expenses and deposits	(1,381	)
Accrued rental income	(41,387	)
Deferred rental income	2	
Debt issuance costs, net	(3,889	)
Other	(712	)
Total assets, as adjusted	\$ 1,827,247	
Leverage (total debt/total assets, as adjusted)	66	%

Our overall leverage ratio, which is among the financial metrics used by management to review and analyze CapLease's debt, is a non-GAAP financial measure. Leverage ratios are a widely used financial measure by the real estate investment community, especially for REITs. We measure our overall leverage ratio by dividing total debt by total assets, as adjusted. We measure total assets, as adjusted, at historical cost before depreciation and amortization on owned properties. Therefore, our overall leverage ratio does not account for any fluctuations in value, up or down, that may have occurred since we acquired our owned properties. Other companies including other REITs may compute leverage ratios in a different manner and, therefore, our overall leverage ratio may not be comparable to similarly titled measures reported by other companies.

CAPLEASE, INC.

NOTICE OF  
ANNUAL MEETING OF STOCKHOLDERS  
THURSDAY, JUNE 14, 2012  
AND PROXY STATEMENT

**CAPLEASE, INC.**

**1065 Avenue of the Americas**

**New York, NY 10018**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby constitutes and appoints Paul H. McDowell and Paul C. Hughes, or either of them, as proxy of the undersigned (and if the undersigned is a proxy, substitute proxies), each with full power to appoint his substitute, and hereby authorizes them to represent and to vote all of the shares of common stock of CapLease, Inc. (the "Company") which the undersigned is entitled to vote, as specified on the reverse side of this card, at the Annual Meeting of Stockholders of the Company to be held at the New York office of Hunton & Williams LLP, 200 Park Avenue, New York, New York 10166, on Thursday, June 14, 2012, at 10:00 a.m. local time, and at any adjournment, postponement or continuation thereof. **This proxy is solicited on behalf of the Board of Directors.**

**When this Proxy is properly executed, the shares to which this Proxy relates will be voted as specified and, if no specification is made, will be voted FOR the Board of Directors' nominees, FOR the advisory approval of executive compensation and FOR the ratification of our independent registered public accounting firm, and this Proxy authorizes the above-designated Proxies to vote in their sole discretion on such other business as may properly come before the meeting or any adjournments or postponements thereof pursuant to Maryland law and the amended and restated bylaws of the Company and to the extent authorized by Rule 14a-4(c) promulgated under the Securities Exchange Act of 1934, as amended.**

PLEASE COMPLETE, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

**(Continued and to be signed on reverse side)**

**ANNUAL MEETING OF STOCKHOLDERS**

**CAPLEASE, INC.**

**June 14, 2012**

**NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS:**

The Proxy Statement and 2011 Annual Report to Stockholders

are available at <http://www.caplease.com/proxy>

Please sign, date and mail

your proxy card in the

envelope provided as soon

as possible.

âPlease detach along perforated line and mail in the envelope provided. â

**PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x**

1. ELECTION OF DIRECTORS.

The Board of Directors recommends a vote FOR proposal 2.

<b>The Board of Directors recommends a vote FOR all nominees.</b>	2. ADVISORY APPROVAL OF EXECUTIVE COMPENSATION.	FOR AGAINST ABSTAIN .. .. ..
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..FOR ALL NOMINEES  .. WITHHOLD AUTHORITY  FOR ALL NOMINEES	NOMINEES: <sup>TM</sup> Paul H. McDowell  <sup>TM</sup> William R. Pollert  <sup>TM</sup> Michael E. Gagliardi  <sup>TM</sup> Catherine F. Long  <sup>TM</sup> Jeffrey F. Rogatz <sup>TM</sup> Howard A. Silver	The Board of Directors recommends a vote FOR proposal 3.  3. RATIFICATION OF MCGLADREY & PULLEN LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2012.	FOR AGAINST ABSTAIN  .. .. ..
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..FOR ALL EXCEPT (See instructions below)

**INSTRUCTIONS:** To withhold authority to vote for any individual nominee(s), mark “FOR ALL EXCEPT” and fill in the circle next to each nominee you wish to withhold, as shown here:

MARK HERE IF YOU  
PLAN TO ATTEND THE  
MEETING

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Signature    Date    Signature    Date:

**Note:** Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.