

GLADSTONE COMMERCIAL CORP

Form 424B5

November 19, 2013

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Filed Pursuant to Rule 424(b)(5)  
Registration No. 333-190931

**This preliminary prospectus supplement relates to an effective registration statement under the Securities Act of 1933, but the information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and they are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

SUBJECT TO COMPLETION, DATED NOVEMBER 19, 2013

## PRELIMINARY PROSPECTUS SUPPLEMENT

(TO PROSPECTUS DATED SEPTEMBER 24, 2013)

# Shares

## Common Stock

We are offering \_\_\_\_\_ shares of common stock, par value \$0.001 per share, in this offering.

Our common stock is traded on The NASDAQ Global Select Market under the symbol GOOD. The last reported sale price of our common stock on November 18, 2013, was \$18.88 per share.

We believe that we qualify, and have elected to be taxed as, a real estate investment trust, or REIT, for federal income tax purposes. To assist us in complying with certain federal income tax requirements applicable to REITs, our charter contains certain restrictions relating to the ownership and transfer of our capital stock, including an ownership limit of 9.8% on shares of our capital stock by any person. See Certain Provisions of Maryland Law and of our Charter and Bylaws Restrictions on Ownership and Transfer on page 23 of the accompanying prospectus for more information about these restrictions.

Investing in shares of our common stock involves substantial risks that are described in the Risk Factors sections beginning on page S-5 of this prospectus supplement, on page 16 of our Annual Report on Form 10-K for the year ended December 31, 2012, on page 44 of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 and other reports and information that we file from time to time with the Securities and Exchange Commission, or the SEC, which are incorporated by reference into this prospectus supplement and the accompanying prospectus.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	PER SHARE	TOTAL
Public Offering Price	\$	\$
Underwriting Discounts and Commissions	\$	\$
Proceeds to Gladstone Commercial Corporation (Before Expenses)	\$	\$

Delivery of the common stock is expected to be made on or about November , 2013. We have granted the underwriters an option for a period of 30 days to purchase an additional shares of common stock. If the underwriters exercise the option in full, the total underwriting discounts and commissions payable by us will be \$ , and the total proceeds to us, before expenses, will be \$ .

*Joint Book-Running Managers*

**Jefferies**

**Janney Montgomery Scott**

*Lead Manager*

**Oppenheimer & Co.**

The date of this prospectus supplement is , 2013.

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This document is presented in two parts. The first part is comprised of this prospectus supplement, which describes the specific terms of this offering and certain other matters relating to us. The second part, the accompanying prospectus, contains a description of our common stock and provides more general information, some of which does not apply to this offering, regarding securities that we may offer from time to time. To the extent that the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus or documents that we previously filed with the SEC, the information in this prospectus supplement will supersede such information.

This prospectus supplement is part of a registration statement on Form S-3 (Registration No. 333-190931) that we have filed with the SEC relating to the securities offered hereby. This prospectus supplement does not contain all of the information that we have included in the registration statement and the accompanying exhibits and schedules thereto in accordance with the rules and regulations of the SEC, and we refer you to such omitted information. It is important for you to read and consider all of the information contained in this prospectus supplement and the accompanying prospectus before making your investment decision. You should also read and consider the additional information incorporated by reference into this prospectus supplement and the accompanying prospectus. See [Where You Can Find More Information](#) in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus we may authorize to be delivered to you. Neither we nor the underwriters have authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. We do not, and the underwriters and their affiliates do not, take any responsibility for, and can provide no assurances as to, the reliability of any information that others may provide to you. You should not assume that the information in this prospectus supplement, the accompanying prospectus or any free writing prospectus we may authorize to be delivered to you, including any information incorporated by reference, is accurate as of any date other than their respective dates. If any statement in one of these documents is inconsistent with a statement in another document having a later date for example, a document incorporated by reference in this prospectus supplement or the accompanying prospectus the statement in the document having the later date modifies or supersedes the earlier statement.

The distribution of this prospectus supplement and the accompanying prospectus and this offering of the securities in certain jurisdictions may be restricted by law. This prospectus supplement is not an offer to sell or a solicitation of an offer to buy shares of our common stock in any jurisdiction where such offer or any sale would be unlawful. Persons who come into possession of this prospectus supplement and the accompanying prospectus should inform themselves of and observe any such restrictions.

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**FORWARD-LOOKING STATEMENTS**

This prospectus supplement and the accompanying prospectus, including the documents incorporated by reference herein and therein, contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Also, documents we subsequently file with the SEC and incorporate by reference in this prospectus supplement and the accompanying prospectus may contain forward-looking statements. Forward-looking statements provide our current expectations or forecasts of future events and are not statements of historical fact. These forward-looking statements include information about possible or assumed future events, including, among other things, discussion and analysis of our future performance and financial condition, results of operations and funds from operations, or FFO, our strategic plans and objectives, cost management, occupancy and leasing rates and trends, liquidity and ability to refinance our indebtedness as it matures, anticipated capital expenditures (and access to capital) required to complete projects, amounts of anticipated cash distributions to our stockholders in the future and other matters. Words such as anticipates, expects, intends, plans, believes, seeks, estimates and variations of these words and similar e are intended to identify forward-looking statements, although not all forward-looking statements will contain these words. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Statements regarding the following subjects, among others, are forward-looking by their nature:

- n our ability to qualify and maintain our qualification as a REIT;
- n our business and financing strategy;
- n our ability to implement our business plan;
- n pending transactions;
- n our projected operating results;
- n our ability to obtain future financing arrangements;
- n estimates relating to our future distributions;
- n our understanding of our competition and our ability to compete effectively;
- n market and industry trends;
- n interest and insurance rates;
- n estimates of our future operating expenses, including payments to our Adviser (as defined herein) under the terms of our advisory agreement;

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- n projected capital expenditures; and

- n use of the proceeds of this offering, our line of credit, mortgage notes payable, future stock offerings and other future capital resources, if any.

Forward-looking statements involve inherent uncertainty and may ultimately prove to be incorrect or false. You are cautioned to not place undue reliance on forward-looking statements. Except as otherwise may be required by law, we undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or actual operating results. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to:

- n our ability to successfully complete pending and future property acquisitions;

- n failure to qualify as a REIT or changes in laws that affect REITs;

- n general volatility of the capital markets and the market price of our common and preferred stock;

- n risks associated with negotiation and consummation of pending and future transactions;

- n changes in our business or financing strategy;

- n the adequacy of our cash reserves and working capital;

- n our failure to successfully integrate and operate acquired properties and operations;

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- n defaults upon or non-renewal of leases by tenants;
- n decreased rental rates or increased vacancy rates;
- n the degree and nature of our competition, including with other real estate investment companies;
- n availability, terms and deployment of capital, including the ability to maintain and borrow under our line of credit, arrange for long-term mortgages on our properties, secure one or more additional long-term lines of credit and raise equity capital;
- n our Adviser's ability to identify, hire and retain highly-qualified personnel in the future;
- n changes in our industry or the duration of, or further downturns in, the current economic environment;
- n changes in interest rates;
- n changes in real estate and zoning laws and increases in real property tax rates;
- n changes in governmental regulations, tax rates and similar matters;
- n environmental uncertainties and risks related to natural disasters; and
- n the loss of any of our key officers, such as Mr. David Gladstone, our Chairman and Chief Executive Officer, Mr. Terry Lee Brubaker, our Vice Chairman and Chief Operating Officer, or Mr. Robert Cutlip, our President.

This list of risks and uncertainties, however, is only a summary of some of the most important factors to us and is not intended to be exhaustive. You should carefully review the risks and information contained in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus, including, without limitation, the Risk Factors incorporated by reference herein and therein from our Annual Report on Form 10-K for the year ended December 31, 2012, our Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 and other reports and information that we file with the SEC. New factors may also emerge from time to time that could materially and adversely affect us.



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**PROSPECTUS SUPPLEMENT SUMMARY**

*This summary highlights selected information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary is not complete and may not contain all of the information that may be important to you in deciding whether to invest in shares of our common stock. To understand this offering fully prior to making an investment decision, you should carefully read this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein, including the Risk Factors sections beginning on page S-5 of this prospectus supplement and in the accompanying prospectus and the financial statements and notes to those financial statements incorporated by reference herein and therein, our Annual Report on Form 10-K for the year ended December 31, 2012, our Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 and other reports and information that we file from time to time with the SEC, which are incorporated by reference into this prospectus supplement and the accompanying prospectus. Unless otherwise expressly stated or the context otherwise requires, all information presented in this prospectus supplement assumes that the underwriters' option to purchase additional shares is not exercised.*

*Unless the context otherwise requires or indicates, each reference in this prospectus supplement and the accompanying prospectus to (i) we, our, us and the Company means Gladstone Commercial Corporation, a Maryland corporation, and its consolidated subsidiaries, (ii) Operating Partnership means Gladstone Commercial Limited Partnership, a subsidiary of the Company and a Delaware limited partnership, and (iii) Adviser means Gladstone Management Corporation, the external adviser of the Company and a Delaware corporation.*

**THE COMPANY**

We were incorporated under the Maryland General Corporation Law on February 14, 2003, primarily for the purpose of investing in and owning net leased industrial, commercial and retail real property and selectively making long-term industrial and commercial mortgage loans. We have elected to be taxed as a REIT for federal income tax purposes. Our shares of common stock, 7.75% Series A Cumulative Redeemable Preferred Stock, par value \$0.001 per share, which we refer to as our Series A Preferred, 7.50% Series B Cumulative Redeemable Preferred Stock, par value \$0.001 per share, which we refer to as our Series B Preferred, and 7.125% Series C Cumulative Term Preferred Stock, par value \$0.001 per share, which we refer to as our Series C Preferred, trade on The NASDAQ Global Select Market under the trading symbols GOOD, GOODP, GOODO and GOODN, respectively. Our senior common stock, par value, \$0.001 per share, is not traded on any exchange or automated quotation system.

Most of the properties that we own are leased to a wide cross section of tenants ranging from small businesses to large public companies, many of which are corporations that do not have publicly-rated debt. We have historically entered into, and intend in the future to enter into, purchase agreements for real estate having triple net leases with terms of approximately 10 to 15 years and built-in rental rate increases. Under a triple net lease, the tenant is required to pay all operating, maintenance and insurance costs and real estate taxes with respect to the leased property. We actively communicate with buyout funds, real estate brokers and other third parties to locate properties for potential acquisition or to provide mortgage financing in an effort to build our portfolio. We currently own 85 properties located in 21 states that contain approximately 9.0 million rentable square feet. We do not currently have any mortgage loan receivables outstanding.

We conduct substantially all of our activities, including the ownership of all of our properties, through our wholly owned Operating Partnership. Our Adviser is an affiliate of ours and a registered investment adviser under the Investment Advisers Act of 1940. Our Adviser is responsible for managing our business on a daily basis and identifying and making acquisitions and dispositions that it believes satisfy our investment criteria.

Our executive offices are located at 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102, and our telephone number is (703) 287-5800. Our website address is <http://www.GladstoneCommercial.com>. However,

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the information located on, or accessible from, our website is not, and shall not be deemed to be, a part of this prospectus supplement or the accompanying prospectus or incorporated into any other filings that we make with the SEC.

### **OUR COMPETITIVE STRENGTHS**

We believe that the following strengths differentiate us from our competitors:

- n *Experienced Management Team:* Our management team has a successful track record of underwriting industrial, commercial, retail and other types of real estate and conducting extensive due diligence on the management teams, cash flows, financial statements and risk ratings of our respective tenants.
- n *Focused Business Model:* Our business model seeks to foster investment opportunities that are generated from our strategic relationships with leveraged buyout funds and other real estate intermediaries.
- n *Attractive Market Opportunities:* We believe that attractive investment opportunities currently exist that will allow us to capitalize on the lack of buyers of real estate that is leased to mid-sized businesses.
- n *Conservative Dual Underwriting Strategy:* When underwriting a tenant's business and the real estate it occupies, we focus on the cash flow of the tenant and the intrinsic value of the property.
- n *Proven Track Record:* As of September 30, 2013, we had investments in 85 properties and gross and net assets, including intangible assets, of approximately \$730.6 million and \$620.9 million, respectively. All of our tenants are paying as agreed, and the weighted average yield on our portfolio is approximately 8.8%. As of September 30, 2013, 82 of our properties, or approximately 96.7% of our portfolio, are fully leased while two of our properties do not have leases in place and one property is currently one-third leased, representing approximately 3.3% of our portfolio. We are currently seeking tenants for these properties while concurrently researching alternative uses for these properties.
- n *Distribution Stability:* We pay monthly distributions (declared quarterly) to holders of shares of our common stock at the current rate of \$0.125 per share. Since inception, we have never reduced the amount of the distribution paid with respect to shares of common stock.

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**THE OFFERING**

Issuer	Gladstone Commercial Corporation
Common stock offered by us	shares of common stock (or shares of common stock if the underwriters exercise their option to purchase additional shares in full)
Common stock outstanding prior to this offering	14,258,492 shares
Common stock to be outstanding after this offering	shares of common stock (or shares of common stock if the underwriters exercise their option to purchase additional shares in full)
Diluted common stock to be outstanding after this offering	shares of common stock (or shares of common stock if the underwriters exercise their option to purchase additional shares in full) <sup>(1)</sup>
Use of proceeds	We estimate that our net proceeds from this offering will be approximately \$ million (or approximately \$ million if the underwriters exercise their option to purchase additional shares in full) after deducting the underwriting discounts and commissions and other estimated offering expenses payable by us. We intend to use the net proceeds from this offering to fund pending and future property acquisitions, repay existing indebtedness and for general corporate purposes. See Use of Proceeds.
Dividends and distributions	We declare quarterly and pay monthly cash distributions to holders of our common stock at the current rate of \$0.125 per share. Distributions are authorized and paid at the discretion of our Board of Directors and are based upon the circumstances at the time of declaration.
Restriction on ownership	To assist us in maintaining our qualification as a REIT for federal income tax purposes, among other purposes, ownership, actual or constructive, by any person of more than 9.8% of shares of our capital stock is restricted by our charter. This restriction may be waived by our Board of Directors in its sole and absolute discretion, upon the satisfaction of certain conditions. See Certain Provisions of Maryland Law and of our Charter and Bylaws in the accompanying prospectus.
Risk factors	An investment in shares of our common stock involves substantial risks, and prospective investors should carefully consider the matters discussed in the Risk Factors sections in this prospectus supplement, our Annual Report on Form 10-K for the year ended December 31, 2012, our Quarterly Report on Form 10-Q for the

<sup>(1)</sup> The diluted number of shares of common stock to be outstanding after this offering also includes 299,624 shares of common stock issuable upon the conversion or exchange of shares of senior common stock.



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quarter ended September 30, 2013 and other reports and information that we file from time to time with the SEC, which are incorporated by reference into this prospectus supplement and the accompanying prospectus.

NASDAQ symbol

GOOD

For additional information regarding our common stock, see Description of Capital Stock in the accompanying prospectus.

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**RISK FACTORS**

*Your investment in shares of our common stock involves substantial risks. In consultation with your own financial and legal advisers, you should carefully consider, among other matters, the factors set forth below as well as in the accompanying prospectus, our Annual Report on Form 10-K for the year ended December 31, 2012, our Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 and other reports and information that we file from time to time with the SEC, which are incorporated by reference into this prospectus supplement and the accompanying prospectus before deciding whether an investment in shares of our common stock is suitable for you. If any of the risks contained in or incorporated by reference into this prospectus supplement or the accompanying prospectus develop into actual events, our business, financial condition, liquidity, results of operations, FFO, our ability to make cash distributions to holders of our common stock and prospects could be materially and adversely affected, the market price of our common stock could decline and you may lose all or part of your investment. In addition, new risks may emerge at any time and we cannot predict such risks or estimate the extent to which they may affect our financial performance. Some statements in this prospectus supplement, including statements in the following risk factors, constitute forward-looking statements. See the Forward-Looking Statements sections in this prospectus supplement and in the accompanying prospectus.*

**This offering is expected to be dilutive, and there may be future dilution related to our common stock.**

Giving effect to the issuance of shares of common stock in this offering, the receipt of the expected net proceeds and the use of those proceeds, we expect that this offering will have a dilutive effect on our expected earnings per share and FFO per share for the year ending December 31, 2013. The actual amount of dilution cannot be determined at this time and will be based upon numerous factors. Additionally, but subject to the 90-day lock-up restrictions described under the caption Underwriting in this prospectus supplement, we are not restricted from issuing additional securities, including common stock, senior common stock, preferred stock and securities that are convertible into or exchangeable for, or that represent the right to receive, common stock, senior common stock, preferred stock or any substantially similar securities. The market price of our common stock could decline as a result of issuances or sales of a large number of shares of our common stock in the market after this offering, or the perception that such issuances or sales could occur. Additionally, future issuances or sales of substantial amounts of our common stock, including shares of our senior common stock, may be at prices below the offering price of the common stock offered by this prospectus supplement and may result in further dilution in our earnings per share and FFO per share and adversely impact the market price of our common stock.

**Securities eligible for future sale may have adverse effects on the share price of our common stock, and any additional capital raised by us through the sale of equity securities, including our senior common stock, may dilute your ownership in us.**

In March 2011, we commenced a registered continuous public offering of up to 3,500,000 shares of our senior common stock. This continuous offering of senior common stock has been extended and is scheduled to terminate on the earlier of (i) March 28, 2015, or (ii) the date on which all remaining shares of senior common stock are sold pursuant to the Dealer Manager Agreement, dated March 25, 2011, between the Company and Gladstone Securities LLC, unless earlier terminated or extended by our Board of Directors. Following the fifth anniversary of the date of the original issuance of each share of senior common stock, each share of senior common stock will become exchangeable, at the holder's option, for shares of our listed common stock. The exchange ratio will be calculated by dividing \$15.00 (the value assigned to each share of senior common stock) by the greatest of (i) the closing trading price of listed common stock on the date on which such shares of senior common stock were originally issued, (ii) the book value per share of listed common stock as determined as of the date on which such shares of senior common stock were originally issued, or (iii) \$13.68. The issuance of shares of our common stock in exchange for shares of senior common stock will dilute the voting power of the then holders of our common stock, may significantly dilute your ownership in us, and may create downward pressure on the market price of the common stock. As of November 18, 2013, we have sold a total of 299,312 shares of senior common stock pursuant to the offering.

As of October 31, 2013, we had the ability to raise up to \$299.4 million of additional equity capital through the sale of securities that are registered under our universal shelf registration statement on Form S-3, or the Universal

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Shelf, in one or more future public offerings. Of the \$299.4 million of available capacity under the Universal Shelf, approximately \$11.0 million of common stock is reserved for additional sales under our open market sale agreement with Jefferies LLC and approximately \$47.2 million is reserved for sales of our senior common stock. Sales of substantial amounts of our common stock or the perception that these sales could occur, may adversely affect the liquidity of our common stock or prevailing market prices for our common stock. Large price changes or low trading volume may preclude you from buying or selling our common stock at all, or at any particular price or during a time frame that meets your investment objectives.

In the future, we may attempt to increase our capital resources by making additional offerings of debt or equity securities. Upon liquidation, holders of our senior common stock, holders of our preferred stock, holders of our debt securities, if any, and lenders with respect to other borrowings would receive a distribution of our available assets prior to the holders of our common stock. Future equity offerings may dilute the holdings of our existing stockholders. If we decide to issue more preferred stock, it could have a preference on dividend payments that could limit our ability to make a dividend distribution to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings.

### **Holders of our senior common stock and preferred stock and future holders of any securities ranking senior to our common stock have dividend and liquidation rights that are senior to the rights of the holders of our common stock.**

As discussed above, in March 2011, we commenced a registered continuous public offering of shares of our senior common stock. Senior common stock is a separate class of our capital stock that has priority over listed common stock with respect to the payment of distributions. Senior common stock, however, is junior to our Series A Preferred, Series B Preferred and Series C Preferred with respect to the payment of distributions. Shares of our senior common stock are not listed or traded on a national securities exchange. Holders of shares of senior common stock will have the right, but not the obligation, following the fifth anniversary of the issuance of such shares to exchange any or all of such shares of senior common stock for shares of our listed common stock. Furthermore, upon our liquidation, each share of senior common stock will be automatically converted to a number of shares of our listed common stock in accordance with the applicable exchange ratio. Therefore, senior common stock will rank *pari passu* with our listed common stock upon a liquidation, dissolution or winding up of the Company. Holders of shares of preferred stock and future holders of any securities ranking senior to our common stock, will be entitled to receive their liquidation preference in full before we can pay distributions of remaining proceeds to all holders of shares of senior common stock and our listed common stock.

### **Our common shares are ranked junior to our senior common stock and preferred stock.**

In addition to our common stock and senior common stock, we currently have outstanding our Series A Preferred, Series B Preferred and Series C Preferred. Our shares of common stock are ranked junior to our preferred stock and senior common stock with respect to dividends and liquidation rights. In addition to this offering, we may in the future attempt to increase our capital resources by making additional offerings of equity securities, including additional classes or series of shares of preferred stock, which would likely have preferences with respect to dividends or upon dissolution that are senior to our common stock. Because our decision to issue securities in any future offerings will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offering. Thus, our common stockholders bear the risk of our future offerings reducing the per share trading price of our common stock and diluting their interest in us.

### **The market price and trading volume of our common stock may fluctuate significantly.**

The trading prices of equity securities issued by REITs historically have been affected by changes in market interest rates. One of the factors that may influence the price of our common stock is the annual yield from distributions on our common stock as compared to yields on other financial instruments. An increase in market interest rates, which may lead prospective purchasers of our common stock to demand a higher annual yield, or a decrease in our distributions to stockholders, could reduce the market price of our common stock.

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Other factors that could significantly affect the market price of our common stock include the following:

- n actual or anticipated variations in our operating results, FFO, cash flows or liquidity;
- n changes in earnings estimates of analysts and any failure to meet such estimates;
- n changes in our distribution policy;
- n publication of research reports about us or the real estate industry generally;
- n changes in market valuations of similar companies;
- n adverse market reaction to the amount of our outstanding debt at any time, the amount of our maturing debt in the near- and medium-term and our ability to refinance such debt and the terms thereof or our plans to incur additional debt in the future;
- n additions or departures of key management personnel, including our ability to find attractive replacements;
- n actions by institutional stockholders;
- n speculation in the press or investment community;
- n the realization of any of the other risk factors included in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus;
- n changes in regulatory policies or tax laws, particularly with respect to REITs;
- n price and volume fluctuations in the stock market from time to time, which are often unrelated to the operating performance of particular companies;
- n significant volatility in the market price and trading volume of shares of REITs, real estate companies or other companies in our sector, which is not necessarily related to the performance of those companies;
- n investor confidence in the stock market; and
- n general market and economic conditions.



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Many of the factors listed above are beyond our control. Those factors may cause the market price of our common stock to decline, regardless of our financial performance, condition and prospects. It is impossible to provide any assurance that the market price of our common stock will not decline in the future, and it may be difficult for our stockholders to resell their shares of our common stock at prices that they find attractive, or at all.

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**USE OF PROCEEDS**

We estimate that our net proceeds from this offering will be approximately \$       million (or approximately \$       million if the underwriters exercise their option to purchase additional shares in full) after deducting the underwriting discounts and commissions and other estimated offering expenses payable by us.

We intend to use the net proceeds from this offering to fund pending and future property acquisitions, repay existing indebtedness and for general corporate purposes.

Our line of credit matures in August 2016. The interest rate per annum applicable to the line of credit is equal to the London Interbank Offered Rate, or LIBOR, plus an applicable margin of up to 3.25%, depending upon our leverage. As of November 18, 2013, our line of credit had an outstanding balance of \$30.4 million, which bears interest at an annual rate of approximately 3.2%. The maximum amount available to be drawn under our line of credit is currently \$17.6 million.

Pending application of any portion of the net proceeds as described above, we may invest it in interest-bearing accounts and short-term, interest-bearing securities as is consistent with our intention to maintain our qualification as a REIT for federal income tax purposes. Such investments may include, for example, obligations of the Government National Mortgage Association, other government and governmental agency securities, certificates of deposit and interest-bearing bank deposits.

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The following table sets forth our capitalization as of September 30, 2013 on an actual basis and on an as adjusted basis to reflect (i) the sale of shares of our common stock offered by us in this offering after the deduction of the underwriting discounts and commissions and other estimated expenses payable by us and (ii) the application of the net proceeds as set forth under Use of Proceeds. The table does not give effect to the issuance of up to additional shares of our common stock that may be sold pursuant to the underwriters' option to purchase additional shares. The information set forth in the following table should be read in connection with, and is qualified in its entirety by reference to, the financial statements and notes thereto incorporated by reference in this prospectus supplement and the accompanying prospectus.

	AS OF SEPTEMBER 30, 2013	
	ACTUAL	AS ADJUSTED
	(In thousands)	
Cash and cash equivalents	\$ 4,531	
Debt:		
Mortgage notes payable	409,762	
Borrowings under line of credit <sup>(1)</sup>	28,900	
Series C mandatorily redeemable preferred stock, \$0.001 par value; \$25 per share liquidation preference; 1,700,000 shares authorized, 1,540,000 issued and outstanding	38,500	
Total debt	477,162	
Stockholders' equity:		
Series A and B redeemable preferred stock, \$0.001 par value; \$25 liquidation preference; 2,300,000 shares authorized and 2,150,000 shares issued and outstanding	2	
Senior common stock, \$0.001 par value; 7,500,000 shares authorized and 338,571 shares issued and outstanding	0	
Common stock, \$0.001 par value, 38,500,000 shares authorized and 14,258,492 shares issued and outstanding, actual; shares issued and outstanding, as adjusted	14	
Additional paid-in capital	274,159	
Notes receivable - employees	(375)	
Distributions in excess of accumulated earnings	(108,943)	
Total stockholders' equity	164,857	
Total capitalization	\$ 642,019	

<sup>(1)</sup> As of November 18, 2013, our line of credit had an outstanding balance of \$30.4 million, which bears interest at an annual rate of approximately 3.2% and the maximum amount available to be drawn under our line of credit was \$17.6 million.

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**PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS**

Our common stock is listed on The NASDAQ Global Select Market under the symbol GOOD. The following table reflects the range of the high and low sale prices of our common stock on The NASDAQ Global Select Market and the distributions per common share for each quarter in the years ended December 31, 2012 and 2011 and the current fiscal year through November 18, 2013. Distributions to common stockholders are declared quarterly and paid monthly.

<b>PRICE RANGE</b>	<b>DISTRIBUTIONS PER COMMON SHARE <sup>(1)</sup></b>
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