

GLADSTONE COMMERCIAL CORP

Form S-3

January 11, 2016

Table of Contents

As filed with the Securities and Exchange Commission on January 11, 2016

Registration No. 333-

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

Form S-3  
REGISTRATION STATEMENT  
*UNDER*  
*THE SECURITIES ACT OF 1933*

GLADSTONE COMMERCIAL CORPORATION  
(Exact name of registrant as specified in its charter)

Maryland  
(State or other jurisdiction of  
incorporation or organization)

02-0681276  
(IRS Employer  
Identification Number)

**1521 Westbranch Drive, Suite 100**

**McLean, Virginia 22102**

**(703) 287-5800**

**(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)**

**David J. Gladstone**

**Chairman and Chief Executive Officer**

**1521 Westbranch Drive, Suite 100**

**McLean, Virginia 22102**

**(703) 287-5800**

**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

*Copies to:*

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**Gladstone Management Corporation**

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**McLean, Virginia 22102**

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**Nashville, TN 37201**

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**Approximate date of commencement of proposed sale to the public:** From time to time after the registration statement becomes effective.

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If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

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

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

**Table of Contents****CALCULATION OF REGISTRATION FEE**

<b>Title of Each Class of Securities to be Registered</b>	<b>Amount to be Registered (1)</b>	<b>Proposed Maximum Offering Price per Share(1)(2)</b>	<b>Proposed Maximum Aggregate Offering Price</b>	<b>Amount of Registration Fee</b>
Common Stock, \$0.001 par value per share(3)				
Preferred Stock, \$0.001 par value per share(3)				
Debt Securities(3)				
Depositary Shares(4)				
Subscription Rights(3)				
<b>Total</b>			<b>\$500,000,000</b>	<b>\$47,745.52 (5)</b>

- (1) Omitted pursuant to General Instruction II.D of Form S-3 under the Securities Act of 1933, as amended (the Securities Act ).
- (2) The registrant will determine the proposed maximum offering price per share from time to time in connection with, and at the time of, the issuance of the securities registered hereunder. Securities registered hereby may be offered for U.S. dollars or in foreign currencies or currency units and may be sold separately or together in units with other securities registered hereby.
- (3) Also includes such indeterminate principal amount, liquidation amount or number of securities as may be issued upon conversion or exchange of any securities that provide for conversion or exchange into other securities. Separate consideration may or may not be received by the registrant for securities that are issuable upon exercise, conversion or exchange of other securities. The aggregate maximum offering price of all securities offered and sold by the registrant pursuant to this registration statement shall not have a maximum aggregate offering price that exceeds \$500,000,000 in U.S. dollars or the equivalent at the time of offering in any other currency.
- (4) Each depositary share will be issued under a deposit agreement, will represent an interest in a fractional share or multiple shares of preferred stock and will be evidenced by a depositary receipt.
- (5) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(o) of the Securities Act. In accordance with Rule 415(a)(6) of the Securities Act, the registrant is hereby including in this registration statement (the Registration Statement ) \$19,094,498 of common stock, that was previously registered on Form S-3, File No. 333-190931 (the 2013 Registration Statement ), which was declared effective by the Securities and Exchange Commission ( SEC ) on September 24, 2013, but that have not yet been sold by the registrant pursuant to its continuous offering of up to \$100,000,000 of common stock. In accordance with Rule 415(a)(6) of the Securities Act, the 2013 Registration Statement will be deemed terminated as of the effective date of this Registration Statement. Additionally, in connection with the filing of the 2013 Registration Statement, registration fees of \$24,282.00 were submitted, and, in accordance with Rule 457(p) of the Securities Act, the registrant is carrying forward \$2,604.48 of unused registration fees to offset the current registration fee due for the securities registered pursuant to this registration statement and is submitting herewith an additional \$47,745.52 in filing fees for the securities registered hereby.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission acting pursuant to said Section 8(a), may determine.**

**Table of Contents**

**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED JANUARY 11, 2016**

**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 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 \_\_\_\_\_, 2016**

Table of Contents

## TABLE OF CONTENTS

<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
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	55
<u>INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE</u>	55
<u>EXHIBITS</u>	

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.

**Table of Contents**

**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 **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 ability to qualify and maintain our qualification as a real estate investment trust, or REIT;

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;

**Table of Contents**

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 (each defined herein) under the terms of our advisory and administration agreements;

projected capital expenditures; and

use of the proceeds of our credit facilities, mortgage notes payable, offerings of our securities 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, Mr. Robert G. Cutlip, our President;

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

failure to qualify 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;

our ability 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 in, or incorporated by reference into, 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 from time to time. New factors may also emerge from time to time that could materially and adversely affect us.

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**Table of Contents**

**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, 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. 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. As of September 30, 2015, we owned 101 properties located in 24 states that contained approximately 11.1 million rentable square feet, which had a total gross and net carrying value, including intangible assets and properties held for sale, of \$936.5 million and \$778.3 million, respectively. As of September 30, 2015, we also had two mortgage loan receivables outstanding for an aggregate of \$5.9 million, for which we earn interest of 22.0% per annum through the maturity date. These loans mature upon the earlier of April 2016 or the sale of the underlying property, which is anticipated to occur in January 2016. We expect these mortgage loan receivables to be paid in full during the first quarter 2016.

Our business is managed by our external adviser, Gladstone Management Corporation, or our Adviser, which 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.

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. Our Operating Partnership may issue limited partnership units from time to time in exchange for industrial and commercial real property. Limited partners who hold limited partnership units in our Operating Partnership will generally be entitled to redeem these units for cash or, at our election, shares of our common stock on a one-for-one basis.

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.

**Table of Contents**

**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 could materially and adversely affect our business, prospects, financial condition, results of operations and cash flow and might cause you to lose all or part of your investment in the offered securities. Much of the business information, as well as the financial and operational data contained in our risk factors, is updated in our periodic reports filed with the SEC pursuant to the Exchange Act, which are also incorporated by reference into this prospectus. Although we have tried to discuss key risk factors, please be aware that these are not the only risks we face and there may be additional risks that we do not presently know of or that we currently consider not likely to have a significant impact. New risks may emerge at any time and we cannot predict such risks or estimate the extent to which they may affect our business or our financial performance. Please also refer to the section entitled Forward-Looking Statements above.

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

Our ratios of earnings to fixed charges and preferred dividends for the nine months ended September 30, 2015 and the years ended December 31, 2014, 2013, 2012, 2011 and 2010 are set forth below. For purposes of calculating the ratio of earnings to fixed charges and preferred dividends, earnings consist of net income from continuing operations before fixed charges. Fixed charges consist of interest expense, amortization of deferred financing fees and the portion of operating lease expense that represents interest.

	Nine Months Ended September 30,		Year Ended December 31,			
	2015	2014	2013	2012	2011	2010
Ratio of Earnings to Combined Fixed Charges and Preferred Distributions	N/A	N/A (2)	N/A (3)	N/A (4)	1.1x	1.0x

- (1) For the nine months ended September 30, 2015, earnings, as defined, were insufficient to cover fixed charges and preferred and common distributions by approximately \$2.8 million.
- (2) For the year ended December 31, 2014, earnings, as defined, were insufficient to cover fixed charges and preferred and common distributions by approximately \$10.5 million. We recognized a \$14.2 million impairment loss and a \$5.3 million gain on debt extinguishment as a result of the return of one of our properties in a deed-in-lieu transaction during the year ended December 31, 2014.
- (3) For the year ended December 31, 2013, earnings, as defined, were insufficient to cover fixed charges and preferred and common distributions by approximately \$2.9 million.
- (4) For the year ended December 31, 2012, earnings, as defined, were insufficient to cover fixed charges and preferred and common distributions by \$0.4 million.

**USE OF PROCEEDS**

Unless we specify otherwise in an accompanying prospectus supplement, we intend to use the net proceeds from the issuance or sale of our securities to provide additional funds for general corporate purposes, which may include, without limitation, the repayment of outstanding indebtedness, the acquisition of additional properties, capital expenditures and/or improvements to properties in our portfolio, distributions to stockholders and working capital. 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.

**DESCRIPTION OF CAPITAL STOCK****General**

Our authorized capital stock consists of 50,000,000 shares of capital stock, \$0.001 par value per share, 38,500,000 of which are classified as common stock, 1,150,000 of which are classified as 7.75% Series A Cumulative Redeemable Preferred Stock, 1,150,000 of which are classified as 7.50% Series B Cumulative Redeemable Preferred Stock, 1,700,000 of which are classified as 7.125% Series C Cumulative Term Preferred Stock and 7,500,000 of which are classified as senior common stock. Under our charter, our board of directors is authorized to classify and reclassify any unissued shares of capital stock by setting or changing in any one or more respects, from time to time before issuance of such stock, the preferences, conversion or other rights, voting powers, restrictions, limitations as to

dividends or other distributions, qualifications and terms and conditions of redemption of such stock. Our board of directors may also, without stockholder approval, amend our charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class that we have authority to issue.

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## **Table of Contents**

For purposes of this section Description of Capital Stock, we refer to our common stock which is listed on the NASDAQ Global Select Market under the symbol GOOD as our Listed Common Stock. Further, we refer to our (i) 7.75% Series A Cumulative Redeemable Preferred Stock, which is listed on the NASDAQ Global Select Market under the symbol GOODP, as our Series A Preferred Stock, our (ii) 7.50% Series B Cumulative Redeemable Preferred Stock, which is listed on the NASDAQ Global Select Market under the symbol GOODO, as our Series B Preferred Stock our (iii) 7.125% Series C Cumulative Term Preferred Stock, which is listed on the NASDAQ Global Select Market under the symbol GOODN, as our Series C Preferred Stock and our (iv) non-listed senior common stock, as our Senior Common Stock. We collectively refer to our Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock as our Preferred Stock where appropriate.

The following summary description of our capital stock is not necessarily complete and is qualified in its entirety by reference to our charter and bylaws, each of which has been filed with the SEC, as well as applicable provisions of the Maryland General Corporation Law, or the MGCL.

### ***Meetings and Special Voting Requirements***

An annual meeting of the stockholders will be held each year for the purpose of electing the class of directors whose term is up for election and to conduct other business that may be properly brought before the stockholders. Special meetings of stockholders may be called only upon the request of a majority of our directors, a majority of our independent directors, our chairman, our chief executive officer or our president and must be called by our secretary upon the written request of stockholders entitled to cast at least a majority of all the votes entitled to be cast at a meeting. In general, the presence in person or by proxy of a majority of the outstanding shares, exclusive of excess shares (described in Certain Provisions of Maryland Law and of Our Charter and Bylaws Restrictions on Ownership of Shares, below), shall constitute a quorum. Generally, the affirmative vote of a majority of the votes cast at a meeting at which a quorum is present is necessary to take stockholder action, except that a plurality of all votes cast at such a meeting is sufficient to elect any director.

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, convert, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Except for a conversion, our charter provides for approval of these matters by a majority of all the votes entitled to be cast on the matter.

Stockholders may, by the affirmative vote of at least two-thirds of all votes entitled to be cast generally in the election of directors, elect to remove a director for cause. Stockholders do not have the ability to vote to replace our Adviser or to select a new adviser.

### ***Repurchases of Excess Shares***

We have the authority to redeem excess shares (as defined in our charter) immediately upon becoming aware of the existence of excess shares or after giving the holder of the excess shares 30 days to transfer the excess shares to a person whose ownership of such shares would not exceed the ownership limit, and therefore such shares would no longer be considered excess shares. The price paid upon redemption by us shall be the lesser of the price paid for such excess shares by the stockholder holding the excess shares or the fair market value of the excess shares, see Certain Provisions of Maryland Law and of Our Charter and Bylaws Restrictions on Ownership of Shares.



## **Table of Contents**

### **Common Stock**

#### ***Certificates***

Generally, we will not issue stock certificates. Shares of common stock will be held in uncertificated form, which will eliminate the physical handling and safekeeping responsibilities inherent in owning transferable stock certificates and eliminate the need to return a duly executed stock certificate to the transfer agent to effect a transfer. Transfers can be effected simply by mailing to us a duly executed transfer form. Upon the issuance of shares of common stock, we will send to each stockholder a written statement which will include all information that is required to be written upon stock certificates pursuant to the MGCL.

#### ***Other Matters***

The transfer and distribution paying agent and registrar for our common stock is Computershare, Inc.

#### ***Listed Common Stock***

##### ***Voting Rights***

Each share of Listed Common Stock is entitled to one vote on each matter to be voted upon by our stockholders, including the election of directors, and, except as provided with respect to any other class or series of capital stock, the holders of the Listed Common Stock possess exclusive voting power. There is no cumulative voting in the election of directors which means that the holders of a majority of the outstanding Listed Common Stock can elect all of the directors then standing for election and that the holders of the remaining shares are not able to elect any directors.

##### ***Dividends, Liquidations and Other Rights***

Holders of Listed Common Stock are entitled to receive distributions, when authorized by our board of directors and declared by us, out of assets legally available for the payment of distributions. We pay distributions on the Listed Common Stock on a monthly basis. They also are entitled to share ratably in our assets legally available for distribution to our stockholders in the event of our liquidation, dissolution or winding up, after payment of or adequate provision for all of our known debts and liabilities. These rights are subject to the preferential rights of any other class or series of our shares, including the Senior Common Stock and our Preferred Stock, and the provisions of our charter regarding restrictions on transfer and ownership of shares of our capital stock.

Holders of our Listed Common Stock have no preference, conversion, exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any of our securities. Subject to the restrictions on transfer and ownership of shares of our capital stock contained in our charter, all shares of Listed Common Stock have equal distribution, liquidation and other rights.

#### ***Senior Common Stock***

##### ***Voting Rights***

Holders of our Senior Common Stock have no voting rights, except as set forth below or as otherwise from time to time required by law. So long as any shares of Senior Common Stock remain outstanding, we will not, without the affirmative vote or consent of the holders of at least a majority of the shares of the Senior Common Stock outstanding at the time, given in person or by proxy, either in writing or at a meeting (voting separately by class), amend, alter or

repeal the provisions of our charter, whether by merger, consolidation or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the Senior Common Stock or the holders thereof.

## **Table of Contents**

### *Dividends, Liquidations and Other Rights*

The Senior Common Stock has priority over the Listed Common Stock with respect to payment of distributions and is pari passu with the Listed Common Stock with respect to distribution of amounts upon liquidation, dissolution or winding up; however, the Senior Common Stock ranks junior to our Preferred Stock with respect to payment of distributions and distribution of amounts upon liquidation, dissolution or winding up. The Senior Common Stock will be entitled to receive, subject to the preferential rights of our Preferred Stock (and any other preferred stock that we may issue in the future), when and as authorized by our board of directors and declared by us, out of funds legally available for payment of distributions, cash distributions 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. Distributions are cumulative from the date of issue of the shares and are payable monthly on or about the 5th business day of the month following the month in which such distributions are earned.

### *Exchange Option*

Holders of Senior Common Stock have the right, but not the obligation, after the 5th anniversary of the issuance of the shares of Senior Common Stock proposed to be exchanged, to exchange any or all of such shares of Senior Common Stock for our Listed Common Stock at a predetermined exchange ratio, or the Exchange Ratio. The Exchange Ratio will be calculated by dividing \$15.00 by the greatest of (i) the Closing Trading Price of the Listed Common Stock on the date on which such shares of Senior Common Stock were originally issued, (ii) the Book Value Per Share of the Listed Common Stock as determined as of the date on which such shares of Senior Common Stock were originally issued, and (iii) \$13.68. For this purpose, Book Value Per Share means, as of a given date, the common stockholders equity (as reflected in our most recent public filing with the SEC) divided by the number of outstanding shares of common stock as of the same date. Closing Trading Price means, on any date of determination, (i) the most recently reported closing price per share of the Listed Common Stock as of such date on the NASDAQ Global Select Market, or (ii) if, as of such date, the Listed Common Stock is not traded on the NASDAQ Global Select Market, the most recently reported closing price per share of the Listed Common Stock on the primary stock exchange on which the Listed Common Stock is then listed for trading, or (iii) if, as of such date, the Listed Common Stock is not listed for trading on any stock exchange, the closing bid price for the Listed Common Stock on the Over-the-Counter Bulletin Board, or (iv) if neither (i), (ii) or (iii) apply, the last reported bid price on the over-the-counter market or on the Pink Sheets, or (v) if there is no longer any public market for the Listed Common Stock as of such date, the fair market value of a share of Listed Common Stock as determined in good faith by our board of directors.

Solely for purposes of determining when shares of Senior Common Stock become exchangeable, shares of Senior Common Stock purchased by a holder on dates subsequent to such holder's initial purchase of Senior Common Stock (excluding shares issued pursuant to such holder's participation in a distribution reinvestment plan of the Company, if any) will be deemed to have been issued on their respective issuance dates and, accordingly, the 5-year holding periods for such shares will commence from their respective issuance dates. In addition, any shares issued pursuant to a distribution reinvestment plan of the Company, if any, will be deemed to have been issued, and the five-year holding periods for such shares will be deemed to commence, on the date of issuance of the shares of Senior Common Stock purchased by the holder to which the shares issued pursuant to such Company's distribution reinvestment plan relate.

All accumulated and unpaid distributions on the Senior Common Stock shall be paid to the holder through the date of exchange.

### *Automatic Conversion*

Each share of Senior Common Stock will be converted into Listed Common Stock in accordance with the Exchange Ratio automatically upon any of the following events:

an acquisition of the Company by another company by means of any transaction or series of related transactions to which we are a party (including, without limitation, any stock acquisition, reorganization, merger or consolidation, but excluding any sale of stock for capital raising purposes)

## **Table of Contents**

other than a transaction or series of transactions in which the holders of our voting securities outstanding immediately prior to such transaction continue to retain at least 50% of the total voting power represented by our voting securities or those of such other surviving entity outstanding immediately after such transaction or series of transactions;

a sale of all or substantially all of our assets; or

a liquidation, dissolution or winding up of the Company.

All accumulated and unpaid distributions on the Senior Common Stock shall be paid to the holder through the date of conversion.

### *Call Protection*

Shares of Senior Common Stock will be callable at our sole option on or after September 1, 2017. At such time the shares of Senior Common Stock will be callable for cash at our option, in whole or in part, at a redemption price equivalent to \$15.30 per share, plus accumulated and unpaid distributions thereon to the date fixed for redemption. We may not call shares of Senior Common Stock prior to September 1, 2017, except in certain limited circumstances relating to maintaining our ability to qualify as a real estate investment trust, or REIT.

### *Anti-Dilution*

If the outstanding Listed Common Stock is increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company or of any other company by reason of any reclassification, recapitalization, share split up, combination of shares, or share distribution, appropriate adjustment will be made to the number of shares and relative terms of the Senior Common Stock. There will be no anti-dilution adjustment upon the future sale of additional shares of Listed Common Stock, regardless of the price at which the Senior Common Stock is sold.

### *Valuation*

Beginning with the quarter ending September 30, 2014, we have determined the value of the Senior Common Stock on a quarterly basis. This value will be determined as of the last day of each quarter and will be posted to our website at [www.GladstoneCommercial.info](http://www.GladstoneCommercial.info). 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.

## **Preferred Stock**

### *General*

Subject to limitations prescribed by the MGCL and our charter, our board of directors is authorized to issue, from the authorized but unissued shares of stock, shares of preferred stock in class or series and to establish from time to time the number of shares of preferred stock to be included in the class or series and to fix the designation and any preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption of the shares of each class or series. Our Board may also increase the number of shares in any existing class or series.

*Existing Series of Preferred Stock*

Our board of directors has classified:

1,150,000 shares of 7.75% Series A Cumulative Redeemable Preferred Stock;

1,150,000 shares of 7.50% Series B Cumulative Redeemable Preferred Stock; and

1,700,000 shares of 7.125% Series C Cumulative Term Preferred Stock.

## **Table of Contents**

### **Series A Preferred Stock**

#### ***Voting Rights***

Holder of Series A Preferred Stock generally have no voting rights. However, if dividends on any shares of the Series A Preferred Stock are in arrears for 18 or more consecutive months, holders of the Series A Preferred Stock (voting together as a single class with holders of shares of any series of our preferred stock equal in rank with the Series A Preferred Stock upon which like voting rights have been conferred and are exercisable) will have the right to elect two additional directors to serve on our board of directors until all dividends for the past dividend periods and the then current dividend period are fully paid or declared and set aside for payment. In addition, we may not amend the charter, including the designations, rights, preferences, privileges or limitations in respect of the Series A Preferred Stock, whether by merger, consolidation or otherwise, in a manner that would materially and adversely affect the rights, preferences, privileges or voting powers of the Series A Preferred Stock or the holders thereof without the affirmative vote of the holders of at least two-thirds of the shares of Series A Preferred Stock then outstanding.

#### ***Dividends, Liquidation Preference and Other Rights***

Holder of Series A Preferred Stock are entitled to receive, when and as authorized by our board of directors and declared by us, preferential cumulative cash dividends at a rate of 7.75% per annum of the \$25.00 per share liquidation preference (equivalent to \$1.9375 per annum per share). Beginning on the date of issuance, dividends on the Series A Preferred Stock are payable monthly in arrears and are cumulative.

If we liquidate, dissolve or wind up, holders of the Series A Preferred Stock will have the right to receive the \$25.00 per share liquidation preference, plus any accumulated, accrued and unpaid dividends to and including the date of payment, but without interest, before any payment is made to the holders of our common stock (including our Listed Common Stock and Senior Common Stock) or any other class or series of our capital stock ranking junior to the Series A Preferred Stock as to liquidation rights.

With respect to the payment of dividends and amounts upon liquidation, dissolution or winding up, the Series A Preferred Stock will be equal in rank with our Series B Preferred Stock and our Series C Preferred Stock and all equity securities that we issue, the terms of which specifically provide that such equity securities rank on a parity with the Series A Preferred Stock with respect to dividend rights or rights upon our liquidation, dissolution or winding up; senior to our common stock (including our Listed Common Stock and Senior Common Stock); and junior to all our existing and future indebtedness.

Effective January 30, 2011, we have the ability, at our sole option, to redeem the Series A Preferred Stock, in whole or in part, at any time or from time to time, by payment of \$25.00 per share, plus any accumulated and unpaid dividends to the date of redemption. We have not redeemed any of the Series A Preferred Stock to date.

Shares of Series A Preferred Stock are not convertible into or exchangeable for any other securities or property.

### **Series B Preferred Stock**

#### ***Voting Rights***

Holder of Series B Preferred Stock generally have no voting rights. However, if dividends on any shares of the Series B Preferred Stock are in arrears for 18 or more consecutive months, holders of the Series B Preferred Stock (voting together as a single class with holders of shares of any series of our preferred stock equal in rank with the

Series B Preferred Stock upon which like voting rights have been conferred and are exercisable) will have the right to elect two additional directors to serve on our board of directors until all dividends for the past dividend periods and the then current dividend period are fully paid or declared and set aside for payment. In addition, we may not amend the charter, including the designations, rights, preferences, privileges or limitations in respect of the Series B Preferred Stock, whether by merger, consolidation or otherwise, in a manner that would

## **Table of Contents**

materially and adversely affect the rights, preferences, privileges or voting powers of the Series B Preferred Stock or the holders thereof without the affirmative vote of the holders of at least two-thirds of the shares of Series B Preferred Stock then outstanding.

### ***Dividends, Liquidation Preference and Other Rights***

Holders of Series B Preferred Stock are entitled to receive, when and as authorized by our board of directors and declared by us, preferential cumulative cash dividends on the Series B Preferred Stock at a rate of 7.50% per annum of the \$25.00 per share liquidation preference (equivalent to \$1.875 per annum per share). Beginning on the date of issuance, dividends on the Series B Preferred Stock are payable monthly in arrears and are cumulative.

If we liquidate, dissolve or wind up, holders of the Series B Preferred Stock will have the right to receive the \$25.00 per share liquidation preference, plus any accumulated, accrued and unpaid dividends to and including the date of payment, but without interest, before any payment is made to the holders of our common stock (including our Listed Common Stock and Senior Common Stock) or any other class or series of our capital stock ranking junior to the Series B Preferred Stock as to liquidation rights.

With respect to the payment of dividends and amounts upon liquidation, dissolution or winding up, the Series B Preferred Stock will be equal in rank with our Series A Preferred Stock, Series C Preferred Stock and all other equity securities we issue, the terms of which specifically provide that such equity securities rank on a parity with the Series B Preferred Stock with respect to dividend rights or rights upon our liquidation, dissolution or winding up; senior to our common stock (including our Listed Common Stock and Senior Common Stock); and junior to all our existing and future indebtedness.

Effective October 31, 2011, we have the ability, at our sole option, to redeem the Series B Preferred Stock, in whole or in part, at any time or from time to time, by payment of \$25.00 per share, plus any accumulated and unpaid dividends to the date of redemption. We have not redeemed any of the Series B Preferred Stock to date.

Shares of Series B Preferred Stock are not convertible into or exchangeable for any other securities or property.

### **Series C Preferred Stock**

#### ***Voting Rights***

Holders of Series C Preferred Stock generally have no voting rights. However, if dividends on any shares of the Series C Preferred Stock are in arrears for 18 or more consecutive months, holders of the Series C Preferred Stock (voting together as a single class with holders of shares of any series of our preferred stock equal in rank with the Series C Preferred Stock upon which like voting rights have been conferred and are exercisable) will have the right to elect two additional directors to serve on our board of directors until all dividends for the past dividend periods and the then current dividend period are fully paid or declared and set apart for payment. In addition, if we fail to redeem or call for redemption the Series C Preferred Stock pursuant to the mandatory redemption required on January 31, 2017, the holders of the Series C Preferred, as a class, to the exclusion of the holders of all other classes of our stock, will be entitled to elect a majority of our directors until all shares of Series C Preferred Stock are redeemed or called for redemption. Further, we may not amend the charter, including the designations, rights, preferences, privileges or limitations in respect of the Series C Preferred Stock, in a manner that would materially and adversely affect the rights, preferences, privileges or voting powers of the Series C Preferred Stock whether by merger, consolidation or otherwise, without the affirmative vote of the holders of at least two-thirds of the shares of Series C Preferred Stock then outstanding.

***Dividends, Liquidation Preference and Other Rights***

Holders of Series C Preferred Stock are entitled to receive, when and as authorized by our Board and declared by us, preferential cumulative cash dividends on the Series C Preferred Stock at a rate of 7.125% per annum of the \$25.00 per share liquidation preference (equivalent to \$1.7813 per annum per share). Beginning on the date of issuance, dividends on the Series C Preferred Stock are payable monthly in arrears and are cumulative.

**Table of Contents**

If we liquidate, dissolve or wind up, holders of the Series C Preferred Stock will have the right to receive the \$25.00 per share liquidation preference, plus any accumulated and unpaid dividends to and including the date of payment, but without interest, before any payment is made to the holders of our common stock (including our Listed Common Stock and Senior Common Stock) or any other class or series of our capital stock ranking junior to the Series C Preferred Stock as to liquidation rights.

With respect to the payment of dividends and amounts upon liquidation, dissolution or winding up, the Series C Preferred Stock will be equal in rank with our Series A Preferred Stock, Series B Preferred Stock and all other equity securities we issue, the terms of which specifically provide that such equity securities rank on a parity with the Series C Preferred Stock with respect to dividend rights or rights upon our liquidation, dissolution or winding up; senior to our common stock (including our Listed Common Stock and Senior Common Stock); and junior to all our existing and future indebtedness.

We may not redeem the Series C Preferred Stock prior to January 31, 2016, except in limited circumstances relating to our continuing qualification as a REIT. On and after January 31, 2016 and before January 31, 2017, we may, at our option, redeem the Series C Preferred Stock, in whole or in part, at any time or from time to time, by payment of \$25.00 per share, plus any accumulated and unpaid dividends to and including the date of redemption. If not redeemed earlier, the Series C Preferred Stock has a mandatory redemption date of January 31, 2017.

Shares of Series C Preferred Stock are not convertible into or exchangeable for any other securities or property.

***Future Classes or Series of Preferred Stock***

The following description of the terms of our preferred stock sets forth general terms and provisions of our preferred stock to which an accompanying prospectus supplement may relate. Specific terms of any class or series of preferred stock offered by an accompanying prospectus supplement will be described in that prospectus supplement. The description set forth below is subject to and qualified in its entirety by reference to the articles supplementary to our charter fixing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption of a particular class or series of preferred stock.

If we offer preferred stock pursuant to this prospectus, an accompanying prospectus supplement will describe the specific terms of the class or series of shares of preferred stock being offered, including, but not limited to:

the title and stated value of the class or series of shares of preferred stock and the number of shares constituting that class or series;

the number of shares of the class or series of shares of preferred stock offered, the liquidation preference per share and the offering price of the shares of preferred stock;

the dividend rate(s), period(s) and/or payment date(s) or the method(s) of calculation for those values relating to the shares of preferred stock of the class or series;

the date from which dividends on shares of preferred stock of the class or series shall cumulate, if applicable;

the procedures for any auction and remarketing, if any, for shares of preferred stock of the class or series;

the provision for a sinking fund, if any, for shares of preferred stock of the class or series;

the provision for redemption or repurchase, if applicable, of shares of preferred stock of the class or series, and any restriction on our ability to exercise those redemption and repurchase rights;

any listing of the class or series of shares of preferred stock on any securities exchange or market;

**Table of Contents**

the terms and conditions, if applicable, upon which shares of preferred stock of the class or series will be convertible into shares of preferred stock of another class or series or common stock, including the conversion price, or manner of calculating the conversion price, and the conversion period;

whether the preferred stock will be exchangeable into debt securities, and, if applicable, the exchange price, or how it will be calculated, and the exchange period;

voting rights, if any, of the shares of preferred stock of the class or series;

preemption rights, if any;

whether interests in shares of preferred stock of the class or series will be represented by global securities;

a discussion of federal income tax considerations applicable to shares of preferred stock of the class or series to the extent not discussed in Material U.S. Federal Income Tax Considerations;

the relative ranking and preferences of shares of preferred stock of the class or series as to dividend rights and rights upon liquidation, dissolution or winding up of our affairs;

to the extent not otherwise addressed in this prospectus, any limitations on issuance of any class or series of shares of preferred stock ranking senior to or on a parity with the class or series of shares of preferred stock as to dividend rights and rights upon liquidation, dissolution or winding up of our affairs;