

GLADSTONE COMMERCIAL CORP

Form 424B5

November 30, 2016

Table of Contents

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Registration Statement No. 333-208953

**The information in this preliminary prospectus supplement 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 30, 2016**

**PRELIMINARY PROSPECTUS SUPPLEMENT**

**(To Prospectus dated February 1, 2016)**

**1,000,000 Shares**

**Common Stock**

**\$ Per Share**

We are offering 1,000,000 shares of our common stock, \$0.001 par value per share ( common stock ).

Our common stock is traded on the NASDAQ Global Select Market ( NASDAQ ) under the symbol GOOD. On November 29, 2016, the closing price for our common stock on NASDAQ was \$19.46 per share.

We have retained CSCA Capital Advisors, LLC ( CSCA ) to act as placement agent in connection with this offering. CSCA has no commitment to purchase our common stock and will act only as an agent in obtaining indications of interest in the common stock from one or more institutional investors. We have agreed to pay CSCA a placement agent fee of % of the gross proceeds of the offering. After paying the placement agent fee and other estimated expenses payable by us, we anticipate receiving approximately \$ in net proceeds from this offering. It is possible that no shares or only a portion of the shares that we are offering pursuant to this prospectus supplement will be sold at the closing, in which case our net proceeds would be reduced.

To assist us in qualifying as a real estate investment trust ( REIT ), among other purposes, our charter contains certain restrictions relating to the ownership and transfer of our capital stock, including an ownership limit of 9.8% of the

aggregate outstanding shares of our capital stock by any person or persons acting as a group. See Certain Provisions of Maryland Law and of Our Charter and Bylaws Restrictions on Ownership and Transfer on page 23 of the accompanying prospectus and The Offering Restrictions on Ownership and Transfer on page S-6 of this prospectus supplement 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-7 of this prospectus supplement, on page 4 of the accompanying prospectus and as discussed in our most recent Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and other information that we file from time to time with the Securities and Exchange Commission (the SEC), which are incorporated by reference into this prospectus supplement and the accompanying prospectus.**

	Per Share	Total
Offering Price	\$	\$
Placement Agent Fees	\$	\$
Proceeds to us (before expenses)	\$	\$

**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.**

CSCA Capital Advisors, LLC

The date of this prospectus supplement is \_\_\_\_\_, 2016.

**Table of Contents**

**TABLE OF CONTENTS**

	<b>PAGE</b>
<b>PROSPECTUS SUPPLEMENT</b>	
<u>ABOUT THIS PROSPECTUS SUPPLEMENT</u>	S-1
<u>FORWARD-LOOKING STATEMENTS</u>	S-2
<u>PROSPECTUS SUPPLEMENT SUMMARY</u>	S-4
<u>THE OFFERING</u>	S-6
<u>RISK FACTORS</u>	S-7
<u>USE OF PROCEEDS</u>	S-12
<u>PLAN OF DISTRIBUTION</u>	S-13
<u>LEGAL MATTERS</u>	S-14
<u>EXPERTS</u>	S-14
<u>INCORPORATION BY REFERENCE</u>	S-15
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	S-16
<b>PROSPECTUS</b>	
<u>ABOUT THIS PROSPECTUS</u>	1
<u>FORWARD-LOOKING STATEMENTS</u>	1
<u>THE COMPANY</u>	3
<u>RISK FACTORS</u>	4
<u>RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED DIVIDENDS</u>	5
<u>USE OF PROCEEDS</u>	5
<u>DESCRIPTION OF CAPITAL STOCK</u>	5
<u>DESCRIPTION OF DEBT SECURITIES</u>	14
<u>DESCRIPTION OF DEPOSITARY SHARES</u>	20
<u>DESCRIPTION OF SUBSCRIPTION RIGHTS</u>	22
<u>BOOK ENTRY PROCEDURES AND SETTLEMENT</u>	23
<u>CERTAIN PROVISIONS OF MARYLAND LAW AND OF OUR CHARTER AND BYLAWS</u>	23
<u>MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS</u>	28
<u>PLAN OF DISTRIBUTION</u>	52
<u>LEGAL MATTERS</u>	55
<u>EXPERTS</u>	55

WHERE YOU CAN FIND MORE INFORMATION

55

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

55

Table of Contents

**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 of common stock and certain other matters relating to us. The second part, the accompanying prospectus, contains a description of our capital stock generally and provides more general information, some of which does not apply to this offering, regarding securities that we may offer from time to time.

You should read this prospectus supplement along with the accompanying prospectus, as well as the information incorporated by reference herein and therein, carefully before you invest in our common stock. These documents contain important information that you should consider before making your investment decision. This prospectus supplement and the accompanying prospectus contain the terms of this offering of common stock. The accompanying prospectus contains information about our securities generally, some of which does not apply to the common stock covered by this prospectus supplement. This prospectus supplement may add, update or change information contained in or incorporated by reference in the accompanying prospectus. If the information in this prospectus supplement is inconsistent with any information contained in or incorporated by reference in the accompanying prospectus, the information in this prospectus supplement will apply and will supersede the inconsistent information contained in or incorporated by reference in the accompanying prospectus.

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 in this prospectus supplement and the accompanying prospectus before making your investment decision. See [Incorporation by Reference](#) in this prospectus supplement.

**You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus to be filed with the SEC. Neither we nor CSCA have authorized anyone to provide you with additional or different information. If anyone provides you with additional or different information, you should not rely on it. We do not, and CSCA and its 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 to be filed with the SEC, including any information incorporated by reference, is accurate as of any date other than their respective dates. Our business, financial condition, liquidity, results of operations, funds from operations ( FFO ) and prospects may have changed since those 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 common stock may be restricted by law in certain jurisdictions. This prospectus supplement and the accompanying prospectus are not an offer to sell or a solicitation of an offer to buy shares of 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.

Table of Contents

**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 (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (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 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, assumes, expects, intends, plans, believes, continues, projects, seeks, estimates, may, variations of these words and similar expressions 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:

our ability to qualify and maintain our qualification as a REIT;

our re-leasing efforts;

our business and financing strategy;

our ability to implement our business plan, including our ability to continue to expand geographically;

pending and future transactions;

our projected operating results;

our ability to obtain future financing arrangements;

estimates relating to our future distributions;

our understanding of our competition and our ability to compete effectively;

market and industry trends;

interest and insurance rates;

estimates of our future operating expenses, including payments to our Adviser and Administrator (as defined herein) under the terms of our advisory and administration agreements;

projected capital expenditures;

our senior unsecured revolving credit facility (the Line of Credit ) and term loan facility (the Term Loan Facility ) with KeyBank National Association (serving as a revolving lender, a letter of credit issuer and an administrative agent), mortgage notes payable, other offerings of securities and other future capital resources, if any; and

our ability to raise sufficient proceeds and use the proceeds of this offering as contemplated in the Use of Proceeds section.

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 or update changed assumptions,

**Table of Contents**

the occurrence of unanticipated events or actual operating results. Our actual results could differ materially from those contained in these forward-looking statements as a result of various factors, including, but not limited to:

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;

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

failure to qualify and maintain qualification as a REIT and risks of changes in laws that affect REITs;

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

changes in our business or financing strategy;

the adequacy of our cash reserves and working capital;

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

defaults upon or non-renewal of leases by tenants;

decreased rental rates or increased vacancy rates;

the degree and nature of our competition, including with other real estate investment companies;

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;

the ability of our Adviser and our Administrator to identify, hire and retain highly-qualified personnel in the future;

changes in our industry or the general economy;



changes in interest rates;

changes in real estate and zoning laws and increases in real property tax rates;

changes in governmental regulations, tax rates and similar matters; and

environmental uncertainties and risks related to natural disasters.

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, 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, 2015, our Quarterly Reports on Form 10-Q 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.

S-3

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**Table of Contents**

**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, including the Risk Factors sections beginning on page S-7 of this prospectus supplement, the accompanying prospectus, our Annual Report on Form 10-K for the year ended December 31, 2015, our Quarterly Reports on Form 10-Q 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, and the documents incorporated by reference herein and therein, including the financial statements and notes to those financial statements.*

*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 wholly-owned, consolidated subsidiary of the Company and a Delaware limited partnership, (iii) Adviser means Gladstone Management Corporation, the external adviser of the Company and a Delaware corporation, and (iv) Administrator means Gladstone Administration, LLC, the external administrator of the Company and a Delaware limited liability company. The term you refers to a prospective investor.*

**The Company**

We are an externally-advised REIT that was incorporated under the General Corporation Law of the State of Maryland on February 14, 2003. We focus on acquiring, owning, and managing primarily office and industrial properties. On a selective basis, we may make 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, \$0.001 par value per share ( Series A Preferred Stock ), 7.50% Series B Cumulative Redeemable Preferred Stock, \$0.001 par value per share ( Series B Preferred Stock ), and 7.00% Series D Cumulative Redeemable Preferred Stock, \$0.001 par value per share ( Series D Preferred Stock ) trade on NASDAQ's Global Select Market under the trading symbols GOOD, GOODP, GOODO, and GOODM, respectively. We refer to the Series A Preferred Stock, Series B Preferred Stock and Series D Preferred Stock collectively herein as the preferred stock. Our senior common stock, par value \$0.001 per share (the senior common stock ), is not traded on any exchange or automated quotation system.

Our properties are geographically diversified and our tenants cover a broad cross section of business sectors and range in size from small to very large private and public companies. 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 target secondary growth markets that possess favorable economic growth trends, diversified industries, and growing population and employment. We have historically entered into, and intend in the future to enter into, purchase agreements for real estate having net leases with terms of approximately 7 to 15 years and built in rental rate increases. Under a net lease, the tenant is required to pay all operating, maintenance, repair and insurance costs and real estate taxes with respect to the leased property.

As of the date of this prospectus supplement, we own 95 properties located in 24 states that contain approximately 11.0 million rentable square feet and have no mortgage loans receivable outstanding.

We conduct substantially all of our activities, including the ownership of all of our properties, through our Operating Partnership. Our Adviser is an affiliate of ours and a registered investment adviser under the

S-4

## **Table of Contents**

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, 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.

As of September 30, 2016, our authorized capital stock consists of 34,040,000 shares of common stock, 4,450,000 shares of senior common stock, 2,600,000 shares of Series A Preferred Stock, 2,750,000 shares of Series B Preferred Stock, 160,000 shares of 7.125% Series C Cumulative Redeemable Preferred Stock, \$0.001 par value per share, and 6,000,000 shares of Series D Preferred Stock.

## **Our Competitive Strengths**

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

**Experienced Management Team:** Our management team has a successful track record of underwriting office, industrial, 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.

**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.

**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.

**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.

**Proven Track Record:** As of September 30, 2016, we had investments in 97 properties, including 5 properties classified as held for sale, which have a total gross and net carrying value, including intangible assets, of \$967.2 million and \$777.7 million, respectively. All of our tenants are paying as agreed, and the weighted average yield on our portfolio is approximately 8.6%. As of September 30, 2016, our occupancy rate was 97.7%. We are currently seeking tenants for our vacant properties while concurrently researching alternative uses for these properties.

**Distribution Stability:** We currently declare quarterly, and pay monthly, distributions to holders of shares of our common stock at the rate of \$0.125 per share. Since inception, we have never reduced the amount of the distribution paid with respect to shares of our common stock.

S-5

Table of Contents**THE OFFERING**

The offering terms are summarized below solely for your convenience. For a more complete description of the terms of the common stock, see [Description of Common Stock](#) in the accompanying prospectus.

Issuer	Gladstone Commercial Corporation, a Maryland corporation.
Securities Offered	1,000,000 shares of common stock.
Price per Share	\$ .
Common Stock outstanding immediately after this offering	24,825,103 shares.
NASDAQ Global Select Market symbol	GOOD
Restrictions on Ownership and Transfer	In order to assist our board of directors (the <a href="#">Board</a> ) in preserving our status as a REIT, among other purposes, our charter contains an ownership limit which prohibits any person or group of persons from acquiring, directly or indirectly, beneficial or constructive ownership of more than 9.8% of our outstanding shares of capital stock. Shares owned by a person or a group of persons in excess of the ownership limit are deemed excess shares. If the transferee-stockholder acquires excess shares, the person is considered to have acted as our agent and holds the excess shares on behalf of the ultimate stockholder. Our charter stipulates that any acquisition of shares that would result in our disqualification as a REIT under the Internal Revenue Code of 1986, as amended (the <a href="#">Code</a> ), shall be void ab initio to the fullest extent permitted under applicable law. Our common stock is subject to the general restrictions on ownership and transferability described under <a href="#">Certain Provisions of Maryland Law and of our Charter and Bylaws</a> <a href="#">Restrictions on Ownership and Transfer</a> on page 23 in the accompanying prospectus.
Use of Proceeds	We currently intend to use the net proceeds from the sale of common stock offered hereby to fund acquisitions of real property in the ordinary course of our business and in accordance with our investment objectives; to pay down debt; and for other general corporate purposes.
	See <a href="#">Use of Proceeds</a> on page S-10 of this prospectus supplement.

Settlement

Delivery of the shares of common stock will be made against payment therefor on or about \_\_\_\_\_, 2016.

Risk Factors

Investing in the common stock involves various risks. You should read carefully and consider the matters discussed under the caption entitled "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2015, under the caption entitled "Risk Factors" beginning on page S-7 of this prospectus supplement and in the other documents incorporated by reference in the accompanying prospectus before making a decision to invest in the common stock.

S-6

**Table of Contents**

**RISK FACTORS**

*Your investment in shares of our common stock involves a high degree of risk. In consultation with your own financial and legal advisers, you should carefully consider, among other matters, the factors set forth below, in the accompanying prospectus, in our Annual Report on Form 10-K for the year ended December 31, 2015, our Quarterly Reports on Form 10-Q and other 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 or pay dividends 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.*

**Our management will have broad discretion in the use of the net proceeds from this offering and may allocate the net proceeds from this offering in ways that you and other stockholders may not approve.**

Our management will have broad discretion in the use of the net proceeds, including for any of the purposes described in the section entitled *Use of Proceeds*, and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used in ways with which you may not agree with or may not otherwise be considered appropriate. Because of the number and variability of factors that will determine our use of the net proceeds from this offering, their ultimate use may vary substantially from their currently intended use. The failure of our management to use these funds effectively could harm our business. Pending their use, we may invest the net proceeds from this offering in short-term, investment-grade, interest-bearing securities. These investments may not yield a favorable return to our stockholders.

**The number of shares of our common stock available for future issuance or sale could adversely affect the per share trading price of our common stock.**

We cannot predict whether future issuances or sales of our common stock or the availability of shares for resale in the open market will decrease the per share trading price of our common stock. The issuance of substantial numbers of shares of our common stock in the public market or the perception that such issuances might occur, the issuance of our common stock or units of our Operating Partnership that may be convertible into shares of our common stock in connection with future property, portfolio or business acquisitions and other issuances of our common stock could have an adverse effect on the per share trading price of our common stock. In addition, future issuances of our common stock may be dilutive to existing stockholders.

**Ownership limitations may restrict or prevent stockholders from engaging in certain transfers of our common stock.**

Our charter contains an ownership limit which prohibits any person or group of persons from acquiring, directly or indirectly, beneficial or constructive ownership of more than 9.8% of our outstanding shares of capital stock. Shares owned by a person or a group of persons in excess of the ownership limit are deemed *excess shares*. Shares owned by a person who individually owns of record less than 9.8% of outstanding shares may nevertheless be excess shares if the person is deemed part of a group for purposes of this restriction.



If the transferee-stockholder acquires excess shares, the person is considered to have acted as our agent and holds the excess shares on behalf of the ultimate stockholder. When shares are held in this manner they do not have any voting rights and shall not be considered for purposes of any stockholder vote or determining a quorum for such vote.

S-7

## Table of Contents

Our charter stipulates that any acquisition of shares that would result in our disqualification as a REIT under the Code shall be void ab initio to the fullest extent permitted under applicable law.

The ownership limit does not apply to (i) offerors which, in accordance with applicable federal and state securities laws, make a cash tender offer, where at least 90% of the outstanding shares of our stock (not including shares or subsequently issued securities convertible into common stock which are held by the tender offeror and any affiliates or associates thereof within the meaning of the Exchange Act) are duly tendered and accepted pursuant to the cash tender offer; (ii) an underwriter in a public offering of our shares; (iii) a party initially acquiring shares in a transaction involving the issuance of our shares of capital stock, if our Board determines such party will timely distribute such shares such that, following such distribution, such shares will not be deemed excess shares; and (iv) a person or persons which our Board exempt from the ownership limit upon appropriate assurances that our qualification as a REIT is not jeopardized.

### **We are subject to a 9.8% ownership limitation and other restrictions that may discourage a change of control. Certain provisions contained in our charter and Maryland law may prohibit or restrict a change of control.**

Our charter prohibits ownership of more than 9.8% of the outstanding shares of our capital stock by any person or group of persons. This restriction may discourage a change of control and may deter individuals or entities from making tender offers for our capital stock, which offers might otherwise be financially attractive to our stockholders or which might cause a change in our management.

Our Board is classified into three classes, with the term of the directors in each class expiring every third year. At each annual meeting of stockholders, the successors to the class of directors whose term expires at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. After election, a director may only be removed by our stockholders for cause. Election of directors for classified terms with limited rights to remove directors makes it more difficult for a hostile bidder to acquire control of us. The existence of this provision may negatively impact the price of our securities and may discourage third-party bids to acquire our securities. This provision may reduce any premiums paid to stockholders in a change in control transaction.

Certain provisions of Maryland law applicable to us prohibit business combinations with:

any person who beneficially owns, directly or indirectly, 10% or more of the voting power of our common stock, referred to as an interested stockholder;

an affiliate of ours who, at any time within the two-year period prior to the date in question, was an interested stockholder; or

an affiliate of an interested stockholder.

These prohibitions last for five years after the most recent date on which the interested stockholder became an interested stockholder. Thereafter, any business combination with the interested stockholder must be recommended by

our Board and approved by the affirmative vote of at least 80% of the votes entitled to be cast by holders of our outstanding shares of common stock and two-thirds of the votes entitled to be cast by holders of our common stock other than shares held by the interested stockholder. These requirements could have the effect of inhibiting a change in control even if a change in control were in our stockholders' interest. These provisions of Maryland law do not apply, however, to business combinations that are approved or exempted by our Board prior to the time that someone becomes an interested stockholder.

**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

**Table of Contents**

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.

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

actual or anticipated variations in our operating results, FFO, cash flows or liquidity;

changes in earnings estimates of analysts and any failure to meet such estimates;

changes in our distribution policy;

publication of research reports about us or the real estate industry generally;

changes in market valuations of similar companies;

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 pay off or refinance such debt and the terms thereof or our plans to incur additional debt in the future;

additions or departures of key management personnel, including our ability to find attractive replacements;

actions by institutional stockholders;

speculation in the press or investment community;

changes in regulatory policies or tax laws, particularly with respect to REITs;

price and volume fluctuations in the stock market from time to time, which are often unrelated to the operating performance of particular companies;

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;

investor confidence in the stock market;

general market and economic conditions; and

the realization of any of the other risk factors included in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus.

Many of the factors described 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 in the amount or at prices or times that they find attractive, or at all.

**We may be unable to invest a significant portion of the net proceeds of this offering on acceptable terms.**

Delays in investing the net proceeds of this offering may impair our performance. We cannot assure you that we will be able to identify properties that meet our investment objectives or that any investment we make will produce a positive return. We may be unable to invest the net proceeds of this offering on acceptable terms within the time period that we anticipate or at all, which could adversely affect our financial condition and operating results.

**Market interest rates may have an effect on the value of our common stock.**

One of the factors that will influence the price of our common stock will be the yield on our common stock (as a percentage of the price of our common stock) relative to market interest rates. An increase in market interest rates, which currently remain at low levels relative to historical rates, may lead prospective purchasers of our

## **Table of Contents**

common stock to expect a higher yield and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our common stock to decrease.

### **You may experience dilution as a result of this offering, which may adversely affect the per share trading price of our common stock.**

This offering may have a dilutive effect on our earnings per share and funds from operations per share after giving effect to the issuance of our common stock and the receipt of the expected net proceeds. The actual amount of dilution from this offering, or from any future sale of common stock, will be based on numerous factors, particularly the use of proceeds and any return generated thereby, and cannot be determined at this time. The per share trading price of our common stock could decline as a result of sales of a significant number of shares of our common stock in the market in connection with this offering, or otherwise, or as a result of the perception or expectation that such sales could occur.

### **Our ability to pay distributions is limited by the requirements of Maryland law.**

Our ability to pay distributions on our common stock is limited by the laws of Maryland. Under applicable Maryland law, a Maryland corporation generally may not make a distribution if, after giving effect to the distribution, the corporation would not be able to pay its debts as the debts become due in the usual course of business or the corporation's total assets would be less than the sum of its total liabilities plus, unless the corporation's charter permits otherwise, the amount that would be needed, if the corporation were dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights are superior to those receiving the distribution. Accordingly, we generally may not make a distribution on our common stock if, after giving effect to the distribution, we would not be able to pay our debts as they become due in the usual course of business or our total assets would be less than the sum of our total liabilities plus, unless the terms of such class or series provide otherwise, the amount that would be needed to satisfy the preferential rights upon dissolution of the holders of shares of any class or series of preferred stock then outstanding, if any, with preferences upon dissolution senior to those of our common stock.

### **Holders of our senior common stock and preferred stock and future holders of any securities ranking senior to our common stock have dividend and/or liquidation rights that are senior to the rights of the holders of our common stock. Additional issuances of securities senior to our common stock may negatively impact the value of our common stock and further restrict the ability of holders of our common stock to receive dividends and/or liquidation rights.**

Our capital structure includes senior common stock that was issued from March 28, 2011 through the termination of the offering according to its terms on March 28, 2015. 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; however, it is junior to our preferred stock 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, in the event of 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.

We currently have three classes of preferred stock outstanding Series A Preferred Stock, Series B Preferred Stock and Series D Preferred Stock all of which rank senior to our common stock. We have also entered into a Controlled Equity Offering<sup>SM</sup> programs with Cantor Fitzgerald & Co. for the sale of up to \$40 million of our Series A Preferred Stock and Series B Preferred Stock and for the sale of up to \$50 million of our Series D

S-10

## Table of Contents

Preferred Stock. We may also issue additional shares of preferred stock and/or designate a new series of preferred stock pursuant to the terms of our charter. The issuance of additional shares of preferred stock, the designation of a new series of preferred stock or a significant increase of shares of our Series A Preferred Stock, Series B Preferred Stock and Series D Preferred Stock issued under our respective Controlled Equity Offering<sup>SM</sup> programs could negatively impact the value of our common stock and further restrict the ability of holders of our common stock to receive dividends and/or liquidation rights.

In the future, we may attempt to increase our capital resources by making additional offerings of equity securities or issue debt securities. Upon liquidation, holders of our preferred stock, holders of our debt securities, if any, and lenders with respect to other borrowings, including our Line of Credit and Term Loan Facility, would receive a distribution of our available assets in full prior 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. 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.

In the future, we may attempt to increase our capital resources by making additional offerings of equity securities or issue debt securities. Upon liquidation, holders of our preferred stock, holders of our debt securities, if any, and lenders with respect to other borrowings, including our Line of Credit and Term Loan Facility, would receive a distribution of our available assets in full prior 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. 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.

**We operate as a holding company dependent upon the assets and operations of our subsidiaries, and because of our structure, we may not be able to generate the funds necessary to make dividend payments on our common stock.**

We generally operate as a holding company that conducts its businesses primarily through our operating partnership, which in turn is a holding company conducting its business through its subsidiaries. These subsidiaries conduct all of our operations and are our only source of income. Accordingly, we are dependent on cash flows and payments of funds to us by our subsidiaries as dividends, distributions, loans, advances, leases or other payments from our subsidiaries to generate the funds necessary to make dividend payments on our common stock. Our subsidiaries' ability to pay such dividends and/or make such loans, advances, leases or other payments may be restricted by, among other things, applicable laws and regulations, current and future debt agreements and management agreements into which our subsidiaries may enter, which may impair our ability to make cash payments on our common stock or our preferred stock. In addition, such agreements may prohibit or limit the ability of our subsidiaries to transfer any of their property or assets to us, any of our other subsidiaries or to third parties. Our future indebtedness or our subsidiaries' future indebtedness may also include restrictions with similar effects.

In addition, because we are a holding company, stockholders' claims will be structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our operating partnership and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, claims of our stockholders will be satisfied only after all of our and our operating partnership's and its subsidiaries' liabilities and obligations have been paid in full.



**Table of Contents**

**USE OF PROCEEDS**

We estimate that the net proceeds from the sale of the common stock in this offering will be approximately \$ , after deducting the placement agent fee of approximately \$ and estimated offering expenses of \$ payable by us. Through our Operating Partnership, we intend to use the net proceeds of the offering to fund acquisitions of real property in the ordinary course of our business and in accordance with our investment objectives; to pay down debt; and for other general corporate purposes.

Our Line of Credit matures in August 2018 with a 1-year extension option through August 2019. 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 2.75%, depending upon our leverage. In connection with the Line of Credit, we have a \$25.0 million Term Loan Facility, which was fully drawn at closing and matures in October 2020. The Term Loan Facility is subject to the same leverage tiers as the Line of Credit; however the interest rate at each leverage tier is five basis points lower. As of September 30, 2016, there was \$72.3 million outstanding under our Line of Credit and Term Loan Facility at a weighted average interest rate of approximately 3.01% and \$2.5 million outstanding under letters of credit at a weighted average interest rate of 2.5%. As of November 24, 2016, the maximum additional amount we could draw was \$38.0 million.

**Table of Contents**

**PLAN OF DISTRIBUTION**

We are offering the shares of our common stock through a placement agent. Subject to the terms and conditions contained in the placement agent agreement, dated \_\_\_\_\_, 2016, CSCA has agreed to act as the placement agent for this offering. The placement agent agreement provides that the obligation of the placement agent is subject to certain conditions precedent, including, among other things, the absence of any material adverse change in our business and the receipt of customary opinions, letters and closing certificates.

CSCA may be deemed to be an underwriter within the meaning of the Securities Act in connection with its placement agent activities in this offering.

CSCA has no commitment to purchase any shares of our common stock and will act only as an agent in obtaining indications of interest in our common stock from one or more institutional investors. We have agreed to pay the placement agent a fee of \_\_\_\_\_ % of the gross proceeds of the offering.

We have agreed to indemnify the placement agent and each of its partners, directors, officers, associates, affiliates, subsidiaries, employees, consultants, attorneys, agents, and each person, if any, controlling the placement agent and any of its affiliates, against liabilities resulting from this offering and to contribute to payments the placement agent may be required to make for these liabilities.

In the ordinary course of business, CSCA and/or its affiliates have engaged, and may in the future engage, in financial advisory, investment banking and other transactions with us for which customary compensation has been, and will be, paid.

Subject to customary closing conditions, one or more institutional investors have agreed to purchase, and we have agreed to sell, \_\_\_\_\_ shares of common stock at a negotiated purchase price of \$ \_\_\_\_\_ per share. It is possible that no shares or only a portion of the shares that we are offering pursuant to this prospectus supplement will be sold at the closing, in which case our net proceeds would be reduced. We expect that the sale will be completed on the date indicated on the cover page of this prospectus supplement.

Weeden & Co. LP is acting as settlement agent in connection with the sale of our common stock under the purchase agreements and will receive a fee of \$ \_\_\_\_\_ per share.

**Regulation M Restrictions**

CSCA may be deemed to be an underwriter within the meaning of Section 2(a)(11) of the Securities Act, and any fees received by it and any profit realized on the resale of the securities sold by it while acting as principal might be deemed to be underwriting discounts or commissions under the Securities Act. As an underwriter, the placement agent would be required to comply with the requirements of the Securities Act and the Exchange Act, including, without limitation, Rule 415(a)(4) under the Securities Act and Rule 10b-5 and Regulation M under the Exchange Act. These rules and regulations may limit the timing of purchases and sales of securities by the placement agent acting as a principal. Under these rules and regulations, CSCA:

must not engage in any stabilization activity in connection with our securities; and

must not bid for or purchase any of our securities or attempt to induce any person to purchase any of our securities, other than as permitted under the Exchange Act, until it has completed its participation in the distribution.

S-13

**Table of Contents**

**LEGAL MATTERS**

Certain legal matters and certain federal income tax matters will be passed upon for us by Bass, Berry & Sims PLC, Nashville, Tennessee. Certain matters of Maryland law, including the validity of the common stock to be issued in connection with this offering, will be passed upon for us by Venable LLP, Baltimore, Maryland. Bass, Berry & Sims PLC may rely as to certain matters of Maryland law upon the opinion of Venable LLP.

**EXPERTS**

The financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in the Report of Management on Internal Controls over Financial Reporting) incorporated in this prospectus supplement by reference to the Annual Report on Form 10-K for the year ended December 31, 2015 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

S-14

**Table of Contents**

**INCORPORATION BY REFERENCE**

SEC rules allow us to incorporate by reference the information we file with the SEC, which means that we can disclose important information to you by referring you to those documents filed separately with the SEC. The information incorporated by reference in this prospectus supplement and the accompanying prospectus is considered to be part of this prospectus supplement and the accompanying prospectus, and the information we file subsequently with the SEC prior to the completion of this offering will automatically update and supersede such information.

We previously filed the following documents with the SEC and such filings are incorporated by reference into this prospectus supplement and the accompanying prospectus:

Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed February 17, 2016 (including portions of our definitive Proxy Statement, filed March 18, 2016, for the 2016 Annual Meeting of Stockholders incorporated therein by reference);

Quarterly Reports on Form 10-Q for the quarter ended March 31, 2016, filed April 27, 2016, the quarter ended June 30, 2016, filed July 25, 2016, and the quarter ended September 30, 2016, filed October 31, 2016;

Current Reports on Form 8-K, filed February 22, 2016, May 9, 2016, May 25, 2016, June 23, 2016, July 12, 2016, August 2, 2016, September 26, 2016, and October 21, 2016; and

The description of our common stock contained in our Registration Statement on Form 8-A filed August 12, 2003, as updated through subsequently filed reports.

We also incorporate by reference into this prospectus supplement additional documents that we may file with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, from the date of this prospectus supplement until all of the securities offered by this prospectus supplement have been sold or the offering of these securities is otherwise terminated; provided, however, that information furnished under Item 2.02 or Item 7.01 of Form 8-K or other information furnished to the SEC which is not deemed filed is not incorporated by reference in this prospectus supplement and in the accompanying prospectus. Information that we subsequently file with the SEC as aforesaid will automatically update and may supersede information in this prospectus supplement and the accompanying prospectus and information that we previously filed with the SEC.

You may obtain copies of any of these filings from us as described below, through the SEC or through the SEC's website as described above. Documents incorporated by reference are available without charge, excluding all exhibits unless an exhibit has been specifically incorporated by reference into this prospectus supplement, by writing or calling our Investor Relations Department at the following address and telephone number:

Investor Relations

Gladstone Commercial Corporation

1521 Westbranch Drive, Suite 100

Edgar Filing: GLADSTONE COMMERCIAL CORP - Form 424B5

McLean, Virginia 22102

(703) 287-5893

S-15

**Table of Contents**

**WHERE YOU CAN FIND MORE INFORMATION**

Copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and amendments, if any, to those reports filed or furnished with the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act as well as Section 16 reports on Forms 3, 4 and 5 are available free of charge through our website at [www.GladstoneCommercial.com](http://www.GladstoneCommercial.com). A request for any of these reports may also be submitted to us by sending a written request addressed to Investor Relations, Gladstone Commercial Corporation, 1521 Westbranch Drive, Suite 100, McLean, VA 22102, or by calling our toll-free investor relations line at 1-866-366-5745. The public may read and copy materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at [www.sec.gov](http://www.sec.gov). 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.

We have filed with the SEC a shelf registration statement on Form S-3 under the Securities Act relating to the securities that may be offered by the accompanying prospectus. Such prospectus is a part of that registration statement, but does not contain all of the information in the registration statement. We have omitted parts of the registration statement in accordance with the rules and regulations of the SEC. For more detail about us and any securities that may be offered by such prospectus, you may examine the registration statement on Form S-3 and the exhibits filed with it at the locations listed in the previous paragraph.

**Table of Contents**

**PROSPECTUS**

**\$500,000,000**

**Common Stock**

**Preferred Stock**

**Debt Securities**

**Depositary Shares**

**Subscription Rights**

We may offer, from time to time, one or more series or classes of common stock, preferred stock, debt securities, depositary shares and subscription rights. We refer to our common stock, preferred stock, debt securities, depositary shares and subscription rights collectively as the securities. We may offer these securities with an aggregate initial public offering price of up to \$500,000,000, or its equivalent in a foreign currency based upon the exchange rate at the time of sale, in amounts, at initial prices and on terms determined at the time of the offering. We may offer these securities separately or together, in separate series or classes and in amounts, at prices and on terms described in one or more supplements to this prospectus.

We may offer and sell these securities to or through one or more underwriters, dealers and agents, or directly to purchasers, on a continuous or delayed basis. If any underwriters, dealers or agents are involved in the sale of any of the securities, their names, and any applicable purchase price, fee, commission or discount arrangement with, between or among them, will be set forth, or will be calculable from the information set forth, in an accompanying prospectus supplement. For more detailed information, see Plan of Distribution in this prospectus.

No securities may be sold without delivery of an accompanying prospectus supplement describing the method and terms of the offering of those securities. Accordingly, we will deliver this prospectus together with an accompanying prospectus supplement setting forth the specific terms of the securities that we are offering. The accompanying prospectus supplement also will contain information, where applicable, about federal income tax considerations relating to, and any listing on a securities exchange of, the securities covered by the prospectus supplement. In addition, the specific terms may include limitations on direct or beneficial ownership and restrictions on transfer of the securities offered by this prospectus, in each case as may be appropriate to preserve our status as a real estate investment trust for federal income tax purposes, among other purposes.

Our shares of common stock, par value \$0.001 per share, 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.

**Investing in our securities involves substantial risks. See Risk Factors on page 4 of this prospectus, as well as the Risk Factors incorporated by reference herein from our most recent Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and other reports and information that we file with the Securities and Exchange Commission from time to time.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disap**