CapLease, Inc.
Form 424B5
January 17, 2013

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Registration No. 333-171408

PROSPECTUS SUPPLEMENT

(To Prospectus dated February 14, 2011)

850,000 Shares

7.25% Series C Cumulative Redeemable Preferred Stock
Liquidation Preference $25.00 Per Share

We are offering 850,000 shares of our 7.25% Series C Cumulative Redeemable Preferred Stock, par value $0.01 per share, which we refer to as the Series C Preferred Stock. This is the original issuance of the Series C Preferred Stock.

Dividends on the Series C Preferred Stock will be payable quarterly on or about the 15th day of January, April, July and October of each year, commencing April 15, 2013. The dividend rate is 7.25% per annum of the $25.00 liquidation preference, which is equivalent to $1.8125 per annum per share of Series C Preferred Stock.

Except in instances relating to preservation of our qualification as a real estate investment trust (REIT) or in connection with a Change of Control (as defined herein) of our company, the Series C Preferred Stock is not redeemable prior to January 25, 2018. At any time on and after January 25, 2018, we may, at our option, redeem the Series C Preferred Stock, in whole or from time to time in part, by paying $25.00 per share, plus any accumulated and unpaid dividends to, but not including, the date of redemption. In addition, upon the occurrence of a Change of Control, we may, at our option, redeem the Series C Preferred Stock, in whole or in part within 120 days after the first date on which such Change of Control occurred, by paying $25.00 per share, plus any accumulated and unpaid dividends to, but not including, the date of redemption. Further, upon a Change of Control each holder of Series C Preferred Stock will have the right (subject to our right to redeem the Series C Preferred Stock in whole or in part, as described above, prior to the Change of Control Conversion Date (as defined herein)) to convert some or all of the Series C Preferred Stock held by such holder on the Change of Control Conversion Date into a number of shares of our common stock, par value $0.01 per share (the common stock), per share of Series C Preferred Stock (or the equivalent value of alternative consideration) as described in this prospectus supplement. If we exercise any of our redemption rights relating to the Series C Preferred Stock, the holders of Series C Preferred Stock will not be permitted to exercise the conversion right described above in respect of their shares called for redemption. The Series C Preferred Stock has no maturity date and will remain outstanding indefinitely unless redeemed by us or converted in connection with a Change of Control by the holders of Series C Preferred Stock. The shares of Series C Preferred Stock are subject to certain ownership and transfer restrictions designed to preserve our REIT qualification for federal income tax purposes. See Description of the Series C Preferred Stock Restrictions on Ownership and Transfer.

Holders of the Series C Preferred Stock generally will have no voting rights, but will have limited voting rights if we fail to pay dividends for six or more quarters (whether or not consecutive) and under certain other circumstances.

The Series C Preferred Stock is a new issue of securities with no established trading market. We have filed an application to list the Series C Preferred Stock on the New York Stock Exchange (NYSE) under the symbol LSEPrC. If that application is approved, trading of the Series C Preferred Stock on the NYSE is expected to begin within 30 days after the date of initial delivery of the Series C Preferred Stock.

Investing in the Series C Preferred Stock involves risks. See Risk Factors beginning on page S-8 of this prospectus supplement and page 1 of the accompanying prospectus to read about certain risks you should consider before buying shares of the Series C Preferred Stock.

	Per Share	Total
Initial price to public	$23.7500	$20,187,500.00
Underwriting discounts and commissions	$0.7481	$635,906.25
Proceeds, before expenses, to us	$23.0019	$19,551,593.75

The underwriters are selling shares of the Series C Preferred Stock to the public on a best efforts basis. The underwriters are not required to sell any specific number or dollar amount of securities but will use their best efforts to sell the securities offered in this prospectus supplement. The underwriters will receive a commission with respect to such sales. There is no arrangement for funds to be received in escrow, trust or similar arrangement. For additional information regarding our arrangement with the underwriters and underwriting compensation, please see Underwriting beginning on page S-28 of this prospectus supplement.

We expect that the Series C Preferred Stock will be ready for delivery in book-entry form through The Depository Trust Company on or about January 25, 2013.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement and the accompanying prospectus. Any representation to the contrary is a criminal offense.

Sole Book-Runner
MLV & Co.

Lead Manager
JMP Securities

The date of this prospectus supplement is January 17, 2013.

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Prospectus Supplement

Prospectus

You should rely only on the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. We have not, and the underwriters have not, authorized anyone else to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. An offer to sell these securities will not be made in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus, as well as information we previously filed with the Securities and Exchange Commission and incorporated by reference, is only accurate as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since that date.

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EXTENDED SETTLEMENT

We expect that delivery of the shares of the Series C Preferred Stock will be made to investors on or about the fifth business day following the date of the final prospectus supplement (this settlement cycle being referred to as T+5). Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended (the Exchange Act), trades in the secondary market are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, if you wish to trade shares of the Series C Preferred Stock before their delivery, you will be required, because the shares initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. If you wish to trade shares of the Series C Preferred Stock before their delivery, you should consult your advisors.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the information incorporated by reference into this prospectus supplement and the accompanying prospectus contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Exchange Act. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by terms such as anticipate, believe, could, estimate, expect, intend, may, pl should, strategy, will and other words of similar meaning. The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or are within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, we are hereby identifying important factors that could cause actual results and outcomes to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to:

our ability to renew leases as they expire or lease-up vacant space on favorable terms or at all;

our ability to close new investment transactions that we have in our pipeline;

our ability to make additional investments in a timely manner or on acceptable terms;

current credit market conditions and our ability to obtain long-term financing for our asset investments in a timely manner and on terms that are consistent with those we project when we invest in the asset;

access to capital markets and capital market conditions;

adverse changes in the financial condition of the tenants underlying our investments;

our ability to make scheduled payments on our debt obligations and to repay or refinance our debt obligations at maturity on favorable terms or at all;

increases in our financing costs (including as a result of LIBOR rate increases), our general and administrative costs and/or our property expenses;

changes in our industry, the industries of our tenants, interest rates or the general economy;

impairments in the value of the collateral underlying our investments;

the degree and nature of our competition; and

the other factors discussed in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus, including those described under the caption Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Any forward-looking statement speaks only as of its date. We undertake no obligation to update or publicly release any revisions to forward-looking statements to reflect events, circumstances or changes in expectations after the date made.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the Series C Preferred Stock, this offering and other matters relating to us. The second part, the accompanying prospectus, gives more general information about our company and securities we may offer from time to time, some of which does not apply to this offering or the Series C Preferred Stock. It is important for you to read and consider all information contained in this prospectus supplement and the accompanying prospectus, including the documents we have referred you to in Where You Can Find More Information. The information incorporated by reference is considered part of this prospectus supplement, and information we later file with the Securities and Exchange Commission (the SEC), may automatically update and supersede this information.

To the extent any inconsistency or conflict exists between the information included or incorporated by reference in this prospectus supplement and the information included in the accompanying prospectus, the information included or incorporated by reference in this prospectus supplement updates and supersedes the information in the accompanying prospectus.

When used in this prospectus supplement, except where the context otherwise requires, the terms we, our, us and th Company refer to CapLease, Inc. and its majority-owned subsidiaries. All interests in our properties are held through special purpose entities which are separate and distinct legal entities.

Except where otherwise indicated or where the context is clear, the portfolio statistics in this prospectus supplement represent or are calculated from our carry value for financial reporting purposes before depreciation and amortization. With respect to our loan portfolio, we have adjusted our carry value to exclude a $0.5 million general loss reserve.

References in this prospectus supplement to our Single Tenant Owned Property Portfolio include all of our owned property investments, in each case other than two properties we own in Omaha, Nebraska which are no longer leased primarily by a single tenant.

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SUMMARY

This summary highlights selected information about us and this offering. It may not contain all the information that may be important to you in deciding whether to invest in the Series C Preferred Stock. You should read this entire prospectus supplement and the accompanying prospectus, including the financial data and related notes included or incorporated by reference herein, before making an investment decision.

Our Company

CapLease, Inc. is a REIT that primarily owns and manages a diversified portfolio of single tenant commercial real estate properties subject to long-term leases to high credit quality tenants. We focus on properties that are subject to a net lease, or a lease that requires the tenant to pay all or substantially all property operating expenses, such as utilities, real estate taxes, insurance and routine maintenance.

Our tenants are primarily large public companies or their significant operating subsidiaries and governmental entities with investment grade credit ratings, defined as a published senior unsecured credit rating of BBB-/Baa3 or above from one or both of Standard & Poor s (S&P) and Moody s Investors Service (Moody s). We also imply an investmer grade credit rating for tenants that are not publicly rated by S&P or Moody s but (i) are 100% owned by an investment grade parent, (ii) for which we have obtained a private investment grade rating from either S&P or Moody s, (iii) for which we have evaluated the creditworthiness of the tenant and estimated a credit rating that is consistent with an investment grade rating from S&P or Moody s, or (iv) are governmental entity branches or units of another investment grade rated governmental entity.

During 2012, we continued to grow the portfolio with approximately $190 million of real property acquisitions and new build-to-suit commitments, and we expect to continue our growth in 2013 and future years.

As of September 30, 2012, some of the highlights of our investment portfolio were as follows:

- approximately $1.8 billion owned property portfolio;
- own 11.7 million square feet with 99.2% occupancy;
- 67 properties in 25 states and leases with 38 different tenants across the Single Tenant Owned Property Portfolio;
- ten largest tenants all rated investment grade with an average credit rating of A+;
- approximately 90% of our Single Tenant Owned Property Portfolio invested in properties leased to investment grade or implied investment grade tenants;
- weighted average tenant credit rating of A- across the Single Tenant Owned Property Portfolio; and
- weighted average remaining lease term of approximately six years across the Single Tenant Owned Property Portfolio.

For further information regarding CapLease and our financial information, you should refer to our recent filings with the SEC. See Where You Can Find More Information.

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Recent Developments

Dividends

On December 12, 2012, our board of directors authorized and we declared a cash dividend of $0.5078125 per share of our 8.125% Series A Cumulative Redeemable Preferred Stock, par value $0.01 per share (the Series A Preferred Stock), and a cash dividend of $0.5234375 per share of our 8.375% Series B Cumulative Redeemable Preferred Stock, par value $0.01 per share (the Series B Preferred Stock) for the fourth quarter of 2012. Our board of directors also authorized and we declared a cash dividend of $0.075 per share of common stock and per limited partnership unit for the fourth quarter of 2012. Both the preferred and common dividends were paid on January 15, 2013 to stockholders of record as of December 31, 2012.

Real Property Acquisitions and Financings

During the quarter ended December 31, 2012, we completed the following real property acquisitions:

Month Acquired	Tenant/Guarantor	Location	Purchase Price	Lease Expires	Net Rentable Square Feet
December	WorleyParsons Limited(1)	15721 Park Row Boulevard Houston, TX	$35.5 million	December 2019	143,797
December	Comcast Corporation	7475 South Joliet Street Englewood, CO	$7.0 million	December 2020	61,436
December	Pulte Mortgage LLC	7390 South Iola Street Englewood, CO	$19.1 million	March 2020	95,265
December	Becton, Dickinson and Company(2)	5859 Farinon Drive San Antonio, TX	$18.1 million	March 2021	95,898

(1) As of December 31, 2012, approximately 10% of the property was leased to two other tenants.
(2) As of December 31, 2012, approximately 29% of the property was leased to one other tenant.

During the quarter ended December 31, 2012, we financed our acquisition of the WorleyParsons property described above with a $19.5 million first mortgage loan. The non-recourse mortgage loan has a coupon of 4.0% with a ten year term.

Stock Issuances

During the quarter ended December 31, 2012, we issued an aggregate of 6,891,080 shares of common stock, 46,075 shares of Series A Preferred Stock, and 800,160 shares of Series B Preferred Stock, through our at the market offering (ATM) program with Cantor Fitzgerald & Co. The common stock was issued at an average price of $4.76 per share, the Series A Preferred Stock at an average price of $25.01 per share, and the Series B Preferred Stock at an average price of $25.50 per share. During 2012, we raised aggregate net proceeds of approximately $61.7 million from the ATM program, and we have fully utilized those proceeds as of December 31, 2012 as follows: $53.3 million used to fund the real property acquisitions described above and $8.4 million used to repurchase our convertible senior notes.

Series A Preferred Stock Repurchase Program

During January 2013, our board of directors approved a share repurchase program authorizing us to repurchase in the aggregate up to $85 million of our outstanding Series A Preferred Stock. The program has no expiration date and permits us to purchase shares through a variety of methods, including in the open market or through privately negotiated transactions, in accordance with applicable securities laws. It does not obligate us to make any repurchases at any specific time or situation. The timing and extent to which we repurchase our Series A Preferred Stock will depend upon a variety of factors, including market conditions, our liquidity, and regulatory requirements.

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THE OFFERING

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the Series C Preferred Stock, see Description of the Series C Preferred Stock in this prospectus supplement and Description of Common Stock and Description of Preferred Stock in the accompanying prospectus.

Issuer

CapLease, Inc.

Securities offered

850,000 shares of Series C Preferred Stock. We reserve the right to reopen this series and issue additional shares of Series C Preferred Stock either through public or private sales at any time and from time to time.

Best efforts

The underwriters are selling shares of the Series C Preferred Stock on a best efforts basis and are not required to sell any specific number or dollar amount of securities, but they will use their best efforts to sell the securities offered in this prospectus supplement.

Dividends

Holders of the Series C Preferred Stock will be entitled to receive cumulative cash dividends on the Series C Preferred Stock at the rate of 7.25% per annum of the $25.00 per share liquidation preference (equivalent to $1.8125 per annum per share of Series C Preferred Stock). Dividends on the Series C Preferred Stock will be payable quarterly in arrears on or about the 15th day of January, April, July and October of each year. The first dividend payment date for the Series C Preferred Stock sold in this offering will be April 15, 2013, and the dividend payable on that date will be in the amount of $0.4027778 per share. If any date on which dividends are first payable is not a business day, then the dividend is paid on the next succeeding business day, and no interest or additional dividends or other sums accrues as a result of any such delay. Dividends on the Series C Preferred Stock will accumulate whether or not we have earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared.

No maturity

The Series C Preferred Stock has no maturity date, and we are not required to redeem the Series C Preferred Stock. In addition, we are not required to set aside funds to redeem the Series C Preferred Stock. Accordingly, the Series C Preferred Stock will remain outstanding indefinitely unless we decide to redeem the shares at our option or, under limited circumstances where the holders of the Series C Preferred Stock have a conversion right, such holders decide to convert the Series C Preferred Stock into our common stock.

Optional redemption

We may not redeem the Series C Preferred Stock prior to January 25, 2018, except as described below under Description of the Series C Preferred Stock Special Optional Redemption and in limited circumstances relating to our continuing qualification as a REIT. At any time on and after January 25, 2018, we may, at our option, redeem the Series C Preferred Stock, in whole or from time to time in part, by paying $25.00 per share, plus any accumulated and unpaid dividends to, but not including, the date of redemption.

Special optional redemption

Upon the occurrence of a Change of Control (as defined below), we may, at our option, redeem the Series C Preferred Stock, in whole or in part within 120 days after the first date on which such Change of

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Control occurred, by paying $25.00 per share, plus any accumulated and unpaid dividends to, but not including, the date of redemption. We refer to this redemption as a special optional redemption. If, prior to the Change of Control Conversion Date, we exercise any of our redemption rights relating to the Series C Preferred Stock (whether our optional redemption right or our special optional redemption right), the holders of Series C Preferred Stock will not be permitted to exercise the conversion right described below in respect of their shares called for redemption.

A Change of Control is when, after the original issuance of the Series C Preferred Stock, the following have occurred and are continuing:

- the acquisition by any person, including any syndicate or group deemed to be a person under Section 13(d)(3) of the Exchange Act, of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of shares of our company entitling that person to exercise more than 50% of the total voting power of all shares of our company entitled to vote generally in elections of directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and

- following the closing of any transaction referred to in the bullet point above, neither we nor the acquiring or surviving entity has a class of common securities (or American Depositary Receipts (ADRs) representing such securities) listed on the NYSE, the NYSE MKT (the NYSE MKT) or the NASDAQ Stock Market (NASDAQ) or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE MKT or NASDAQ.

Conversion rights

Upon the occurrence of a Change of Control, each holder of Series C Preferred Stock will have the right (unless, prior to the Change of Control Conversion Date, we have provided or provide notice of our election to redeem the Series C Preferred Stock) to convert some or all of the Series C Preferred Stock held by such holder on the Change of Control Conversion Date into a number of shares of our common stock (or equivalent value of alternative consideration) per share of Series C Preferred Stock to be converted equal to the lesser of:

- the quotient obtained by dividing (1) the sum of the $25.00 liquidation preference plus the amount of any accumulated and unpaid dividends to, but not including, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a record date for a Series C Preferred Stock dividend payment and prior to the corresponding Series C Preferred Stock dividend payment date, in which case no additional amount for such accumulated and unpaid dividends will be included in this sum) by (2) the Common Stock Price (as defined herein); and

- 8.9127 (the Share Cap), subject to certain adjustments;

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subject, in each case, to provisions for the receipt of alternative consideration as described in this prospectus supplement.

If, prior to the Change of Control Conversion Date, we have provided or provide a redemption notice, whether pursuant to our special optional redemption right in connection with a Change of Control or our optional redemption right, holders of Series C Preferred Stock will not have any right to convert the Series C Preferred Stock in connection with the Change of Control Conversion Right and any Series C Preferred Stock subsequently selected for redemption that has been tendered for conversion will be redeemed on the related date of redemption instead of converted on the Change of Control Conversion Date.

For definitions of Change of Control Conversion Right, Change of Control Conversion Date and Common Stock Price and for a description of the adjustments and provisions for the receipt of alternative consideration that may be applicable to the Change of Control Conversion Right, see Description of the Series C Preferred Stock Conversion Rights.

Except as provided above in connection with a Change of Control, the Series C Preferred Stock is not convertible into or exchangeable for any other securities or property.