CapLease, Inc.
Form 424B2
March 25, 2010

This preliminary prospectus supplement relates to an effective registration statement, but is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell nor do they seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed pursuant to Rule 424(b)(2)
Registration No. 333-148653

PROSPECTUS SUPPLEMENT SUBJECT TO COMPLETION DATED MARCH 25, 2010
(To Prospectus dated January 25, 2008)

Shares

8.125% Series A Cumulative Redeemable Preferred Stock
Liquidation Preference $25.00 Per Share

We are offering shares of our 8.125% Series A cumulative redeemable preferred stock, par value $0.01 per share. As of December 31, 2009, there were 1,400,000 shares of our Series A preferred stock outstanding.

Dividends on the Series A preferred stock sold in this offering will be cumulative from March , 2010, and will be payable quarterly on or about the 15th day of January, April, July and October of each year, commencing April 15, 2010. The dividend rate is 8.125% per annum of the $25.00 liquidation preference, which is equivalent to $2.03125 per annum per share of Series A preferred stock.

The liquidation preference of each share of Series A preferred stock is $25.00.

Beginning on October 19, 2010 and at any time thereafter, we may redeem all or a portion of the Series A preferred stock at $25.00 per share, plus accrued and unpaid dividends. Prior to October 19, 2010, we may only redeem the Series A preferred Stock to preserve our status as a real estate investment trust.

The Series A preferred stock has no stated maturity, will not be subject to any sinking fund or mandatory redemption and will not be convertible into any of our other securities.

Investors in the Series A 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 shares of Series A preferred stock are subject to certain restrictions on ownership and transfer designed to preserve our qualification as a real estate investment trust for federal income tax purposes. See “Description of the Series A Preferred Stock — Restrictions on Ownership” on page S-10 of this prospectus supplement and “Restrictions on Ownership and Transfer” on page 25 of the accompanying prospectus for more information about these restrictions.

Our Series A preferred stock is listed on the New York Stock Exchange under the symbol “LSEPrA.” On March 24, 2010, the closing sale price of the Series A preferred stock was $25.14 per share.

Investing in the Series A preferred stock involves risks. See "Risk Factors" beginning on page S-4 of this prospectus supplement and page 1 of the accompanying prospectus to read about certain risks you should consider before buying shares of our Series A preferred stock.

	Per Share	Total
Initial price to public (1)	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$

(1) Including accrued dividends

We have granted to the underwriters the right to purchase within 30 days from the date of this prospectus supplement up to an additional shares of Series A preferred stock at the public offering price per share, less underwriting discounts and commissions, to cover over-allotments.

We expect that the Series A preferred stock will be ready for delivery in book-entry form through the Depository Trust Company on or about , 2010.

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.

Joint Book-Running Managers

Wells Fargo Securities Goldman, Sachs & Co.

The date of this prospectus supplement is March , 2010.

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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 the date of the front cover of this prospectus supplement or accompanying prospectus, as applicable. Our business, financial condition, results of operations and prospects may have changed since that date.

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, and Section 21E of the Securities Exchange Act of 1934, as amended. 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," "plan," "potential," "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;
- 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;
- 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, 2009.

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.

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 A 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 A 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, or 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, except where the context otherwise requires, the terms "we," "our," "us" and "the Company" refer to CapLease, Inc. and its predecessors and subsidiaries.

Except where otherwise indicated or where the context is clear, the portfolio statistics in this prospectus 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 to our "Single Tenant Portfolio" include all of our portfolio investments (e.g., owned properties, loans and securities) and 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 and one in Johnston, Rhode Island which we classify as "multi-tenant properties," as each has either become or we expect will become over time no longer leased primarily by a single tenant.

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 our Series A 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 diversified real estate investment trust, or REIT, that invests primarily in single tenant commercial real estate assets 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 expenses normally associated with the ownership of the property, such as utilities, taxes, insurance and routine maintenance.

We have two complementary business lines: owning single tenant properties, which comprised 81% of our portfolio as of December 31, 2009, and making first mortgage loans and other debt investments on single tenant properties, which comprised 19% of our portfolio as of December 31, 2009. Tenants underlying our investments 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 investment 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, or (iii) are governmental entity branches or units of another investment grade rated governmental entity.

As of December 31, 2009, some of the highlights of our investment portfolio were as follows:

- approximately $2.0 billion total investment portfolio, including $1.6 billion of owned property investments and $375 million of loans and mortgage securities investments;
- 10.4 million square foot owned property portfolio with 95.4% occupancy;
- ten largest underlying tenants all rated investment grade with an average credit rating of A+;
- approximately 90% of our Single Tenant Portfolio invested in owned properties and loans on properties where the underlying tenant was rated investment grade or implied investment grade, and in investment grade rated real estate securities;
- weighted average underlying tenant credit rating of A- across the Single Tenant Portfolio; and
- weighted average underlying tenant remaining lease term of approximately nine years across the Single Tenant Portfolio and eight 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."

Recent Developments

On March 24, 2010, we agreed to sell 3,144,654 shares of our common stock to an affiliate of Golden Gate Capital for a price of $4.77 per share. We expect the closing of the sale will occur on or about March 30, 2010. The shares will be issued pursuant to a separate prospectus under our effective universal shelf registration statement (File No. 333-148653). We intend to use the net proceeds of the offering of $15 million to reduce principal on our recourse debt obligations, which may include our convertible senior notes and borrowings under our credit agreement with Wells Fargo Bank, N.A. (as successor to Wachovia Bank, N.A.), and for general corporate purposes. The offering of Series A preferred stock pursuant to this prospectus supplement and accompany prospectus and the foregoing common stock offering are not contingent on one another.

The Offering

Issuer	CapLease, Inc.
Securities offered	shares of 8.125% Series A cumulative redeemable preferred stock (shares if the underwriters exercise their over-allotment option in full).
Series A preferred stock to be outstanding after this offering	As of December 31, 2009, there were 1,400,000 shares of 8.125% Series A cumulative redeemable preferred stock outstanding. Since December 31, 2009 and prior to the completion of this offering, we have issued or expect to issue 600 shares of 8.125% Series A cumulative redeemable preferred stock through an "at-the-market" offering program as defined in Rule 415 promulgated under the Securities Act of 1933, as amended. Following this offering, we will have shares of 8.125% Series A cumulative redeemable preferred stock outstanding.
Dividends	Investors will be entitled to receive cumulative cash distributions on the Series A preferred stock at a rate of 8.125% per annum of the $25.00 liquidation preference (equivalent to $2.03125 per annum per share). However, if the Series A preferred stock is delisted from the New York Stock Exchange following a "change of control," investors will be entitled to receive cumulative cash dividends on the Series A preferred stock at a rate of 9.125% per annum of the $25.00 liquidation preference (equivalent to $2.28125 per annum per share). To see how we define change of control for this purpose, see "Description of the Series A Preferred Stock—Dividends" below. Dividends on the Series A preferred stock offered hereby will begin to accrue and will be fully cumulative from March , 2010, and will be payable quarterly in arrears on or about the 15th day of each January, April, July and October of each year. The first dividend on the Series A preferred stock offered in this offering will be paid on April 15, 2010. Dividends on the Series A preferred stock will accrue 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.
Liquidation preference	If we liquidate, dissolve or wind up our operations, the holders of our Series A preferred stock will have the right to receive $25.00 per share, plus all accrued and unpaid dividends (whether or not declared) to the date of payment, before any payment is made to the holders of our common stock and any other of our equity securities ranking junior to the Series A preferred stock. The rights of the holders of the Series A preferred stock to receive the liquidation preference will be subject to the rights of holders of our debt, holders of any equity securities senior in liquidation preference to the Series A preferred stock and the proportionate rights of holders of each other series or class of our equity

	securities ranked on a parity with the Series A preferred stock.
No maturity	The Series A preferred stock does not have any stated maturity date and will not be subject to any sinking fund or mandatory redemption provisions. Accordingly, the shares of Series A preferred stock will remain outstanding indefinitely unless we decide to redeem them or purchase all or a portion of the shares in the open market. We are not required to set aside funds to redeem the Series A preferred stock.
Optional redemption	On and after October 19, 2010, we may redeem the Series A preferred stock for cash at our option, in whole or from time to time in part, at a redemption price of $25.00 per share, plus accrued and unpaid dividends (whether or not declared) to the redemption date. We may not redeem the Series A preferred stock prior to October 19, 2010, except in certain limited circumstances relating to the ownership limitation necessary to preserve our qualification as a REIT.

Ranking	The Series A preferred stock will rank senior to our common stock and future junior securities, equal with future parity securities and junior to future senior securities and to all our existing and future indebtedness, with respect to the payment of dividends and the distribution of amounts upon liquidation, dissolution or winding up.
Voting rights	Holders of our Series A preferred stock generally will have no voting rights. However, if we do not pay dividends on the Series A preferred stock for six or more quarterly periods (whether or not consecutive), the holders of the shares (voting together as a single class with all other shares of any class or series of shares ranking on a parity with the Series A preferred stock which are entitled to similar voting rights, if any) will be entitled to vote for the election of two additional directors to serve on our board of directors until all dividends in arrears on outstanding shares of Series A preferred stock have been paid or declared and set apart for payment. In addition, the issuance of future senior shares or certain changes to the terms of the Series A preferred stock that would be materially adverse to the rights of holders of Series A preferred stock cannot be made without the affirmative vote of holders of two-thirds of the outstanding Series A preferred stock and shares of any class or series of shares ranking on a parity with the Series A preferred stock which are entitled to similar voting rights, if any, voting as a single class.
Information rights	During any period in which we are not subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), but shares of Series A preferred stock are outstanding, we will mail to all holders of Series A preferred stock, as their names and addresses appear in our record books, copies of the annual reports and quarterly reports that we would have been required to file with the Securities and Exchange Commission ("SEC") if we were so subject (other than any exhibits that would have been required). We will mail the reports within 15 days after the respective dates by which we would have been required to file the reports with the SEC if we were subject to the reporting requirements of the Exchange Act. In addition, during the same period, we will, promptly upon written request, supply copies of such reports to any prospective holder of Series A preferred stock.
Ownership limit	Subject to certain exceptions, no person may own, directly or indirectly, more than 9.9% of the value or number, whichever is more restrictive, of outstanding shares of our capital stock.
Listing	The Series A preferred stock is listed on the New York Stock Exchange (NYSE) under the symbol "LSEPrA." We will apply to list the shares of Series A preferred stock offered hereby on the NYSE under the existing symbol "LSEPrA" covering the outstanding shares of Series A preferred stock.

Form	The Series A preferred stock will be issued and maintained in book-entry form registered in the name of the nominee of The Depository Trust Company except under limited circumstances.
Conversion	The Series A preferred stock is not convertible into or exchangeable for any of our other securities or property.
Use of proceeds	We intend to use the net proceeds from the sale of the Series A preferred stock for one or more of the following purposes: to reduce debt obligations that are recourse to our company, to add new portfolio investments and for other general corporate purposes.
Risk factors	See “Risk Factors” beginning on page S-4 of this prospectus supplement and page 1 of the accompanying prospectus to read about certain risks you should consider before buying shares of our Series A preferred stock.

RISK FACTORS

An investment in the Series A preferred stock involves certain risks, including those described below and in the section entitled "Risk Factors" beginning on page 1 of the accompanying prospectus. Before you invest in the Series A preferred stock, you should carefully consider these risks, together with the other information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus.

Our Series A preferred stock has not been rated and is subordinate to our debt, and your interests could be diluted by the issuance of additional preferred stock and by other transactions.

The Series A preferred stock has not been rated by any nationally recognized statistical rating organization and is subordinate to all of our existing and future debt. Our future debt may include restrictions on our ability to pay dividends to preferred stockholders. Our charter currently authorizes the issuance of up to 100,000,000 shares of preferred stock in one or more series. Our charter currently authorizes the issuance of up to 500,000,000 shares of common stock. In addition, our board of directors has the power to reclassify unissued common stock as preferred stock, and to amend our charter, without any action by our stockholders, to increase the aggregate number of shares of our stock or the number of shares of stock of any class or series, including preferred stock, that we have authority to issue. The issuance of additional preferred stock on parity with or senior to the Series A preferred stock would dilute the interests of the holders of the Series A preferred stock, and any issuance of preferred stock senior to the Series A preferred stock or of additional indebtedness could affect our ability to pay dividends on, redeem or pay the liquidation preference on the Series A preferred stock. None of the provisions relating to the Series A preferred stock contains any provisions affording the holders of the Series A preferred stock protection in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all our assets or business, that might adversely affect the holders of the Series A preferred stock, so long as the rights of the Series A preferred stock holders are not materially and adversely affected.

As a holder of Series A preferred stock you have extremely limited voting rights.

Your voting rights as a holder of Series A preferred stock will be limited. Shares of our common stock are the only class carrying full voting rights. Voting rights for holders of Series A preferred stock exist primarily with respect to adverse changes in the terms of the Series A preferred stock, the creation of additional classes or series of preferred stock that are senior to the Series A preferred stock and our failure to pay dividends on the Series A preferred stock.

Listing on the New York Stock Exchange does not guarantee a market for our Series A preferred stock.

Although the Series A preferred stock is listed on the New York Stock Exchange, an active and liquid trading market to sell the Series A preferred stock has not developed and may not ever develop or be sustained. Since the Series A preferred stock has no stated maturity date, investors seeking liquidity may be limited to selling their shares in the secondary market. If an active trading market does not develop, the market price and liquidity of the Series A preferred stock may be adversely affected. Even if an active public market does develop, we cannot guarantee you that the market price for the Series A preferred stock will equal or exceed the price you pay for your shares.

The market determines the trading price for the Series A preferred stock and may be influenced by many factors, including our history of paying dividends on the Series A preferred stock, variations in our financial results, the market for similar securities, investors' perception of us, our issuance of additional preferred equity or indebtedness and general economic, industry, interest rate and market conditions. Because the Series A preferred stock carries a fixed dividend rate, its value in the secondary market will be influenced by changes in interest rates and will tend to move inversely to such changes.

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USE OF PROCEEDS

We expect to receive approximately $ million from this offering, after deducting underwriting discounts and commissions and estimated offering expenses (approximately $ million if the underwriters exercise their over-allotment option in full). We intend to use the net proceeds for one or more of the following purposes: to reduce debt obligations that are recourse to our company, to add new portfolio investments and for other general corporate purposes.

To the extent we determine to reduce recourse debt obligations with the net proceeds of this offering, we expect to repurchase our convertible senior notes and/or repay principal outstanding under our credit facility with Wells Fargo Bank, N.A. (as successor to Wachovia Bank, N.A.). As of December 31, 2009, the effective financing rate on our convertible senior notes was 7.9%. The notes mature in October 2027 but the holders of the notes may require us to repurchase all or part of their notes in October 2012 for a cash price equal to 100% of the principal amount of the notes repurchased.

Borrowings under our credit agreement with Wells Fargo Bank, N.A. bear interest at prevailing short-term interest rates (30-day LIBOR) plus a pricing spread (currently 250 basis points). As of December 31, 2009, our effective financing rate on these borrowings was 3.2% and principal outstanding was $126.3 million. Our credit agreement with Wells Fargo Bank, N.A. is scheduled to mature on April 29, 2011.

Wells Fargo Bank, N.A. is an affiliate of Wells Fargo Securities, LLC, one of the joint book-running managers of this offering. If we elect to use all or a portion of the proceeds of this offering to repay all or a portion of the principal outstanding under our credit facility, Wells Fargo Bank, N.A. will receive those proceeds. See “Underwriting.”

CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2009, on a historical basis and as adjusted to give effect to the issuance and sale of shares of our Series A preferred stock in this offering (excluding the effect of the exercise of the over-allotment option in full) and the anticipated issuance of 3,144,654 shares of our common stock to an affiliate of Golden Gate Capital, and the application of the net proceeds to repurchase our convertible senior notes at a price of 100% of the principal amount of the notes repurchased, and with any remaining net proceeds, to reduce borrowings under the credit agreement with Wells Fargo Bank, N.A. (as successor to Wachovia Bank, N.A.), as if each had occurred on December 31, 2009. As described above under "Use of Proceeds," we may apply some, all or none of the net proceeds of this offering and the separate common stock offering to repurchase the convertible senior notes and reduce borrowings to Wells Fargo Bank, N.A.

	As of December 31, 2009 (in thousands)	
	Historical	As Adjusted
Debt:		
Mortgages on real estate investments	$ 943,811	$ 943,811
Collateralized debt obligations	263,310	263,310
Credit facility	126,262	
Secured term loan	114,070	114,070
Convertible senior notes	49,452	
Other long-term debt	30,930	30,930
Stockholders' equity:		
Preferred stock, $0.01 par value, 100,000,000 shares authorized, 1,400,000 shares issued and outstanding historical, shares issued and outstanding as adjusted (liquidation preference of $25.00 per share)	33,657	
Common stock, $0.01 par value, 500,000,000 shares authorized, 51,709,511 shares issued and outstanding, historical and 54,854,165 shares issued and outstanding, as adjusted	517	549
Additional paid-in capital	303,368	
Accumulated other comprehensive (loss)	(24,332)	(24,332)
Total stockholders' equity	313,210	
Non-controlling interest in consolidated subsidiaries	1,257	1,257
Total equity	$ 314,467	$
Total capitalization	$ 1,842,302	$

DESCRIPTION OF THE SERIES A PREFERRED STOCK

The description of the particular terms of the Series A preferred stock supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of the preferred stock set forth in the accompanying prospectus, to which description reference is hereby made. The following summary of the material terms and provisions of the Series A preferred stock does not purport to be complete and is qualified in its entirety by reference to the pertinent sections in the Articles Supplementary, as amended, setting forth the terms of the Series A preferred stock, which we sometimes refer to as the "articles supplementary," our charter, bylaws and applicable laws.

General

Our authorized capital stock consists of 500,000,000 shares of common stock, $0.01 par value per share, and 100,000,000 shares of preferred stock, $0.01 par value per share. Our charter authorizes our board of directors to issue shares of preferred stock and to classify and reclassify any unissued shares of preferred stock into one or more classes or series of stock. The preferred stock may be issued from time to time with such designations, preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption as shall be determined by the board of directors. See "Description of Preferred Stock" in the accompanying prospectus.

Our board of directors has adopted articles supplementary to our charter establishing the number and fixing the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption of a series of our preferred stock classified as 8.125% Series A Cumulative Redeemable Preferred Stock. As of December 31, 2009, 1,400,000 shares were issued and outstanding. Since December 31, 2009 and prior to the completion of this offering, we have issued or expect to issue 600 shares of 8.125% Series A preferred stock through an "at-the-market" offering program as defined in Rule 415 promulgated under the Securities Act of 1933, as amended. Our board of directors has authorized up to 2,610,000 shares of Series A preferred stock. To the extent the shares of Series A preferred stock to be issued pursuant to this prospectus supplement and the accompanying prospectus exceed 2,610,000, we intend to increase the number of authorized shares of Series A preferred stock. Our board of directors may, without the consent of the holders of the Series A preferred stock, authorize and issue additional shares of Series A preferred stock from time to time.

The Series A preferred stock will be issued and maintained in book-entry form registered in the name of the nominee, The Depository Trust Company, except in limited circumstances. See "Book-Entry Securities" in the accompanying prospectus.

The transfer agent, registrar and dividends disbursement agent for the shares of Series A preferred stock is American Stock Transfer & Trust Company.

Ranking

The Series A preferred stock ranks senior to our shares of common stock and to any other of our equity securities that by their terms rank junior to the Series A preferred stock with respect to payments of distributions or amounts upon our liquidation, dissolution or winding up. The Series A preferred stock ranks on a parity with other equity securities that we may later authorize or issue and that by their terms are on a parity with the Series A preferred stock. The Series A preferred stock ranks junior to any equity securities that we may later authorize or issue and that by their terms rank senior to the Series A preferred stock. Any authorization or issuance of equity securities senior to the Series A preferred stock would require the affirmative vote of the holders of two-thirds of the outstanding shares of Series A preferred stock. Any convertible debt securities that we may issue are not considered to be equity securities for these purposes.

Dividends

Holders of the Series A preferred stock are entitled to receive, when and as authorized by our board of directors and declared by us, out of funds legally available for the payment of dividends, cumulative cash dividends at the rate of 8.125% per annum of the $25.00 per share liquidation preference, equivalent to $2.03125 per annum per share. However, if the Series A preferred stock is delisted from the New York Stock Exchange following a "change of control" (as defined below), holders of the Series A preferred stock will be entitled to receive, when and as authorized by our board of directors and declared by us, out of funds legally available for the payment of dividends, cumulative cash dividends at the rate of 9.125% per annum of the $25.00 liquidation preference, equivalent to $2.28125 per annum per share. Dividends on the Series A preferred stock will accrue and be cumulative from (but excluding) the date of original issue and will be payable quarterly in arrears on or about the 15th day of each January, April, July and October. Dividends payable on the shares of Series A preferred stock for any partial period will be computed on the basis of a 360-day year consisting of twelve 30-day months.

We will pay dividends to holders of record as they appear in our stock records at the close of business on the applicable record date, which will be the last day of the calendar month that immediately precedes the calendar month in which the applicable dividend payment date falls, or such other date as designated by our board of directors or an officer of our company duly authorized by our board of directors for the payment of dividends that is not more than 30 days nor less than 10 days prior to the dividend payment date.

We will not declare or pay or set aside for payment any dividend on the shares of Series A preferred stock if the terms of any of our agreements, including agreements relating to our indebtedness, prohibit that declaration, payment or setting aside of funds or provide that the declaration, payment or setting aside of funds is a breach of or a default under that agreement, or if the declaration, payment or setting aside of funds is restricted or prohibited by law.

Notwithstanding the foregoing, dividends on the shares of Series A preferred stock will accrue whether or not we have earnings, whether or not there are funds legally available for the payment of distributions and whether or not dividends are authorized. Accrued but unpaid distributions on the shares of Series A preferred stock will not bear interest, and holders of the shares of Series A preferred stock will not be entitled to any distributions in excess of full cumulative distributions as described above. All of our dividends on the shares of Series A preferred stock, including any capital gain distributions, will be credited to the previously accrued dividends on the shares of Series A preferred stock. We will credit any dividends made on the shares of Series A preferred stock first to the earliest accrued and unpaid dividend due.

We will not declare or pay any dividends, or set aside any funds for the payment of dividends, on shares of common stock or other shares that rank junior to the shares of Series A preferred stock, or redeem or otherwise acquire shares of common stock or other junior shares, unless we also have declared and either paid or set aside for payment the full cumulative dividends on the shares of Series A preferred stock for the current and all past dividend periods. This restriction will not limit our redemption or other acquisition of shares under an employee benefit plan or to ensure our status as a REIT.

If we do not declare and either pay or set aside for payment the full cumulative dividends on the shares of Series A preferred stock and all shares that rank on a parity with the shares of Series A preferred stock, the amount which we have declared will be allocated pro rata to the shares of Series A preferred stock and to each parity series of shares so that the amount declared for each share of Series A preferred stock and for each share of each parity series is proportionate to the accrued and unpaid distributions on those shares.

A “change of control” shall be deemed to have occurred at such time as (a) the date a “person” or “group” (within the meaning of Sections 13(d) and 14(d) of the Exchange Act) becomes the ultimate “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person or group shall be deemed to have beneficial ownership of all shares of voting stock that such person or group has the right to acquire regardless of when such right is first exercisable), directly or indirectly, of voting stock representing more than 50% of the total voting power of the total voting stock of our company on a fully diluted basis; (b) the date we sell, transfer or otherwise dispose of all or substantially all of our assets; or (c) the date of the consummation of a merger or share exchange of our company with another entity where our stockholders immediately prior to the merger or share exchange would not beneficially own immediately after the merger or share exchange, shares representing 50% or more of all votes (without consideration of the rights of any class of stock to elect directors by a separate group vote) to which all stockholders of the corporation issuing cash or securities in the merger or share exchange would be entitled in the election of directors, or where members of our board of directors immediately prior to the merger, or share exchange would not immediately after the merger or share exchange constitute a majority of the board of directors of the corporation issuing cash or securities in the merger or share exchange. “Voting stock” shall mean capital stock of any class or kind having the power to vote generally for the election of directors.

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Liquidation Rights

In the event of our liquidation, dissolution or winding up, the holders of the shares of Series A preferred stock will be entitled to receive out of our assets legally available for distribution to our stockholders a liquidation preference of $25.00 per share, plus any accrued and unpaid dividends through and including the date of the payment. The holders of shares of Series A preferred stock will be entitled to receive this liquidating distribution before we distribute any assets to holders of shares of our common stock or any other shares of capital stock that rank junior to the shares of Series A preferred stock. The rights of holders of shares of Series A preferred stock to receive their liquidation preference would be subject to preferential rights of the holders of any series of shares that is senior to the shares of Series A preferred stock. Written notice will be given to each holder of shares of Series A preferred stock of any such liquidation not less than 30 days and no more than 60 days prior to the payment date. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of shares of Series A preferred stock will have no right or claim to any of our remaining assets. If we consolidate or merge with any other entity, sell, lease, transfer or convey all or substantially all of our property or business, or engage in a statutory share exchange, we will not be deemed to have liquidated. In the event our assets are insufficient to pay the full liquidating distributions to the holders of shares of Series A preferred stock and all other classes or series of our equity securities ranking on a parity with our shares of Series A preferred stock, then we will distribute our assets to the holders of shares of Series A preferred stock and all other classes or series of parity securities ratably in proportion to the full liquidating distributions they would otherwise have received.

The articles supplementary provide that in determining whether a distribution (other than voluntary or involuntary liquidation), by dividend, redemption or otherwise, is permitted under the Maryland General Corporation Law, amounts that would be needed, if we were to be dissolved at the time of the distribution, to satisfy the Series A preferred stock liquidation preference will not be added to our total liabilities.

Redemption

We may not redeem the shares of Series A preferred stock prior to October 19, 2010, except as described below under “Restrictions on Ownership.” On and after October 19, 2010, at our option upon not less than 30 days’ nor more than 60 days’ written notice to the holder, we may redeem the shares of Series A preferred stock, in whole or from time to time in part, at a redemption price of $25.00 per share, plus any accrued and unpaid dividends through the date fixed for redemption.

We will give notice of redemption by publication in a newspaper of general circulation in the City of New York and by mail to each holder of record of shares of Series A preferred stock at the address shown on our stock transfer books. A failure to give notice of redemption or any defect in the notice or in its mailing will not affect the validity of the redemption of any shares of Series A preferred stock except as to the holder to whom notice was defective. Each notice will state the following:

- the redemption date;
- the redemption price;
- the number of shares of Series A preferred stock to be redeemed;
- the place or places where the certificates for the shares of Series A preferred stock are to be surrendered for payment; and
- that dividends on the shares of Series A preferred stock to be redeemed will cease to accrue on the redemption date.

If we redeem fewer than all of the shares of Series A preferred stock, the notice of redemption mailed to each stockholder will also specify the number of shares of Series A preferred stock that we will redeem from each stockholder. In this case, we will determine the number of shares of Series A preferred stock to be redeemed on a pro rata basis, by lot or by any other equitable method we may choose.

If we have given a notice of redemption and have set aside sufficient funds for the redemption in trust for the benefit of the holders of the shares of Series A preferred stock called for redemption, then from and after the redemption date, those shares of Series A preferred stock will be treated as no longer being outstanding, no further dividends will accrue and all other rights of the holders of those shares of Series A preferred stock will terminate. The holders of those shares of Series A preferred stock will retain their right to receive the redemption price for their shares and any accrued and unpaid dividends through the redemption date.

The holders of shares of Series A preferred stock at the close of business on a dividend record date will be entitled to receive the dividend payable with respect to the shares of Series A preferred stock on the corresponding payment date (including any accrued and unpaid distributions for prior periods) notwithstanding the redemption of the shares of Series A preferred stock between such record date and the corresponding payment date or our default in the payment of the dividend due. Except as provided above, we will make no payment or allowance for unpaid dividends, whether or not in arrears, on shares of Series A preferred stock for which a notice of redemption has been given.

The shares of Series A preferred stock have no stated maturity and will not be subject to any sinking fund or mandatory redemption provisions, except as provided under “Restrictions on Ownership” below.

Subject to applicable law, we may purchase shares of Series A preferred stock in the open market, by tender or by private agreement. Any shares of Series A preferred stock that we reacquire will return to the status of authorized but unissued shares of preferred stock.

Voting Rights

Holders of shares of Series A preferred stock have no voting rights, except as set forth below.

If distributions on the shares of Series A preferred stock are due but unpaid for six or more quarterly periods, whether or not consecutive, holders of the shares of Series A preferred stock (voting together as a single class with all other shares of any class or series of stock ranking on a parity with the Series A preferred stock which are entitled to similar voting rights, if any) will be entitled to elect a total of two additional directors to serve on our board of directors until all distribution arrearages have been paid or authorized and set aside for payment in full. The holders of record of at least 10% of the outstanding shares of Series A preferred stock (or of any other series of preferred stock ranking on a parity and with like voting rights) may compel us to call a special meeting to elect these additional directors unless we receive the request less than 120 days before the date of the next annual meeting of stockholders if all the classes of voting preferred stock are offered the opportunity to elect such directors at the annual meeting. Whether or not the holders call a special meeting, the holders of the Series A preferred stock (and any other series of preferred stock ranking on a parity and with like voting rights) may vote for the additional directors at the next annual meeting of stockholders and at each subsequent meeting until we have fully paid all unpaid dividends on the shares for the past dividend periods and the then current dividend period, or we have declared the unpaid dividends and set apart a sufficient sum for their payment. These two additional directors may be removed at any time with or without cause by the holders of a majority of the outstanding shares of Series A preferred stock.

In addition, the affirmative vote of the holders of two-thirds of the outstanding shares of Series A preferred stock is required for us to authorize, create or increase equity securities ranking senior to the shares of Series A preferred stock or to amend, alter or repeal our charter in a manner that materially and adversely affects the rights of the holders of the shares of Series A preferred stock. We may issue additional shares of Series A preferred stock, or other parity stock, without any vote of the holders of the shares of Series A preferred stock.

In any matter in which the shares of Series A preferred stock are entitled to vote, each share of Series A preferred stock will be entitled to one vote. If the holders of shares of Series A preferred stock and another series of preferred stock are entitled to vote together as a single class on any matter, the shares of Series A preferred stock and the shares of the other series will have one vote for each $25.00 of liquidation preference.

The holders of Series A preferred stock (or any other series of preferred stock ranking on a parity and with like voting rights) will have no voting rights, however, if we redeem or call for redemption all outstanding shares of the series and deposit sufficient funds in a trust to effect the redemption on or before the time the act occurs requiring the vote.

Conversion Rights

The Series A preferred stock is not convertible into or exchangeable for any property or other securities.

Information Rights

During any period in which we are not subject to Section 13 or 15(d) of the Exchange Act and any shares of Series A preferred stock are outstanding, we will (i) transmit by mail to all holders of Series A preferred stock, as their names and addresses appear in our record books and without cost to such holders, copies of the annual reports and quarterly reports that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if

we were subject to such Sections (other than any exhibits that would have been required), and (ii) promptly upon written request, supply copies of such reports to any prospective holder of Series A preferred stock. We will mail the reports to the holders of Series A preferred stock within 15 days after the respective dates by which we would have been required to file the reports with the SEC if we were subject to Section 13 or 15(d) of the Exchange Act.

Restrictions on Ownership

For information regarding restrictions on ownership of the shares of Series A preferred stock, see "Restrictions on Ownership" in the accompanying prospectus. The articles supplementary for the shares of Series A preferred stock provide that the ownership limitation described in the accompanying prospectus applies to ownership of shares of Series A preferred stock. We have the right to purchase or refuse to transfer any shares of Series A preferred stock that would result in any person owning shares in excess of the ownership limitation, as provided in our charter. If we elect to purchase such shares, the purchase price will be equal to $25.00 per share, plus any accrued and unpaid distributions through the date of purchase.

SUPPLEMENTAL FEDERAL INCOME TAX CONSIDERATIONS

This discussion supplements the discussion contained under the caption "Federal Income Tax Consequences of Our Status as a REIT" in the accompanying prospectus and should be read in conjunction therewith.

Redemption of Series A Preferred Stock

In general, a redemption of the Series A preferred stock will be treated under Section 302 of the Internal Revenue Code of 1986, as amended (the "Code") as a distribution that is taxable at ordinary income tax rates as a dividend (to the extent of our current or accumulated earnings and profits), unless the redemption satisfies certain tests set forth in Section 302(b) of the Code enabling the redemption to be treated as a sale of the Series A preferred stock (in which case the redemption will be treated in the same manner as a sale described in "Federal Income Tax Consequences of Our Status as a REIT—Taxation of U.S. Stockholders on the Disposition of Common Stock" in the accompanying prospectus). The redemption will satisfy such tests and be treated as a sale of the Series A preferred stock if the redemption:

- is "substantially disproportionate" with respect to the holder's interest in our stock;
- results in a "complete termination" of the holder's interest in all classes of our stock; or
- is "not essentially equivalent to a dividend" with respect to the holder, all within the meaning of Section 302(b) of the Code.

In determining whether any of these tests have been met, stock considered to be owned by the holder by reason of certain constructive ownership rules set forth in the Code, as well as stock actually owned, generally must be taken into account. Because the determination as to whether any of the three alternative tests of Section 302(b) of the Code described above will be satisfied with respect to any particular holder of the Series A preferred stock depends upon the facts and circumstances at the time that the determination must be made, prospective investors are advised to consult their own tax advisors to determine such tax treatment.

If a redemption of the Series A preferred stock does not meet any of the three tests described above, the redemption proceeds will be treated as a distribution, as described in "Federal Income Tax Consequences of Our Status as a REIT—Taxation of Taxable U.S. Stockholders" in the accompanying prospectus. In that case, a stockholder's adjusted tax basis in the redeemed Series A preferred stock will be transferred to such stockholder's remaining stock holdings in our company. If the stockholder does not retain any of our stock, such basis could be transferred to a related person that holds our stock or it may be lost.

Recently Enacted Legislation Affecting Taxation of Series A Preferred Stock Held By or Through Foreign Entities

Legislation was enacted on March 18, 2010 that generally imposes a withholding tax of 30% on dividends paid with respect to stock of U.S. issuers and the gross proceeds of a disposition of such obligations paid to a foreign financial institution, unless such institution enters into an agreement with the U.S. government to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which would include certain account holders that are foreign entities with U.S. owners). The legislation also generally imposes a withholding tax of 30% on dividends from such stock and the gross proceeds of a disposition of such stock paid to a non-financial foreign entity unless such entity provides the withholding agent with a certification that it does not have any substantial U.S. owners or a certification identifying the direct and indirect substantial U.S. owners of the entity. Under certain circumstances, a holder of such stock might be eligible for refunds or credits of such taxes. These withholding and reporting requirements will generally apply to payments made on or after January 1,

2013; however, the withholding tax will not be imposed on payments pursuant to obligations outstanding as of March 18, 2012. The legislation also imposes new U.S. return disclosure obligations (and related penalties for failure to disclose) on U.S. individuals that hold certain specified foreign financial assets (which include financial accounts in foreign financial institutions). Investors are urged to consult with their own tax advisors regarding the possible implications of this recently enacted legislation on their investment in the Series A preferred stock.

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated the date of this prospectus supplement, the underwriters named below, for whom Wells Fargo Securities, LLC and Goldman, Sachs & Co. are acting as representatives, have severally agreed to purchase, and we have agreed to sell to them, severally, the number of shares of Series A preferred stock indicated below.

	Number of Shares
Wells Fargo Securities, LLC	
Goldman, Sachs & Co.	
Total	

The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of Series A preferred stock offered hereby are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to purchase and accept delivery of all shares of Series A preferred stock offered by this prospectus supplement and the accompanying prospectus, other than those shares of Series A preferred stock covered by the over-allotment option described below.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to an aggregate of additional shares of Series A preferred stock at the public offering price set forth on the cover page hereof, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with this offering of the Series A preferred stock. To the extent such option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of additional shares of Series A preferred stock as the number set forth next to such underwriter's name in the preceding table bears to the total number of shares of Series A preferred stock in the preceding table.

The underwriters initially propose to offer the shares of Series A preferred stock directly to the public at the public offering price set forth on the cover page of this prospectus supplement and to certain dealers at a price that represents a concession not in excess of $ per share below the public offering price. Any underwriters may allow, and such dealers may re-allow, a concession not in excess of $ per share to other underwriters or to certain dealers. If the shares are not sold at the initial price to the public, the underwriters may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

The following table summarizes the compensation we will pay the underwriters in connection with this offering assuming either no exercise or full exercise by the underwriters of their over-allotment option described above.

	Per Share	Total	
		No Exercise of Option	Full Exercise of Option
Initial price to public (1)	$	$	$
Underwriting discounts and commissions	$	$	$
Proceeds, before expenses, to us	$	$	$

(1) Including accrued dividends.

We estimate that the total expenses payable by us in connection with this offering, other than the underwriting discount referred to above, will be $ 100,000.

The Series A preferred stock is listed on the NYSE under the symbol "LSEPrA." We will apply to list the shares of Series A preferred stock offered hereby on the NYSE under the existing symbol "LSEPrA" covering the outstanding shares of Series A preferred stock.

In order to facilitate the offering of the shares of Series A preferred stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Series A preferred stock. Specifically, the underwriters may over-allot in connection with the offering, creating a short position in the shares for their own account. In addition, to cover over-allotments or to stabilize the price of the shares of Series A preferred stock, the underwriters may bid for and purchase, shares of Series A preferred stock in the open market or the underwriters may elect to reduce the short position by exercising all or a portion of the underwriters' over-allotment option described above. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the shares of Series A preferred stock in the offering if the syndicate repurchases previously distributed shares in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the shares above independent market levels. The underwriters are not required to engage in these activities and may end any of these activities at any time.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

We have agreed not to authorize or effect the sale or issuance, or to agree to sell or issue any shares of Series A preferred stock or securities substantially similar to or ranking on par with or senior to the shares of Series A preferred stock with respect to dividend rights or rights upon liquidation, dissolution or winding up, or securities that are convertible into or exchangeable for or represent the right to receive Series A preferred stock or such parity or senior securities, for the period commencing on the date of this prospectus supplement and ending 30 days hereafter without first obtaining the written consent of the representatives.

The company may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. In connection with those derivatives, the third parties may sell securities covered by this prospectus, including in short sale transactions. If so, the third party may use securities pledged by the company or borrowed from the company or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from the company in settlement of those derivatives to close out any related open borrowings of stock. The third party in such sale transactions will be an underwriter or will be identified in a post-effective amendment.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of shares of Series A preferred stock to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares of Series A preferred stock which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of shares of Series A preferred stock to the public in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or

(d) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of shares to the public" in relation to any shares of Series A preferred stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares of Series A preferred stock to be offered so as to enable an investor to decide to purchase or subscribe the shares of Series A preferred stock, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the shares of Series A preferred stock in circumstances in which Section 21(1) of the FSMA does not apply to the issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares of Series A preferred stock in, from or otherwise involving the United Kingdom.

Hong Kong

The shares of Series A preferred stock may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares of Series A preferred stock may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares of Series A preferred stock which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares of Series A preferred stock may not be circulated or distributed, nor may the shares of Series A preferred stock be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares of Series A preferred stock are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Japan

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each underwriter has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Some of the underwriters or their affiliates from time to time perform investment banking and other financial services for us and our affiliates for which they receive advisory or transaction fees, as applicable, plus out-of-pocket expenses, of the nature and in amounts customary in the industry for these financial services. We have entered into a credit agreement with Wells Fargo Bank, N.A. (as successor to Wachovia Bank, N.A.) and have borrowed $126.3 million from Wells Fargo Bank, N.A. pursuant to the credit agreement as of December 31, 2009. We may use a portion of the proceeds from this offering to reduce our current borrowings under the credit agreement, which proceeds would be received by Wells Fargo Bank, N.A. We have in the past obtained long-term mortgage financings on our owned property investments from Wells Fargo Bank, N.A., and we expect to continue to do so in the future. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the issuer.

LEGAL MATTERS

Certain legal matters in connection with this offering, including the validity of the Series A preferred stock offered hereby, will be passed upon for us by Hunton & Williams LLP. Certain legal matters in connection with this offering will be passed upon for the underwriters by DLA Piper LLP (US).

EXPERTS

The consolidated financial statements, the related financial statement schedules, and management's report on the effectiveness of internal control over financial reporting as of December 31, 2009 and 2008 and for the years then ended incorporated by reference in this Prospectus and Registration Statement have been audited by McGladrey & Pullen LLP, an independent registered public accounting firm, as stated in their reports incorporated by reference herein, and are included in reliance upon such reports and upon the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). You may read and copy any reports, statements or other information on file at the SEC's public reference room located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC filings are also available at the Internet website maintained by the SEC at http://www.sec.gov. These filings are also available to the public from commercial document retrieval services.

This prospectus supplement and accompanying prospectus do not contain all of the information in our "shelf" registration statement. We have omitted parts of the registration statement in accordance with the rules and regulations of the SEC. For more detail about us and any securities that may be offered by this prospectus supplement and accompanying prospectus, you may examine the registration statement on Form S-3 and the exhibits filed with it at the locations listed in the previous paragraph.

We incorporate information into this prospectus supplement and accompanying prospectus by reference, which means that we disclose important information to you by referring you to another document filed separately with the

SEC. The information incorporated by reference is deemed to be part of this prospectus supplement and accompanying prospectus, except to the extent superseded by information contained herein or by information contained in documents filed with the SEC after the date of this prospectus supplement and accompanying prospectus. This prospectus supplement and accompanying prospectus incorporate by reference the documents set forth below, the file number for each of which is 1-32039, that have been previously filed with the SEC:

- our Annual Report on Form 10-K for the year ended December 31, 2009 filed with the SEC on March 4, 2010; and
- our Current Report on Form 8-K filed with the SEC on March 17, 2010.

We also incorporate by reference into this prospectus supplement and accompanying prospectus additional documents that we may file with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act until completion of this offering (other than any portion of these documents that is furnished or otherwise deemed not to be filed). These documents may include annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as proxy statements.

You may obtain copies of any of these filings through CapLease, Inc. as described below, through the SEC or through the SEC's Internet website as described above. Documents incorporated by reference are available on our website at http://www.caplease.com and without charge by requesting them from us in writing or by telephone at:

CapLease, Inc.
1065 Avenue of the Americas
New York, New York 10018
(212) 217-6300
Attn: Investor Relations

PROSPECTUS

$500,000,000

CapLease, Inc.

Preferred Stock, Common Stock and Debt Securities

Under this prospectus, we may offer, from time to time, in one or more series or classes the following securities:

- shares of our preferred stock;
- shares of our common stock; and
- our debt securities, which may be senior or subordinated.

We may offer these securities with an aggregate offering price of up to $500,000,000, in amounts, at initial prices and on terms determined at the time of the offering. We may offer the securities separately or together, in separate series or classes and in amounts, at prices and on terms described in one or more supplements to this prospectus.

We may also provide you with one or more supplements to this prospectus including specific terms of the offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read this prospectus and each applicable prospectus supplement carefully before you invest in the securities.

We may offer the securities directly to investors, through agents designated from time to time, or to or through underwriters or dealers. If any agents, underwriters, or dealers are involved in the sale of any of the securities, their names, and any applicable purchase price, fee, commission or discount arrangement with, between or among them, will be set forth, or will be calculable from the information set forth, in an accompanying prospectus supplement. For more detailed information, see “Plan of Distribution” beginning on page 52.

Our common stock and 8.125% Series A Cumulative Redeemable Preferred Stock are each listed on the New York Stock Exchange under the symbols “LSE” and “LSE PrA,” respectively. Each prospectus supplement will indicate if the securities offered thereby will be listed on any securities exchange.

Our executive offices are located at 1065 Avenue of the Americas, New York, New York 10018. Our telephone number is (212) 217-6300. We maintain an Internet web site at http://www.caplease.com.

Investing in these securities involves risks. Before investing in these securities, you should carefully read and consider the “Risk Factors” beginning on page 1 of this prospectus and in our periodic reports and other information that we file from time to time with the Securities and Exchange Commission.

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

The date of this prospectus is January 25, 2008

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We have not authorized anyone to provide you with information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. We are offering to sell, and seeking offers to buy, only the securities covered by this prospectus, and only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date, regardless of the time and delivery of this prospectus or of any sale of the securities covered hereby.

You should read carefully the entire prospectus, as well as the documents incorporated by reference in the prospectus, before making an investment decision.

When used in this prospectus, except where the context otherwise requires, the terms “we,” “our,” “us” and “the Company” refer to CapLease, Inc. and its predecessors and subsidiaries.

RISK FACTORS

Investing in any securities offered pursuant to this prospectus involves risks. You should carefully consider the risk factors incorporated by reference to our most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q, and the other information contained in this prospectus and any prospectus supplement, as the same may be updated from time to time by our future filings under the Exchange Act, before acquiring any of such securities. The occurrence of any of these risks could cause you to lose all or part of your investment in the securities. Please also refer to the section entitled "Cautionary Statement Regarding Forward-Looking Statements."

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, using a "shelf" registration process, which enables us, from time to time, to offer and sell in one or more offerings the securities described on the cover page of this prospectus. The aggregate public offering price of the securities we sell in these offerings will not exceed $500,000,000. This prospectus contains a general description of the securities that we may offer. We may also file, from time to time, a prospectus supplement containing specific information about the terms of the offering. That prospectus supplement may contain additional risk factors or other special considerations applicable to the securities. Any prospectus supplement may also add, update or change information contained in this prospectus. If there is any supplement, you should read the information in that prospectus supplement.

You should read both this prospectus and any prospectus supplement together with additional information described below under the heading "Where You Can Find More Information." Information filed with the SEC and incorporated by reference after the date of this prospectus, or information included in any prospectus supplement or an amendment to the registration statement of which this prospectus forms a part, may add, update, or change information in this prospectus or any prospectus supplement. If information in these subsequent filings, prospectus supplements or amendments is inconsistent with this prospectus or any prospectus supplement, the information incorporated by reference or included in the subsequent prospectus supplement or amendment will supersede the information in this prospectus or any earlier prospectus supplement. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of each document.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). You may read and copy any materials we file with the SEC at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC filings are also available at the Internet website maintained by the SEC at http://www.sec.gov. These filings are also available to the public from commercial document retrieval services.

This prospectus does not contain all of the information in our "shelf" registration statement. We have omitted parts of the registration statement in accordance with the rules and regulations of the SEC. For more detail about us and any securities that may be offered by this prospectus, you may examine the registration statement on Form S-3 and the exhibits filed with it at the locations listed in the previous paragraph.

We incorporate information into this prospectus by reference, which means that we disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, except to the extent superseded by information contained herein or by information contained in documents filed with or furnished to the SEC after the date of this prospectus. This prospectus incorporates by reference the documents set forth below, the file number for each of which is 1-32039, that have been previously filed with the SEC:

- our Annual Report on Form 10-K for the year ended December 31, 2006 filed with the SEC on March 7, 2007;
- our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2007 filed with the SEC on May 10, 2007, June 30, 2007 filed with the SEC on August 9, 2007, and September 30, 2007 filed with the SEC on November 9, 2007;
-

our Current Reports on Form 8-K or Form 8-K/A, as the case may be, filed with the SEC on February 20, 2007, March 16, 2007, April 19, 2007 (excluding the item 2.02 information and related exhibit), May 10, 2007, May 29, 2007, July 20, 2007, July 31, 2007, August 29, 2007, October 9, 2007 (excluding the item 7.01 information and related exhibit), December 12, 2007 and December 20, 2007; and

- our Registration Statement on Form 8-A, which incorporates by reference the description of our common stock from our Registration Statement on Form S-11 (Reg. No. 333-110644), and all reports filed for the purpose of updating such description.

We also incorporate by reference into this prospectus additional documents that we may file with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act from the date of this prospectus until we have sold all of the securities to which this prospectus relates or the offering is otherwise terminated (other than any portion of these documents that is furnished or otherwise deemed not to be filed). These documents may include annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as proxy statements.

You may obtain copies of any of these filings through CapLease, Inc. as described below, through the SEC or through the SEC's Internet website as described above. Documents incorporated by reference are available without charge by accessing our Internet web site at http://www.caplease.com or by requesting them from us in writing or by telephone at:

CapLease, Inc.
1065 Avenue of the Americas
New York, New York 10018
(212) 217-6300
Attn: Investor Relations

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

We may from time to time make written or oral forward-looking statements within the meaning of Section 21E of the Exchange Act, including statements contained in our filings with the SEC and in our press releases and webcasts. 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," "plan," "potential," "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 made by or on our behalf. Such factors include, but are not limited to:

- our ability to make additional investments in a timely manner or on acceptable terms;
- 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;
- adverse changes in the financial condition of the tenants underlying our investments;
- increases in our financing costs, 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;
- the success of our hedging strategy;
- our ability to raise additional capital;
- 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 and the documents incorporated by reference into this prospectus.

In addition, we may be required to defer revenue recognition on real properties we acquire if the property is under construction or is not yet ready for occupancy.

These risks and uncertainties should be considered in evaluating any forward-looking statement we may make from time to time. Any forward-looking statement speaks only as of its date. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are qualified by the cautionary statements in this section. 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.

THE COMPANY

We are a diversified real estate investment trust, or REIT, that invests primarily in single tenant commercial real estate assets 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 expenses normally associated with the ownership of the property (such as utilities, taxes, insurance and routine maintenance) during the lease term. We also are opportunistic and have made and expect to continue to make investments in single tenant properties where the owner has exposure to property expenses when we determine we can sufficiently underwrite that exposure and isolate a predictable cash flow.

Our primary business objective is to generate stable, long-term and attractive returns based on the spread between the yields generated by our assets and the cost of financing our portfolio. We invest at all levels of the capital structure of net lease and other single tenant properties, including equity investments in real estate (owned real properties), debt investments (mortgage loans and net lease mortgage backed securities) and mezzanine investments secured by net leased or other single tenant real estate collateral.

Our current portfolio produces stable, high quality cash flows generated by long-term leases to primarily investment grade tenants. Tenants underlying our investments are primarily large public companies or their significant operating subsidiaries and governmental and quasi-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 investment 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, or (iii) are governmental entity branches or units of another investment grade rated governmental entity.

As of September 30, 2007, some of the highlights of our investment portfolio were as follows:

- approximately $2.1 billion total investment portfolio measured by carry value before depreciation and amortization;
- 78% owned real properties (approximately $1.7 billion) and 22% primarily loans and mortgage securities (approximately $474.3 million);
- approximately 90% invested (approximately $1.9 billion) in owned properties and loans on properties where the underlying tenant was rated investment grade or implied investment grade, and in investment grade rated real estate securities;
    - weighted average underlying tenant credit rating of A-; and
    - weighted average underlying tenant remaining lease term of approximately 11 years.

USE OF PROCEEDS

Unless otherwise provided in any applicable prospectus supplement, we intend to use the proceeds from the sale of securities under this prospectus for general corporate purposes, which may include the funding of future investments, the repayment of outstanding indebtedness, working capital and other general purposes.

RATIO OF EARNINGS TO FIXED CHARGES AND EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

The following table sets forth our ratios of earnings to fixed charges and of earnings to combined fixed charges and preferred stock dividends for the periods indicated.

	Nine Months Ended September 30, 2007	Year Ended December 31,				
		2006	2005	2004	2003	2002
Ratio of earnings to fixed charges	0.98	1.11	1.11	1.48	4.06	1.28
Ratio of earnings to combined fixed charges and preferred stock dividends	0.95	1.07	1.09	1.48	4.06	1.28

We computed the ratio of earnings to combined fixed charges by dividing earnings by fixed charges. We computed the ratio of earnings to combined fixed charges and preferred stock dividends by dividing earnings by the sum of fixed charges and dividends on our outstanding shares of preferred stock. Earnings have been calculated by adding fixed charges to net income, and then subtracting capitalized interest. Fixed charges consist of interest incurred (whether expensed or capitalized), amortization of loan origination fees and the portion of rental expense deemed to be the equivalent of interest.

DESCRIPTION OF COMMON STOCK

The following summary of the terms of our common stock does not purport to be complete and is subject to and qualified in its entirety by reference to our charter and bylaws. See "Where You Can Find More Information."

Authorized Stock

Our charter provides that we may issue up to 500,000,000 shares of common stock, $0.01 par value per share, and 100,000,000 shares of preferred stock, $0.01 par value per share. As permitted by the Maryland General Corporation Law, or MGCL, our charter contains a provision permitting our board of directors, without any action by our stockholders, to amend the charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue.

As of September 30, 2007, 45,874,720 shares of common stock were issued and outstanding, 1,400,000 shares of our 8.125% Series A Cumulative Redeemable Preferred Stock were issued and outstanding, 263,157 shares of common stock have been reserved for future issuance upon redemption of units of limited partnership interest in our operating partnership, 925,755 shares of common stock have been reserved for future issuance under our 2004 stock incentive plan and 3,888,359 shares of common stock have been reserved for future issuance pursuant to our dividend reinvestment and stock purchase plan.

Voting Rights

Subject to the provisions of our charter restricting the transfer and ownership of our capital stock, each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors, and, except as provided with respect to any other class or series of capital stock that we may issue in the future, the holders of our common stock possess the exclusive voting power. There is no cumulative voting in the election of directors. The holders of a plurality of the outstanding common stock, voting as a single class, can elect all of the directors.

Distributions, Liquidation and Other Rights

All common stock offered by this prospectus will be duly authorized, fully paid and nonassessable. Holders of our common stock are entitled to receive distributions when, as and if authorized by our board of directors and declared by us out of assets legally available for the payment of distributions. They also are entitled to share ratably in our assets legally available for distribution to our stockholders in the event of our liquidation, dissolution or winding up, after payment of or adequate provision for all of our known debts and liabilities. These rights are subject to the preferential rights of any other class or series of our stock and to the provisions of our charter restricting transfer of our stock.

Holders of our common stock have no preference, conversion, exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any of our securities. Subject to the restrictions on transfer of stock contained in our charter, all shares of common stock have equal distribution, liquidation and other rights.

Power to Reclassify Stock

Our charter authorizes our board of directors to classify any unissued preferred stock and to reclassify any previously classified but unissued common stock and preferred stock of any series, from time to time, in one or more classes or series, as authorized by the board of directors. Prior to issuance of stock of each class or series, the board of directors is required by the MGCL and our charter to set for each such class or series, the terms, preferences, conversion or

other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each such class or series. Thus, our board of directors could authorize the issuance of preferred stock with priority over the common stock with respect to distributions and rights upon liquidation and with other terms and conditions which may delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for our common stock or otherwise be in the best interests of our common stockholders.

Power to Issue Additional Common Stock and Preferred Stock

We believe that the power to issue additional common stock or preferred stock and to classify or reclassify unissued common stock or preferred stock and thereafter to issue the classified or reclassified stock provides us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs which might arise. These actions can be taken without stockholder approval, unless stockholder approval is required by applicable law or the rules of the NYSE. The listing requirements of the NYSE require stockholder approval of certain issuances of 20% or more of the then outstanding voting power or the outstanding number of shares of common stock. Although we have no current intention of doing so, we could issue a class or series of stock that could delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for our common stock or otherwise be in the best interests of our common stockholders.

Restrictions on Ownership and Transfer

Our charter provides that no person may beneficially own, actually or constructively, more than 9.9% in value or in number, whichever is more restrictive, of our outstanding shares of capital stock, or more than 9.9% in value or in number, whichever is more restrictive, of our outstanding shares of common stock. See “Restrictions on Ownership.”

Transfer Agent

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company.

CERTAIN PROVISIONS OF MARYLAND LAW AND OF OUR CHARTER AND BYLAWS

The following description of certain provisions of Maryland law and of our charter and bylaws does not purport to be complete and is qualified in its entirety by reference to Maryland law, our charter and our bylaws. See "Where You Can Find More Information."

Our Board of Directors

Our bylaws provide that the number of our directors may be established only by our board of directors. We have six directors. The board of directors may increase or decrease the number of directors by a vote of a majority of the members of our board of directors, provided that the number of directors may not be less than the number required by Maryland law, nor more than 15, and that the tenure of office of a director may not be affected by any decrease in the number of directors. Except as may be provided by the board of directors in setting the terms of any class or series of preferred stock, any vacancy on our board of directors may be filled only by a majority of the remaining directors, even if the remaining directors do not constitute a quorum, or, if no directors remain, by our stockholders. Any director elected to fill a vacancy serves for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is elected and qualifies.

At each annual meeting of stockholders, the holders of the common stock may vote to elect all of the directors on the board of directors, each of which is elected to a one-year term. Holders of common stock have no right to cumulative voting in the election of directors. At each annual meeting of stockholders, the holders of a plurality of the common stock are able to elect all of the directors.

Removal of Directors

Under Maryland law and our charter, a director may be removed, with or without cause, upon the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of directors. Absent removal of all of our directors, this provision, when coupled with the exclusive power of our board of directors to fill vacant directorships (described below under "—Other Anti-Takeover Provisions"), precludes stockholders from removing incumbent directors, except upon a substantial affirmative vote, and filling the vacancies created by such removal with their own nominees.

Business Combinations

Maryland law prohibits "business combinations" between us and an interested stockholder or an affiliate of an interested stockholder for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange or, in certain circumstances specified in the statute, an asset transfer, issuance or transfer by us of equity securities, liquidation plan or reclassification of equity securities. Maryland law defines an interested stockholder as:

- any person who beneficially owns 10% or more of the voting power of our stock; or
- an affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of our then-outstanding voting stock.

A person is not an interested stockholder if our board of directors approved in advance the transaction by which the person otherwise would have become an interested stockholder. However, in approving a transaction, our board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by our board of directors.

After the five-year prohibition, any business combination between us and an interested stockholder or an affiliate of an interested stockholder generally must be recommended by our board of directors and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of our then-outstanding shares of voting stock; and
- two-thirds of the votes entitled to be cast by holders of our voting stock other than stock held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or stock held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if our common stockholders receive a minimum price, as defined under Maryland law, for their stock in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its stock.

The statute permits various exemptions from its provisions, including business combinations that are approved or exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder. We have opted out of the business combination provisions of the MGCL by resolution of our board of directors. However, our board of directors may, by resolution, opt into the business combination statute in the future.

Should our board opt into the business combination statute, the business combination statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

Control Share Acquisitions

Maryland law provides that "control shares" of a Maryland corporation acquired in a "control share acquisition" have no voting rights unless approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiring person, or by officers or by directors who are our employees, are excluded from shares entitled to vote on the matter. "Control shares" are voting shares which, if aggregated with all other shares previously acquired by the acquiring person, or in respect of which the acquiring person is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiring person to exercise voting power in electing directors within one of the following ranges of voting power:

- one-tenth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more.

Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A "control share acquisition" means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel our board of directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting and delivery of an acquiring person statement. If no request for a meeting is made, we may present the question at any stockholders' meeting.

If voting rights are not approved at the stockholders' meeting or if the acquiring person does not deliver the acquiring person statement required by Maryland law, then, subject to certain conditions and limitations, we may redeem any or all of the control shares, except those for which voting rights have previously been approved, for fair value. Fair value is determined without regard to the absence of voting rights for the control shares and as of the date of the last control share acquisition by the acquiring person or of any meeting of stockholders at which the voting rights of the shares were considered and not approved. If voting rights for control shares are approved at a stockholders' meeting and the acquiring person becomes entitled to vote a majority of the shares entitled to vote, then all other stockholders may exercise appraisal rights. The fair value of the shares for purposes of these appraisal rights may not be less than the highest price per share paid by the acquiring person in the control share acquisition. The control share acquisition statute does not apply to shares acquired in a merger, consolidation or share exchange if we are a party to the transaction, nor does it apply to acquisitions approved or exempted by our charter or bylaws.

Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of our shares of stock. There can be no assurance that this provision will not be amended or eliminated at any time in the future.

Other Anti-Takeover Provisions

Subtitle 8 of Title 3 of the MGCL permits a Maryland corporation with a class of equity securities registered under the Exchange Act, and at least three independent directors to elect to be subject, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in the charter or bylaws, to any or all of five provisions:

- a classified board;
- a two-thirds vote requirement for removing a director;
- a requirement that the number of directors be fixed only by vote of the directors;
- a requirement that a vacancy on the board be filled only by the remaining directors and for the remainder of the full term of the directorship in which the vacancy occurred; and
- a majority requirement for the calling of a special meeting of stockholders.

Pursuant to Subtitle 8, we have elected to provide that vacancies on the board be filled only by the remaining directors and for the remainder of the full term of the directorship in which the vacancy occurred. Through provisions in our charter and bylaws unrelated to Subtitle 8, we also (a) require a two-thirds vote for the removal of any director from the board, (b) vest in our board the exclusive power to fix the number of directorships and (c) require, unless called by the chairman of our board of directors, our chief executive officer, our president or our board of directors, the request of the holders of a majority of outstanding shares to call for a special stockholders meeting.

Our bylaws also provide that only our board of directors may amend or repeal any of our bylaws or adopt new bylaws.

Merger; Amendment of Charter

Under the MGCL, a Maryland corporation generally cannot dissolve, amend its charter or merge with another entity unless approved by the affirmative vote of stockholders holding at least two-thirds of the shares entitled to vote on the matter, unless a lesser percentage (but not less than a majority of all the votes entitled to be cast on the matter) is set forth in the corporation's charter. Our charter provides for approval by the holders of a majority of all the votes entitled to be cast on the matter for the matters described in this paragraph, except for amendments to various provisions of the charter, including the provisions relating to removal of directors, that require the affirmative vote of the holders of two-thirds of the votes entitled to be cast on the matter. As permitted by the MGCL, our charter contains a provision permitting our directors, without any action by our stockholders, to amend the charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue.

Limitation of Liability and Indemnification

Our charter limits the liability of our directors and officers for money damages to the maximum extent permitted by Maryland law. Maryland law permits us to include in our charter a provision limiting the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- active and deliberate dishonesty established by a final judgment and which is material to the cause of action.

Our charter authorizes us to obligate ourselves and our bylaws require us, to the maximum extent permitted by Maryland law, to indemnify, and to pay or reimburse reasonable expenses to, any of our present or former directors or officers or any individual who, while a director and at our request, serves or has served another entity, employee benefit plan or any other enterprise as a director, trustee, officer, partner or otherwise. The indemnification covers any claim or liability against the person by reason of his or her status as a present or former director or officer.

Maryland law requires us (unless our charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made a party by reason of his or her service in that capacity. Maryland law permits us to indemnify our present and former directors and officers against liabilities and reasonable expenses actually incurred by them in any proceeding to which they are made a party by reason of their service in these or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty;

- the director or officer actually received an improper personal benefit in money, property or services; or

- in a criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

However, Maryland law prohibits us from indemnifying our present and former directors and officers for an adverse judgment in a derivative action or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification, and then only for expenses.

Maryland law requires us, as a condition to advancing expenses in certain circumstances, to obtain:

- a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification; and
- a written undertaking to repay the amount advanced if the standard of conduct is not met.

Insofar as the above provisions permit indemnification of directors, officers, or persons controlling us for liability arising under the Securities Act, we have been informed that in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act, and is therefore unenforceable.

REIT Status

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election if it determines that it is no longer in our best interest to continue to qualify as a REIT.

Dissolution

Pursuant to our charter, and subject to the provisions of any of our classes or series of shares of stock then outstanding and the prior approval by a majority of the entire board of directors, our stockholders, at any meeting thereof, by the affirmative vote of a majority of all of the votes entitled to be cast on the matter, may approve a plan of liquidation and dissolution.

Advance Notice of Director Nominations and New Business

Our bylaws provide that, with respect to an annual meeting of stockholders, nominations of individuals for election to our board of directors and the proposal of business to be considered by stockholders at the annual meeting may be made only:

- pursuant to our notice of the meeting;
- by or at the direction of our board of directors; or
- by a stockholder who is a stockholder of record both at the time of the provision of notice and at the time of the meeting, who is entitled to vote at the meeting and who complied with the advance notice procedures set forth in our bylaws.

Generally, under our bylaws, a stockholder seeking to nominate a director or bring other business before our annual meeting of stockholders must deliver a notice to our secretary not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the date of mailing of the notice to stockholders for the prior year's annual meeting. For a stockholder seeking to nominate a candidate for our board of directors, the notice must describe various matters regarding the nominee, including name, address, occupation and

number of shares held, and other specified matters. For a stockholder seeking to propose other business, the notice must include a description of the proposed business, the reasons for the proposal and other specified matters.

With respect to special meetings of stockholders, only the business specified in our notice of meeting may be brought before the meeting of stockholders and nominations of individuals for election to our board of directors may be made only:

- pursuant to our notice of the meeting;
- by or at the direction of our board of directors; or
- provided that our board of directors has determined that directors shall be elected at such meeting, by a stockholder who is a stockholder of record both at the time of the provision of notice and at the time of the meeting, who is entitled to vote at the meeting and who complied with the advance notice provisions set forth in our bylaws.

Possible Anti-Takeover Effect of Certain Provisions of Maryland Law and of Our Charter and Bylaws

Our board or directors may rescind the resolution opting out of the business combination statute or repeal the bylaw opting out of the control share acquisition statute. If the business combination provisions or control share provisions become applicable to our company, those provisions, in addition to the provisions in our charter regarding removal of directors and the restrictions on the transfer of shares of capital stock and the advance notice provisions of our bylaws, may delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for our common stock or otherwise be in the best interest of our common stockholders.

PARTNERSHIP AGREEMENT

We conduct a significant portion of our business through our operating partnership, Caplease, LP. Our operating partnership structure enables us to issue units of limited partnership interest in the partnership to the sellers of real estate. The issuance of these partnership units can help sellers defer recognition of taxable gain which would otherwise be payable upon the sale of a property to us. We believe that offering sellers the ability to acquire these partnership units enhances our ability to acquire properties because of the tax advantages to sellers.

Our wholly-owned subsidiary is the sole general partner of our operating partnership. As of September 30, 2007, we owned directly or indirectly approximately 98.5% and an unaffiliated third party owned approximately 1.5% of the limited partnership interests in our operating partnership. This third party acquired its limited partnership interest in June 2006 as partial consideration for the sale of a real property to us. The third party owns 263,157 units of limited partnership interest which, as described below, are redeemable for cash or shares of CapLease, Inc. common stock on a one-for-one basis. We may admit additional limited partners to the partnership in the future, particularly in connection with the acquisition of real estate.

The following is a summary of the material terms of the amended and restated agreement of limited partnership of our operating partnership, a copy of which is filed as an exhibit to the registration statement of which this prospectus is a part. See “Where You Can Find More Information.”

Management

As the sole general partner of the operating partnership, we have, subject to certain protective rights of limited partners described below, full, exclusive and complete responsibility and discretion in the management and control of the operating partnership, including the ability to cause the operating partnership to enter into certain major transactions including acquisitions, dispositions and refinancings and to cause changes in the operating partnership’s line of business and distribution policies.

Transferability of Interests

We may not voluntarily withdraw from the operating partnership or transfer or assign our interest in the operating partnership or engage in any merger, consolidation or other combination, or sale of substantially all of our assets, in a transaction which results in a change of control of our company unless:

- we receive the consent of limited partners (other than our company or its subsidiaries) holding more than 50% of the partnership interests of the limited partners;

- as a result of such transaction all limited partners will receive for each partnership unit an amount of cash, securities or other property equal in value to the greatest amount of cash, securities or other property paid in the transaction to a holder of one share of our common stock, provided that if, in connection with the transaction, a purchase, tender or exchange offer shall have been made to and accepted by the holders of more than 50% of the outstanding shares of our common stock, each holder of partnership units will be given the option to exchange its partnership units for the greatest amount of cash, securities or other property that a limited partner would have received had it (i) exercised its redemption right (described below) and (ii) sold, tendered or exchanged pursuant to the offer shares of our common stock received upon exercise of the redemption right immediately prior to the expiration of the offer; or

- we are the surviving entity in the transaction and either (i) our stockholders do not receive cash, securities or other property in the transaction or (ii) all limited partners (other than our company or its subsidiaries) receive for each

partnership unit an amount of cash, securities or other property having a value that is no less than the greatest amount of cash, securities or other property received in the transaction by our stockholders for a share of our common stock.

We also may merge with or into or consolidate with another entity if immediately after such merger or consolidation (i) substantially all of the assets of the successor or surviving entity, other than partnership units held by us, are contributed, directly or indirectly, to the partnership as a capital contribution in exchange for partnership units with a fair market value equal to the value of the assets so contributed as determined by the survivor in good faith and (ii) the survivor expressly agrees to assume all of our obligations under the partnership agreement and the partnership agreement is amended after any such merger or consolidation so as to arrive at a new method of calculating the amounts payable upon exercise of the redemption right that approximates the existing method for such calculation as closely as reasonably possible.

We also may (i) transfer all or any portion of our general partnership interest to (1) a wholly-owned subsidiary or (2) a parent company, and following such transfer may withdraw as the general partner and (ii) engage in a transaction required by law or by the rules of any national securities exchange on which our common stock is listed.

Capital Contribution

We and the third party limited partner have contributed capital to the operating partnership in exchange for our partnership interests. Other parties in the future that contribute assets to our operating partnership will become limited partners and will receive partnership units based on the fair market value of the assets at the time of such contributions. The partnership agreement provides that if the operating partnership requires additional funds at any time in excess of funds available to the operating partnership from borrowing or capital contributions, we may contribute additional capital to the operating partnership and receive in exchange additional partnership interests. We may also borrow such funds from a financial institution or other lender and lend such funds to the operating partnership on the same terms and conditions as are applicable to our borrowing of such funds. Under the partnership agreement, we may contribute the proceeds of any offering of shares of stock of CapLease, Inc. as additional capital to the operating partnership. We are authorized to cause the operating partnership to issue partnership interests for less than fair market value if we have concluded in good faith that such issuance is in both the operating partnership's and our best interests. If we contribute additional capital to the operating partnership, we will receive additional partnership units and our percentage interest will be increased on a proportionate basis based upon the amount of such additional capital contributions and the value of the operating partnership at the time of such contributions. Conversely, the percentage interests of the limited partners will be decreased on a proportionate basis in the event of additional capital contributions by us. In addition, if we contribute additional capital to the operating partnership, we will revalue the property of the operating partnership to its fair market value (as determined by us) and the capital accounts of the partners will be adjusted to reflect the manner in which the unrealized gain or loss inherent in such property (that has not been reflected in the capital accounts previously) would be allocated among the partners under the terms of the partnership agreement if there were a taxable disposition of such property for its fair market value (as determined by us) on the date of the revaluation. The operating partnership has issued to us preferred partnership interests that track the rights and obligations of the preferred stock holders of CapLease, Inc. The operating partnership may issue preferred partnership interests, in connection with acquisitions of property or otherwise, which could have priority over common partnership interests with respect to distributions from the operating partnership, including the partnership interests we own as the general partner.

Redemption Rights

Pursuant to the partnership agreement, the limited partners receive redemption rights, which enable them to cause the operating partnership to redeem their units of partnership interests in exchange for cash or, at our option, shares of common stock on a one-for-one basis. The number of shares of common stock issuable upon redemption of units of partnership interest held by limited partners may be adjusted upon the occurrence of certain events such as stock dividends, stock subdivisions or combinations. Notwithstanding the foregoing, a limited partner will not be entitled to exercise its redemption rights if the delivery of common stock to the redeeming limited partner would:

- result in any person owning, directly or indirectly, shares of common stock in excess of the stock ownership limits in our charter;
- result in our shares of our common stock being owned by fewer than 100 persons (determined without reference to any rules of attribution);
- result in our being "closely held" within the meaning of section 856(h) of the Code;

- cause us to own, actually or constructively, 10% or more of the ownership interests in a tenant of our or a subsidiary's real property, within the meaning of section 856(d)(2)(B) of the Code; or

- cause the acquisition of common stock by such redeeming limited partner to be "integrated" with any other distribution of common stock for purposes of complying with the registration provisions of the Securities Act.

We may, in our sole and absolute discretion, waive any of these restrictions.

The redemption rights may be exercised by the limited partners at any time after an initial holding period; provided, however, unless we otherwise agree:

- a limited partner may not exercise the redemption right for fewer than 1,000 partnership units or, if such limited partner holds fewer than 1,000 partnership units, the limited partner must redeem all of the partnership units held by such limited partner;

- a limited partner may not exercise the redemption right for more than the number of partnership units that would, upon redemption, result in such limited partner or any other person owning, directly or indirectly, common stock in excess of the ownership limitation in our charter; and

- a limited partner may not exercise the redemption right more than two times annually.

The partnership agreement requires that the operating partnership be operated in a manner that enables us to satisfy the requirements for being classified as a REIT, to avoid any federal income or excise tax liability imposed by the Code (other than any federal income tax liability associated with our retained capital gains) and to ensure that the partnership will not be classified as a "publicly traded partnership" taxable as a corporation under section 7704 of the Code.

In addition to the administrative and operating costs and expenses incurred by the operating partnership, the operating partnership generally will pay all of our administrative costs and expenses, including:

- all expenses relating to our continuity of existence and our subsidiaries' operations;

- all expenses relating to offerings and registration of securities;

- all expenses associated with the preparation and filing of any of our periodic or other reports and communications under federal, state or local laws or regulations;

- all expenses associated with our compliance with laws, rules and regulations promulgated by any regulatory body; and

- all of our other operating or administrative costs incurred in the ordinary course of business on behalf of the operating partnership.

These expenses, however, do not include any of our administrative and operating costs and expenses incurred that are attributable to assets that are owned by us directly rather than by the operating partnership or its subsidiaries.

Distributions

The partnership agreement provides that the operating partnership will distribute cash from operations (including net sale or refinancing proceeds, but excluding net proceeds from the sale of the operating partnership's property in connection with the liquidation of the operating partnership) at such time and in such amounts as determined by us in our sole discretion, to us and the limited partners in accordance with their respective percentage interests in the operating partnership.

Upon liquidation of the operating partnership, after payment of, or adequate provision for, debts and obligations of the partnership, including any partner loans, any remaining assets of the partnership will be distributed to us and the limited partners with positive capital accounts in accordance with their respective positive capital account balances.

Allocations

Profits and losses of the operating partnership (including depreciation and amortization deductions) for each fiscal year generally will be allocated to us and the limited partners in accordance with the respective percentage interests in the operating partnership. All of the foregoing allocations are subject to compliance with the provisions of sections 704(b) and 704(c) of the Code and Treasury regulations promulgated thereunder. We expect the operating partnership to use the "traditional method" under section 704(c) of the Code for allocating items with respect to contributed property for which the fair market value differs from the adjusted tax basis at the time of contribution.

Term

The operating partnership will continue for a perpetual term, or until sooner dissolved upon:

- our bankruptcy, dissolution, removal or withdrawal (unless the limited partners elect to continue the partnership);
- the passage of 90 days after the sale or other disposition of all or substantially all the assets of the partnership;

- the redemption of all limited partnership units (other than those held by us, if any); or
- an election by us in our capacity as the general partner.

Tax Matters

Pursuant to the partnership agreement, we are the tax matters partner of the operating partnership and have authority to handle tax audits and to make tax elections under the Code on behalf of the operating partnership.

DESCRIPTION OF PREFERRED STOCK

We are authorized to issue 100,000,000 shares of preferred stock, par value $0.01 per share. As of the date of this prospectus, 1,610,000 shares have been classified and designated as 8.125% Series A Cumulative Redeemable Preferred Stock, of which 1,400,000 are outstanding. As of the date of this prospectus, there are currently no other classes or series of preferred stock authorized.

The following description sets forth certain general terms and provisions of the preferred stock to which any prospectus supplement may relate. This description and the description contained in any prospectus supplement are not complete and are in all respects subject to and qualified in their entirety by reference to our charter, the applicable articles supplementary describing the terms of the related class or series of preferred stock, and our bylaws, each of which we have filed or will file with the SEC.

General

Subject to the limitations prescribed by Maryland law and our charter and bylaws, our board of directors is authorized to establish the number of shares constituting each series of preferred stock and to designate and issue, from time to time, one or more classes or series of preferred stock with the designations and powers, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof, including such provisions as may be desired concerning voting, redemption, dividends, dissolution or the distribution of assets, conversion or exchange, and such other subjects or matters as may be fixed by resolution of the board of directors or duly authorized committee thereof. The preferred stock will, when issued, be fully paid and nonassessable and will not have, or be subject to, any preemptive or similar rights.

The prospectus supplement relating to the class or series of preferred stock being offered thereby will describe the specific terms of such securities, including:

- the title and stated value of such preferred stock;
- the number of shares of such preferred stock offered, the liquidation preference per share and the offering price of such preferred stock;
- the dividend rate(s), period(s) and/or payment date(s) or method(s) of calculation thereof applicable to such preferred stock;
- whether dividends shall be cumulative or non-cumulative and, if cumulative, the date from which dividends on such preferred stock shall accumulate;
- the procedures for any auction and remarketing, if any, for such preferred stock;
- the provisions for a sinking fund, if any, for such preferred stock;
- the provisions for redemption, if applicable, of such preferred stock;
- any listing of such preferred stock on any securities exchange;
- the terms and conditions, if applicable, upon which such preferred stock will be convertible into our common stock, including the conversion price (or manner of calculation thereof) and conversion period;

- any voting rights of such preferred stock;
- a discussion of any material U.S. federal income tax considerations applicable to such preferred stock;
- the relative ranking and preferences of such preferred stock as to dividend rights and rights upon our liquidation, dissolution or winding up;
- any limitations on issuance of any class or series of preferred stock ranking senior to or on a parity with such class or series of preferred stock as to dividend rights and rights upon our liquidation, dissolution or winding up;
- any other limitations on actual and constructive ownership and restrictions on transfer, in each case as may be appropriate to preserve our status as a REIT; and
- any other specific terms, preferences, rights, limitations or restrictions of such preferred stock.

Rank

Unless otherwise specified in the prospectus supplement relating to a particular class or series of preferred stock, the preferred stock will, with respect to dividend rights and rights upon our liquidation, dissolution or winding up, rank:

- senior to all classes or series of our common stock, and to all equity securities ranking junior to such preferred stock;
- on a parity with all equity securities issued by us, the terms of which specifically provide that such equity securities rank on a parity with the preferred stock; and
- junior to all equity securities issued by us, the terms of which specifically provide that such equity securities rank senior to the preferred stock.

As used for these purposes, the term “equity securities” does not include convertible debt securities.

Dividends

Unless otherwise specified in the prospectus supplement, the preferred stock will have the rights with respect to payment of dividends set forth below.

Subject to the preferential rights of the holders of any class or series of our capital stock ranking senior to the preferred stock as to dividends, holders of shares of each class or series of preferred stock shall be entitled to receive, when, as and if declared and authorized by our board of directors, out of assets legally available for payment, cash dividends at such rates and on such dates as will be set forth in the applicable prospectus supplement. Each such dividend will be payable to holders of record as they appear on our stock transfer books on such record dates as are fixed by our board of directors.

Dividends on any class or series of the preferred stock may be cumulative or non-cumulative, as provided in the applicable prospectus supplement. Dividends, if cumulative, will accumulate from and after the date set forth in the applicable prospectus supplement. If our board of directors fails to declare a dividend payable on a dividend payment date on any class or series of preferred stock for which dividends are non-cumulative, then the holders of such class or series of preferred stock will have no right to receive a dividend in respect of the dividend period ending on such dividend payment date, and we will have no obligation to pay the dividend accrued for such period, whether or not dividends on such class or series of preferred stock are declared payable on any future dividend payment date.

Unless otherwise specified in the applicable prospectus supplement, if any shares of any class or series of preferred stock are outstanding, we generally may not declare, pay or set apart for payment full dividends on any of our capital stock of any other class or series ranking, as to dividends, on a parity with or junior to such class or series of preferred stock for any period unless:

- if such class or series of preferred stock has a cumulative dividend, full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof irrevocably set apart for such payment on such class or series of preferred stock for all past dividend periods and the then current dividend period; or
- if such class or series of preferred stock does not have a cumulative dividend, full dividends for the then current dividend period have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof irrevocably set apart for such payment on such class or series of preferred stock.

When dividends are not paid in full (or a sum sufficient for such full payment is not so irrevocably set apart) upon the shares of preferred stock of any class or series and the shares of any other class or series of preferred stock ranking on a parity as to dividends with the preferred stock of such class or series, all dividends declared upon shares of such class or series of preferred stock and any other class or series of preferred stock ranking on a parity as to dividends with such preferred stock will be declared pro rata so that the amount of dividends declared per share on the preferred stock of such class or series and such other class or series of preferred stock will in all cases bear to each other the same ratio that accrued and unpaid dividends per share on the shares of preferred stock of such class or series (which shall not include any accumulation in respect of unpaid dividends for prior dividend periods if such preferred stock does not have a cumulative dividend) and such other class or series of preferred stock bear to each other. No interest, or sum of money in lieu of interest, will be payable in respect of any dividend payment or payments on shares of preferred stock which may be in arrears.

Except as provided in the immediately preceding paragraph, unless

- if such class or series of preferred stock has a cumulative dividend, full cumulative dividends on such class or series of preferred stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof irrevocably set apart for payment for all past dividend periods and the then current dividend period, and

- if such series of preferred stock does not have a cumulative dividend, full dividends on the preferred stock of such series have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof irrevocably set apart for payment for the then current dividend period,

no dividends (other than in common stock or other capital stock ranking junior to such class or series of preferred stock as to dividends and upon our liquidation, dissolution or winding up) may be declared or paid or set aside for payment or other distribution may be declared or made upon our common stock or any other of our capital stock ranking junior to or on a parity with such class or series of preferred stock as to dividends or upon our liquidation, dissolution or winding up, and no common stock or any other of our capital stock ranking junior to or on a parity with such class or series of preferred stock as to dividends or upon liquidation, dissolution or winding up may be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by us (except by conversion into or exchange for our other capital stock ranking junior to such class or series of preferred stock as to dividends and upon our liquidation, dissolution or winding up, and except for a redemption or purchase or other acquisition of shares of our common stock made for purposes of an employee benefit plan of the Company or any subsidiary or as provided for under our charter to protect our status as a REIT).

Any dividend payment made on shares of a class or series of preferred stock will first be credited against the earliest accrued but unpaid dividend due with respect to shares of such class or series which remains payable.

Redemption

If so provided in the applicable prospectus supplement, the shares of preferred stock will be subject to mandatory redemption or redemption at our option, in whole or in part, in each case upon the terms, at the times and at the redemption prices set forth in such prospectus supplement.

The prospectus supplement relating to a class or series of preferred stock that is subject to mandatory redemption will specify:

- the number of shares of preferred stock that we will redeem;

- the dates on or the period during which we will redeem the shares; and

- the redemption price that we will pay per share, together with an amount equal to all accrued and unpaid dividends thereon (which shall not, if such preferred stock does not have a cumulative dividend, include any accumulation in respect of unpaid dividends for prior dividend periods) to the date of redemption.

The redemption price may be payable in cash or other property, as described in the applicable prospectus supplement. If the redemption price for any class or series of preferred stock is payable only from the net proceeds of the issuance of our capital stock, the terms of such preferred stock may provide that, if no such capital stock was issued or to the extent the net proceeds from any issuance are insufficient to pay in full the aggregate redemption price then due, such preferred stock will automatically and mandatorily be converted into shares of our applicable capital stock pursuant to

conversion provisions specified in the applicable prospectus supplement.

Notwithstanding the foregoing, unless

- if such class or series of preferred stock has a cumulative dividend, full cumulative dividends on all shares of any class or series of preferred stock shall have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof irrevocably set apart for payment for all past dividend periods and the then current dividend period, and