

GLADSTONE COMMERCIAL CORP

Form 424B5

June 19, 2013

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Filed pursuant to Rule 424(b)(5) Registration No. 333-169290

**PROSPECTUS SUPPLEMENT**

(TO PROSPECTUS DATED SEPTEMBER 27, 2010)

**1,320,000 Shares**

**Common Stock**

We are offering 1,320,000 shares of common stock, par value \$0.001 per share, in this offering pursuant to this prospectus supplement and the accompanying prospectus.

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 June 18, 2013, was \$19.41 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 common stock by any person.

**Investing in shares of our common stock involves substantial risks that are described in the Risk Factors sections beginning on page S-6 of this prospectus supplement and on page 16 of our Annual Report on Form 10-K for the year ended December 31, 2012, and other reports and information that we file from time to time with the U.S. 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                  | \$ 18.82  | \$ 24,842,400 |
| Underwriting discounts and commissions | \$ 0.94   | \$ 1,240,800  |
| Proceeds, before expenses, to us       | \$ 17.88  | \$ 23,601,600 |

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We have granted the underwriters an option for a period of 30 days to purchase an additional 198,000 shares of common stock to cover over-allotments, if any. If the underwriters exercise the option in full, the total underwriting discounts and commissions payable by us will be \$1,426,920, and the total proceeds to us, before expenses, will be \$27,141,840.

Delivery of the common stock is expected to be made on or about June 24, 2013.

*Sole Book-Running Manager*

**Janney Montgomery Scott**

*Joint Lead Manager*

**Oppenheimer & Co.**

*Co-Managers*

**J.J.B. Hilliard, W.L. Lyons, LLC**

**Wunderlich Securities**

**Ladenburg Thalmann & Co. Inc.**

**National Securities Corporation**

The date of this prospectus supplement is June 19, 2013.

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**Prospectus**

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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 U.S. Securities and Exchange Commission, or 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. 333-169290) 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. 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 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 business and financing strategy;

our ability to implement our business plan;

pending 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 (as defined herein) under the terms of our advisory agreement;

projected capital expenditures; and

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:

our ability to successfully complete pending and future property acquisitions;

our ability to successfully obtain replacement financing under our line of credit prior to maturity;

changes in laws that affect REITs;

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

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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;

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

changes in our industry or the general economy;

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

changes in governmental regulations, tax rates and similar matters;

environmental uncertainties and risks related to natural disasters; and

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 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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**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-6 of this prospectus supplement and in the accompanying prospectus, our Annual Report on Form 10-K for the year ended December 31, 2012, 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' over-allotment 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 83 properties located in 21 states that contain approximately 8.6 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 200, 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:

**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.

**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:** Currently, we have investments in 83 properties and gross and net assets, including intangible assets, of approximately \$652.6 million and \$554.4 million, respectively. All of our tenants are paying as agreed, and the weighted average yield on our portfolio is approximately 8.9%. Currently, 79 of our properties, or approximately 96.0% of our portfolio, are fully leased while three of our properties do not have leases in place and one property is currently one-third leased, representing approximately 4.0% of our portfolio. We are currently seeking tenants for these properties while concurrently researching alternative uses for these properties.

**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.

### **Recent Developments**

#### **Investment Activities**

*Vance, Alabama:* On May 9, 2013, we, through our Operating Partnership, acquired a 170,000 square foot office building located in Vance, Alabama for \$13.4 million, excluding related acquisition expenses of \$0.2 million. We funded this acquisition with existing cash on hand. The tenant has leased the property for 10 years and has two options to renew the lease for additional periods of five-years each. The lease provides for prescribed rent escalations over the life of the lease, with annualized straight line rents of \$1.2 million.

*Blaine, Minnesota:* On May 10, 2013, we, through our Operating Partnership, acquired a 92,275 square foot office building located in Blaine, Minnesota for \$14.5 million, excluding related acquisition expenses of \$0.1 million. We funded this acquisition with existing cash on hand. The tenant has seven years remaining on the lease and has two options to renew the lease for additional periods of five-years each. The lease provides for prescribed rent escalations over the life of the lease, with annualized straight line rents of \$1.5 million.



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### **Pending Acquisition**

On May 20, 2013, we, through our Operating Partnership, entered into an agreement with Karlin Parmer Office, LLC to purchase a 320,597-square foot office building located in Texas, which we refer to in this prospectus supplement as the Texas Property, for a gross purchase price that is expected to be approximately \$57,500,000, exclusive of related acquisition expenses. The Texas Property is currently 100% leased to one tenant.

Closing is subject to customary conditions and termination rights for transactions of this type, including a due diligence inspection period and financing. As described below under "Use of Proceeds," we expect to fund this acquisition using proceeds from this offering and securing mortgage financing on the property. This offering is not contingent upon the consummation of this acquisition. Further, there can be no assurance with respect to the timing of the closing of this acquisition or whether the acquisition will be completed on the currently contemplated terms, other terms or at all.

### **Leasing Activities**

*Hazelwood, Missouri:* On April 4, 2013, we executed a lease with a tenant to occupy our previously vacant property located in Hazelwood, Missouri. However, the lease is subject to a due diligence period in which the tenant has the right to perform inspections and reviews of the property. We are currently in negotiations with the tenant to address the due diligence repair items, which we expect to resolve in the next 30 days. The lease covering this property is for 10 years, through May 2023; however, the tenant has two options to purchase the property: one option in March 2017 and the other option in May 2023. The lease provides for prescribed rent escalations over the life of the lease, with annualized straight line rents of approximately \$0.2 million. In connection with the extension of the lease and the modification of certain terms under the lease, we will pay \$0.1 million in leasing commissions.

### **June Cash Distribution**

On April 9, 2013, our Board of Directors declared a monthly cash distribution of \$0.125 per share of common stock, payable to stockholders of record as of the close of business on June 19, 2013. Because the shares to be sold as part of this offering will not be delivered until after June 19, 2013, investors in this offering will not be entitled to receive the cash distribution associated with this record date.

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**The Offering**

|  |   |
|--|---|
| Issuer   | Gladstone Commercial Corporation  |
| Common stock offered by us                                 | 1,320,000 shares of common stock (or 1,518,000 shares of common stock if the underwriters exercise their over-allotment option in full)   |
| Common stock outstanding prior to this offering            | 12,697,648 shares   |
| Common stock to be outstanding after this offering         | 14,017,648 shares of common stock (or 14,215,648 shares of common stock if the underwriters exercise their over-allotment option in full)   |
| Diluted common stock to be outstanding after this offering | 14,259,061 shares of common stock (or 14,457,061 shares of common stock if the underwriters exercise their over-allotment option in full)(1)  |
| Use of proceeds  | We estimate that our net proceeds from this offering will be approximately \$23.5 million (or approximately \$27.0 million if the underwriters exercise their over-allotment option in full) after deducting the underwriting discounts and commissions and other estimated offering expenses payable by us. We intend to use the proceeds from this offering to fund pending and future property acquisitions (including the pending acquisition described above under <b>Recent Developments Pending Acquisition</b> ), repay debt and for general corporate purposes. See <b>Use of Proceeds</b> . |
| 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. Our June cash distribution is payable on June 28, 2013 to stockholders of record as of the close of business on June 19, 2013. Accordingly, purchasers of common stock in this offering will not be entitled to receipt of such cash distribution.  |
| 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% in value or number (whichever is more restrictive) 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 <b>Certain Provisions of Maryland Law and of our Charter and Bylaws</b> 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   |



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discussed in the Risk Factors sections in this prospectus supplement and in our Annual Report on Form 10-K for the year ended December 31, 2012 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

(1) The diluted number of shares of common stock to be outstanding after this offering also includes 241,413 shares of common stock issuable upon the conversion or exchange of shares of senior common stock.

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 and our Annual Report on Form 10-K for the year ended December 31, 2012, 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. 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, 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 March 28, 2015, 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 June 17, 2013, we have sold a total of 234,329 shares of senior common stock pursuant to the offering.

Currently, we have the ability to raise up to \$182.6 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 Shelf, in one or more future public offerings. Of the \$182.6 million of available capacity under the Universal Shelf,

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\$12.6 million of common stock is reserved for additional sales under our open market sale agreement with Jefferies LLC and \$49.4 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 debt securities, holders of our senior common stock, holders of our preferred stock 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 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.

**If we are unable to obtain replacement financing under our line of credit prior to maturity, we may not have enough existing liquidity to fund our current level of distributions and provide capital improvements at our properties.**

We currently have \$33.2 million outstanding under our line of credit and have \$7.1 million of borrowing capacity remaining. Our line of credit matures in December 2013. We are currently in discussions with various lenders to implement a new line of credit. We anticipate being able to issue a new line in advance of the maturity of our existing line in an amount similar to our existing line of credit.

If we cannot find replacement financing, management has reviewed its cash uses and sources and has identified plans that could be implemented to continue operations despite the maturity of the line of credit. These steps could include obtaining an extension from the current lender to provide additional time to obtain replacement financing, suspension of capital spending, cost reductions, an equity raise and possible asset disposals. Additionally, management has assessed that the remaining assets in the portfolio would produce sufficient cash flows to fund operating cash needs and meet remaining debt service requirements in the near term. If we are unable to obtain replacement financing under our line of credit prior to maturity, we may not have enough existing liquidity to fund our current level of distributions and provide capital improvements at our properties.



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**We may fail to consummate the pending acquisition of the Texas Property, or may not consummate the acquisition on the terms described herein, which could have an impact on our short-term results of operations, earnings and cash flow.**

We intend to use a portion of the net proceeds of this offering to fund the cash consideration for the pending acquisition of the Texas Property as described under Recent Developments Pending Acquisition. This acquisition is subject to customary closing conditions for transactions of this type, including financing. There can be no assurances those conditions will be satisfied. There can be no assurance that we will close on the terms described herein or at all. If we fail to consummate the acquisition, we will have issued a significant number of additional shares of our common stock without realizing a corresponding increase in earnings and cash flow from acquiring this property, which could result in significant dilution to our existing stockholders. There can be no assurances that we will secure attractive alternative investments, which may cause our future operating results to fall short of expectations. In addition, we will have broad authority to use the net proceeds of this offering for other corporate purposes, which may not be accretive to our results of operations.

**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.

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 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;

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

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;

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investor confidence in the stock market; and

general market and economic conditions.

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 \$23.5 million (or approximately \$27.0 million if the underwriters exercise their over-allotment option in full) after deducting the underwriting discount and commissions and other estimated offering expenses payable by us.

We intend to use the proceeds from this offering to fund pending and future property acquisitions (including the pending acquisition of the Texas Property as described in the Summary section above under Recent Developments Pending Acquisition ), repay debt and for general corporate purposes. This offering is not contingent upon the closing of the pending acquisition.

Our line of credit matures on December 28, 2013. The interest rate per annum applicable to our line of credit is equal to the London Interbank Offered Rate (LIBOR) plus an applicable margin of up to three hundred basis points depending upon our leverage. Our line of credit currently has an outstanding balance of \$33.2 million, which bears interest at an annual rate of 3.0%. The maximum amount available to be drawn under our line of credit is currently \$7.1 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.

**Table of Contents****CAPITALIZATION**

The following table sets forth our capitalization as of March 31, 2013:

on an actual basis,

on a pro forma basis to reflect certain transactions since March 31, 2013, and

on an as adjusted basis to reflect (i) the sale of 1,320,000 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 to cash and cash equivalents. Except as noted, no adjustments have been made to reflect normal course of operations by us or other developments with our business after March 31, 2013, including the funding of our pending acquisition of the Texas Property, as discussed in the Summary section above under Recent Developments Pending Acquisition. As a result, the as adjusted information provided below is not indicative of our actual cash and cash equivalents position or consolidated capitalization as of any date. The table does not give effect to the issuance of up to 198,000 additional shares of our common stock that may be sold pursuant to the underwriters over-allotment option.

You should read this table in conjunction with the sections entitled Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, and our Annual Report on Form 10-K for the year ended December 31, 2012, and our consolidated financial statements, related notes and other financial information that we have incorporated by reference into this prospectus supplement and the accompanying prospectus.

|  | Actual     | As of March 31, 2013<br>Pro Forma(1)<br>(In thousands) | As Adjusted(2) |
|--|------------|--|----------------|
| Cash and cash equivalents  | \$ 7,279   | \$ 7,279   | \$ 30,731      |
| Debt:  |            |  |                |
| Mortgage notes payable   | 361,035    | 361,035  | 361,035        |
| Borrowings under line of credit  | 26,400     | 33,200   | 33,200         |
| Series C preferred stock, \$0.001 par value; \$25 per share liquidation preference; 1,700,000 shares authorized, 1,540,000 shares issued and outstanding   | 38,500     | 38,500   | 38,500         |
| Total debt   | \$ 425,935 | 432,735  | 432,735        |
| 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       | \$ 2   | \$ 2           |
| Senior common stock, \$0.001 par value; 7,500,000 shares authorized and 219,859 shares issued and outstanding  | 0          | 0  | 0              |
| Common stock, \$0.001 par value: 38,500,000 shares authorized, 11,083,584 shares issued and outstanding, actual; 12,697,648 shares issued and outstanding, pro forma; and 14,017,648 shares issued and outstanding as adjusted | 11         | 12   | 14             |
| Additional paid-in capital   | 221,578    | 244,170  | 267,620        |
| Notes receivable - employees   | (375)      | (375)  | (375)          |
| Distributions in excess of accumulated earnings  | (97,568)   | (97,568)   | (97,568)       |
| Total stockholders' equity   | 123,648    | 146,241  | 169,693        |

|                      |            |            |            |
|----------------------|------------|------------|------------|
| Total capitalization | \$ 549,583 | \$ 578,976 | \$ 602,428 |
|----------------------|------------|------------|------------|

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- (1) Reflects (a) the issuance of 1,265,000 shares of our common stock in a public offering on April 29, 2013, resulting in net proceeds of \$22.6 million and (b) net borrowings under our line of credit since March 31 2013, through June 17, 2013, of \$6.8 million.
- (2) Does not reflect the payment of the cash consideration for our acquisition of the Texas Property. We intend to pay the purchase price using cash on hand (including from any remaining net proceeds of this offering) and securing mortgage financing on the property.

**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 the years ended December 31, 2012 and 2011 and the current fiscal year through June 17, 2013. Distributions to common stockholders are declared quarterly and paid monthly.

|                                      | Price Range |          | Distributions Per<br>Common Share(1) |
|--------------------------------------|-------------|----------|--------------------------------------|
|                                      | High        | Low      |                                      |
| <b>2011</b>                          |             |          |                                      |
| First Quarter                        | \$ 19.54    | \$ 17.42 | \$ 0.375                             |
| Second Quarter                       | 19.43       | 16.88    | 0.375                                |
| Third Quarter                        | 17.92       | 15.00    | 0.375                                |
| Fourth Quarter                       | 17.76       | 13.93    | 0.375                                |
| <b>2012</b>                          |             |          |                                      |
| First Quarter                        | \$ 18.92    | \$ 16.80 | \$ 0.375                             |
| Second Quarter                       | 17.66       | 15.56    | 0.375                                |
| Third Quarter                        | 19.47       | 16.52    | 0.375                                |
| Fourth Quarter                       | 18.93       | 16.15    | 0.375                                |
| <b>2013</b>                          |             |          |                                      |
| First Quarter                        | \$ 19.51    | \$ 17.98 | \$ 0.375                             |
| Second Quarter through June 17, 2013 | 21.33       | 18.80    | 0.375                                |

- (1) Amounts presented represent the cumulative amount of the monthly common stock distributions declared during such quarter. The decision as to whether to authorize and pay distributions on shares of our common stock in the future, as well as the timing, amount and composition of any such future distributions, will be at the sole and absolute discretion of our Board of Directors in light of conditions then existing, including our earnings, taxable income, FFO, financial condition, liquidity, capital requirements, debt maturities, the availability of capital, contractual prohibitions or other restrictions, applicable REIT and legal restrictions and general overall economic conditions and other factors. While the statements in this prospectus supplement concerning our distribution policy represent our current expectations, any actual distribution payable will be determined by our Board of Directors based upon the circumstances at the time of declaration and the actual number of shares of common stock then outstanding, and any future cash distribution payable on our common stock may vary from such expected amounts.

As of June 10, 2013, there were approximately 15,356 beneficial holders of our shares of common stock. The transfer agent and registrar for our common stock is currently Computershare Shareowner Services.

The Company pays distributions on shares of senior common stock in an amount equal to \$1.05 per share per annum, declared daily and paid at the rate of \$0.0875 per share per month. The Company's senior common stock is not traded on any exchange or automated quotation system.

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### **ADDITIONAL U.S. FEDERAL INCOME TAX CONSIDERATIONS**

The following summary of certain additional U.S. federal income tax considerations supplements the discussion set forth under the heading **Material U.S. Federal Income Tax Considerations** in the accompanying prospectus, is for general information purposes only and is not tax advice. This discussion does not purport to deal with all aspects of taxation that may be relevant to particular holders of our common stock in light of their personal investment or tax circumstances.

We urge you to consult your own tax advisor regarding the specific tax consequences to you of acquisition, ownership and disposition of our common stock and of our election to be taxed as a REIT. Specifically, you should consult your own tax advisor regarding the federal, state, local, foreign, and other tax consequences of such acquisition, ownership, disposition and election, and regarding potential changes in applicable tax laws.

#### **Recently Enacted Legislation**

The recently enacted American Taxpayer Relief Act of 2012 ( **ATRA** ) permanently extended certain U.S. federal income tax rates in effect for 2012 for taxpayers that are taxable as individuals, trusts or estates. Among other things, ATRA provided for the permanent extension of the ordinary income and long-term capital gains tax rates in effect for individuals with taxable income at or below certain thresholds, which are indexed for inflation (\$400,000 in the case of unmarried individuals and \$450,000 in the case of married couples filing jointly). Taxpayers that are taxable as individuals, trusts or estates will be subject to a maximum U.S. federal income tax rate of 39.6% on ordinary income and 20.0% on long-term capital gains for taxable years beginning after December 31, 2012 with respect to taxable income above the aforementioned thresholds.

ATRA also provided for a permanent extension of the taxation of qualified dividends received by taxpayers that are taxable as individuals, trusts or estates at the same maximum U.S. federal income tax rates applicable to long-term capital gains. Accordingly, distributions of our taxable income that are reported by us as being derived from **qualified dividend income** will be taxed in the hands of non-corporate U.S. stockholders at the rates applicable to long-term capital gains, provided that holding period requirements and all other requirements are met by both the stockholders and us. As discussed in the accompanying prospectus, dividends distributed by us generally will not be attributable to qualified dividend income. ATRA also permanently extended the 28.0% rate for backup withholding.

#### **FATCA Withholding**

The Foreign Account Tax Compliance Act ( **FATCA** ) imposes a 30.0% withholding tax on certain types of payments made to **foreign financial institutions** and certain other non-U.S. entities unless certain due diligence, reporting, withholding, and certification obligation requirements are satisfied.

The U.S. Treasury Department and the IRS recently issued final Treasury Regulations under FATCA. FATCA generally imposes a 30.0% withholding tax on dividends on, and gross proceeds from the sale or other disposition of, our stock if paid to a foreign entity unless either (i) the foreign entity is a **foreign financial institution** that undertakes certain due diligence, reporting, withholding, and certification obligations, or in the case of a foreign financial institution that is a resident in a jurisdiction that has entered into an intergovernmental agreement to implement FATCA, the entity complies with the diligence and reporting requirements of such agreement, (ii) the foreign entity is not a **foreign financial institution** and identifies certain of its U.S. investors, or (iii) the foreign entity otherwise is excepted under FATCA. Under delayed effective dates provided for in the Treasury Regulations, such required withholding would not begin until January 1, 2014 with respect to dividends on our stock, and January 1, 2017 with respect to gross proceeds from a sale or other disposition of our stock.

If withholding is required under FATCA on a payment related to our stock, investors that otherwise would not be subject to withholding (or that otherwise would be entitled to a reduced rate of withholding) generally will be required to seek a refund or credit from the IRS to obtain the benefit of such exemption or reduction (provided that such benefit is available). You should consult your own tax advisor regarding the effect of FATCA on an investment in our stock.



**Table of Contents****UNDERWRITING**

Subject to the terms and conditions set forth in the underwriting agreement, dated June 19, 2013, by and among us, the Operating Partnership and Janney Montgomery Scott LLC, as representative of the underwriters named below and the sole book-running manager of this offering, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the respective number of shares of common stock shown opposite its name below:

| <b>Underwriter</b>               | <b>Number Of Shares</b> |
|----------------------------------|-------------------------|
| Janney Montgomery Scott LLC      | 706,200                 |
| Oppenheimer & Co. Inc.           | 442,200                 |
| J.J.B. Hilliard, W.L. Lyons, LLC | 66,000                  |
| Wunderlich Securities, Inc.      | 66,000                  |
| Ladenburg Thalmann & Co. Inc.    | 26,400                  |
| National Securities Corporation  | 13,200                  |
| <b>Total</b>                     | <b>1,320,000</b>        |

The underwriting agreement provides that the obligations of the several underwriters are subject to certain conditions precedent such as the receipt by the underwriters of officers' and trustees' certificates and legal opinions and approval of certain legal matters by their counsel. The underwriting agreement provides that the underwriters will purchase all of the shares of common stock if any of them are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated. We have agreed to indemnify the underwriters and certain of their controlling persons against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares of common stock subject to their acceptance of the shares of common stock from us and subject to prior sale. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

**Commission and Expenses**

The underwriters have advised us that they propose to offer the shares of common stock to the public at the public offering price set forth on the cover page of this prospectus supplement and to certain dealers, which may include the underwriters, at that price less a concession not in excess of \$0.56 per share of common stock. The underwriters may allow, and such dealers may reallocate, a concession not in excess of \$0.10 per share to certain other dealers. After the offering, the public offering price and concession to dealers may be reduced by the representative. No such reduction will change the amount of proceeds to be received by us as set forth on the cover page of this prospectus supplement.

The following table shows the public offering price, the underwriting discounts and commissions that we are to pay the underwriters and the proceeds, before expenses, to us in connection with this offering. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase the over-allotment shares.

|   | <b>Per Share</b>                  |                                | <b>Total</b>                      |                                |
|---|-----------------------------------|--------------------------------|-----------------------------------|--------------------------------|
|   | <b>Without<br/>Over-allotment</b> | <b>With<br/>Over-allotment</b> | <b>Without<br/>Over-allotment</b> | <b>With<br/>Over-allotment</b> |
| Public offering price                             | \$ 18.82                          | \$ 18.82                       | \$ 24,842,200                     | \$ 28,568,760                  |
| Underwriting discounts and commissions paid by us | \$ 0.94                           | \$ 0.94                        | \$ 1,240,800                      | \$ 1,426,920                   |
| Proceeds to us, before expenses                   | \$ 17.88                          | \$ 17.88                       | \$ 23,601,600                     | \$ 27,141,840                  |

We estimate expenses payable by us in connection with this offering, other than the underwriting discounts and commissions referred to above, will be approximately \$150,000.



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### **Listing**

Our common stock is listed on The NASDAQ Global Select Market under the trading symbol GOOD.

### **Over-Allotment Option**

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase, from time to time, in whole or in part, up to an aggregate of 198,000 shares from us at the public offering price set forth on the cover page of this prospectus supplement, less underwriting discounts and commissions. The underwriters may exercise such option only to cover over-allotments in the sale of shares of common stock offered by this prospectus supplement. If the underwriters exercise this option, each underwriter will be obligated, subject to specified conditions, to purchase a number of additional shares proportionate to that underwriter's initial purchase commitment as indicated in the table above.

### **No Sales of Similar Securities**

We and our executive officers and directors have agreed, subject to specified exceptions, not to directly or indirectly:

sell, offer, contract or grant any option to sell (including any short sale), pledge, transfer, establish an open put equivalent position within the meaning of Rule 16a-1(h) under the Exchange Act or

otherwise dispose of any shares of common stock, options or warrants to acquire common stock, or securities exchangeable or exercisable for or convertible into common stock (other than shares of senior common stock) currently or hereafter owned either of record or beneficially, or

publicly announce an intention to do any of the foregoing for a period of 90 days after the date of this prospectus supplement without the prior written consent of Janney Montgomery Scott LLC.

This restriction terminates after the close of trading of the common stock on and including the 90th day after the date of this prospectus supplement. However, subject to certain exceptions, in the event that either:

during the last 17 days of the 90-day restricted period, we issue an earnings release or material news or a material event relating to us occurs, or

prior to the expiration of the 90-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 90-day restricted period,

then in either case the expiration of the 90-day restricted period will be extended until the expiration of the 18-day period beginning on the date of the issuance of an earnings release or the occurrence of the material news or event, as applicable, unless Janney Montgomery Scott LLC waives, in writing, such an extension.

Janney Montgomery Scott LLC may, in its sole discretion and at any time or from time to time before the termination of the 90-day period release all or any portion of the securities subject to lock-up agreements. There are no existing agreements between the underwriters and any of our stockholders who will execute a lock-up agreement, providing consent to the sale of shares prior to the expiration of the lock-up period.

### **Stabilization**

The underwriters have advised us that they, pursuant to Regulation M under the Exchange Act, and certain persons participating in the offering, may engage in short sale transactions, stabilizing transactions, syndicate covering transactions or the imposition of penalty bids in connection with this offering. These activities may have the effect of stabilizing or maintaining the market price of the common stock at a level above that

which might otherwise prevail in the open market. Establishing short sales positions may involve either covered short sales or naked short sales.

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Covered short sales are sales made in an amount not greater than the underwriters' over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option or purchasing shares of our common stock in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option.

Naked short sales are sales in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares of our common stock in the open market after pricing that could adversely affect investors who purchase in this offering.

A stabilizing bid is a bid for the purchase of shares of common stock on behalf of the underwriters for the purpose of fixing or maintaining the price of the common stock. A syndicate covering transaction is the bid for or the purchase of shares of common stock on behalf of the underwriters to reduce a short position incurred by the underwriters in connection with the offering. Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. A penalty bid is an arrangement permitting the underwriters to reclaim the selling concession otherwise accruing to a syndicate member in connection with the offering if the common stock originally sold by such syndicate member are purchased in a syndicate covering transaction and therefore have not been effectively placed by such syndicate member.

Neither we, nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. The underwriters are not obligated to engage in these activities and, if commenced, any of the activities may be discontinued at any time.

The underwriters may also engage in passive market making transactions in our common stock on The NASDAQ Global Select Market in accordance with Rule 103 of Regulation M during a period before the commencement of offers or sales of shares of our common stock in this offering and extending through the completion of distribution. A passive market maker must display its bid at a price not in excess of the highest independent bid of that security. However, if all independent bids are lowered below the passive market maker's bid, that bid must then be lowered when specified purchase limits are exceeded.

## **Electronic Distribution**

A prospectus in electronic format may be made available by e-mail or on the web sites or through online services maintained by one or more of the underwriters or their affiliates. In those cases, prospective investors may view offering terms online and may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares of common stock for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriters on the same basis as other allocations. Other than the prospectus in electronic format, the information on the underwriters' web sites and any information contained in any other web site maintained by any of the underwriters is not part of this prospectus supplement or the accompanying prospectus, has not been approved and/or endorsed by us or the underwriters and should not be relied upon by investors.

## **Other Activities and Relationships**

The underwriters and certain of their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment

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management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters and certain of their respective affiliates have, from time to time, performed, and may in the future perform, various commercial and investment banking and financial advisory services for us and our affiliates, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and certain of their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments issued by us and our affiliates. If the underwriters or their respective affiliates have a lending relationship with us, they may routinely hedge their credit exposure to us consistent with their customary risk management policies. The underwriters and their respective affiliates may hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities or the securities of our affiliates, including potentially the common stock offered hereby. Any such short positions could adversely affect future trading prices of the common stock offered hereby. The underwriters and certain of their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## **LEGAL MATTERS**

Certain legal matters and certain federal income tax matters will be passed upon for us by Bass, Berry & Sims PLC, Memphis, 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. Certain legal matters relating to this offering will be passed upon for the underwriters by Squire Sanders (US) LLP. Bass, Berry & Sims PLC and Squire Sanders (US) LLP 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 Management's Report on Internal Control over Financial Reporting) incorporated in this prospectus supplement by reference to the Annual Report on Form 10-K for the year ended December 31, 2012, 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.

## **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 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 200, 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).

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**INCORPORATION OF CERTAIN INFORMATION 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, 2012, filed on February 19, 2013 (including portions of our definitive Proxy Statement filed with the SEC on March 22, 2013 that are specifically incorporated therein by reference);

Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, filed on April 29, 2013; and

Current Reports on Form 8-K filed on February 1, 2013, March 27, 2013, April 26, 2013, May 3, 2013, May 28, 2013 and June 14, 2013.

All documents that we file pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus supplement and the termination of this offering of the securities pursuant to this prospectus supplement are incorporated by reference into this prospectus supplement and the accompanying prospectus from the date of the filing of such documents, except for 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 and not incorporated by reference into this prospectus supplement and 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 request a copy of these filings (other than exhibits, unless the exhibits are specifically incorporated by reference into these documents) at no cost by writing or calling our Investor Relations department at the following address and telephone number:

Investor Relations

Gladstone Commercial Corporation

1521 Westbranch Drive, Suite 200

McLean, Virginia 22102

(703) 287-5893

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**PROSPECTUS**

**\$300,000,000**

**GLADSTONE COMMERCIAL**

**Common Stock**

**Senior Common Stock**

**Preferred Stock**

**Debt Securities**

**Depository Shares**

**Subscription Rights**

We may offer, from time to time, one or more series or classes of common stock, senior common stock, preferred stock, debt securities, depository shares and subscription rights. We refer to our common stock, senior common stock, preferred stock, debt securities, depository shares and subscription rights collectively as the securities. We may offer these securities with an aggregate initial public offering price of up to \$300,000,000, 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 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 beginning on page 47 of 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 common stock is traded on the NASDAQ Global Select Market under the symbol GOOD.



**Investing in our securities involves substantial risks. See Risk Factors on page 3 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.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this prospectus is September 27, 2010

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No dealer, salesperson or other person is authorized to give any information or to represent anything not contained or incorporated by reference in this prospectus, any accompanying prospectus supplement or any free writing prospectus that we may provide to you in connection with an offering of securities. You must not rely upon any unauthorized information or representations not contained or incorporated by reference in this prospectus, any accompanying prospectus supplement or any free writing prospectus. This prospectus, any accompanying prospectus supplement or any free writing prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate, nor does this prospectus, any accompanying prospectus supplement or any free writing prospectus constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information contained in this prospectus, any accompanying prospectus supplement, any free writing prospectus or the documents incorporated by reference herein or therein are accurate only as of the date of such document. Our business, financial condition, liquidity, results of operations, funds from operations and prospects may have changed since those dates.

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### **ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission, or SEC, using a shelf registration process for the offering and sale of securities pursuant to Rule 415 under the Securities Act of 1933, as amended, or the Securities Act. Under the shelf registration process, we may, over time, sell any combination of the securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities that we may offer. As allowed by SEC rules, this prospectus does not contain all of the information that you can find in the registration statement or the exhibits thereto. For further information, we refer you to the registration statement, including any amendments thereto, including its exhibits.

We will not use this prospectus to offer and sell securities unless it is accompanied by a prospectus supplement that more fully describes the securities being offered and the terms of such offering. Any accompanying prospectus supplement or free writing prospectus may also update, amend or supersede other information contained in this prospectus. Before purchasing any securities, you should carefully read this prospectus, any accompanying prospectus supplement and any free writing prospectus together with the information incorporated or deemed to be incorporated by reference herein as described under the heading "Where You Can Find More Information" below.

Unless the context otherwise requires or indicates, all references to we, our, us and the Company in this prospectus mean Gladstone Commercial Corporation, a Maryland corporation, and its consolidated subsidiaries. All references to the Operating Partnership in this prospectus mean Gladstone Commercial Limited Partnership, a subsidiary of the Company and a Delaware limited partnership. All references to Adviser in this prospectus mean, Gladstone Management Corporation, a Delaware corporation.

### **FORWARD-LOOKING STATEMENTS**

This prospectus and any accompanying prospectus supplement, including the documents incorporated by reference into this prospectus and any accompanying prospectus supplement, contain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. 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 financial condition, results of operations and funds from operations, 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 expressions are intended to identify forward-looking statements. 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/or 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 business and financing strategy;

our ability to implement our business plan;

pending 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;

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market and industry trends;

interest and insurance rates;

estimates of our future operating expenses, including payments to our Adviser under the terms of our advisory agreement;

projected capital expenditures; and

use of the proceeds of our credit facilities, mortgage notes payable 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:

the loss of any of our key employees, such as Mr. David Gladstone, our Chairman and Chief Executive Officer, Mr. Terry Lee Brubaker, our Vice Chairman and Chief Operating Officer, or Mr. George Stelljes III, our President and Chief Investment Officer;

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

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

changes in our business 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;

availability, terms and deployment of capital, including the ability to maintain and borrow under our existing credit facility, arrange for long-term mortgages on our properties, secure one or more additional long-term credit facilities and raise equity capital;

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

changes in our industry or the general economy;

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, in this prospectus or in any accompanying prospectus supplement, including, without limitation, 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 SEC. New factors may also emerge from time to time that could materially and adversely affect us.

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### **THE COMPANY**

We were incorporated under the Maryland General Corporation Law, or MGCL, on February 14, 2003 primarily for the purpose of investing in and owning net leased industrial and commercial real estate property and selectively making long-term industrial and commercial mortgage loans to creditworthy entities. Subject to certain restrictions and limitations, the business of the Company is managed by the Adviser. Most of the portfolio of real estate that we own is leased to a wide cross section of tenants ranging from small businesses to large public companies, many of which do not have publicly-rated debt. We have in the past entered into, and intend in the future to enter into, purchase agreements for real estate that have triple net leases with terms of 10 to 15 years and built in rental 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 mortgage financing in an effort to build our portfolio.

We conduct substantially all of our activities, including the ownership of all of our properties, through our Operating Partnership. We control our Operating Partnership through our ownership of GCLP Business Trust II, a subsidiary of the Company and a Massachusetts business trust which holds the sole general partnership interest in our Operating Partnership, and of GCLP Business Trust I, a subsidiary of the Company and a Massachusetts business trust which holds all of the limited partnership interests of our Operating Partnership.

The Operating Partnership is also the sole member of Gladstone Commercial Lending, LLC, a subsidiary of the Company and a Delaware limited liability company. Gladstone Commercial Lending, LLC was formed to conduct all operations related to our real estate mortgage loans.

Our Adviser is an affiliated registered investment adviser under the Investment Advisers Act of 1940. Our Adviser is responsible for managing our business on a daily basis and for identifying and making acquisitions and dispositions that it believes satisfy our investment criteria.

Our executive offices are located at 1521 Westbranch Drive, Suite 200, 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, any accompanying prospectus supplement or any free writing prospectus or incorporated into any other filings that we make with the SEC.

### **RISK FACTORS**

An investment in any securities offered pursuant to this prospectus involves substantial risks. You should carefully consider the risk factors incorporated by reference herein from our most recent Annual Report on Form 10-K, our subsequent Quarterly Reports on Form 10-Q and the other information contained in this prospectus, as updated, amended or superseded by our subsequent filings under the Exchange Act, and the risk factors and other information contained in any accompanying prospectus supplement before acquiring any of such securities. The occurrence of any of these risks might cause you to lose all or part of your investment in the offered securities. Please also refer to the section entitled "Forward-Looking Statements" above.

### **USE OF PROCEEDS**

Unless we specify otherwise in an accompanying prospectus supplement, we intend to use the net proceeds from the sale of securities by us to provide additional funds for general corporate purposes. Any specific allocation of the net proceeds of an offering of securities to a specific purpose will be determined at the time of such offering and will be described in the accompanying prospectus supplement to this prospectus.

**Table of Contents****RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED DIVIDENDS**

Our ratios of earnings to fixed charges and preferred dividends for the six months ended June 30, 2010 and the years ended December 31, 2005, 2006, 2007, 2008 and 2009 are set forth below. For purposes of calculating the ratio of earnings to fixed charges and preferred dividends, earnings consist of income (loss) from continuing operations before income taxes and fixed charges. Fixed charges consist of interest expense and the portion of operating lease expense that represents interest.

|  | <b>Six Months<br/>Ended<br/>June 30, 2010</b> | <b>Year Ended December 31,</b> |             |             |             |             |
|--|---|--------------------------------|-------------|-------------|-------------|-------------|
|  |   | <b>2009</b>                    | <b>2008</b> | <b>2007</b> | <b>2006</b> | <b>2005</b> |
| Ratio of Earnings to Fixed Charges and Preferred Dividends | 1.0x  | 1.0x                           |             |             |             |             |