

CapLease, Inc.
Form DEF 14A
April 18, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934**

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

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

x Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

CAPLEASE, INC.

(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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

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

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

CAPLEASE, INC.
1065 Avenue of the Americas
New York, NY 10018

Annual Meeting of Stockholders

April 28, 2008

To our Stockholders:

On behalf of our board of directors, I cordially invite you to attend our 2008 Annual Meeting of Stockholders. This meeting will be held at the company's corporate office at 1065 Avenue of the Americas, 19th Floor, New York, New York, on Wednesday, June 11, 2008 at 10:00 a.m., local time. During the meeting, we will discuss the items of business described in the accompanying Notice of Annual Meeting and Proxy Statement, update you on important developments in our business and respond to any questions that you may have about us.

Information about the matters to be acted upon at the meeting is contained in the accompanying Notice of Annual Meeting and Proxy Statement. Also enclosed with this Proxy Statement are your proxy card, instructions for voting and the 2007 Annual Report to Stockholders. You are being asked to elect directors, ratify the appointment of our auditors and conduct any other business properly raised at the meeting or any adjournment or postponement thereof.

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

I look forward to seeing you at the meeting.

Best regards,

Paul H. McDowell
Chairman of the Board and Chief Executive Officer

CAPLEASE, INC.
1065 Avenue of the Americas
New York, NY 10018

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To be held June 11, 2008

NOTICE IS HEREBY GIVEN that the 2008 Annual Meeting of Stockholders (the "Meeting") of CapLease, Inc., a Maryland corporation (the "Company"), will be held at the Company's corporate office at 1065 Avenue of the Americas, 19th Floor, New York, New York, on Wednesday, June 11, 2008 at 10:00 a.m., local time. The matters to be considered by stockholders at the Meeting, which are described in detail in the accompanying Proxy Statement, are:

1. To elect six directors to hold office until the annual meeting of stockholders to be held in 2009 and until their successors are elected;
2. To ratify the appointment of McGladrey & Pullen LLP as our independent registered public accounting firm for the year ending December 31, 2008; and
3. To transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

The Board of Directors (the "Board") has fixed the close of business on April 2, 2008, as the record date for the Meeting. Only stockholders of record of our common stock as of that date are entitled to notice of, and to vote at, the Meeting and any adjournment or postponement thereof.

The accompanying proxy is being solicited by the Board. This notice and Proxy Statement are first being mailed to stockholders on or about April 28, 2008.

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

By Order of the Board,

Paul C. Hughes
Corporate Secretary

New York, New York
April 28, 2008

CAPLEASE, INC.
1065 Avenue of the Americas
New York, NY 10018

PROXY STATEMENT

This Proxy Statement is being furnished in connection with the solicitation of proxies by the Board of Directors of CapLease, Inc. (the “Board”), a Maryland corporation (“we,” “us” or the “Company”), for use at the Company’s 2008 Annual Meeting of Stockholders (the “Meeting”), to be held at the Company’s corporate office at 1065 Avenue of the Americas, 19th Floor, New York, New York, on Wednesday, June 11, 2008 at 10:00 a.m., local time, and any adjournment or postponement thereof. This Proxy Statement, the foregoing notice and the enclosed proxy card are first being mailed to stockholders of the Company on or about April 28, 2008. Only stockholders of record of our common stock at the close of business on April 2, 2008 (the “Record Date”) will be entitled to notice of, and to vote at, the Meeting.

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

What will stockholders be voting on at the Meeting?

1. To elect six directors to hold office until the annual meeting of stockholders to be held in 2009;
2. To ratify the appointment of McGladrey & Pullen LLP as our independent registered public accounting firm for the year ending December 31, 2008; and
3. To transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

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

Common stockholders of record at the close of business on the Record Date, April 2, 2008, may vote at the Meeting. Each share of common stock has one vote. There were 44,744,280 shares of common stock outstanding on the Record Date.

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

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

Our directors and executive officers owned approximately 3.7% of our common stock, as of the Record Date. (See the discussion under the heading “Ownership of Our Common Stock” for more details.)

How do I vote?

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

What is a proxy?

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

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

You will be designating Paul H. McDowell, our chairman of the board and chief executive officer, and Paul C. Hughes, our vice president, general counsel and corporate secretary, as your proxy. They may act on your behalf together or individually and will have the authority to appoint a substitute to act as proxy.

How will my proxy vote my shares?

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

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

How do I vote using my proxy card?

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

How do I change or revoke my proxy?

You may change or revoke your proxy at any time before your shares are voted at the Meeting by:
executing and delivering another later dated proxy card;

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

attending and voting by ballot in person at the Meeting.

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

Who will count the votes?

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

What constitutes a quorum?

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

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

When voting on the election of director nominees to serve until the 2009 Annual Meeting of Stockholders and until their successors are elected, you may:

vote in favor of all nominees;

withhold votes as to all nominees; or

withhold votes as to one or more specific nominees.

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

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

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

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

· vote in favor of the ratification;

· vote against the ratification; or

· abstain from voting.

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

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

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

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

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

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

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

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

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

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

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

May stockholders ask questions at the Meeting?

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

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OWNERSHIP OF OUR COMMON STOCK

The following table sets forth certain information regarding the ownership of common stock as of April 2, 2008, by (i) each of our directors, (ii) each of our executive officers and (iii) all of our directors and executive officers as a group. Unless otherwise indicated, all shares are owned directly and the indicated person has sole voting and investment power.

Name	Beneficial Ownership	
	Shares(1)	Percentage
Paul H. McDowell	381,100	*
William R. Pollert	386,044(2)	*
Shawn P. Seale	395,946(3)	*
Robert C. Blanz	302,862	*
Paul C. Hughes	92,070	*
Michael E. Gagliardi	24,750(4)	*
Stanley Kreitman	12,250	*
Jeffrey F. Rogatz	16,250	*
Howard A. Silver	24,200	*
Directors and executive officers as a group (9 persons)	1,635,472	3.7%

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

(1) Includes shares of common stock subject to restricted stock awards for which the person has the right to vote as follows: Mr. McDowell, 169,116; Mr. Pollert, 107,430; Mr. Seale, 156,314; Mr. Blanz, 145,510; Mr. Hughes, 64,419; Mr. Gagliardi, 5,751; Mr. Kreitman, 5,751; Mr. Rogatz, 5,751; Mr. Silver, 7,251; and all directors and executive officers as a group, 667,293.

(2) Includes 5,000 shares owned by his spouse and 1,000 shares owned by his stepdaughter. Mr. Pollert disclaims beneficial ownership of these shares.

(3) Includes 10,594 shares owned by his spouse and 30,000 shares owned by his mother-in-law and father-in-law. Mr. Seale disclaims beneficial ownership of these shares.

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

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

Name	Shares	Percentage as of April 2, 2008
Hotchkis and Wiley Capital Management, LLC(1)	4,446,100	9.9%
Snyder Capital Management, L.P.(2)	3,658,646	8.2%
The Vanguard Group, Inc.(3)	2,805,943	6.3%
High Rise Capital Advisors, L.L.C., et. al.(4)	2,778,738	6.2%
RS Investment Management Co. LLC, et. al.(5)	2,741,520	6.1%
Inland American Real Estate Trust, Inc., et. al.(6)	2,617,522	5.8%
Barclays Global Investors, NA., et. al.(7)	2,289,804	5.1%
First Manhattan Co.(8)	2,283,750	5.1%
Kensington Investment Group, Inc.(9)	2,283,218	5.1%

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- (1) According to a Schedule 13G/A filed with the Securities and Exchange Commission by Hotchkis and Wiley Capital Management, LLC on February 14, 2008. The address for Hotchkis and Wiley Capital Management, LLC is 725 South Figueroa Street, 39th Floor, Los Angeles, CA 90017.
- (2) According to a Schedule 13G filed with the Securities and Exchange Commission by Snyder Capital Management, LP and Snyder Capital Management, Inc. (the “Snyder Capital Filers”) on February 14, 2008. The address for the Snyder Capital Filers is One Market Plaza, Steuart Tower, Suite 1200, San Francisco, CA 94105.
- (3) According to a Schedule 13G/A filed with the Securities and Exchange Commission by The Vanguard Group, Inc. on February 14, 2008. The address for The Vanguard Group, Inc. is 100 Vanguard Blvd., Malvern, PA 19355.
- (4) According to a Schedule 13G/A filed with the Securities and Exchange Commission by Cedar Bridge Realty Fund, L.P., Cedar Bridge Institutional Fund, L.P., High Rise Capital Advisors, L.L.C., Bridge Realty Advisors, LLC, David O’Connor and Charles Fitzgerald (the “High Rise Filers”) on February 14, 2008. The address for the High Rise Filers is 535 Madison Avenue, New York, NY 10022.
- (5) According to a Schedule 13G filed with the Securities and Exchange Commission jointly by The Guardian Life Insurance Company of America, Guardian Investor Services LLC, and RS Investment Management Co. LLC on February 8, 2008. The address for RS Investment Management Co. LLC is 388 Market Street, Suite 1700, San Francisco, CA 94111.
- (6) According to a Schedule 13D/A filed with the Securities and Exchange Commission jointly by Inland American Real Estate Trust, Inc., Inland Western Retail Real Estate Trust, Inc., Inland Investment Advisors, Inc., Inland Real Estate Investment Corporation, The Inland Group, Inc., Daniel L. Goodwin, Robert H. Baum, G. Joseph Cosenza, Eagle Financial Corp. and The Inland Real Estate Transactions Group, Inc. (the “Inland Filers”) on

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February 22, 2008. The address for the Inland Filers is 2901 Butterfield Road, Oak Brook, IL 60523.

- (7) According to a Schedule 13G filed with the Securities and Exchange Commission by Barclays Global Investors, NA. (45 Fremont Street, San Francisco, CA 94105), Barclays Global Fund Advisors (45 Fremont Street, San Francisco, CA 94105) and Barclays Global Investors Japan Limited (Ebisu Prime Square Tower, 8th Floor, 1-1-39 Hiroo Shibuya-Ku, Tokyo 150-0012 Japan) on February 5, 2008.
- (8) According to a Schedule 13G filed with the Securities and Exchange Commission by First Manhattan Co. on February 13, 2008. The address for First Manhattan Co. is 437 Madison Avenue, New York, NY 10022.
- (9) According to a Schedule 13G/A filed with the Securities and Exchange Commission by Kensington Investment Group, Inc. on January 14, 2008. The address for Kensington Investment Group, Inc. is 4 Orinda Way, Suite 200C, Orinda, CA 94563.

BOARD OF DIRECTORS

Board of Directors

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

The Board held seven meetings in 2007. Directors are expected to attend Board meetings, the Annual Meeting of Stockholders and meetings of the Committees on which they serve, with the understanding that on occasion a director may be unable to attend a meeting. During 2007, each nominee for director attended more than 75% of the aggregate number of meetings of the Board and all Committees on which he served. All nominees for director attended our Annual Meeting of Stockholders in 2007, other than Mr. Silver who was unable to attend due to a business conflict.

The Board has adopted Corporate Governance Guidelines and a Code of Business Conduct and Ethics which can be found at the investor relations section of the Company's website at www.caplease.com. Copies are also available in print to any stockholder upon written request to CapLease, Inc., 1065 Avenue of the Americas, New York, NY 10018, Attention: Corporate Secretary. The information on the Company's website is not, and shall not be deemed to be, a part of this Proxy Statement or incorporated into any other filings the Company makes with the Securities and Exchange Commission.

Chairman of the Board and Lead Independent Director

In December 2007, Lewis Ranieri retired from our Board, including from his position as Chairman of the Board. At that time, our Board elected Paul McDowell, our Chief Executive Officer, Chairman of the Board. In view of the Board's decision to combine the offices of Chairman and Chief Executive Officer, the Board also established the position of Lead Independent Director and elected one of our independent directors, Howard Silver, to that position. As Lead Independent Director, Mr. Silver's duties include:

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

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

During 2007, our non-management directors met in executive session after each regularly scheduled board meeting (four times).

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

Communications with the Board

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

Committees of the Board

The Board has established various Committees of the Board to assist it with the performance of its responsibilities. These Committees and their members are listed below. The Board designates the members of these Committees and the Committee Chairs annually at its organizational meeting following the Annual Meeting of Stockholders, based on the recommendation of the Nominating and Corporate Governance Committee. The Board has adopted written charters for each of these Committees, which can be found at the investor relations section of the Company's website at www.caplease.com. Copies are also available in print to any stockholder upon written request to CapLease, Inc., 1065 Avenue of the Americas, New York, NY 10018, Attention: Corporate Secretary. The Chair of each Committee develops the agenda for that Committee and determines the frequency and length of Committee meetings.

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

- review and discuss with management and our independent auditor our annual and quarterly financial statements and related disclosures, including disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the results of the independent auditor's audit or review;
- review our financial reporting processes and internal control over financial reporting;
- oversee the audit and other services of our independent registered public accounting firm and be directly responsible for the appointment, independence, qualifications, compensation and oversight of the independent registered public accounting firm, who reports directly to the Audit Committee;
- provide an open means of communication among our independent registered public accounting firm, management, our internal auditing function and our Board;
- review any disagreements between our management and the independent registered public accounting firm regarding our financial reporting;
- prepare the Audit Committee report for inclusion in our proxy statement for our annual stockholder meetings; and
- establish procedures for complaints received regarding our accounting, internal accounting control and auditing matters.

The Audit Committee met eight times in 2007.

Audit Committee Matters.

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

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

Our Board does not have a policy setting rigid limits on the number of audit committees on which a member of our Audit Committee may serve. Instead, in cases where an Audit Committee member serves on more than three public company audit committees, the Board evaluates whether such simultaneous service would impair the service of such member on our Audit Committee. One member of our Audit Committee, namely Mr. Kreitman, serves on more than three public company audit committees. Our Board has determined that such simultaneous service does not impair the ability of Mr. Kreitman to effectively serve on our Audit Committee.

Audit Committee Pre-Approval Policies.

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

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

- approve corporate goals and objectives relevant to executive officer compensation and evaluate performance in light of those goals and objectives;
- determine and approve executive officer compensation, including base salary and incentive awards;
- make recommendations to the Board regarding compensation plans;
- administer our stock plan; and
- prepare a report on executive compensation for inclusion in our proxy statement for our annual stockholder meetings.

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

As part of its annual executive officer compensation determination, the Compensation Committee typically engages a compensation consultant to provide advisory services. The consultant may also be engaged to assist with the Committee's non-employee director compensation review. The Committee engaged FPL Associates L.P. in connection with its executive officer compensation determinations at fiscal year ended December 31, 2007. The consultant was engaged directly by the Compensation Committee. The consultant was engaged to provide an analysis of the Company's executive officer pay levels against our peers, and to offer recommendations for executive officer compensation. In making its executive officer compensation determination, the Compensation Committee also reviews recommendations from our chairman of the board and chief executive officer.

The Compensation Committee met five times in 2007.

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

- recruit new directors, consider director nominees recommended by stockholders and others and recommend nominees for election as directors;
- review the size and composition of our Board and its Committees;
- oversee the evaluation of the Board;

· recommend actions to increase the Board's effectiveness; and

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

The Nominating and Corporate Governance Committee met three times in 2007.

Investment Oversight Committee. Our Board has established an Investment Oversight Committee, which is composed of Messrs. McDowell (Chairman), Rogatz and Silver. The primary function of the Investment Oversight Committee is to approve all portfolio investments we make in excess of \$50 million.

The Investment Oversight Committee did not meet in 2007. We had only one investment greater than \$50 million in 2007, and it was approved by our full Board in lieu of the Investment Oversight Committee.

We recommend that stockholders review the charters for the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee, available at our website at www.caplease.com for a full description of the respective Committee's responsibilities. Charters are also available in print, as noted above.

Code of Business Conduct and Ethics

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

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

Corporate Governance Guidelines

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

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

Corporate Profile

The following are selected elements of our corporate profile:

- our Board has opted out of the business combination provisions of the Maryland General Corporation Law, or MGCL;
- our amended and restated bylaws contain a provision exempting from the control share acquisition statute of the MGCL any and all acquisitions by any person of shares of stock in our Company; and
- holders of our common stock may act by unanimous written consent.

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

For a complete description of our corporate profile, we refer you to the MGCL, our charter and our amended and restated bylaws. We have filed our charter and amended and restated bylaws as exhibits to our Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

PROPOSAL 1—ELECTION OF DIRECTORS

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

All of the nominees for director are directors presently. Our Nominating and Corporate Governance Committee did not receive any recommendations of director candidates from any stockholder or group of stockholders during 2007. We did not utilize any third-party search firms to assist in identifying potential director candidates during 2007. The Board, upon the recommendation of the Nominating and Corporate Governance Committee, has affirmatively determined that each of the following nominees for director is independent within the general independence listing standards prescribed by the New York Stock Exchange and our Corporate Governance Guidelines: Messrs. Gagliardi, Kreitman, Rogatz and Silver. The Board has adopted, as part of our Corporate Governance Guidelines, categorical standards of director independence that are attached hereto as Annex A to assist in making these independence determinations. Each of the above-named nominees qualifies as independent under these standards.

The Nominating and Corporate Governance Committee is responsible for reviewing with the Board, the requisite skills and characteristics of new Board members as well as the composition of the Board as a whole. This assessment includes members’ qualification as independent, as well as consideration of diversity, age, skills and experience in the context of the Board’s needs. Nominees for directorships are selected by the Nominating and Corporate Governance Committee and recommended to the Board in accordance with the policies and principles in its charter. The Nominating and Corporate Governance Committee does not distinguish between nominees recommended by stockholders and other nominees. Stockholders wishing to suggest candidates to the Nominating and Corporate Governance Committee for consideration as directors must submit a written notice to the Company’s Corporate Secretary, who will provide it to the Nominating and Corporate Governance Committee. Our amended and restated bylaws set forth the procedures a stockholder must follow to nominate directors. These procedures are summarized in this Proxy Statement under the caption “Stockholder Proposals for 2009 Annual Meeting of Stockholders.”

With Mr. Ranieri’s retirement in December 2007, our Board is currently comprised of six (6) members, with one vacancy. The Board has nominated six (6) director candidates for election at the Annual Meeting. Immediately following the Annual Meeting, there will be one vacancy on the Board. The Board is currently reviewing potential candidates as part of its process of determining whether to replace Mr. Ranieri. In the event the Board identifies a qualified candidate and determines to fill the vacancy, it will appoint such candidate to serve as a member of the Board until the next annual meeting of stockholders.

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

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

(1) Member of Investment Oversight Committee

(2) Member of Compensation Committee

(3) Member of Nominating and Corporate Governance Committee

(4) Member of Audit Committee

(5) Audit Committee Financial Expert

Each of these directors, if reelected, will serve as director until the Annual Meeting of Stockholders held in 2009 and the election and qualification of the director's respective successor or until the director's earlier death, removal or resignation.

All nominees have consented to be named, and have agreed to serve if elected. Although it is not anticipated that any of the persons named above will be unable or unwilling to stand for reelection, a proxy, in the event of such occurrence, may be voted for a substitute nominee to be designated by the Board, or, as an alternative, the Board may reduce the number of directors to be elected at the Meeting or leave the position(s) vacant. Ages listed below are as of December 31, 2007.

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NAME

Paul H. McDowell

Age 47

BUSINESS EXPERIENCE

Mr. McDowell is a founder of our company. He has been continuously employed by us or our predecessor companies since 1994, including as chief executive officer since March 2001, and as senior vice president, general counsel and secretary from 1994 until February 2001. He has served on our Board since November 2003 and was elected Chairman of the Board in December 2007. He served on the board of directors of our predecessor, Capital Lease Funding, LLC (“CLF, LLC”), from November 2001 until March 2004. He is also a member of our investment committee, a committee consisting of seven of our key employees that oversees our underwriting and due diligence process. From 1991 until 1994, Mr. McDowell was corporate counsel for Sumitomo Corporation of America, the principal U.S. subsidiary of one of the world’s largest integrated trading companies. As corporate counsel, Mr. McDowell advised on a wide range of domestic and international corporate legal matters, including acquisitions, complex financing transactions, power plant development, shipping, litigation management and real estate. From 1987 to 1990, Mr. McDowell was an associate in the corporate department at the Boston law firm of Nutter, McClennen & Fish. Mr. McDowell serves on the board of directors of Feldman Mall Properties, Inc. Mr. McDowell received a JD with honors from Boston University School of Law in 1987 and received a BA from Tulane University in 1982.

William R. Pollert

Age 63

Mr. Pollert is a founder of our company. He has been continuously employed by us or our predecessor companies since 1994, including as president since 1994, and chief executive officer from 1994 to March 2001. He has served on our Board since November 2003, and served on the board of directors of CLF, LLC from November 2001 until March 2004. He is also a member of our investment committee. From 1993 until 1995, Mr. Pollert was the president and chief executive officer of Equitable Bag Co., Inc., a leading manufacturer of custom bag products for non-food retailers and specialty packaging. From 1986 to 1993, Mr. Pollert held a variety of senior management positions at Triarc Companies, Inc. (which owned Arby’s, RC Cola, Graniteville and National Propane); Trian Group L.P.C.; Avery, Inc. (which owned Uniroyal Chemical Co.); and Triangle Industries, Inc. (which owned American National Can Co., Brandt, Inc., Triangle Wire & Cable, Inc. and Rowe International, Inc.). The senior management positions included chief executive officer or chief operating officer of several of the companies owned by Triarc, Trian, Avery and Triangle. Triarc, Trian, Avery, Triangle and Equitable Bag Co., Inc. were at one time or are currently controlled by Nelson Peltz and Peter May. From 1973 to 1985, Mr. Pollert held a variety of senior management positions at International Paper Company, ending as vice president of the consumer packaging business and a member of its executive operating committee. Mr. Pollert received a Ph.D. in management and organization sciences from the University of Florida, an MBA in finance from Columbia University, and a BA from Lehigh University.

Michael E. Gagliardi

Age 50

Mr. Gagliardi has served on our Board since March 2004. Since May 2005, Mr. Gagliardi has been employed by HSBC Investments (USA) Inc. Mr.

Gagliardi served as a member of the board of directors of Atlantic Advisors LLC, a registered investment advisor, from 1999 until Atlantic's acquisition by HSBC in May 2005. Atlantic provides investment, finance and advisory services to an international client base. Mr. Gagliardi was a founding partner of Wasserstein Perella Emerging Markets ("WPEM") (now Dresdner Kleinwort Wasserstein) and served as its chief executive officer from 1993 through 1999. Prior to founding WPEM, Mr. Gagliardi was director of Emerging Markets at UBS (formerly Swiss Bank Corporation). Mr. Gagliardi has served on the board of directors of the Emerging Market Traders Association and the board of directors advisory council at Fairfield University. Mr. Gagliardi received an MBA from Pace University in 1983 and received a BS from Fairfield University in 1979.

Stanley Kreitman
Age 76

Mr. Kreitman has served on our Board since March 2004. Since 1993, Mr. Kreitman has served as chairman of Manhattan Associates, a merchant banking company. From 1972 to 1992, Mr. Kreitman served as the president of United States Banknote Corporation ("USBC"), a company which provides a variety of printing services such as currency production for foreign governments and the printing of stock certificates. Mr. Kreitman also serves as member of the board of directors of Crime Stoppers of Nassau County, Leukemia Society of Nassau County and Police Athletic League. In addition, Mr. Kreitman holds directorship positions with Medallion Financial Corp., CCA Industries Inc., KSW Inc. and Geneva Financial Corp., all public companies. Mr. Kreitman received an honorary doctorate of laws from the New York Institute of Technology in 1998, and a BS from NYU in 1954.

NAME

Jeffrey F. Rogatz
Age 46

BUSINESS EXPERIENCE

Mr. Rogatz has served on our Board since March 2004. Mr. Rogatz is the founder and President of Triangle Real Estate Advisors LLC, a real estate asset management company, which is the manager of Triangle Real Estate Securities Fund LLC. Mr. Rogatz is also founder and President of Ridgeway Capital LLC (“Ridgeway Capital”), a real estate investment and advisory firm that invests in office, industrial and retail leased assets in the Mid-Atlantic area and provides advisory services to various clients which have included several publicly-traded real estate investment trusts. Prior to founding Ridgeway Capital in 2001, Mr. Rogatz was chief financial officer of Brandywine Realty Trust (“Brandywine”), a New York Stock Exchange listed real estate investment trust. Prior to joining Brandywine in 1999, Mr. Rogatz was a managing director and head of the REIT practice for Legg Mason Wood Walker, Incorporated. Mr. Rogatz is a member of the National Association of Real Estate Investment Trusts, Urban Land Institute and the International Council of Shopping Centers. Mr. Rogatz is a board member and Trustee of the Friends of Woodlawn Library, Inc. Mr. Rogatz received an MBA in finance with honors from the College of William and Mary in 1987 and received a BS from the University of Virginia in 1983.

Howard A. Silver
Age 53

Mr. Silver has served on our Board since March 2004. Mr. Silver held various executive positions with Equity Inns, Inc. (“Equity Inns”), a NYSE listed real estate investment trust, from May 1994 until October 2007 when Equity Inns was sold to Whitehall Global Real Estate Funds. At the time of the sale, Mr. Silver held the positions of chief executive officer and president and was also a director of Equity Inns, and he has also held the positions of chief operating officer, executive vice president of finance, secretary, treasurer and chief financial officer. Mr. Silver is presently a director of Great Wolf Lodge, a public indoor water park resort, where he serves as chairman of the Compensation Committee and a member of the Audit Committee. From 1992 until 1994, Mr. Silver served as chief financial officer of Alabaster Originals, L.P., a fashion jewelry wholesaler. Mr. Silver has been a certified public accountant since 1980 and was employed, from 1987 to 1992, by Ernst & Young LLP and, from 1978 to 1986, by Coopers & Lybrand L.L.P. Mr. Silver graduated cum laude from the University of Memphis with a BS in accountancy in 1976.

Compensation of Directors

The members of our Board who are also our employees do not receive any additional compensation for their services on our Board. The table below sets forth the compensation earned by the Company’s non-employee directors for the fiscal year ended December 31, 2007:

Name	Fees Earned or Paid in Cash		Stock Awards⁽¹⁾	All Other Compensation⁽²⁾		Total		
Lewis S. Ranieri ⁽³⁾	\$	152,500	\$	0	\$	0	\$	152,500
Michael E. Gagliardi		42,500		19,835		3,334		65,669

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Stanley Kreitman	38,500	19,835	3,334	61,669
Jeffrey R. Rogatz	44,000	19,835	3,334	67,169
Howard A. Silver	46,500	24,686	4,234	75,420

(1) Represents the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year ended December 31, 2007, in accordance with SFAS 123R. Grant date fair value of stock awards during 2007 is as follows: Mr. Ranieri, \$0; Mr. Gagliardi, \$27,275; Mr. Kreitman, \$27,275; Mr. Rogatz, \$27,275; and Mr. Silver, \$35,458. 2007 stock awards are scheduled to vest in three equal annual installments beginning on the first anniversary of the grant date.

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

(3) Mr. Ranieri retired from the Board effective December 12, 2007.

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

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

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OUR EXECUTIVE OFFICERS

The following individuals currently serve as our executive officers. Ages are as of December 31, 2007.

Name	Age	Title
P a u l H . McDowell	47	Chairman of the Board and Chief Executive Officer
W i l l i a m R . Pollert	63	President
Shawn P. Seale	44	Senior Vice President, Chief Financial Officer and Treasurer
Robert C. Blanz	50	Senior Vice President and Chief Investment Officer
Paul C. Hughes	40	Vice President, General Counsel and Corporate Secretary

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

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

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

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

EXECUTIVE COMPENSATION

Compensation Committee Report

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

Submitted by:

Compensation Committee

Michael E. Gagliardi (Chairman)

Stanley Kreitman

Jeffrey F. Rogatz

March 12, 2008

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

Compensation Discussion and Analysis

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

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

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

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

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

As part of its annual compensation determination, the Compensation Committee typically engages a compensation consultant to summarize market pay rates and to provide recommendations for executive officer pay. The consultant typically compares the Company's existing executive officer pay rates against market pay rates at a variety of levels (e.g., 25th percentile, median, 75th percentile) within three peer groups, a REIT mortgage lending peer group, an equity REIT peer group, and a combined lending and equity REIT peer group.¹ The Committee engaged FPL Associates L.P. in connection with its executive officer compensation determinations for each of fiscal years ended December 31, 2007 and December 31, 2006.

¹ For the fiscal year ended December 31, 2007, the peer groups comprised the following companies:

REIT Mortgage Lending Group: Annaly Capital Management, Inc, Capital Trust, Inc., Centerline Holding Company, Fremont General Corporation, Gramercy Capital Corp., MFA Mortgage Investments, Inc., Newcastle Investment Corp., NorthStar Realty Finance Corp. and RAIT Financial Trust.

Equity REIT Group: American Financial Realty Trust, Associated Estates Realty Corporation, Digital Realty Trust, Inc., EastGroup Properties, Inc., Entertainment Properties Trust, First Potomac Realty Trust, Getty Realty Corp., Lexington Realty Trust, National Retail Properties, Inc., One Liberty Properties Inc., Realty Income Corp. and Tanger Factory Outlet Centers, Inc.

Combined Group: All companies listed above.

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

The Committee compensation determinations reflect the following philosophies:

- The Committee employs a “team” compensation philosophy in setting executive compensation, reflecting the partnership manner in which the management group operates.
- Compensation determinations are based on an analysis of both objective and subjective performance factors.
- The Committee pays a significant component of annual compensation awards as long-term performance based compensation through uniquely structured restricted stock grants.

Team Philosophy

The Committee’s “team” philosophy entails assessing the performance of the management team and the Company in the aggregate, and then determining a total compensation pool for all of the executive officers. The size of the pool reflects the Committee’s assessment of overall Company performance, a review of market pay rates and recommendations in the compensation study and considerations of the size of the compensation pool in prior periods.

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

Objective and Subjective Performance Factors

Because the Committee believes strongly in the exercise of its independent judgment, its compensation determinations are not simply formulaic, but include an assessment of both objective and subjective performance factors. With respect to the objective or formulaic component, the Committee establishes overall Company performance criteria and a weighting percentage for each performance metric annually generally at the beginning of each year. For each of 2006 and 2007, the Committee analyzed the following objective performance metrics:

- Total shareholder return (which includes dividends paid) versus a peer group, with a weighting of 50%.
- Leveraged return on equity versus budget, with a weighting of 12.5%. This financial measure is computed by adjusting our net income (loss) to add back depreciation and amortization expense on real property and general administrative expenses (including stock based compensation), and then dividing the result by the total amount of equity capital we have raised since and including our initial public offering.
- Asset spreads versus budget, with a weighting of 10%. This financial measure represents an estimate of the yield on our assets less our cost to finance those assets.
- Asset origination versus budget, with a weighting of 12.5%. This financial measure represents our total new investments for the year.

· Funds from operations, or FFO, versus budget, with a weighting of 15%. FFO basically represents our net income (loss) as adjusted to add back depreciation and amortization expense on real property.

For each performance measure other than total shareholder return, the Committee compares actual performance against the Board approved budget. The Board sets the budget at aggressive but attainable levels. The Company's actual total shareholder return is compared to the actual returns of a peer group.

The Committee couples its review against pre-defined objective performance factors with a fair amount of subjective analysis. This subjective analysis includes considerations such as market and unique conditions affecting the Company and achievement of strategic goals, and an analysis of individual contributions such as level and breadth of responsibility, length of tenure and individual contributions to the Company's strategic plan. For 2007, the subjective factors evaluated by the Committee included the dramatically unstable market conditions in the second half of 2007 and the management team's achievements in navigating through them.

Long-Term Compensation/Restricted Stock Awards

The Committee pays a significant component of each annual compensation award in the form of long-term compensation. The Committee has developed a unique structure for restricted stock awards that it believes achieves its objectives of offering a competitive compensation package that rewards long-term decision-making and links pay to performance. The Committee's restricted stock awards reflect the following:

- All awards vest over five years, with one-fifth of the shares available for vesting each year. The Committee transitioned to a five year vesting period (from three years) in January 2007.
- A significant portion of each award vests only if performance criteria determined by the Committee are met, with the balance of the award vesting solely on the basis of time (i.e., continued employment). The awards made in each of February 2007 and February 2008 were allocated 75% as performance-based awards and 25% as time-based awards.
- Shares which fail to vest in the first four years because performance criteria are not met are not forfeited but will "roll-forward" and are available for vesting in subsequent years. For example, based on its analysis of 2007 performance, the Committee determined that 60% of the restricted stock awards scheduled to vest in March 2008, vested at that time, with the remaining shares rolling-forward and available for vesting in future years.
 - All shares which are unvested as of the end of the five-year vesting cycle will be forfeited.
- In order to provide an element of current reward, executive officers are entitled to receive dividends on and vote restricted stock awards unless and until forfeited.

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

2007 and 2006 Compensation Determinations

For the 2007 period, actual performance was generally in line with budget, but total shareholder return was down meaningfully for the year (negative 20.5%). Based on these factors, as well as a variety of additional Company and individual subjective factors, the Committee made the following determinations:

- The Committee set the total compensation pool modestly lower (about 4%) than 2006, and below the 25th percentile of the combined peer group in the compensation study.
 - The Committee determined not to increase base salaries other than cost of living increases.

The Committee allocated 48% of the total compensation pool to restricted stock awards, exceeding the combined peer group average which ranged from 37% to 46%.

- The Committee determined that 60% of the restricted stock awards scheduled to vest in March 2008, vested at that time, with the remaining shares rolling-forward and available for vesting in future years.

For the 2006 period, total shareholder return was a strong 17.8%, and actual performance was generally in line with budget. Based on these factors, as well as a variety of additional Company and individual subjective factors, the Committee made the following determinations:

- The Committee set the total compensation pool between the 25th percentile and the median of the combined peer group in the compensation study.

- The Committee allocated 48% of the total compensation pool to restricted stock awards, exceeding the combined peer group average which ranged from 32% to 40%.
- The Committee determined that 90% of the restricted stock awards scheduled to vest in March 2007, vested at that time, with the remaining shares rolling-forward and available for vesting in future years.

Other Perquisites and Benefits

In addition to the base salary, cash bonus and stock award components of compensation discussed above, the employment agreements we entered into with Messrs. McDowell, Seale, Pollert, Blanz and Hughes provide them with limited perquisites and special benefits in certain circumstances in connection with the termination of their employment. The perquisites consist of life and disability insurance coverage at defined levels and, in the case of Messrs. McDowell and Seale, a \$10,000 annual tax preparation and financial planning reimbursement. These agreements, with the exception of Mr. Hughes, were entered into at the time of our initial public offering and were intended to reward the executive officers for attaining a monetization event and offer them compensation terms that are competitive with our public REIT peers. With the exception of unvested stock awards, which automatically vest for all of our employees (including our executive officers) upon a change of control, all change of control severance is “double trigger,” meaning it is only paid in the event of both a change of control event and a termination, rather than simply at a change of control.

Summary Compensation Table

The table below sets forth the compensation earned by the Company's principal executive officer, principal financial officer and each other executive officer (the "named executive officers") for each of the fiscal years ended December 31, 2007 and December 31, 2006.

Name and Principal Position	Year	Salary	Bonus	Stock Awards⁽¹⁾	All Other Compensation⁽²⁾	Total
Paul H. McDowell <i>Chairman of the board and chief executive officer</i>	2007	\$ 400,000	\$ 240,000	\$ 245,209	\$ 117,813	\$ 1,003,022
	2006	368,333	270,000	492,461	120,088	1,250,882
Shawn P. Seale <i>Senior vice president, chief financial officer and treasurer</i>	2007	318,167	225,000	226,085	101,748	871,000
	2006	298,333	260,000	464,118	98,181	1,120,632
William R. Pollert <i>President</i>	2007	224,212	110,000	159,639	83,871	577,722
	2006	201,580	165,000	346,159	78,934	791,673
Robert C. Blanz <i>Senior vice president and chief investment officer</i>	2007	270,000	225,000	206,078	98,937	800,015
	2006	240,001	260,000	385,116	81,822	966,939
Paul C. Hughes <i>Vice president, general counsel and corporate secretary</i>	2007	212,500	110,000	101,586	37,982	462,068
	2006	197,500	105,000	90,942	22,470	415,912

(1) Represents the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year ended December 31, 2007, in accordance with SFAS 123R.

(2) Includes the following amounts:

	McDowell		Seale		Pollert		Blanz		Hughes	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Dividends on awards of Company common stock still subject to forfeiture as of the dividend payment date	\$ 97,055	\$ 85,962	\$ 89,050	\$ 79,519	\$ 62,339	\$ 57,687	\$ 82,321	\$ 69,346	\$ 32,242	\$ 18,000
Company paid life and disability insurance and related income tax indemnification	17,692	15,166	12,268	12,024	21,532	21,247	16,616	12,476	5,740	4,470
Tax return preparation and financial planning	3,066	18,960	430	6,638	—	—	—	—	—	—

reimbursement and
related income tax
indemnification

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Grants of Plan-Based Awards

The table below sets forth the plan-based awards to the Company's named executive officers for the fiscal year ended December 31, 2007. All awards were made pursuant to the Company's 2004 stock incentive plan.

Name	Grant Date	Dates of Compensation Committee Action	Estimated Future Payout Under Equity Incentive Plan Awards			Grant Date Fair Value of Stock Awards
			Threshold	Target	Maximum	
Paul H. McDowell	March 23, 2007	February 13, 2007	N/A	20,800	N/A	\$ 226,928
	March 23, 2007	February 13, 2007	N/A	7,721	N/A	\$ 84,264
	March 23, 2007	January 25, 2007 March 14, 2006	N/A	8,889	N/A	\$ 97,009
Shawn P. Seale	March 23, 2007	February 13, 2007	N/A	20,000	N/A	\$ 218,200
	March 23, 2007	February 13, 2007	N/A	6,176	N/A	\$ 67,403
	March 23, 2007	January 25, 2007 March 14, 2006	N/A	8,889	N/A	\$ 97,009
William R. Pollert	March 23, 2007	February 13, 2007	N/A	14,000	N/A	\$ 152,740
	March 23, 2007	February 13, 2007	N/A	3,860	N/A	\$ 42,127
	March 23, 2007	January 25, 2007 March 14, 2006	N/A	6,667	N/A	\$ 72,760

	March 23, 2007	February 13, 2007 January 25, 2007 March 1, 2005				
Robert C. Blanz	March 23, 2007	February 13, 2007	N/A	18,000	N/A \$	196,380
	March 23, 2007	February 13, 2007 January 25, 2007 March 14, 2006	N/A	6,949	N/A \$	75,839
	March 23, 2007	February 13, 2007 January 25, 2007 March 1, 2005	N/A	6,667	N/A \$	72,760
Paul C. Hughes	March 23, 2007	February 13, 2007	N/A	10,800	N/A \$	117,828
	March 23, 2007	February 13, 2007 January 25, 2007 March 14, 2006	N/A	2,779	N/A \$	30,329

The Company makes stock awards annually. As noted above, all awards vest over five years, with a significant component of each annual award vesting only if performance criteria determined by the Compensation Committee are met (the “performance component”), and the balance vesting solely on the basis of time (i.e., continued employment) (the “time component”). For the performance component of each award, SFAS 123R provides that to the extent performance criteria have not been determined, the “grant date” (for purposes of determining the value of the award to be expensed over time and commencement of the period of expense accrual) is deferred for that portion of the award until such criteria are determined. As a result, the tables above include portions of the stock awards to the named executive officers from March 2007, March 2006 and March 2005. Specifically, the tables include (i) the entire time component of the March 2007 award and the portion of the performance component of the March 2007 award available for vesting in 2007, (ii) the portion of the performance component of the March 2006 award available for vesting in 2007 and (iii) the portion of the performance component of the March 2005 award available for vesting in 2007. The tables exclude the portion of the performance component of the March 2007 award available for vesting in years after 2007, or the following number of shares: Mr. McDowell, 31,200; Mr. Seale, 30,000; Mr. Pollert, 21,000; Mr. Blanz, 27,000; and Mr. Hughes, 16,200.

The Compensation Committee does not establish levels of threshold, target and maximum payouts for plan-based awards. A fixed number of shares are awarded annually, with a portion of the award being forfeited if performance and/or service conditions are not met. The payout reported in the target column of the "Grants of Plan-Based Awards" table assumes all awards with a grant date (as defined under SFAS 123R) in 2007 vest and become non-forfeitable.

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

Outstanding Equity Awards at Fiscal Year-End

The table below sets forth the outstanding equity awards that have not vested for each named executive officer as of December 31, 2007. The Company has not made any option awards.

Name	Number of Shares or Units of Stock that Have Not Vested	Market Value of Shares or Units of Stock that Have Not Vested	Stock Awards	
			Equity Incentive Plan Awards	Market or Payout
			Number of Unearned Shares, Units or Other Rights that Have Not Vested ⁽¹⁾	Value of Unearned Shares, Units or Other Rights that Have Not Vested
Paul H. McDowell	N/A	N/A	124,728	\$ 1,050,210
Shawn P. Seale	N/A	N/A	114,953	\$ 967,904
William R. Pollert	N/A	N/A	80,343	\$ 676,488
Robert C. Blanz	N/A	N/A	106,313	\$ 895,155
Paul C. Hughes	N/A	N/A	44,848	\$ 377,620

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

	March 2008	March 2009	March 2010	March 2011	March 2012
Paul H. McDowell	33,376	30,495	30,493	19,964	10,400
Shawn P. Seale	30,866	28,206	28,204	17,677	10,000
William R. Pollert	21,723	19,839	19,838	11,942	7,000
Robert C. Blanz	28,048	25,722	25,721	17,821	9,000
Paul C. Hughes	12,660	8,929	8,929	8,930	5,400

Stock Vested Table

The following table sets forth vesting of restricted stock for each of the named executive officers during the fiscal year ended December 31, 2007. The Company has not made any option awards.

Name	Stock Awards	
	Number of Shares Acquired on Vesting	Value Realized on Vesting
Paul H. McDowell	38,361	\$ 418,519
Shawn P. Seale	35,436	\$ 386,607
William R. Pollert	25,325	\$ 276,296

Messrs. Mergenthaler, Carroll and Bonzani do not participate in a pension plan nor do they have an Executive Special Benefit Agreement.

While each of the named executive officers participate in deferred compensation arrangements, as described in greater detail beginning on page 49, under the heading Nonqualified Deferred Compensation Arrangements, none received earnings on deferred compensation that was above-market or preferential as defined by SEC rules.

(4) The table below shows the components of the amounts shown in this column for 2017.

Name	Matching contributions		Premiums paid by Interpublic Perquisites and		Total All Other Compensation
	Annual Dollar Credits under the Capital Accumulation Plan	Interpublic Savings Plan	on group life insurance	Other Personal Benefits	
	(\$) ^(a)	(\$)	(\$)	(\$) ^(b)	(\$)
Mr. Roth	350,000	12,798	261	2,736	365,795
Mr. Mergenthaler	200,000	12,798	261	2,736	215,795
Mr. Krakowsky	50,000	12,798	261	23,264	86,323

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Mr. Bonzani	50,000	8,748	261	22,500	81,509
Mr. Carroll	50,000	12,798	261	3,264	66,323

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Executive Compensation

(a) The Capital Accumulation Plan is described in greater detail on page 49 under the heading Nonqualified Deferred Compensation Arrangements The Interpublic Capital Accumulation Plan.

(b) The 2017 Perquisites and Other Personal Benefits table below lists the type and amount of each perquisite received by the named executive officers in 2017.

2017 Perquisites and Other Personal Benefits

The following table describes the amount of each perquisite and other personal benefit received by the named executive officers in 2017.

Name	Executive Dental	Charitable Matching
	Plan Coverage	Program (a)
	(\$)	(\$)
Mr. Roth	2,736	0
Mr. Mergenthaler	2,736	0
Mr. Krakowsky	3,264	20,000
Mr. Bonzani	0	22,500
Mr. Carroll	3,264	0

(a) The Charitable Matching Program is described in greater detail on page 17 under the heading Non-Management Director Compensation.

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GRANTS OF PLAN-BASED AWARDS

The following table provides information on grants of equity and non-equity plan based awards made in 2017 to the named executive officers. The awards are described in greater detail in the Compensation Discussion & Analysis, beginning on page 28.

Name	Grant Date	Approval Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock	Awards:	Grant Date
			Thres- hold	Target	Maximum	Thres- hold	Target	Maximum	Number of Shares of	Fair Value of Stock and Option Awards	
			(\$)	(\$)	(\$)	(#)	(#)	(#)	Units	(\$) ⁽⁵⁾	
Michael Roth	3/31/2017	3/21/2017 ⁽¹⁾	0	3,750,000	7,500,000						
	2/28/2017	2/15/2017 ⁽²⁾	0	2,625,000	5,250,000						
	2/28/2017	2/15/2017 ⁽³⁾				0	216,071	432,142		4,803,407	
	2/28/2017	2/15/2017 ⁽⁴⁾							108,035	2,625,251	
Frank Mergenthaler	3/31/2017	3/21/2017 ⁽¹⁾	0	1,250,000	2,500,000						
	2/28/2017	2/15/2017 ⁽²⁾	0	625,000	1,250,000						
	2/28/2017	2/15/2017 ⁽³⁾				0	51,445	102,890		1,143,658	
	2/28/2017	2/15/2017 ⁽⁴⁾							66,878	1,625,135	
Philippe Krakowsky	3/31/2017	3/21/2017 ⁽¹⁾	0	1,250,000	2,500,000						
	2/28/2017	2/15/2017 ⁽²⁾	0	625,000	1,250,000						
	2/28/2017	2/15/2017 ⁽³⁾				0	51,445	102,890		1,143,658	
	2/28/2017	2/15/2017 ⁽⁴⁾							66,878	1,625,135	
Andrew Bonzani	3/31/2017	3/21/2017 ⁽¹⁾	0	720,000	1,440,000						
	2/28/2017	2/15/2017 ⁽²⁾	0	312,500	625,000						
	2/28/2017	2/15/2017 ⁽³⁾				0	25,722	51,444		571,818	
	2/28/2017	2/15/2017 ⁽⁴⁾							23,150	562,545	
Christopher Carroll	3/31/2017	3/21/2017 ⁽¹⁾	0	461,759	923,518						
	2/28/2017	2/15/2017 ⁽²⁾	0	150,000	300,000						
	2/28/2017	2/15/2017 ⁽³⁾				0	12,346	24,692		274,460	

2/28/2017 2/15/2017⁽⁴⁾

6,173 150,004

- (1) Reflects the potential payout in cash that the executive was entitled to earn for calendar year 2017 pursuant to an annual incentive award made in 2017 under the 2014 PIP as described in greater detail on page 28, under the heading Compensation Discussion & Analysis Annual Incentives. The actual amounts paid are shown in the Summary Compensation Table in the column titled Non-Equity Incentive Plan Compensation.
- (2) Reflects potential payout that the executive is entitled to earn pursuant to a long-term performance cash award made in 2017 under the 2014 PIP. As described in greater detail on page 31, under the heading Compensation Discussion & Analysis Long-term Incentives, depending on the actual level of performance relative to goals over a two-year performance period, an individual will be entitled to receive a payout ranging from 0% to 200% of the target amount. The amount of the payout, as so determined, will vest at the end of the third year following the grant of the award and will be settled entirely in cash.
- (3) Reflects potential payout in shares of Common Stock that the executive is entitled to earn pursuant to a performance share award made in 2017 under the 2014 PIP. As described in greater detail on page 31, under the heading Compensation Discussion & Analysis Long-term Incentives, depending on the actual level of performance relative to goals over a three-year performance period, an individual will be entitled to receive a payout ranging from 0% to 200% of the target amount. The amount of the payout, as so determined, will vest at the end of the third year following the grant of the award.
- (4) Reflects the number of shares under restricted stock award grants made under the 2014 PIP. These shares are credited with quarterly cash dividends, when and as declared by the Board of Directors on the Common Stock. All of the shares of restricted stock, and any cash dividends paid on the restricted stock, are subject to forfeiture if the award recipient terminates employment before the third anniversary of the grant date.
- (5) Reflects the grant date fair value of the equity award disclosed in the adjacent column computed in accordance with FASB ASC Topic 718, excluding the effect of estimated service-based forfeitures. The assumptions used in the calculation of these amounts are set forth in Note 9 to Interpublic's audited financial statements included in the 2017 Form 10-K.

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Executive Compensation

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table provides information on outstanding equity awards, consisting of stock option awards and stock awards, held by the named executive officers as of December 31, 2017.

Name	Option Awards ⁽¹⁾			Stock Awards			
	Number of Securities Underlying Unexercised Options Exercisable	Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Awards: Number of Unearned Shares, Units or Rights That Have Not Vested	Equity Incentive Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested
	(#)	(\$)	Date	(#)	(\$) ⁽⁶⁾	(#)	(\$) ⁽⁹⁾
Michael Roth	628,019	12.7700	2/28/2023	108,035 ⁽²⁾	2,177,986	432,142 ⁽⁷⁾	8,711,983
	546,448	11.7200	2/28/2022	121,781 ⁽³⁾	2,455,105	535,836 ⁽⁸⁾	10,802,454
	492,866	12.9350	2/28/2021	109,228 ⁽⁴⁾	2,202,036		
	431,594	8.4500	3/31/2020	260,619 ⁽⁵⁾	5,254,079		
	500,000	4.1400	3/31/2019				
	500,000	9.9125	5/30/2018				
Frank Mergenthaler	84,981	9.9125	5/30/2018	66,878 ⁽²⁾	1,348,260	102,890 ⁽⁷⁾	2,074,262
				28,995 ⁽³⁾	584,539	127,580 ⁽⁸⁾	2,572,013
				62,658 ⁽⁴⁾	1,263,185		
Philippe Krakowsky				66,483 ⁽⁵⁾	1,340,297		
				66,878 ⁽²⁾	1,348,260	102,890 ⁽⁷⁾	2,074,262
				28,995 ⁽³⁾	584,539	127,580 ⁽⁸⁾	2,572,013
				59,872 ⁽⁴⁾	1,207,020		

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		59,836 ⁽⁵⁾	1,206,294		
Andrew Bonzani		23,150 ⁽²⁾	466,704	51,444 ⁽⁷⁾	1,037,111
		14,497 ⁽³⁾	292,260	63,789 ⁽⁸⁾	1,285,986
		22,734 ⁽⁴⁾	458,317		
		26,593 ⁽⁵⁾	536,115		
Christopher Carroll		6,173 ⁽²⁾	124,448	24,692 ⁽⁷⁾	497,791
		5,509 ⁽³⁾	111,061	24,239 ⁽⁸⁾	488,658
		10,211 ⁽⁴⁾	205,854		
		13,295 ⁽⁵⁾	268,027		

- (1) All of the stock options have a ten-year term and an exercise price equal to 100% of the fair market value of the Common Stock on the grant date which, as established by the Compensation Committee, is the average of the high and low sales prices of the Common Stock as reported by the NYSE on the grant date.
- (2) Reflects the number of shares under restricted stock award grants (Restricted Stock Awards) made under the 2014 PIP that will vest on February 28, 2020. All Restricted Stock Awards are credited with quarterly dividends, when and as declared by the Board of Directors, on the Common Stock. All Restricted Stock Awards, and any dividends paid on the restricted stock, are subject to forfeiture if the award recipient terminates employment before the third anniversary of the grant date.
- (3) Reflects the number of shares under Restricted Stock Awards made under the 2014 PIP that will vest on February 28, 2019.
- (4) Reflects the number of shares under Restricted Stock Awards made under the 2014 PIP that will vest on February 28, 2018.
- (5) Represents the number of unvested shares of Common Stock that the named executive officer has earned under performance share awards granted in 2015, for which the performance ended on December 31, 2017. The award remained subject to forfeiture had the employment of the award recipient terminated prior to the February 28, 2018 vesting date, which did not occur.
- (6) The value shown is calculated by multiplying (i) the number of shares shown in the column headed Number of Shares or Units of Stock That Have Not Vested by (ii) the closing price of the Common Stock (\$20.16), as reported by the NYSE on December 30, 2017.

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- (7) Represents the maximum number of shares of Common Stock that the named executive officer would receive under a performance share award granted in 2017, for which the performance period will end on December 31, 2019. Any shares earned will remain subject to forfeiture if the employment of the award recipient terminates prior to February 28, 2020.
- (8) Represents the maximum number of shares of Common Stock that the named executive officer would receive under a performance share award granted in 2016, for which the performance period will end on December 31, 2018. Any shares earned will remain subject to forfeiture if the employment of the award recipient terminates prior to February 28, 2019.
- (9) The values shown in this column are calculated by multiplying (i) the number of shares shown in the column headed Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested by (ii) the closing price of the Common Stock (\$20.16), as reported by the NYSE on December 30, 2017.

OPTION EXERCISES AND STOCK VESTED

The following table provides information for 2017 on the number of shares of Common Stock acquired upon (i) the exercise of stock options and (ii) the vesting of performance share and restricted stock awards.

Name	Option Awards ⁽¹⁾		Stock Awards	
	Number of Shares	Value Realized	Number of Shares	Value Realized
	Acquired on Exercise	on Exercise	Acquired on Vesting	on Vesting
	(#)	(\$)	(#) ⁽²⁾	(\$) ⁽³⁾
Michael Roth	500,000	6,406,050	648,106	15,929,508
Frank Mergenthaler	102,188	1,283,890	184,119	4,525,378
Philippe Krakowsky	59,487	853,359	158,342	3,891,817
Andrew Bonzani			73,647	1,810,137
Christopher Carroll			36,823	905,056

- (1) Represents the number of stock options exercised in 2017. The value realized on exercise is the amount by which the market price of the Common Stock received upon exercise exceeds the exercise price.
- (2) Represents of the total number of performance based shares and shares of restricted stock which vested on February 28, 2017

- (3) The value realized on the vesting of performance share and restricted stock awards is equal to the sum of (i) the product of (A) the number of shares vested, multiplied by (B) the average of the high and low price of the Common Stock, as reported by the NYSE, on the February 28, 2017 vesting date (\$24.298), (ii) plus the total amount of the accrued dividends for the period beginning on the February 2014 grant date of the restricted stock award through the February 2017 vesting date, which in accordance with the terms of the awards are payable upon the vesting of the shares of restricted stock.

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PENSION ARRANGEMENTS

Executive Special Benefit Agreement

Mr. Krakowsky entered into an Executive Special Benefit Agreement (an "ESBA") in 2002, which provides that if he retires, resigns or otherwise terminates employment with Interpublic after his 60th birthday, or his employment terminates due to death, Interpublic will pay him \$245,000 per year for 15 years. At 55 years of age, Mr. Krakowsky is now entitled to receive, upon his retirement, resignation or termination from employment with Interpublic, between \$171,500 and \$245,000 per year for 15 years, depending upon his age at the time of his termination. If Mr. Krakowsky has a Qualifying Termination (as defined under the heading "Severance and Change of Control Benefits" on page 54), the amount of his annual ESBA benefit will be the amount that would have been payable if he had continued working for Interpublic through the end of his severance period.

If Mr. Krakowsky's employment terminates within two years after a Change of Control (as defined under the heading "Severance and Change of Control Benefits" below) of Interpublic, his ESBA benefits would be paid in a lump sum, rather than installments. The amount of the lump sum would be the then-present value of the benefit described above, except that if Mr. Krakowsky's termination is a Qualifying Termination and Mr. Krakowsky's age as of December 31st of the year in which the Change of Control occurs is 58 or older, the lump-sum would be based on the then-present value of \$245,000 per year for 15 years.

If Mr. Krakowsky dies before all required payments are made to him under these ESBA's, Interpublic would make the remaining payments to his beneficiaries.

The Interpublic Senior Executive Retirement Income Plan

Interpublic provides retirement benefits to certain U.S.-based senior executives of Interpublic and its subsidiaries under the Senior Executive Retirement Income Plan ("SERIP"). Of the named executive officers, only Mr. Roth participates in SERIP. Mr. Roth is entitled to receive an annual benefit of \$110,000 for 15 years that is fully vested.

The SERIP provides monthly payments for 10 or 15 years beginning two years after a participant's termination of employment. The amount of each participant's benefit is determined at the discretion of Interpublic, with approval from the Compensation Committee, and is set forth in a Participation Agreement entered into with the executive when the executive's participation in the SERIP is approved. The Participation Agreement may be amended from time to time, including to increase (but not to decrease) the amount of the SERIP benefit. In general, the SERIP provides that 30% of a participant's benefit becomes vested after three years of participation in the SERIP, and the vested percentage increases by 10% at the end of each of the next seven years. However, the Compensation Committee or its designee may approve an alternative vesting schedule on a case-by-case basis. If an executive breaches a non-competition or non-solicitation agreement, the executive's entire benefit will be forfeited (even if the benefit had already vested). If a participant has a Qualifying Termination, the SERIP generally provides for continued vesting through the end of the participant's severance period.

If a participant's employment terminates within two years after a Change of Control, the participant's vested SERIP benefit will be accelerated and paid in a lump sum, rather than installments. The amount of the lump sum would be based on the then-present value of the future payments, to the extent vested. In general, the vested percentage would be determined as described above, provided that if the termination is a Qualifying Termination and, as of December 31st of the year in which the Change of Control occurs, (i) the participant's age is 55 or older and (ii) the participant is within two years of full vesting, the participant's entire benefit under SERIP will be fully vested.

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Pension Benefits

The following table provides information on pension benefits held by the named executive officers as of December 31, 2017.

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of	Payments During
			Accumulated Benefit (\$) ⁽¹⁾⁽²⁾	Last Fiscal Year (\$)
Michael Roth	SERIP	N/A	1,273,977	0
Frank Mergenthaler				
Philippe Krakowsky	ESBA	N/A	2,394,975	0
Andrew Bonzani				
Christopher Carroll				

(1) The calculation of the present value of accumulated benefit assumes a discount rate of 3.70 percent. No preretirement decrements were used in the calculation of present values. Contingent benefits arising from death, early retirement or other termination of employment were not valued.

(2) For Mr. Krakowsky, the amount shown is the present value of the maximum benefit that he would be entitled to receive under his ESBA if his employment by Interpublic continues until he reaches age 60. The terms and conditions of the ESBA are described in greater detail on page 48 under the heading Executive Special Benefit Agreement.

NONQUALIFIED DEFERRED COMPENSATION ARRANGEMENTS**The Interpublic Capital Accumulation Plan**

Interpublic maintains a Capital Accumulation Plan (the CAP) under which senior management employees of Interpublic and its subsidiaries selected by the Management Human Resources Committee (the MHRC) are entitled to receive deferred compensation benefits. Under CAP, a participating employee receives annual credits of a specified dollar amount (a dollar credit) and interest each December 31st. The amount of each year's interest credit is equal to the 10-year U.S. Treasury yield curve annual rate (also known as the constant maturity rate) as of the last business day of the immediately preceding calendar year. Each participant's account balance becomes fully vested as to both prior and future dollar and interest credits when the participant has completed three years of participation in the CAP, except that all interest credits since the inception of the participant's participation in the plan are subject to forfeiture if

the participant breaches a non-competition or non-solicitation agreement. If a participant has a Qualifying Termination, the CAP provides for continued vesting through the end of the participant's severance period and a special dollar credit equal to the dollar credits that would have been added to the participant's account (based on the credit amount in effect at time of the Qualifying Termination) if he had continued working for Interpublic until the due date for his last severance payment. Any portion of a participant's benefit that is not vested upon termination of employment (taking into account accelerated vesting upon a Qualifying Termination) will be forfeited.

If a participant has a Qualifying Termination within two years after a Change of Control, (i) the participant will become fully vested and (ii) the participant's account will be credited with an amount equal to the dollar credits that would have been added to his account (based on the credit amount in effect at time of the Qualifying Termination) if he had continued working for Interpublic until the end of his severance period.

Each named executive officer is a participant in the CAP and for 2017 received the following annual dollar credit:

Name	Annual Dollar Credit (\$)
Mr. Roth	350,000
Mr. Mergenthaler	200,000
Mr. Krakowsky	50,000
Mr. Bonzani	50,000
Mr. Carroll	50,000

For 2017, each participant received an interest credit equal to 2.445% of his account balance as of December 31, 2017 (determined before the 2017 dollar credit was added). The CAP account balances are fully vested for each of the named executive officers other than for Andrew Bonzani, which will vest on December 31, 2019.

In general, each named executive officer's vested account balance is payable in a lump sum two years after the termination of his employment with Interpublic and its subsidiaries. However, if the participant's employment terminates within two years after a Change of Control, payment will be accelerated.

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Nonqualified Deferred Compensation

The following table provides information on non-qualified deferred compensation arrangements for the named executive officers as of December 31, 2017, which consist exclusively of benefits under the CAP.

Name	Executive	Registrant	Aggregate	Aggregate	
	contributions	contributions	earnings	withdrawals/	Aggregate balance
	in last FY	in last FY	in last FY	distributions	at last FYE
	(\$)	(\$) ⁽¹⁾	(\$) ⁽²⁾	(\$)	(\$) ⁽³⁾
Michael Roth	0	350,000	106,072	0	4,794,430
Frank Mergenthaler	0	200,000	58,328	0	2,643,960
Philippe Krakowsky	0	50,000	15,324	0	692,093
Andrew Bonzani	0	50,000	1,222	0	101,222
Christopher Carroll	0	50,000	15,324	0	692,093

(1) The amounts shown as Registrant contributions in last FY are dollar credits that were added to the named executive officer's CAP account as of December 31, 2017 and are included in the All Other Compensation column for 2017 of the Summary Compensation Table on page 42.

(2) No earnings on deferred amounts are included in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column of the Summary Compensation Table for 2017, 2016 or 2015 because the interest credits under the CAP did not constitute above-market or preferential earnings as defined by SEC rules.

(3) The aggregate balances shown in this column include the following dollar credits that were included in the All Other Compensation column of the Summary Compensation Table for each of 2016 and 2015 on page 42, other than for Mr. Bonzani in 2015, who was not a participant in the CAP in such year.

Name	2016	2015
	(\$)	(\$)
Mr. Roth	350,000	350,000
Mr. Mergenthaler	200,000	200,000
Mr. Krakowsky	50,000	50,000
Mr. Bonzani	50,000	
Mr. Carroll	50,000	50,000

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Executive Compensation

EMPLOYMENT AGREEMENTS, TERMINATION OF EMPLOYMENT AND CHANGE OF CONTROL ARRANGEMENTS**Employment Agreements**

Each of the named executive officers has an employment agreement with Interpublic. Each employment agreement includes provisions describing the named executive officer's position and responsibilities, his salary and eligibility for incentive compensation and other benefits and perquisites. Each agreement also includes covenants pursuant to which the named executive officer agrees not to divulge confidential information of Interpublic and its subsidiaries and agrees for a period of time after termination of employment to refrain from soliciting employees of Interpublic and its subsidiaries and from soliciting or handling the business of clients of Interpublic.

Annual Bonus - Each employment agreement provides for each named executive officer to receive an annual target bonus, with the actual award ranging between 0% and 200% of the target depending on Interpublic financial performance, his individual performance, and management discretion.

Long-Term Incentive Awards - Each employment agreement also provides for participation in Interpublic's performance-based long-term incentive programs. Each year's awards may consist of stock options, restricted stock, performance-based share and cash awards or another form of incentive award at the sole discretion of the Compensation Committee.

Employment Agreement Base Salary and Incentive Compensation Information

The following table provides the annual salary, annual incentive target percentage and long-term incentive target award value for each named executive officer for 2017.

Name	Salary \$	Annual Incentive Target %	Long-Term Incentive Target \$
Michael Roth	\$ 1,500,000	250	10,500,000
Frank Mergenthaler	1,000,000	125	2,500,000
Philippe Krakowsky	1,000,000	125	2,500,000
Andrew Bonzani	800,000	90	1,250,000
Christopher Carroll	625,000	75	600,000

Michael I. Roth Employment Agreement

Mr. Roth's employment agreement also provides that he be entitled to (i) participate in the CAP and (ii) participate in such other employee benefits and programs as are available from time to time to other key management executives generally.

If Mr. Roth's employment is terminated involuntarily without Cause (as defined under the heading "Severance and Change of Control Benefits" below), his employment agreement provides for salary continuation for 12 months from the date notice of his termination is provided, at the rate in effect before his termination. If Mr. Roth obtains alternative employment before the end of the severance period, the amount of his severance pay will be reduced (but not below zero) by the amount of the non-contingent compensation payable to Mr. Roth in connection with his new employment for service before the end of the severance period.

After an involuntary termination without Cause, Mr. Roth will also be eligible to receive (i) cash payments to subsidize the cost of medical, dental, and vision benefits at active employee rates until the end of the severance period and a subsequent COBRA period, and (ii) a cash payment equal to

the amount of matching contributions that Interpublic would have contributed on his behalf to the Interpublic Savings Plan if he had continued participating in that plan until the end of the severance period. The subsidy for medical, dental and vision benefits would end if Mr. Roth accepts employment with another employer offering similar benefits. Mr. Roth may terminate his employment at any time by giving notice to Interpublic at least three months in advance.

Frank Mergenthaler Employment Agreement

Mr. Mergenthaler's employment agreement also provides that he be entitled to (i) participate in the CAP, with a current annual dollar credit of \$200,000, and (ii) participate in such other employee benefits and programs as are available from time to time to other key management executives generally.

In the event of a Qualifying Termination of Mr. Mergenthaler's employment, his employment agreement provides for a lump-sum payment equal to the sum of (i) one year's base salary at the rate in effect before his termination, (ii) his target bonus for the year of termination, plus (iii) a pro-rated portion of his target bonus for the year in which the termination occurs and (iv) any other awards and benefits to which he is

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Executive Compensation

entitled in accordance with their terms. In addition, if Mr. Mergenthaler or any of his dependents elects continuation health coverage under COBRA, his employment agreement provides for a lump sum payment equal to the sum of the premiums for the first year of such COBRA coverage. Mr. Mergenthaler may terminate his employment at any time by giving notice to Interpublic at least six months in advance.

Philippe Krakowsky Employment Agreement

Mr. Krakowsky's employment agreement also provides that he be entitled to (i) participate in Interpublic's Capital Accumulation Plan, with an annual dollar credit of \$50,000 and (ii) participate in such other employee benefits and programs as are available from time to time to other key management executives generally.

If Mr. Krakowsky's employment is terminated involuntarily without Cause, his employment agreement provides for salary continuation for 12 months from the date notice of his termination is provided, at the rate in effect before his termination; provided that if Mr. Krakowsky obtains alternative employment before the end of the severance period, the amount of his severance pay will be reduced (but not below zero) by the amount of the non-contingent compensation payable to Mr. Krakowsky in connection with his new employment for service before the end of the severance period.

Mr. Krakowsky is also eligible to receive a bonus for the year in which his employment is terminated. After an involuntary termination, Mr. Krakowsky would also be eligible to receive: (i) continued vesting of all restricted stock and options until the end of the severance period, (ii) cash payments to subsidize the cost of medical, dental, and vision benefits at active employee rates until the end of the severance period and a subsequent COBRA period, (iii) a cash payment equal to the amount of matching contributions that Interpublic would have contributed on his behalf to the Interpublic Savings Plan if he had continued participating in that plan until the end of the severance period and (iv) a cash payment in lieu of continued life insurance for 12 months from the

notice date. The subsidy for medical, dental and vision benefits would end if Mr. Krakowsky accepts employment with another employer offering similar benefits. Mr. Krakowsky may terminate his employment at any time by giving notice to Interpublic at least six months in advance.

Andrew Bonzani Employment Agreement

Mr. Bonzani's agreement also provides that he be entitled to participate in such other employee benefits and programs as are available from time to time to other key management executives generally.

In the event of a Qualifying Termination, his employment agreement provides for severance pay under the Executive Severance Plan (described below), with a salary continuation period of 18 months.

Christopher Carroll Employment Agreement

Mr. Carroll's employment agreement also provides that he be entitled to participate in (i) Interpublic's Capital Accumulation Plan, with an annual dollar credit of \$50,000, and (ii) such other employee benefits and programs as are available from time to time to other key management executives generally.

If Mr. Carroll's employment is terminated involuntarily without Cause, his employment agreement provides for (i) salary continuation, at the rate in effect before his termination, for 12 months from when notice of his termination is provided and (ii) lump sum payment of his target bonus for the year of termination. After his termination date, Mr. Carroll will be eligible to receive (i) cash payments to subsidize the cost of medical, dental, and vision benefits at active employee rates until the end of the severance period and a subsequent COBRA period, and (ii) a cash payment equal to the amount of matching contributions that Interpublic would have contributed on his behalf to the Interpublic Savings Plan if he had continued participating in that plan until the end of the severance period. Mr. Carroll may terminate his employment at any time by giving notice to Interpublic at least six-months in advance.

Executive Severance Plan

Under the Interpublic Executive Severance Plan (ESP), certain senior management employees, including the named executive officers, are entitled to receive severance and other welfare benefits, in the event of a Qualifying Termination. In general, the ESP provides for salary continuation, at the executive's base salary rate in effect for the year of termination, for a specified number of months, which varies generally according to the seniority of the executive. If the executive's Qualifying Termination occurs within two years after a Change of Control, severance is payable in a lump sum, rather than over the severance period.

Under the ESP the named executive officers are entitled to the following salary continuation periods:

Name	Salary Continuation Period
Mr. Roth	24 months
Mr. Mergenthaler	18 months
Mr. Krakowsky	18 months
Mr. Bonzani	18 months
Mr. Carroll	12 months

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Executive Compensation

The ESP also provides for cash payments in lieu of continued medical, dental and vision benefits at active employee rates for the salary continuation period, followed by a COBRA period.

Benefits under the ESP are not in addition to severance benefits under individual employment agreements. Rather, severance benefits that are paid under individual

employment agreements are credited against amounts payable under the ESP.

The ESP requires the executive to agree to certain post-termination covenants which, if violated, would result in the forfeiture of the executive's future severance payments and benefits. Benefits under the ESP are also conditioned on the executive executing a mutual release.

Change of Control Agreements

Each named executive officer has entered into a change of control agreement with Interpublic that provides for severance and other benefits in the event of a Qualifying Termination within two years after a Change of Control. These benefits are instead of, and not in addition to, the benefits the executive otherwise would be entitled to receive under the executive's employment agreement and the ESP.

Each of these change of control agreements provides for a lump-sum severance payment equal to a specified multiple of the executive's base salary plus his target bonus. For purposes of this calculation, salary and target bonus are each determined based on the rate in effect for the executive for the year of the Change of Control or for the year of the Qualifying Termination, whichever is greater.

The multiple applied and the corresponding months of service under the change of control agreements are:

Name	Multiple	Months of Severance
Mr. Roth	3	36 months
Mr. Mergenthaler	2	24 months
Mr. Krakowsky	2	24 months
Mr. Bonzani	2	24 months
Mr. Carroll	2	24 months

In addition, under the agreement the named executive officer's benefit under the CAP will be subject to the following adjustments: (i) annual dollar credits will be added for his severance period as if his severance were paid in semi-monthly installments over his severance period (rather than in a lump sum); (ii) he will receive a prorated annual

dollar credit for the year in which the severance period expires, and (iii) in addition to the interest credits added under the terms of the CAP each December 31st, the executive will receive a pro-rated interest credit for the year in which the severance period expires, at the rate applied under CAP for the year in which the executive's CAP balance is paid.

The agreement also provides that, if the named executive officer is a participant in the SERIP, the vested percentage of his SERIP benefit will be determined as if his severance were paid in monthly installments over his severance period (rather than in a lump sum).

Each agreement also provides for cash payments to subsidize the cost of medical, dental and vision benefits during the months for which severance is provided, in lieu of the benefit subsidies otherwise payable under the executive's employment agreement and the ESP.

Each agreement requires the executive to agree to certain post-termination covenants, which restrict solicitation of employees and clients, and if violated, would result in the forfeiture of the executive's severance payments and benefit.

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SEVERANCE AND CHANGE OF CONTROL BENEFITS

The preceding narrative describes the severance and other benefits to which the named executive officers may be entitled under the various agreements, plans and arrangements in connection with or following a termination of the executive's employment. Below is a table that quantifies the benefits that each named executive officer would have received had his employment terminated as of December 31, 2017 under the following circumstances:

Triggering Event ⁽¹⁾	Description
Termination for Cause or Voluntary Termination Without Good Reason	<p>In general (subject to certain variations in each executive's employment agreement), Interpublic would have Cause to terminate an executive's employment if the executive (a) materially breaches a provision in his employment agreement and fails to cure such breach within a 15-day period; (b) misappropriates funds or property of Interpublic; (c) attempts to secure any personal profit related to the business of Interpublic without proper prior written approval; (d) engages in fraud, material dishonesty, gross negligence, gross malfeasance or insubordination, or willful (i) failure to follow Interpublic's Code of Conduct or (ii) misconduct in the performance of his duties, excluding, in either case, acts taken in good faith that do not cause material harm to Interpublic; (e) refuses or fails to attempt in good faith to perform his duties as an employee or to follow a reasonable good-faith direction of the Board of Directors or the person to whom the executive reports directly if such refusal or failure is not cured within a 15-day period; (f) has committed or is formally charged or indicted for a felony or a crime involving dishonesty, fraud or moral turpitude or (g) engages in conduct that is clearly prohibited by the policy of Interpublic prohibiting discrimination or harassment based on age, gender, race, religion, disability, national origin or any other protected category.</p>
Qualifying Termination	<p>In general, an executive would have Good Reason to terminate his employment if Interpublic, without the executive's consent, (a) materially reduces the executive's base salary; (b) materially diminishes the authority, duties or responsibilities of the executive or the supervisor to whom the executive is required to report; (c) materially diminishes the budget over which the executive has authority; (d) requires the executive to relocate to an office more than 50 miles outside the city in which he is principally based or (e) materially breaches an employment agreement with the executive. Before resigning for Good Reason, the executive generally must give Interpublic notice and an opportunity to cure the adverse action.</p>
Change of Control	<p>An involuntary termination of the executive's employment without Cause or a resignation by the executive for Good Reason.</p> <p>In general, a Change of Control will be deemed to have occurred if: (i) any person, other than Interpublic or any of its subsidiaries, becomes the beneficial owner of more than 50% of the combined voting power of Interpublic's then outstanding voting securities; (ii) any person, other than Interpublic or any of its subsidiaries, acquires (during a 12-month</p>

**Qualifying
Termination following
a Change of Control
Death or Disability**

period) ownership of 30% or more of the combined voting power of Interpublic's then-outstanding voting securities; (iii) any person acquires 40% or more of Interpublic's assets (determined based on gross fair market value) or (iv) during any 12-month period, a majority of the members of the Board is replaced by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of their appointment or election.

Amounts shown in the table under the heading Change of Control are paid upon a Change of Control, without regard to whether the executive's employment is terminated. A Qualifying Termination of an executive employment within two years after a Change of Control.

Disability is determined in accordance with our policies and procedures based on the facts and circumstances presented.

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Executive Compensation

KEYS TO TERMINATION OF EMPLOYMENT AND CHANGE OF CONTROL PAYMENTS

Payment	Description
Severance	<p>The severance amount shown as payable to each of the named executive officers in the event of a Qualifying Termination, other than following a Change of Control, is provided for under the terms of the executive's employment agreement as supplemented by the terms of ESP, except that for Messrs. Roth, Krakowsky and Carroll, severance benefits following a resignation for Good Reason are payable exclusively under the ESP.</p> <p>In the event of a Qualifying Termination following a Change of Control, the severance amount shown for each of the named executive officers is provided for under the terms of the executive's Change of Control Agreement.</p>
Bonus	<p>Mr. Mergenthaler's employment agreement provides for a bonus payment in the event of a Qualifying Termination, other than following a Change of Control.</p> <p>Mr. Carroll's employment agreement provides for a bonus payment only in the event of an involuntary termination without Cause (and not in the event of resignation for Good Reason), other than following a Change of Control.</p> <p>Mr. Krakowsky's employment agreement provides that he is eligible for consideration for a bonus if Interpublic terminates his employment without Cause, other than following a Change of Control, but does not provide for a bonus payment if he resigns for Good Reason.</p> <p>In the event of a Change of Control, each named executive officer is entitled to a bonus payment under the 2014 PIP at the executive's target level (without regard to whether his employment terminates).</p> <p>In the event of a termination of employment due to death or disability, the bonus amount shown for each of the named executive officers is payable under the 2014 PIP, which provides that award is pro-rated based on the time elapsed and the performance-level achieved. In the case of death, achievement of the performance objectives is determined based on actual performance through the date of death and estimated performance for the</p>

Long-Term

Incentives

rest of the performance period. In the case of disability, achievement is measured based on actual performance through the end of the performance period.

Under the Interpublic's Performance Incentive Plans:

In the event of termination due to death or disability:

- Restricted stock vests on a pro-rata basis; and

- Performance shares and performance cash vest on a pro-rata basis based on the time elapsed and the performance level achieved, unless employment terminates within 12 months of the grant date (in which case the entire award is forfeited). In the case of death, achievement of the performance objectives is determined based on actual performance through the date of death and estimated performance for the rest of the performance period. In the case of disability, achievement is measured based on actual performance through the end of the performance period.

Interpublic's Performance Incentive Plans provide in the event of a Qualifying Termination following a Change of Control:

An executive will be entitled to payments for the following awards, each valued as of the date of the Change of Control:

- Restricted stock; and

- Performance shares and performance cash at the target performance level

Mr. Krakowsky's employment agreement provides that if his employment is terminated involuntarily without cause (but not in the event of resignation for Good Reason), his restricted stock will continue to vest during his severance period.

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Executive Compensation

Payment	Description
Pension/Deferred Compensation	<p>Notwithstanding the foregoing, the Compensation & Leadership Talent Committee has discretion to accelerate vesting of any award granted under the 2009 PIP, if the named executive officer's employment terminates at least 12 months after the date of grant. The amounts shown as payable under the CAP in the event of (i) a termination of employment for Cause or a voluntary termination without Good Reason or (ii) death or disability reflect the account balance as of December 31, 2017. The amounts shown as payable under the SERIP in these events reflect the sum of the 15 annual payments that would be due starting at age 60 (or 2 years after termination, if later) as of December 31, 2017.</p> <p>The amounts shown as payable under the CAP and SERIP in the event of a Qualifying Termination or a Qualifying Termination following a Change of Control reflect the total amounts payable after applying the additional credits and vesting through the applicable severance period. In the event of a termination within 2 years after a Change of Control, (i) the amount shown for the SERIP will be paid in a lump sum at the then vested value of the future payments and (ii) the amount shown for the CAP will be paid in a lump sum.</p>
Welfare Benefits	<p>The amounts shown as payable under Mr. Krakowsky's ESBA, other than in the event of death, reflect amounts accrued as of December 31, 2017, which would be paid in annual installments of \$50,000 per year. In the event of termination due to death, Mr. Krakowsky would receive 15 annual payments of \$245,000 each.</p> <p>The medical, dental and vision benefits shown as payable upon a Qualifying Termination, other than following a Change of Control, are generally provided under the executive's employment agreement and the ESP.</p> <p>The medical, dental and vision benefits shown as payable in the event of a Qualifying Termination following a Change of Control are provided under the executive's Change of Control Agreement.</p> <p>Messrs. Roth's, Mergenthaler's, and Krakowsky's 401(k) benefit, and Mr. Krakowsky's life insurance premium benefit, are provided under their respective employment agreements.</p>

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Executive Compensation

ESTIMATED TERMINATION OF EMPLOYMENT AND CHANGE OF CONTROL PAYMENTS

The following table shows amounts each named executive officer would be entitled to receive had the employment of such executive officer terminated on December 31, 2017, by reason of the listed triggering events.

Name		Termination for Cause or Voluntary Termination Without Qualifying				Qualifying Termination following a
		Good Reason	Termination	Death	Disability	Change of Control
		(\$)	(\$)	(\$)	(\$)	(\$) ⁽³⁾
Michael Roth	Severance	0	3,000,000	0	0	15,750,000
	Annual Bonus	0	0	3,200,000	3,200,000	3,750,000
Long Term Incentive:	Performance Shares	0	0	7,854,563	7,854,563	13,670,294
	Performance Cash	0	0	5,719,118	5,719,118	7,700,000
	Restricted Stock	0	0	3,578,792	3,578,792	6,835,127
Benefits:	Med/Dental/Vision	0	39,346		0	59,019
	401(k) Match	0	12,150	0	0	12,150
Pension⁽¹⁾ /						
Def Comp⁽²⁾						
Frank Mergenthaler	Severance	0	1,500,000	0	0	4,500,000
	Annual Bonus	0	2,500,000	1,175,000	1,175,000	1,250,000
Long Term Incentive:	Performance Shares	0	0	1,954,503	1,954,503	3,329,706
	Performance Cash	0	0	1,431,541	1,431,541	1,875,000
	Restricted Stock	0	0	1,532,766	1,523,766	3,195,984
Benefits:	Med/Dental/Vision	0	30,773	0	0	41,031
	401(k) Match	0	12,150	0	0	12,150
Def Comp⁽²⁾						
Philippe Krakowsky	Severance	0	1,500,000	0	0	4,500,000
	Annual Bonus	0	1,250,000	1,500,000	1,500,000	1,250,000
Long Term Incentive:	Performance Shares	0	0	1,827,942	1,827,942	3,217,374
	Performance Cash	0	0	1,326,772	1,326,772	1,812,500
	Restricted Stock	0	1,207,020	1,479,745	1,479,745	3,139,819
Benefits:	Med/Dental/Vision	0	30,255	0	0	40,340
	401(k) Match	0	12,150	0	0	12,150
	Life Insurance	0	1,345	0	0	1,345
Pension⁽¹⁾ /						

Def Comp ⁽²⁾						
Andrew Bonzani	Severance	0	1,200,000	0	0	3,040,000
	Annual Bonus	0	0	600,000	600,000	720,000
Long Term Incentive:	Performance Shares	0	0	850,662	850,662	1,522,481
	Performance Cash	0	0	611,001	611,001	875,000
	Restricted Stock	0	0	605,782	605,782	1,217,462
Benefits:	Med/Dental/Vision	0	26,181	0	0	34,908
	401(k) Match	0	8,100	0	0	8,100
Def Comp ⁽²⁾						
Christopher Carroll	Severance	0	615,679	0	0	2,154,867
	Annual Bonus	0	461,759	400,000	400,000	461,759
Long Term Incentive:	Performance Shares	0	0	383,996	383,996	695,701
	Performance Cash	0	0	282,470	282,470	393,750
	Restricted Stock	0	0	259,940	259,940	441,362
Benefits:	Med/Dental/Vision	0	20,516	0	0	41,031
	401(k) Match	0	12,150	0	0	12,150
Def Comp ⁽²⁾						

(1) The payment Mr. Roth is entitled to receive under the SERIP is described in detail on page 48, under the heading Pension Benefits – The Interpublic Senior Executive Retirement Income Plan .

The payment Mr. Krakowsky is entitled to receive under his ESBA is described in detail on page 48, under the heading Pension Benefits – Executive Special Benefit Agreement .

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Executive Compensation

- (2) The payments each named executive officer is entitled to receive under the CAP is set forth on page 50 in the Non-Qualified Deferred Compensation table under the column heading Aggregate Balance FYE.

Each of the named executive officers is entitled to the following additional amounts under the CAP in the event such named executive officer is terminated pursuant to either (i) a Qualifying Termination or (ii) a Qualifying Termination following a Change of Control.

Name	Qualifying Termination	Qualifying Termination
	(\$)	following a Change of control (\$)
Mr. Roth	945,871	1,436,222
Mr. Mergenthaler	300,203	535,760
Mr. Krakowsky	76,201	135,480
Mr. Bonzani	54,354	106,223
Mr. Carroll	66,922	135,480

- (3) Some benefit payments shown in the table below may be reduced if necessary to avoid adverse tax consequences to the executive under Section 280G of the Internal Revenue Code.

CEO PAY RATIO

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are required to disclose the relationship of the 2017 annual total compensation of our Chairman & CEO and the median of the annual total compensation of our employees (other than the Chairman & CEO).

For 2017, our last completed fiscal year:

The annual total compensation of our Chairman & CEO was \$16,883,818 and

The median of the annual total compensation of all employees of our company (other than our Chairman & CEO), was \$63,936.

Based on this information, for 2017, we estimate the ratio of the annual total compensation of our Chairman & CEO to the median of the annual total compensation of all employees to be 264:1.

To identify the median of the annual total compensation of all our employees and to determine the annual total compensation of the median employee and our CEO, we used the following methodology, material assumptions, adjustment, and estimates:

We determined that, as of October 1, 2017, our employee population of full-time, part-time and temporary employees consisted of over 49,000 individuals working at our parent company and worldwide consolidated subsidiaries.

To identify the median employee from our employee population, we first determined the amount of each employee's earnings for the period January 1, 2017 through October 1, 2017. For this purpose, earnings refers to the employee's base salary and bonus, if any, paid during the foregoing period. Base salary earnings for any full-time and part-time employees who were hired after January 1, 2017 were annualized to October 1, 2017 (to reflect 9 months of earnings). Earnings of employees outside of the U.S. were converted to U.S. dollars using the Company's October 2017 monthly currency exchange rates.

We then identified our median employee from our employee population by arraying and sorting the employees by the foregoing earnings measure and choosing the employee ranked in middle of the population.

The annual total compensation for our Chairman & CEO represents the amount reported for our Chairman & CEO in the Total column of our 2017 Summary Compensation Table included on page 42 of this Proxy Statement.

The annual total compensation of our median employee was calculated based on the same methodology to determine our named executive officers' compensation disclosed in our 2017 Summary Compensation Table.

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The outstanding capital stock of Interpublic at the close of business on March 29, 2018, the record date for the Annual Meeting, consisted of 386,165,566 shares of Common Stock. Only the holders of Common Stock on the record date are entitled to vote at the Annual Meeting. Each share of Common Stock is entitled to one vote on each matter that is submitted to a vote of stockholders at the meeting.

Share Ownership of Certain Beneficial Owners

The following table sets forth information concerning direct and indirect beneficial ownership of Common Stock as of December 31, 2017 by persons known to Interpublic to have beneficial ownership of more than 5% of the Common Stock:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership of Common Stock ⁽¹⁾	Percent of Class
The Vanguard Group, Inc. ⁽²⁾ 100 Vanguard Blvd. Malvern, PA 19355	40,104,839	10.32%
BlackRock, Inc. ⁽³⁾ 55 East 52 nd Street New York, NY 10055	39,906,603	10.30%
FMR LLC, ⁽⁴⁾ 245 Summer Street Boston, MA 02210	30,172,143	7.76%
Massachusetts Financial Services Corp. ⁽⁵⁾ 111 Huntington Avenue, Boston, MA 02199	29,007,821	7.50%

(1) The rules of the SEC deem a person to be the beneficial owner of a security (for purposes of proxy statement disclosure) if that person has or shares either or both voting or dispositive power with respect to such security. Additionally, a security is deemed to be beneficially owned by a person who has the right to acquire beneficial

ownership of the security within 60 days.

- (2) This disclosure is based on a Schedule 13G/A filed by The Vanguard Group, Inc. (Vanguard) with the SEC on February 07, 2018, in which Vanguard reported that it is an investment manager that has sole voting power with respect to 558,452 shares of Common Stock, shared voting power with respect to 99,655 shares of Common Stock, sole dispositive power with respect to 39,454,135 shares of Common Stock and shared dispositive power with respect to 650,704 shares of Common Stock.
- (3) This disclosure is based on a Schedule 13G/A filed by BlackRock, Inc. with the SEC on January 8, 2018, in which it reported that it is a holding company of a group of investment management companies that in the aggregate have sole voting power with respect to 35,275,926 shares of Common Stock and sole dispositive power with respect to 39,906,603 shares of Common Stock.
- (4) This disclosure is based on a Schedule 13G filed by FMR, LLC with the SEC on February 13, 2018, in which it reported that it is a holding company of a group of investment management companies that in the aggregate have sole voting power with respect to 3,765,588 shares of Common Stock and sole dispositive power with respect to 30,172,143 shares of Common Stock.
- (5) This disclosure is based on a Schedule 13G filed by Massachusetts Financial Services Corp. with the SEC on February 09, 2018, in which it reported that it is an investment advisor that has sole voting power with respect to 27,244,676 shares of Common Stock and sole dispositive power with respect to 29,007,821 shares of Common Stock.

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Outstanding Shares and Ownership of Common Stock

Share Ownership of Management

The following table sets forth information concerning the direct and indirect beneficial ownership of the Common Stock as of March 29, 2018 by each director, each executive officer named in the Summary Compensation Table, and all directors and executive officers of Interpublic as a group:

Name of Beneficial Owner	Options		Total ⁽¹⁾⁽²⁾
	Common Stock Ownership	Exercisable Within 60 Days	
Andrew Bonzani	72,721	0	72,721
Christopher Carroll	34,524	0	34,524
Jocelyn Carter-Miller	32,578	0	32,578
H. John Greeniaus	107,769	0	107,769
Mary J. Steele Guilfoile	96,154	0	96,154
Dawn Hudson	40,143	0	40,143
William T. Kerr	137,403	0	137,403
Philippe Krakowsky	252,951	0	252,951
Frank Mergenthaler	329,460	0	329,460
Henry S. Miller	29,302	0	29,302
Jonathan F. Miller	24,302	0	24,302
Patrick Q. Moore	0	0	0
Michael I. Roth	1,198,621	2,598,927	3,797,548
David M. Thomas	109,523	0	109,523
E. Lee Wyatt	0	0	0
Other executive officers	48,855	0	48,855
All directors and executive officers as a group (17 persons)	2,514,306	2,598,927	5,113,233

(1) The rules of the SEC deem a person to be the beneficial owner of a security (for purposes of proxy statement disclosure) if that person has or shares either or both voting or dispositive power with respect to such security. Additionally, a security is deemed to be beneficially owned by a person who has the right to acquire beneficial ownership thereof within 60 days, for example through the exercise of a stock option that is exercisable or that will become exercisable within 60 days. Common Stock ownership set forth in this table includes unvested shares of restricted stock awarded under the 2014 PIP, 2009 PIP and the 2009 Directors Plan due to the right of the persons identified to exercise voting power with respect to the shares. Except as otherwise indicated, each person has sole voting and sole dispositive power over the shares indicated as beneficially owned.

(2) No individual identified in the table had beneficial ownership of more than 1% of the outstanding shares of Common Stock as of March 29, 2018. Interpublic's directors and executive officers as a group had beneficial ownership of 1.32% of the outstanding shares of Common Stock.

No executive officer or director of Interpublic has pledged any shares of Common Stock as security.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires Interpublic's directors and executive officers and persons who beneficially own more than 10 percent of any class of its equity securities to file with the SEC an initial report of beneficial ownership and subsequent reports of changes in beneficial ownership of Interpublic's equity securities.

Based solely on our review of the copies of such reports furnished to us by the Company's directors and executive officers for the year ended December 31, 2017, and on the written representations made by such persons that no other reports were required, we believe that each of Interpublic's

directors and executive officers timely filed all required reports, except as follows:

The 2017 Restricted Share Grant made to the directors who were members of the Board at the time was filed with the SEC on May 31, 2017.

A sale of 5,854 shares of common stock by Julie Connors on June 22, 2017, was filed with the SEC one business day after the date the filing was due.

Interpublic is not aware of any person or entity that is the beneficial owner of more than 10 percent of any class of its equity securities.

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Kenneth Steiner, 14 Stoner Ave., 2M, Great Neck, NY 11021, has submitted the following proposal for consideration at the Annual Meeting:

Proposal 4 Independent Board Chairman

Shareholders request our Board of Directors to adopt as policy, and amend our governing documents as necessary, to require henceforth that the Chair of the Board of Directors, whenever possible, to be an independent member of the Board. The Board would have the discretion to phase in this policy for the next CEO transition, implemented so it does not violate any existing agreement.

If the Board determines that a Chairman who was independent when selected is no longer independent, the Board shall select a new Chair who satisfies the requirements of the policy within a reasonable amount of time. Compliance with this policy is waived if no independent director is available and willing to serve as Chairman. This proposal requests that all the necessary steps be taken to accomplish the above.

Supporting Statement

Caterpillar is an example of a Company recently changing course and naming an independent board chairman. Caterpillar had strongly opposed a shareholder proposal for an independent board chairman as recently as its 2016 annual meeting. Wells Fargo also changed course and named an independent board chairman in 2016.

It was reported that 53% of the Standard & Poor's 1,500 firms separate these 2 positions (2015 report): Chairman and CEO. This proposal topic won 50%-plus support at 5 major U.S. companies in 2013 including 73%-support at Netflix.

Having a Board chairman who is independent of management is a practice that will promote greater management accountability to shareholders and lead to a more objective evaluation of management.

An independent Board Chairman is more important at Interpublic since our stock has fallen in a year in which the market was up. Meanwhile our Chairman was busy with a total of 3 directorships and received the highest negative votes of any Interpublic director. Plus our Lead Director had a long-tenure of 13 years. Long-tenure can impair the independence of a director no matter how well qualified. Independence is a priceless attribute in a Lead Director.

Please vote to enhance the oversight of our CEO:

Independent Board Chairman Proposal 4

MANAGEMENT STATEMENT IN OPPOSITION

Prior Submissions on this topic

This matter has previously been voted on by our stockholders, at the 2006, 2007 and 2016 annual meetings and only received the support of 12%, 15% and 19% of our stockholders, respectively, demonstrating clear approval of our Board leadership structure.

The Board's existing leadership structure is effective and appropriately flexible

The Board has determined that currently having the combined role of board chair and chief executive officer (CEO) provides Interpublic with the most efficient and effective leadership model and serves a number of important goals. The CEO facilitates the flow of information between management and the Board and is best able to keep the Board informed about the advertising and marketing services industry and the global operations of Interpublic and its subsidiaries, regularly consulting with board members in a timely manner about important issues facing Interpublic. The Board also believes that the current structure provides focused leadership for the Company,

helps ensure accountability for the Company's performance and promotes a clear, unified vision for our Company by assuring that the strategies adopted by the Board will be well positioned for execution by management.

The Board has a strong, independent presiding director

The Board's presiding director is appointed by and from among the independent board members and has specific authority that ensures objective, independent oversight of management's strategic decisions, risk management, succession planning and executive performance and compensation. The authority and responsibilities of the presiding director are outlined in the Company's Governance Guidelines, which are available at www.interpublic.com.

As noted on pages 14 and 15 of this proxy statement, the presiding director:

serves as liaison between the chairman and the independent directors;

is authorized to call a meeting of the independent directors at any time;

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Item 4. Stockholder Proposal

is authorized to call a meeting of the full board at any time;

chairs executive sessions of the independent directors on at least a quarterly basis;

coordinates and approves board meeting agendas and meeting schedules to ensure that topics of importance are being addressed by management; and

has direct input in and discusses proposed changes to committee assignments with each director.

Our existing governance structure fosters board independence

The Board believes the Company's corporate governance practices, beyond those allowing for a strong presiding director, make it unnecessary to require an independent chairman.

For example:

10 out of 11 directors, or 91%, are independent.

Each of the Audit, the Compensation and Leadership Talent and the Corporate Governance Committees is required to be composed solely of independent directors. This means that the oversight of key matters, such as the integrity of financial statements, CEO performance, executive compensation, the nomination of directors and evaluation of the Board and its committees, is entrusted exclusively to independent directors.

The Board and its committees meet regularly in executive session without management, have complete access to management and have the authority to retain independent advisors, as they deem appropriate.

All independent directors play a role in overseeing the CEO's performance, with the Board routinely discussing this subject in executive session without the CEO present.

Interpublic's ISS corporate governance ranking is among the best

From the date Interpublic last received a proposal on this topic at the 2016 annual meeting through the printing of this proxy statement, Interpublic has maintained a governance rating of 1 from Institutional Shareholder Services (ISS), which is the highest ranking possible.

Restricting the Board's discretion would be detrimental to the interests of stockholders

The Board believes strongly that it should have the discretion of deciding if and when Interpublic is best served by a chairman who acts in a dual role as chief executive officer. The proposal seeks to eliminate the flexibility of the Board to make such determinations. Given the presence of the independence safeguards and overall governance structure

noted above, the Board believes that such a mandate would be both unnecessary and detrimental to the interests of stockholders. The members of the Board have experience with and knowledge of the challenges and opportunities the Company faces at any given time, and are therefore in the best position to choose the leadership structure that is most appropriate for the situation. Rigid application of the proposal would deprive the Board of the ability to evaluate the particular needs of Interpublic and the specific qualifications of the individual in question.

The Board of Directors recommends a vote AGAINST the stockholder proposal regarding an independent board chairman.

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Under SEC rules, brokers and banks that hold stock for the account of their customers are permitted to elect to deliver a single Annual Report and Proxy Statement (as well as other stockholder communications from the issuer) to two or more stockholders that share the same address. If you and other residents at your mailing address own shares of Common Stock through a broker or bank, you may have received a notice notifying you that your household will be sent only one copy of Interpublic's proxy materials. If you did not notify your broker or bank of your objection, you may have been deemed to have consented to the arrangement. If you would prefer in the future to receive a separate copy of Interpublic's Annual Reports and Proxy Statements, you may revoke your consent at any time by notifying Interpublic by letter addressed to The Interpublic Group of

Companies, Inc., 909 Third Avenue, New York, NY 10022, Attention: SVP, General Counsel & Secretary or by calling Corporate Communications at (212) 704-1200. Your notification should include the name of your brokerage firm or bank and your account number.

If your household received only single copy of the 2017 Annual Report or this Proxy Statement and you would like to receive a separate copy, please contact Interpublic at the above address or telephone number. If you hold your shares of Common Stock through a broker or bank and are receiving multiple copies of our Annual Reports and Proxy Statements at your address and would like to receive only one copy for your household, please contact your broker or bank.

Participants in The Interpublic Group of Companies, Inc., Savings Plan (the Plan) may vote the number of shares of Common Stock equivalent to the interest in Common Stock credited to their accounts under the Plan as of the record date. Participants may vote by instructions given to Great-West Trust Company, the trustee of the Plan (the Trustee), pursuant to the proxy card being mailed with this Proxy Statement to Plan participants. The Trustee will vote shares in accordance with duly executed instructions if received on or before May 23, 2018.

If the Trustee does not receive timely instructions, the shares of Common Stock equivalent to the interest in Interpublic's Common Stock credited to that participant's account, will not be voted by the Trustee. The Trustee will vote any shares of Common Stock held by the Plan that are not specifically allocated to any individual Plan participant (known as the suspense account) in the same proportion that the Trustee votes the Common Stock for which it receives timely instructions from Plan participants.

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The Board of Directors is not aware of any other matters which may be brought before the meeting. If other matters not now known come before the meeting, the persons named in the accompanying form of proxy or their substitutes will vote such proxy in accordance with their best judgment.

By Order of the Board of Directors,

Andrew Bonzani

Senior Vice President, General Counsel & Secretary

April 11, 2018

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