

CapLease, Inc.
Form 10-Q
November 07, 2007

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2007

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 001-32039

CapLease, Inc.
(Exact name of registrant as specified in its charter)

Maryland
(State or Other Jurisdiction of Incorporation or Organization)

52-2414533
(I.R.S. Employer Identification No.)

1065 Avenue of the Americas, New York, NY
(Address of Principal Executive Offices)

10018
(ZIP Code)

Registrant's Telephone Number, Including Area Code: (212) 217-6300

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of November 5, 2007, there were 44,350,330 shares of common stock of CapLease, Inc., \$0.01 par value per share, outstanding ("Common Stock").

CapLease, Inc.

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements**

CapLease, Inc. and Subsidiaries
Consolidated Balance Sheets
As of September 30, 2007 (unaudited) and December 31, 2006

(Amounts in thousands, except share and per share amounts)	As Of September 30, 2007	As Of December 31, 2006
Assets		
Real estate investments, net	\$ 1,577,351	\$ 1,115,001
Loans held for investment	266,605	273,170
Securities available for sale	204,914	183,066
Cash and cash equivalents	10,193	4,425
Asset held for sale	5,413	2,942
Structuring fees receivable	2,745	3,253
Other assets	80,118	62,443
Total Assets	\$ 2,147,339	\$ 1,644,300
Liabilities and Stockholders' Equity		
Mortgages on real estate investments	\$ 986,428	\$ 794,773
Collateralized debt obligations	268,217	268,190
Repurchase agreement and other short-term financing obligations	386,536	195,485
Other long-term debt	30,930	30,930
Intangible liabilities on real estate investments	52,445	19,693
Accounts payable, accrued expenses and other liabilities	22,051	17,132
Dividends and distributions payable	9,939	7,582
Total Liabilities	1,756,546	1,333,785
Minority interest	2,675	2,859
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 100,000,000 shares authorized, Series A cumulative redeemable preferred, liquidation preference \$25.00 per share, 1,400,000 shares issued and outstanding	33,657	33,657
Common stock, \$0.01 par value, 500,000,000 shares authorized, 45,874,720 and 34,091,829 shares issued and outstanding, respectively	459	341
Additional paid in capital	365,849	277,918
Accumulated other comprehensive (loss)	(11,847)	(4,260)
Total Stockholders' Equity	388,118	307,656
Total Liabilities and Stockholders' Equity	\$ 2,147,339	\$ 1,644,300

See notes to consolidated financial statements.

CapLease, Inc. and Subsidiaries
Consolidated Income Statements
(Unaudited)

(Amounts in thousands, except per share amounts)	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2007	2006	2007	2006
Revenues:				
Rental revenue	\$ 34,225	\$ 20,163	\$ 90,613	\$ 57,040
Interest income from loans and securities	9,264	7,985	26,250	23,944
Property expense recoveries	2,990	2,237	8,107	6,276
Gains on sale of mortgage loans and securities	—	—	—	645
Other revenue	123	487	417	1,571
Total revenues	46,602	30,872	125,387	89,476
Expenses:				
Interest expense	25,672	16,099	71,671	45,851
Property expenses	4,598	3,764	13,586	11,091
Loss (gain) on derivatives	2	2	(288)	(127)
Loss on securities	—	240	372	240
General and administrative expenses	2,745	2,198	8,346	6,979
General and administrative expenses-stock based compensation	327	552	1,133	1,766
Depreciation and amortization expense on real property	13,414	6,550	34,040	18,366
Loan processing expenses	76	66	228	198
Total expenses	46,834	29,471	129,088	84,364
Gain on extinguishment of debt	741	—	1,363	—
Income (loss) before minority interest and taxes	509	1,401	(2,338)	5,112
Minority interest in consolidated entities	1	(6)	26	(7)
Income (loss) from continuing operations	510	1,395	(2,312)	5,105
Income from discontinued operations	96	92	244	189
Net income (loss)	606	1,487	(2,068)	5,294
Dividends allocable to preferred shares	(711)	(711)	(2,133)	(2,133)
Net income (loss) allocable to common stockholders	\$ (105)	\$ 776	\$ (4,201)	\$ 3,161
Earnings per share:				
Net income (loss) per common share, basic and diluted	\$ (0.00)	\$ 0.02	\$ (0.11)	\$ 0.10
Weighted average number of common shares outstanding, basic	45,602	33,919	39,472	31,252
Weighted average number of common shares outstanding, diluted	45,602	33,921	39,472	31,252
Dividends declared per common share	\$ 0.20	\$ 0.20	\$ 0.60	\$ 0.60

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Dividends declared per preferred share	\$	0.51	\$	0.51	\$	1.52	\$	1.52
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See notes to consolidated financial statements.

CapLease, Inc. and Subsidiaries
Consolidated Statement of Changes in Stockholders' Equity
(Unaudited)
(in thousands)

	Preferred Stock	Common Stock at Par	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance at December 31, 2006	\$ 33,657	\$ 341	\$ 277,918	\$ (4,260)	-\$	307,656
Incentive stock plan compensation expense	-	-	1,133	-	-	1,133
Incentive stock plan grants issued	-	3	(3)	-	-	-
Net loss	-	-	(2,068)	-	-	(2,068)
Issuance of common stock	-	115	116,104	-	-	116,219
Dividends declared-preferred	-	-	(2,133)	-	-	(2,133)
Dividends declared-common	-	-	(25,102)	-	-	(25,102)
Unrealized change in value of securities available for sale	-	-	-	(14,105)	-	(14,105)
Unrealized change in value of derivatives	-	-	-	2,263	-	2,263
Realized gains on derivatives, net of amortization of \$835	-	-	-	4,255	-	4,255
Balance at September 30, 2007	\$ 33,657	\$ 459	\$ 365,849	\$ (11,847)	-\$	388,118

See notes to consolidated financial statements.

CapLease, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	For the Nine Months Ended September 30,	
	2007	2006
Operating activities		
Net income (loss)	\$ (2,068)	\$ 5,294
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortization	34,352	18,578
Stock based compensation	1,133	1,766
Amortization of above and below market leases	382	(500)
Minority interest in consolidated entities	(26)	7
Gain on extinguishment of debt		