

GLADSTONE COMMERCIAL CORP

Form 424B5

January 23, 2012

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

The information contained in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. A registration statement relating to the securities has been declared effective by the Securities and Exchange Commission. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JANUARY 23, 2012

PRELIMINARY PROSPECTUS SUPPLEMENT

(to Prospectus dated September 27, 2010)

1,000,000 Shares

Gladstone Commercial Corporation

% Series C Cumulative Term Preferred Stock

(Liquidation Preference \$25 Per Share)

We are offering 1,000,000 shares of our % Series C Cumulative Term Preferred Stock, par value \$0.001 per share, or the Series C Term Preferred Stock. No public market currently exists for the Series C Term Preferred Stock. We intend to apply to list the Series C Term Preferred Stock on The NASDAQ Global Select Market under the symbol GOODN.

Dividends on the Series C Term Preferred Stock will be cumulative from, but excluding, the date of original issue and payable monthly in arrears, beginning on , 2012, at an annual rate of % of the liquidation preference, or \$ per share, of Series C Term Preferred Stock.

Generally, we may not redeem shares of the Series C Term Preferred Stock prior to January 31, 2016, except in limited circumstances to preserve our status as a real estate investment trust, or REIT. On or after January 31, 2016, we may redeem the shares at a redemption price of \$25 per share of Series C Term Preferred Stock, plus any accumulated and unpaid dividends to and including the date of redemption. The shares of Series C Term Preferred Stock have a maturity and mandatory redemption date of January 31, 2017. If a Change of Control Triggering Event, as described herein, occurs, unless we have exercised our option to redeem the Series C Term Preferred Stock, holders of the Series C Term Preferred Stock may require us to redeem the Series C Term Preferred Stock at the price described in this prospectus supplement under Description of the Series C Term Preferred Stock Redemption Change of Control.

We believe that we qualify, and have elected to be taxed, as a 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 the Series C Term Preferred Stock.

Investing in the Series C Term Preferred Stock involves a high degree of risk. Before investing, please read Risk Factors beginning on page S-9 of this prospectus supplement and on page 3 of the accompanying prospectus.

Neither the Securities and Exchange Commission 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	\$ 25.00	\$ 25,000,000
Underwriting Discounts and Commissions	\$ 1.00	\$ 1,000,000
Proceeds to Gladstone Commercial Corporation, before expenses	\$ 24.00	\$ 24,000,000

Delivery of the Series C Term Preferred Stock is expected to be made on or about _____, 2012. We have granted the underwriters an option for a period of 30 days to purchase an additional 150,000 shares of Series C Term Preferred Stock solely to cover any over-allotments. If the underwriters exercise the option in full, the total underwriting discounts and commissions payable by us will be \$1,150,000, and the total proceeds to us, before expenses, will be \$27,600,000.

Sole Book-Running Manager

Jefferies

Co-Managers

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

Wunderlich Securities
Prospectus Supplement dated _____, 2012

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part, the accompanying prospectus, gives more general information about securities we may offer from time to time, some of which does not apply to this offering. To the extent the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus, the information in this prospectus supplement controls. Before you invest in shares of our Series C Term Preferred Stock, you should carefully read this prospectus supplement, along with the accompanying prospectus, in addition to the information contained in the documents referred to under the headings **Where You Can Find More Information** and **Incorporation of Certain Information by Reference** 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. This prospectus supplement is not an offer to sell or a solicitation of an offer to buy shares of our Series C Term Preferred Stock in any jurisdiction where such offer or any sale would be unlawful. 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 securities in certain jurisdictions may be restricted by law. Persons who come into possession of this prospectus supplement and the accompanying prospectus should inform themselves of and observe any such restrictions.

The shares of Series C Term Preferred Stock do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary does not contain all of the information that you should consider before deciding to invest in our Series C Term Preferred Stock. You should read this entire prospectus supplement and the accompanying prospectus carefully, including the Risk Factors section contained in this prospectus supplement, our consolidated financial statements and the related notes thereto and the other documents and information incorporated by reference in this prospectus supplement and the accompanying prospectus and the information included in any free writing prospectus that we have authorized for use in connection with this offering.

Unless the context otherwise requires or indicates, all references in this prospectus supplement and the accompanying prospectus to (i) we, our, us and the Company each mean 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 and commercial real estate property and selectively making long-term industrial and commercial mortgage loans to creditworthy entities. We have elected to be treated as a REIT for federal income tax purposes. We are a publicly-traded REIT because shares of our common stock, 7.75% Series A Cumulative Redeemable Preferred Stock, par value \$0.001 per share, and 7.50% Series B Cumulative Redeemable Preferred Stock, par value \$0.001 per share, trade on the NASDAQ Global Select Market, or NASDAQ, under the trading symbols GOOD, GOODP and GOODO, respectively.

Our properties are leased to a variety 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 properties 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 identify properties for potential acquisition, disposition or mortgage financing in an effort to build our portfolio. We currently own 72 properties located in 21 states that contain approximately 7.1 million rentable square feet.

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 (i) GCLP Business Trust II, a subsidiary of the Company and a Massachusetts business trust that holds the sole general partnership interest in our Operating Partnership, and (ii) GCLP Business Trust I, a subsidiary of the Company and a Massachusetts business trust that holds all of the limited partnership interests in our Operating Partnership.

Our Operating Partnership is also the sole member of Gladstone Commercial Lending, LLC, one of our subsidiaries and a Delaware limited liability company that was formed to conduct all of our operations related to real estate mortgage loans. We currently have no mortgage loans outstanding.

Our Adviser is an affiliated registered investment adviser under the Investment Advisers Act of 1940, as amended. 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.

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Our Competitive Strengths

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

- n **Conservative Dual Underwriting Strategy:** When underwriting a tenant's business and the real estate it occupies, we focus on the cash flow of the tenant and the intrinsic value of the property.

- n **Proven Track Record:** As of January 1, 2012, we had investments in 72 properties and gross and net assets, including intangible assets, of approximately \$502.9 million and \$426.4 million, respectively. All of our tenants are current in their lease payments, and the weighted average yield on our portfolio is approximately 9.4%. Currently, 70 of our properties, or approximately 98.7% of our portfolio, are fully leased while two of our properties, or approximately 1.3% of our portfolio, do not have leases in place. We are currently seeking tenants for these two properties while concurrently researching alternative uses for these properties.

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

- n **Attractive Market Opportunities:** We believe that attractive investment opportunities currently exist that will allow us to capitalize on the lack of buyers of real estate that is leased to mid-sized businesses.

- n **Focused Business Model:** Our business model seeks to foster investment opportunities that are generated from our strategic relationships with leveraged buyout funds and other real estate intermediaries.

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

Recent Developments

Preliminary Results For Year Ended December 31, 2011

Set forth below are certain preliminary estimates of our results of operations for the year ended December 31, 2011. These estimates are subject to completion of our financial closing procedures. These estimates are not a comprehensive statement of our financial results for the year ended December 31, 2011, and our actual results may differ materially from these estimates as a result of the completion of our financial closing procedures, final adjustments and other developments arising between now and the time that our financial results for the year ended December 31, 2011 are finalized.

The preliminary financial data included herein has been prepared by, and is the responsibility of, our management. PricewaterhouseCoopers LLP, or PwC, our independent registered public accounting firm, has not audited, reviewed, compiled or performed any procedures with respect to the accompanying preliminary financial data. Accordingly, PwC does not express an opinion or any other form of assurance with respect thereto.

The following are preliminary estimates for the year ended December 31, 2011.

Total operating revenues for the year ended December 31, 2011 are estimated to be between \$43.5 million and \$44.5 million, compared to \$41.9 million for the year ended December 31, 2010.

Total expenses net of credits for the year ended December 31, 2011 are estimated to be between \$38.0 million and \$39.0 million, compared to total expenses net of credits of \$40.5 million for the year ended December 31, 2010. The estimated decrease in total expenses net of credits for

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the year ended December 31, 2011 when compared to the year ended December 31, 2010 was primarily due to decreases in both the net incentive fee and in professional fees. We had a one-time gain of \$3.3 million on the early repayment of a mortgage loan in 2010 that caused the net incentive fee to be approximately \$2.0 million higher in 2010

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coupled with the write-off of \$1.6 million of professional fees in 2010 associated with the termination of our continuous private offering of unregistered senior common stock, which was partially offset by an increase in both depreciation and due diligence expense during 2011 from acquisitions during the year combined with an increase in the base management fee during 2011.

Net income for the year ended December 31, 2011 is estimated to be between \$5.2 million and \$6.2 million, compared to \$4.9 million for the year ended December 31, 2010.

Funds from operations, or FFO, for the year ended December 31, 2011 is estimated to be between \$15.2 million and \$16.2 million, compared to \$14.1 million for the year ended December 31, 2010.

Additionally, we estimate that our total assets will be approximately \$453.0 million at December 31, 2011, compared to \$410.6 million as of December 31, 2010, primarily due to the acquisition of seven properties during 2011. The borrowings outstanding under our line of credit decreased to \$18.7 million at December 31, 2011 as compared to \$27.0 million as of December 31, 2010, primarily due to proceeds from two common equity offerings and long-term financings that closed during 2011, which were used to pay down the line of credit.

The following table reflects our comparative operating results and reconciles FFO with net income for the years ended December 31, 2011 and December 31, 2010.

(dollar amounts in thousands)	FOR THE YEAR ENDED DECEMBER 31,	
	2011 ⁽¹⁾ (UNAUDITED)	2010
Net income	\$ 5,700	\$ 4,900
Less: Distributions attributable to preferred and senior common stock	(4,200)	(4,100)
Net income available to common stockholders	1,500	800
Add: Real estate depreciation and amortization	14,200	13,300
FFO available to common stockholders ⁽²⁾	\$ 15,700	\$ 14,100
Weighted average shares outstanding basic	10,200	8,600
Weighted average shares outstanding diluted	10,300	8,600

⁽¹⁾ These numbers are estimates from which the reported ranges derive.

⁽²⁾ The National Association of Real Estate Investment Trusts, or NAREIT, developed FFO as a relative non-GAAP supplemental measure of operating performance of an equity REIT in order to recognize that income-producing real estate historically has not depreciated on the basis determined under GAAP. FFO, as defined by NAREIT, is net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus depreciation and amortization of real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. FFO does not represent cash flows from operating activities determined in accordance with GAAP and should not be considered an alternative to net income as an indication of our performance or to cash flow from operations as a measure of liquidity or ability to make distributions. We believe that FFO per share provides investors with an additional context for evaluating our financial performance and as a supplemental measure to compare us to other REITs; however, comparisons of our FFO to the FFO of other REITs may not necessarily be meaningful due to potential differences in the application of the NAREIT definition used by such other REITs. To learn more about FFO, please refer to our Annual Report on Form 10-K for the year ended December 31, 2010 and Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011, which are incorporated by reference into this prospectus supplement.

Investment Activities

On October 20, 2011, we acquired a 25,000 square foot office building located in Boston Heights, Ohio for \$4.4 million, excluding related acquisition expenses of \$56,000. We funded this acquisition using borrowings from our line of credit. The property was a new build-to-suit for Paychex North America, a subsidiary of Paychex, Inc. The tenant has leased the property for ten years and has three options to renew the lease

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for additional periods of three years each. The lease provides for prescribed rent escalations over the life of the lease, with annualized straight line rents of \$377,000.

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On October 28, 2011, we acquired a 60,111 square foot office building located in Parsippany, New Jersey for \$11.1 million, excluding related acquisition expenses of \$390,000. We funded this acquisition through a combination of borrowings from our line of credit and the issuance of \$7.2 million of mortgage debt on the property. The tenant has leased the property for 15 years and has one option to renew the lease for an additional period of three years. The lease provides for prescribed rent escalations over the life of the lease, with annualized straight line rents of \$1.1 million.

On November 18, 2011, we acquired the leasehold interests in a 16,340 square foot retail building located in Dartmouth, Massachusetts for \$5.8 million, excluding related acquisition expenses of \$56,000. We funded this acquisition through a combination of borrowings from our line of credit and the issuance of \$4.4 million of mortgage debt on the property. The property was a new build-to-suit and is primarily leased to the Walgreens Company. Walgreens has leased the property for 75 years with the rights to terminate in years 26 through 75. The lease provides for prescribed rent escalations over the life of the lease with annualized straight line rents, net of ground lease payments, of \$414,000.

On December 13, 2011, we acquired the leasehold interests in a 14,560 square foot retail building located in Springfield, Missouri for \$2.7 million, excluding related acquisition expenses of \$42,000. We funded this acquisition using borrowings from our line of credit. The property is leased to the Walgreens Company. Walgreens has 62 years remaining on the lease with the rights to terminate in years 19 through 62. The lease provides for prescribed rent escalations over the life of the lease with annualized straight line rents, net of ground lease payments, of \$222,000.

On December 28, 2011, we acquired a 26,080 square foot office building located in Pittsburgh, Pennsylvania for \$4.2 million, excluding related acquisition expenses of \$140,000. We funded this acquisition using borrowings from our line of credit. Expedient Communications, a data center operator, is the tenant in this building and has leased the property for 15 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 \$400,000.

Financing Activities

On October 28, 2011, we borrowed \$7.2 million pursuant to a long-term note payable from The Provident Bank, which is collateralized by a security interest in our Parsippany, New Jersey property acquired on the same date. The note accrues interest at a rate of 6.00% per year and we may not repay this note prior to the last two years of the term, without subjecting us to a substantial prepayment penalty. The note has a maturity date of November 1, 2021.

On November 18, 2011, we borrowed \$4.4 million pursuant to a long-term note payable from Liberty Bank, which is collateralized by a security interest in our Dartmouth, Massachusetts property acquired on the same date. The note accrues interest at a rate of 4.50% per year and we may not repay this note prior to the last three months of the term, without subjecting us to a substantial prepayment penalty. The note has a maturity date of November 1, 2018, with a three-year extension period through November 1, 2021.

On December 6, 2011, we borrowed \$8.5 million pursuant to a long-term note payable from Great Southern Bank, which is collateralized by a security interest in our Tulsa, Oklahoma property. The note accrues interest for the first five years at a rate of 6.00% per year, after the fifth year the rate is based on the prime rate, with a floor of 6.00%. We may not repay this note prior to December 6, 2015, without subjecting us to a substantial prepayment penalty. The note has a maturity date of December 6, 2019.

Equity Activities

During December 2011 and January 2012, we issued 11,933 shares of our senior common stock at \$15.00 per share in an ongoing best-efforts underwritten public offering. The net proceeds, after deducting the underwriting discount and commission, were \$161,100. We used the net proceeds of the offering to repay a portion of the outstanding balance under our line of credit and for general corporate purposes.

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Corporate Information

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>. 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, other than filings that we make with the SEC that are incorporated by reference.

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THE OFFERING

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the Series C Term Preferred Stock, see Description of the Series C Term Preferred Stock beginning on page S-16 in this prospectus supplement.

Issuer	Gladstone Commercial Corporation
Securities Offered	1,000,000 shares of % Series C Cumulative Term Preferred Stock, par value \$0.001 per share. The underwriters have the option to purchase up to 150,000 additional shares of Series C Term Preferred Stock from us to cover over-allotments, if any.
Dividends	Investors will be entitled to receive preferential cumulative cash dividends on the Series C Term Preferred Stock at a rate of % per annum of the \$25.00 per share liquidation preference (equivalent to \$ per annum per share). Beginning on the date of issuance, dividends on the Series C Term Preferred Stock will be payable monthly in arrears. The first dividend will be payable on , 2012. Dividends on the Series C Term Preferred Stock will be cumulative from (but excluding) the date of original issuance.
Mandatory Redemption	The Series C Term Preferred Stock has a mandatory redemption date of January 31, 2017. We are not required to set aside funds to redeem the Series C Term Preferred Stock. Accordingly, the shares of Series C Term Preferred Stock will remain outstanding until redeemed on January 31, 2017, unless redeemed earlier under the circumstances set forth below under Optional Redemption or in connection with a Change of Control Triggering Event.
Optional Redemption	We may not redeem the Series C Term 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 Term 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.
Liquidation Preference	If we liquidate, dissolve or wind up, holders of the Series C Term 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, par value \$0.001 per share, senior common stock par value \$0.001 per share, or any other class or series of our capital stock ranking junior to the Series C Term Preferred Stock.
Change of Control	If a Change of Control Triggering Event occurs, unless we have exercised our option to redeem the Series C Term Preferred Stock, holders of the Series C Term Preferred Stock may require us to redeem the Series C Term Preferred Stock at a specified price. See Description of the Series C Term Preferred Stock Redemption Change of Control.

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Rank	With respect to the payment of dividends and amounts upon liquidation, dissolution or winding up, the Series C Term Preferred Stock will be: (i) equal in rank with our 7.75% Series A Perpetual Cumulative Redeemable Preferred Stock, par value \$0.001 per share, or the Series A Preferred Stock, our 7.50% Series B Perpetual Cumulative Redeemable Preferred Stock, par value \$0.001 per share, or the 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 Term Preferred Stock with respect to dividend rights or rights upon our liquidation, dissolution or winding up, which we refer to collectively as the Parity Preferred Stock; (ii) senior to our Common Stock and Senior Common Stock; and (iii) junior to all our existing and future indebtedness.
Voting Rights	Holders of Series C Term Preferred Stock generally have no voting rights. However, if dividends on any shares of the Series C Term Preferred Stock are in arrears for 18 or more consecutive months, then holders of the Series C Term Preferred Stock (voting together as a single class with holders of shares of any Parity Preferred Stock) will have the right to elect two additional directors to serve on our Board of Directors until such dividend arrearage is eliminated. In addition, if we fail to redeem or call for redemption the Series C Term Preferred Stock pursuant to the mandatory redemption required on January 31, 2017, then holders of the Series C Term Preferred Stock, as a class, to the exclusion of the holders of all other securities and classes of our stock, will be entitled to elect a majority of our directors. Further, we may not change the designations, rights, preferences, privileges or limitations with respect to the Series C Term Preferred Stock in a manner that would be materially adverse to the rights of holders of the Series C Term Preferred Stock without the affirmative vote of at least two-thirds of the shares of Series C Term Preferred Stock then outstanding.
Restrictions on Ownership and Transfer	Our articles of incorporation state that no person, directly or indirectly, may own more than 9.8% in value of our outstanding capital stock. Shares of Series C Term Preferred Stock acquired or transferred in breach of this limitation will be automatically deemed held in trust for the exclusive benefit of the transferees to whom that capital stock may be transferred without violating the 9.8% ownership limitation. In such event, the purchaser-transferee shall not be entitled to vote or to participate in dividends or other distributions with respect to such stock. The Series C Term Preferred Stock is subject to the general restrictions on ownership and transferability described under Certain Provisions of Maryland Law and of our Charter and Bylaws Restrictions on Ownership and Transfer on page 20 in the accompanying prospectus.
Risk Factors	An investment in shares of our Series C Term Preferred Stock involves substantial risks, and prospective investors should carefully consider the matters discussed in the Risk Factors sections of this prospectus supplement and in the accompanying prospectus and our

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most recent Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and other information that we file from time to time with the SEC, which is incorporated by reference into this prospectus supplement and the accompanying prospectus.

Conversion

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

Use of Proceeds

We estimate that our net proceeds from the offering will be approximately \$23.80 million (approximately \$27.40 million if the underwriters' over-allotment option is exercised in full). We intend to use the net proceeds from the offering of Series C Term Preferred Stock to repay any outstanding indebtedness under our line of credit and for acquisitions of real estate.

U.S. Federal Income Taxes

Prospective investors are urged to consult their own tax advisors regarding these matters in light of their personal investment circumstances.

Listing

We intend to file an application to list the Series C Term Preferred Stock on the NASDAQ under the symbol GOODN. If the application is approved, trading of the Series C Term Preferred Stock on NASDAQ is expected to begin within 30 days after the date of initial delivery of the Series C Term Preferred Stock. Prior to the expected commencement of trading on NASDAQ, the underwriters do not intend to make a market in the Series C Term Preferred Stock.

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RISK FACTORS

An investment in shares of our Series C Term Preferred Stock involves a high degree of risk. Before deciding whether to invest in our Series C Term Preferred Stock, you should consider carefully, among other matters, the risks described below and discussed under the section captioned Risk Factors contained in our Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the SEC on March 8, 2011, and our Quarterly Reports for the quarters ended March 31, 2011, June 30, 2011 and September 30, 2011, filed with the SEC on May 2, 2011, August 2, 2011 and November 1, 2011, respectively, which are incorporated by reference into this prospectus supplement and the accompanying prospectus in their entirety, together with other information in this prospectus supplement, the accompanying prospectus, the information and documents incorporated by reference, and in any free writing prospectus that we have authorized for use in connection with this offering. If any of these risks actually occurs, our business, financial condition, results of operation or cash flow could be seriously harmed. This could cause the market price of our Series C Term Preferred Stock to decline, resulting in a loss of all or part of your investment.

Our issuance of additional preferred stock equal in rank with or senior to the Series C Term Preferred Stock could dilute the interests of the holders of the Series C Term Preferred Stock.

Our articles of incorporation currently authorize the issuance of up to 50,000,000 shares of capital stock, of which 10,945,379 shares of common stock, 70,990 shares of senior common stock, 1,000,000 shares of Series A Preferred Stock, 1,150,000 shares of Series B Preferred Stock and 1,150,000 shares of Series C Term Preferred Stock will be outstanding immediately following the completion of this offering (assuming the underwriters exercise their overallotment option in full).

Our Board of Directors may classify the remaining shares of unissued capital stock by setting or changing the preferences, conversion or other rights, voting powers restrictions, limitations as to dividends, qualifications and terms and conditions of redemption of such stock, subject to the rights of the holders of the Series C Term Preferred Stock to consent to any such classification that would materially and adversely affect any right, preference, privilege or voting power of the Series C Term Preferred Stock. As of the date of this prospectus supplement, shares of the Parity Preferred Stock are equal in rank with the Series C Term Preferred Stock with respect to the payment of dividends and amounts on liquidation, dissolution and winding up. The issuance of additional shares of other series of preferred stock equal in rank with or senior to the Series C Term Preferred Stock could have the effect of diluting the interests of holders of the Series C Term Preferred Stock.

The market value of the Series C Term Preferred Stock could be substantially affected by various factors.

The shares of Series C Term Preferred Stock are a new issue of securities with no established trading market. Although we intend to file an application to list the Series C Term Preferred Stock on NASDAQ and expect our application to be approved, an active trading market on NASDAQ may not develop or last, in which case the trading price of the Series C Term Preferred Stock could be adversely affected. If an active trading market does develop on NASDAQ, the Series C Term Preferred Stock may trade at prices higher or lower than their initial offering price. The trading price of our Series C Term Preferred Stock would depend on many factors, including prevailing interest rates, the market for similar securities, general economic conditions, and our financial condition, results of operations and prospects.

There will be no initial secondary trading market due to delayed listing, and even after listing a liquid secondary trading market may not develop.

During a period of up to 30 days from the date of this prospectus supplement, the Series C Term Preferred Stock will not be listed on any securities exchange. During this period, the underwriters do not intend to make a market in the Series C Term Preferred Stock. Consequently, an investment in the Series C Term Preferred Stock during this period will be illiquid, and holders of such shares may not be able to sell them during that period as it is unlikely that a secondary market for the Series C Term Preferred Stock will develop. If a secondary market does develop during this period, holders of the Series C Term Preferred Stock may be able to sell such shares only at substantial discounts from the liquidation preference. If we are unable to list the Series C Term Preferred Stock on the NASDAQ or another

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national securities exchange, holders of such shares may be unable to sell them at all or, if they are able to, only at substantial discounts from the liquidation preference. Even if the Series C Term Preferred Stock are listed on the NASDAQ as anticipated, there is a risk that such shares may be thinly traded, and the market for such shares may be relatively illiquid compared to the market for other types of securities, with the spread between the bid and asked prices considerably greater than the spreads of other securities with comparable terms and features.

An investment in term preferred stock with a fixed interest rate bears interest rate risk.

Term preferred stock pays dividends at a fixed dividend rate. Prices of fixed income investments vary inversely with changes in market yields. The market yields on securities comparable to the Series C Term Preferred Stock may increase, which would likely result in a decline in the secondary market price of the Series C Term Preferred Stock prior to the term redemption date. For additional information concerning dividends on the Series C Term Preferred Stock, see [Description of the Series C Term Preferred Stock](#) [Dividends](#).

The Series C Term Preferred Stock will not be rated.

We do not intend to have the Series C Term Preferred Stock rated by any rating agency. Unrated securities usually trade at a discount to similar, rated securities. As a result, there is a risk that the Series C Term Preferred Stock may trade at a price that is lower than they might otherwise trade if rated by a rating agency. It is possible, however, that one or more rating agencies might independently determine to assign a rating to the Series C Preferred Shares. In addition, we may elect to issue other securities for which we may seek to obtain a rating. If any ratings are assigned to the Series C Term Preferred Stock in the future or if we issue other securities with a rating, such ratings, if they are lower than market expectations or are subsequently lowered or withdrawn, could adversely affect the market for or the market value of the Series C Term Preferred Stock.

The Series C Term Preferred Stock will bear a risk of early redemption by us.

We may voluntarily redeem some or all of the Series C Term Preferred Stock on or after January 31, 2016. Any such redemptions may occur at a time that is unfavorable to holders of the Series C Term Preferred Stock. We may have an incentive to redeem the Series C Term Preferred Stock voluntarily before the mandatory redemption date, January 31, 2017, if market conditions allow us to issue other preferred stock or debt securities at a rate that is lower than the rate on the Series C Term Preferred Stock. For further information regarding our ability to redeem the Series C Term Preferred Stock, see [Description of the Series C Term Preferred Stock](#) [Redemption](#).

Holders of the Series C Term Preferred Stock will be subject to inflation risk.

Inflation is the reduction in the purchasing power of money resulting from the increase in the price of goods and services. Inflation risk is the risk that the inflation-adjusted, or real, value of an investment in term preferred stock or the income from that investment will be worth less in the future. As inflation occurs, the real value of the Series C Term Preferred Stock and dividends payable on such shares declines.

Holders of the Series C Term Preferred Stock will bear reinvestment risk.

Given the five-year term and potential for early redemption of the Series C Term Preferred Stock, holders of such shares may face an increased reinvestment risk, which is the risk that the return on an investment purchased with proceeds from the sale or redemption of the Series C Term Preferred Stock may be lower than the return previously obtained from the investment in such shares.

Shares of the Series C Term Preferred Stock are subordinated to existing and future debt and your interests could be diluted by the issuance of additional preferred stock, including the Parity Preferred Stock, and by other transactions.

Payment of accrued dividends on the Series C Term Preferred Stock will be subordinated to all of our existing and future debt and will be structurally subordinate to the obligations of our subsidiaries. In addition, we may issue additional shares of Parity Preferred Stock or shares of another class or series of preferred stock ranking on parity with the Series C Term Preferred Stock with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up. None of the provisions relating to the Series C Term Preferred Stock relate to

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or limit our indebtedness or afford the holders of the Series C Term Preferred Stock protection in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all our assets or business, that might adversely affect the holders of the Series C Term Preferred Stock, other than in connection with a Change of Control Triggering Event. These factors may affect the trading price of the Series C Term Preferred Stock.

As a holder of Series C Term Preferred Stock you have extremely limited voting rights.

Your voting rights as a holder of Series C Term Preferred Stock will be extremely limited. Our common stock is currently the only class or series of our stock carrying full voting rights. Voting rights for holders of Series C Term Preferred Stock exist primarily with respect to material and adverse changes in the terms of the Series C Term Preferred Stock, the creation of additional classes or series of preferred stock that are senior to the Series C Term Preferred Stock, our failure to pay dividends on the Series C Term Preferred Stock and our failure to redeem the Series C Term Preferred Stock pursuant to the mandatory redemption required on January 31, 2017. See [Description of the Series C Term Preferred Stock](#) [Voting Rights](#) in this prospectus supplement.

We may not have sufficient earnings and profits in order for distributions on the Series C Term Preferred Stock to be treated as dividends.

The dividends payable by us on the Series C Term Preferred Stock may exceed our current and accumulated earnings and profits, as calculated for U.S. federal income tax purposes, at the time of payment. If that were to occur, it would result in the amount of dividends that exceed our earnings and profits being treated first as a return of capital to the extent of the holder's adjusted tax basis in the Series C Term Preferred Stock and then, to the extent of any excess over such adjusted tax basis, as capital gain. See [Additional Material U.S. Federal Income Tax Considerations](#) and [Material U.S. Federal Income Tax Considerations](#) [Taxation of Taxable U.S. Stockholders](#).

We may not be able to redeem the Series C Term Preferred Stock upon a Change of Control Triggering Event.

Upon the occurrence of a Change of Control Triggering Event, unless we have exercised our right to redeem the Series C Term Preferred Stock, each holder of the Series C Term Preferred Stock will have the right to require us to redeem all or any part of such holder's Series C Term Preferred Stock at a price equal to the liquidation preference of \$25.00 per share, plus an amount equal to any accumulated and unpaid dividends up to and including the date of payment, but without interest. If we experience a Change of Control Triggering Event, there can be no assurance that we would have sufficient financial resources available to satisfy our obligations to redeem the Series C Term Preferred Stock and any indebtedness that may be required to be repaid or repurchased as a result of such event. Our failure to redeem the Series C Term Preferred Stock could have material adverse consequences for us and the holders of the Series C Term Preferred Stock. See [Description of the Series C Term Preferred Stock](#) [Redemption](#) [Change of Control](#).

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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 Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or 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 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 variation 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:

- n our business and financing strategy;
- n our ability to implement our business plan;
- n pending transactions;
- n our projected operating results;
- n our ability to obtain future financing arrangements;
- n estimates relating to our future distributions;
- n our understanding of our competition and our ability to compete effectively;
- n market and industry trends;
- n interest and insurance rates;
- n estimates of our future operating expenses, including payments to our Adviser under the terms of our advisory agreement;
- n projected capital expenditures; and
- n use of the proceeds of our line of credit, 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

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

- n 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. George Stelljes III, our President and Chief Investment Officer;
- n our ability to identify, hire and retain other highly-qualified personnel in the future;
- n general volatility of the capital markets and the market price of our common stock;
- n risks associated with negotiation and consummation of pending and future transactions;
- n changes in our business strategy;
- n the adequacy of our cash reserves and working capital;
- n our failure to successfully integrate and operate acquired properties and operations;
- n defaults upon or non-renewal of leases by tenants;
- n decreased rental rates or increased vacancy rates;

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- n the degree and nature of our competition;

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

- n changes in our industry or the general economy;

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

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

- n 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, this prospectus supplement and the accompanying prospectus, including, without limitation, the Risk Factors incorporated by reference herein and therein 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 that are not currently known to us or of which we are currently unaware may also emerge from time to time that could materially and adversely affect us.

Table of Contents**USE OF PROCEEDS**

We estimate the net proceeds we will receive from this offering will be approximately \$23.80 million (or approximately \$27.40 million if the underwriters' over-allotment option is exercised in full), after deducting underwriting discounts and commission, and paying offering expenses of approximately \$0.2 million. We intend to use the net proceeds to repay any outstanding indebtedness under our line of credit and for acquisitions of real estate.

Our line of credit matures on December 28, 2013. The interest rate charged on the advances under the line of credit is based on LIBOR, the prime rate or the federal funds rate, depending on market conditions, and adjusts periodically. The current rate under the line of credit is 3.0% (based on LIBOR). The principal amount under our credit line to be paid with the net proceeds of this offering was borrowed within the past twelve months for the purpose of funding the acquisition of additional commercial properties.

RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED DIVIDENDS

The following table sets forth the ratio of earnings to combined fixed charges and preferred dividends for the periods indicated below. Earnings consist of income (loss) 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, 2011		YEAR ENDED DECEMBER 31,			
	(UNAUDITED)	2010	2009	2008	2007	2006
Net income from continuing operations	\$ 4,598	\$ 4,928	\$ 4,400	\$ 4,873	\$ 5,958	\$ 3,285
Add: fixed charges	15,734	21,191	22,001	20,964	15,670	11,490
Less preferred and senior common distributions	(3,116)	(4,114)	(4,094)	(4,094)	(4,094)	(2,187)
Earnings	\$ 17,216	\$ 22,005	\$ 22,307	\$ 21,743	\$ 17,534	\$ 12,588
Fixed Charges						
Interest expense	11,924	16,031	16,399	15,575	10,847	8,041
Amortization of deferred financing fees	683	1,031	1,496	1,284	717	1,207
Estimated interest component of rent	11	15	12	11	12	55
Preferred and senior common distributions	3,116	4,114	4,094	4,094	4,094	2,187
Total fixed charges and preferred distributions	15,734	21,191	22,001	20,964	15,670	11,490
Ratio of earnings to combined fixed charges and preferred distributions	1.1	1.0	1.0	1.0	1.1	1.1

In computing the ratio of earnings to combined fixed charges and preferred distributions, preferred distributions consist of dividends on the following:

ⁿ 1,000,000 shares of 7.75% Series A Preferred Stock issued in January 2006; and

- n 1,150,000 shares of 7.50% Series B Preferred Stock issued in October 2006.

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Table of Contents**CAPITALIZATION**

The following table sets forth our cash and cash equivalents and capitalization on September 30, 2011:

n on an actual basis; and

n on an as adjusted basis to give effect to the issuance of the Series C Term Preferred Stock and the application of the net proceeds therefrom to repay outstanding indebtedness under our line of credit.

The information set forth in the following table should be read in connection with, and is qualified in its entirety by reference to, the financial statements and notes thereto incorporated by reference in this prospectus supplement and the accompanying prospectus. The information set forth in the table below does not reflect additional borrowings under notes payable or our line of credit that occurred after September 30, 2011.

	AS OF SEPTEMBER 30, 2011 (UNAUDITED)	
	ACTUAL	AS ADJUSTED ⁽¹⁾
	(In thousands)	
Cash and cash equivalents	\$ 2,410	\$ 17,110
Mortgage notes payable	266,008	266,008
Borrowings under line of credit	9,100	
Term preferred stock, \$0.001 par value; \$25 liquidation preference; 0 shares authorized, issued and outstanding, actual; X,XXX,XXX shares authorized and X,XXX,XXX shares issued and outstanding		23,800
Total debt	275,108	289,808
Stockholders' equity:		
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
Senior common stock, \$0.001 par value; 7,500,000 shares authorized and 59,057 shares issued and outstanding	0	0
Common stock, \$0.001 par value, 40,200,000 shares authorized and 10,945,379 shares issued and outstanding	11	11
Additional paid-in capital	211,508	211,508
Notes receivable - employees	(426)	(426)
Distributions in excess of accumulated earnings	(71,803)	(71,803)
Total stockholders' equity	139,292	139,292
Total capitalization	\$ 414,400	\$ 429,100

(1) Assumes no exercise of the underwriters' option to purchase additional shares of the Series C Term Preferred Stock.

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DESCRIPTION OF THE SERIES C TERM PREFERRED STOCK

This description of the Series C Term Preferred Stock supplements the description of the general terms and provisions of our securities, including preferred stock, in the accompanying prospectus. You should consult that general description, beginning on page 4 of the accompanying prospectus, for further information.

General

Our articles of incorporation currently authorize the issuance of up to 50,000,000 shares of capital stock, of which 10,945,379 shares of common stock, 70,990 shares of senior common stock, 1,000,000 shares of Series A Preferred Stock, 1,150,000 shares of Series B Preferred Stock and 1,150,000 shares of Series C Term Preferred Stock will be outstanding immediately following the completion of this offering (presuming the underwriters exercise their overallotment option in full). Our Board of Directors may classify the remaining 35,683,631 shares of unissued capital stock by setting or changing the preferences, conversion or other rights, voting powers restrictions, limitations as to dividends, qualifications and terms and conditions of redemption of such stock without stockholder approval.

Our Board of Directors has classified 1,150,000 shares of preferred stock as Series C Term Preferred Stock, all of which may be issued in this offering (including 150,000 shares that may be issued upon exercise of the underwriters' over-allotment option).

The following summary of the terms and provisions of the Series C Term Preferred Stock does not purport to be complete and is qualified in its entirety by reference to the pertinent sections of our articles of incorporation and the articles supplementary, which supplement our articles of incorporation by creating the Series C Term Preferred Stock. You may obtain a complete copy of the articles supplementary by contacting us. See "Incorporation of Certain Information by Reference" for information on how to contact us.

Our preferred stock may be issued without stockholder approval, with such voting powers (full or limited), designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations, or restrictions thereof as shall be established by our Board of Directors. Thus, without stockholder approval, we could issue preferred stock with voting, conversion and other rights that could dilute the voting power and other rights of the holders of Series C Term Preferred Stock.

Our Board of Directors has authorized our classification and issuance of the Series C Term Preferred Stock and approved the form of the articles supplementary for the Series C Term Preferred Stock. Prior to the completion of this offering, we will adopt and file articles supplementary for the Series C Term Preferred Stock.

When issued, the Series C Term Preferred Stock will be validly issued, fully paid and non-assessable. The holders of the Series C Term Preferred Stock will have no preemptive rights with respect to any shares of our capital stock or any other of our securities convertible into or carrying rights or options to purchase any such shares. The Series C Term Preferred Stock will not be subject to any sinking fund. Unless redeemed by us on or after January 31, 2016 or in connection with a Change of Control Triggering Event, the Series C Term Preferred Stock will be redeemed on January 31, 2017. We intend to file an application to list the Series C Term Preferred Stock on NASDAQ under the symbol GOODN. Trading of Series C Term Preferred Stock on NASDAQ is expected to commence within the 30-day period after the initial delivery of the Series C Term Preferred Stock if our application is approved.

Dividends

Holders of shares of the Series C Term Preferred Stock will be entitled to receive, when and as declared by our Board of Directors (or a duly authorized committee of the Board), out of funds legally available for the payment of dividends, preferential cumulative cash dividends at the rate of % per annum of the liquidation preference of \$25.00 per share (equivalent to a fixed annual amount of \$ per share).

Dividends on the Series C Term Preferred Stock will be cumulative from (but excluding) the date of original issue, which is expected to be , 2012, and will be payable monthly in arrears. The first dividend will be payable on February 29, 2012. Dividends will be payable to holders of record as they appear in our stock records at the close of business on the applicable record date. The record date for each dividend will be designated by our Board of Directors that is not more than 20 nor less than seven days prior to such dividend payment date.

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Our Board of Directors will not authorize, declare, pay or set apart for payment any dividends on shares of Series C Term Preferred Stock at any time that the terms and provisions of any of our agreements, including any agreement relating to our indebtedness, prohibits that action or provides that the authorization, declaration, payment or setting apart for payment of those dividends would constitute a breach of or a default under any such agreement, or if such action is restricted or prohibited by law.

Notwithstanding the foregoing, dividends on the Series C Term Preferred Stock will accumulate whether or not restrictions exist in respect thereof, whether or not we have earnings, whether or not there are funds legally available for the payment of such dividends and whether or not we declare such dividends. Accumulated but unpaid dividends on the Series C Term Preferred Stock will not bear interest, and holders of the Series C Term Preferred Stock will not be entitled to any distributions in excess of full cumulative dividends described above. Except as stated in the following sentence, no dividends will be declared or paid or set apart for payment on any of our common stock, senior common stock, or any other series of Parity Preferred Stock or any series or class of equity securities ranking junior to the Series C Term Preferred Stock (other than a dividend in shares of our common stock or in shares of any other class of stock ranking junior to the Series C Term Preferred Stock as to dividends and upon liquidation) for any period unless full cumulative dividends have been or contemporaneously are declared and paid (or declared and a sum sufficient for the payment of those dividends is set apart for such payment) on the Series C Term Preferred Stock for all past dividend periods and the then-current dividend period.

Holders of shares of the Series C Term Preferred Stock are not entitled to any dividend, whether payable in cash, property or shares of capital stock, in excess of full cumulative dividends on the Series C Term Preferred Stock as described above. Any dividend payment made on the Series C Term Preferred Stock will first be credited against the earliest accumulated but unpaid dividends due with respect to those shares which remain payable. Accrued but unpaid dividends on the Series C Term Preferred Stock will accumulate as of the dividend payment date on which they first become payable.

If we do not declare and either pay or set aside for payment the full cumulative dividends on the Series C Term Preferred Stock and all shares of capital stock that are equal in rank with Series C Term Preferred Stock, the amount which we have declared will be allocated ratably to the Series C Term Preferred Stock and to each series of shares of capital stock equal in rank so that the amount declared for each share of Series C Term Preferred Stock and for each share of each series of capital stock equal in rank is proportionate to the accrued and unpaid dividends on those shares.

Except as provided in the immediately preceding paragraph, unless full cumulative dividends on the Series C Term Preferred Stock have been or contemporaneously are declared and paid (or declared and a sum sufficient for the payment is set apart for payment) for all past dividend periods and the then-current dividend period, no dividends (other than in shares of common stock, senior common stock, or other shares of capital stock ranking junior to the Series C Term Preferred Stock as to dividends and upon liquidation) shall be declared or paid or set aside for payment nor shall any other distribution be declared or made upon our common stock, or any of our other capital stock ranking junior to or equal with the Series C Term Preferred Stock as to dividends or upon liquidation, nor shall we redeem, purchase, or otherwise acquire for any consideration (or pay or make any monies available for a sinking fund for the redemption of any such shares) any shares of our common stock, senior common stock, or any other shares of our capital stock ranking junior to or equal with the Series C Term Preferred Stock as to dividends or upon liquidation (except by conversion into or exchange for any of our capital stock ranking junior to the Series C Term Preferred Stock as to dividends and upon liquidation or redemption for the purpose of preserving our qualification as a REIT). Holders of shares of the Series C Term Preferred Stock shall not be entitled to any dividend, whether payable in cash, property or stock, in excess of full cumulative dividends on the Series C Term Preferred Stock. Any dividend payment made on shares of the Series C Term Preferred Stock shall first be credited against the earliest accumulated but unpaid dividend due.

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Redemption

Mandatory Redemption

We are required to provide for the mandatory redemption of the Series C Term Preferred Stock on January 31, 2017 at a redemption price of \$25.00 per share plus an amount equal to accumulated but unpaid dividends thereon up to and including January 31, 2017.

Optional Redemption

The Series C Term Preferred Stock will not be redeemable prior to January 31, 2016. However, in order to ensure that we will continue to meet the requirements for qualification as a REIT, the Series C Term Preferred Stock will be subject to provisions in our articles of incorporation pursuant to which shares of our capital stock owned by a stockholder in excess of 9.8% in value of the outstanding shares of our capital stock will be deemed excess shares, and we will have the right to purchase those excess shares from the holder.

On and after January 31, 2016, at our sole option upon not less than 30 nor more than 60 days written notice, we may redeem shares of the Series C Term Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of \$25.00 per share, plus all accumulated and unpaid dividends thereon to, and including, the date fixed for redemption (except with respect to excess shares), without interest. Holders of Series C Term Preferred Stock to be redeemed must then surrender such Series C Term Preferred Stock at the place designated in the notice. Upon surrender of the Series C Term Preferred Stock, the holders will be entitled to the redemption price and any accumulated and unpaid dividends payable upon such redemption. If notice of redemption of any shares of Series C Term Preferred Stock has been given and if we have set aside the funds necessary for such redemption in trust for the benefit of the holders of any of the shares of Series C Term Preferred Stock to be redeemed, then from and after the redemption date dividends will cease to accumulate on those shares of Series C Term Preferred Stock, those shares of Series C Term Preferred Stock will no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the redemption price. If less than all of the outstanding Series C Term Preferred Stock is to be redeemed, the Series C Term Preferred Stock to be redeemed shall be selected ratably (as nearly as may be practicable without creating fractional shares) or by any other equitable method that we may choose.

Unless full cumulative dividends on all shares of Series C Term Preferred Stock have been or contemporaneously are declared and paid (or declared and a sum sufficient for payment set apart for payment for all past dividend periods and the then current dividend period), no shares of Series C Term Preferred Stock will be redeemed unless all outstanding shares of Series C Term Preferred Stock are simultaneously redeemed. In such event, we also will not purchase or otherwise acquire directly or indirectly any shares of Series C Term Preferred Stock (except by exchange for our capital stock ranking junior to the Series C Term Preferred Stock as to dividends and upon liquidation). However, the foregoing shall not prevent us from purchasing excess shares in order to ensure that we continue to meet the requirements for qualification as a REIT, or from acquiring shares of Series C Term Preferred Stock pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of Series C Term Preferred Stock. So long as no dividends are in arrears, we will be entitled at any time and from time to time to repurchase shares of Series C Term Preferred Stock in open-market transactions duly authorized by the Board of Directors and effected in compliance with applicable laws.

We will deliver a notice of redemption, by overnight delivery, by first class mail, postage prepaid or electronically to holders thereof, or request our agent, on behalf of us, to promptly do so by overnight delivery, by first class mail, postage prepaid or electronically. The notice will be provided not less than 30 nor more than 60 days prior to the date fixed for redemption in such notice. Each such notice will state: (A) the date for redemption; (B) the number of Series C Term Preferred Stock to be redeemed; (C) the CUSIP number for the Series C Term Preferred Stock; (D) the applicable redemption price on a per share basis; (E) if applicable, the place or places where the certificate(s) for such shares are to be surrendered for payment of the price for redemption; (F) that dividends on the Series C Term Preferred Stock to be redeemed will cease to accumulate from and after such date of redemption; and (G) the applicable provisions of our charter under which such redemption is made. If fewer than all shares held by any holder are to be redeemed, the notice delivered to such holder will also specify the number of Series C Term Preferred Stock to be redeemed from such holder or the method of determining such number. We may provide in any

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such notice that such redemption is subject to one or more conditions precedent and that we will not be required to affect such redemption unless each such condition has been satisfied at the time or times and in the manner specified in such notice. No defect in the notice or delivery thereof shall affect the validity of redemption proceedings, except as required by applicable law.

If less than all of the Series C Term Preferred Stock held by any holder is to be redeemed, the notice mailed to such holder shall also specify the number of shares of Series C Term Preferred Stock held by such holder to be redeemed.

Immediately prior to any redemption of Series C Term Preferred Stock, we will pay, in cash, any accumulated and unpaid dividends through, and including, the redemption date. If a redemption date falls after a record date and prior to the corresponding dividend payment date, however, each holder of Series C Term Preferred Stock at the close of business on that record date shall be entitled to the dividend payable on such shares on the corresponding dividend payment date notwithstanding the redemption of such shares before the dividend payment date.

Change of Control

If a Change of Control Triggering Event occurs with respect to the Series C Term Preferred Stock, unless we have exercised our option to redeem such Series C Term Preferred Stock as described above, holders of the Series C Term Preferred Stock will have the right to require us to redeem (a *Change of Control Redemption*) the Series C Term Preferred Stock at a price equal to the liquidation preference of \$25.00 per share, plus an amount equal to any accumulated and unpaid dividends up to and including the date of payment, but without interest (a *Change of Control Payment*). Within 30 days following any Change of Control Triggering Event or, at our option, prior to any Change of Control Triggering Event, but after public announcement of the transaction that constitutes or may constitute the Change of Control Triggering Event, a notice will be mailed to holders of the Series C Term Preferred Stock, describing the transaction that constitutes or may constitute the Change of Control Triggering Event and offering to redeem such Series C Term Preferred Stock on the date specified in the applicable notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed (a *Change of Control Payment Date*). The notice will, if mailed prior to the date of consummation of the Change of Control Triggering Event, state that the Change of Control Redemption is conditioned on the Change of Control Triggering Event occurring on or prior to the applicable Change of Control Payment Date.

On each Change of Control Payment Date, we will, to the extent lawful:

- n redeem all Series C Term Preferred Stock or portions of Series C Term Preferred Stock properly tendered pursuant to the applicable Change of Control Redemption;
- n deposit with the paying agent an amount equal to the Change of Control Payment in respect of all Series C Term Preferred Stock properly tendered; and
- n deliver or cause to be delivered to the paying agent the Series C Term Preferred Stock properly accepted together with an officers certificate stating the Series C Term Preferred Stock being redeemed.

We will not be required to make a Change of Control Redemption upon the occurrence of a Change of Control Triggering Event if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for an offer made by us and the third party redeems all Series C Term Preferred Stock properly tendered and not withdrawn under its offer.

We will comply with the requirements of Rule 14e-1 under the Exchange Act, and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the redemption of the Series C Term Preferred Stock as a result of a Change of Control Triggering Event. To the extent that the provisions of any such securities laws or regulations conflict with the Change of Control Redemption provisions of the Series C Term Preferred Stock, we will comply with those securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control Redemption provisions of the Series C Term Preferred Stock by virtue of any such conflict.

For purposes of the foregoing discussion of the redemption of the Series C Term Preferred Stock at the option of the holders, the following definitions are applicable.

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Capital Stock of a corporation means the capital stock of every class whether now or hereafter authorized, regardless of whether such capital stock shall be limited to a fixed sum or percentage with respect to the rights of the holders thereof to participate in dividends and in the distribution of assets upon the voluntary or involuntary liquidation, dissolution or winding up of such corporation.

Change of Control Triggering Event means the occurrence of any of the following: (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or more series of related transactions, of all or substantially all of our assets and the assets of our subsidiaries, taken as a whole, to any Person, other than us or one of our subsidiaries; (2) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any Person becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of our outstanding Voting Stock or other Voting Stock into which our Voting Stock is reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares; (3) we consolidate with, or merge with or into, any Person, or any Person consolidates with, or merges with or into, us, in any such event pursuant to a transaction in which any of our outstanding Voting Stock or the Voting Stock of such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the shares of our Voting Stock outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Stock of the surviving Person or any direct or indirect parent company of the surviving Person immediately after giving effect to such transaction; (4) the first day on which a majority of the members of our Board of Directors are not Continuing Directors; or (5) the adoption of a plan relating to our liquidation or dissolution. Notwithstanding the foregoing, a transaction will not be deemed to involve a Change of Control Triggering Event under clause (2) above if (i) we become a direct or indirect wholly-owned subsidiary of a holding company and (ii)(A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of our Voting Stock immediately prior to that transaction or (B) immediately following that transaction no Person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company.

Continuing Directors means, as of any date of determination, any member of our Board of Directors who (A) was a member of such Board of Directors on the date the Series C Term Preferred Stock was issued or (B) was nominated for election, elected or appointed to such Board of Directors with the approval of a majority of the continuing directors who were members of such Board of Directors at the time of such nomination, election or appointment (either by a specific vote or by approval of a proxy statement in which such member was named as a nominee for election as a director, without objection to such nomination).

Person has the meaning given thereto in Section 13(d)(3) of the Exchange Act.

Voting Stock means, with respect to any specified Person that is a corporation as of any date, the Capital Stock of such Person that is at the time entitled to vote generally in the election of the Board of Directors of such Person.

Liquidation Preference

In the event of our voluntary or involuntary liquidation, dissolution or winding up, the holders of shares of Series C Term Preferred Stock will be entitled to be paid, out of our assets legally available for distribution to our stockholders, a liquidation preference of \$25.00 per share, plus an amount equal to any accumulated and unpaid dividends to and including the date of payment, but without interest, before any distribution of assets is made to holders of our common stock, senior common stock, or any other class or series of our capital stock that ranks junior to the Series C Term Preferred Stock as to liquidation rights. If our assets legally available for distribution to stockholders are insufficient to pay in full the liquidation preference on the Series C Term Preferred Stock and the liquidation preference on any shares of preferred stock equal in rank with the Series C Term Preferred Stock, all assets distributed to the holders of the Series C Term Preferred Stock and any other series of preferred stock equal in rank with the Series C Term Preferred Stock will be distributed ratably so that the amount of assets distributed per share of Series C Term Preferred Stock and such other series of preferred stock equal in rank with the Series C Term Preferred Stock shall in all cases bear to each other the same ratio that the liquidation preference per share on the Series C Term Preferred Stock and on such other series of preferred stock bear to each other. Written notice of any such liquidation, dissolution or winding up of the Company, stating the payment date or dates when, and the place

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or places where, the amounts distributable in such circumstances shall be payable, shall be given by first class mail, postage pre-paid, not less than 30 nor more than 60 days prior to the payment date stated therein, to each record holder of the Series C Term Preferred Stock at the respective addresses of such holders as the same shall appear on the stock transfer records of the Company. After payment of the full amount of the liquidation preference, plus any accumulated and unpaid dividends to which they are entitled, the holders of Series C Term Preferred Stock will have no right or claim to any of our remaining assets. If we consolidate or merge with or into any other corporation, trust or entity, effect a statutory share exchange or sell, lease, transfer or convey all or substantially all of our property or business, we will not be deemed to have liquidated, dissolved or wound up.

Rank

With respect to the payment of dividends and amounts upon our liquidation, dissolution or winding up, the Series C Term Preferred Stock will rank:

- n senior to all classes or series of our common stock, senior common stock, and to all equity securities ranking junior to the Series C Term Preferred Stock with respect to dividend rights or rights upon our liquidation, dissolution or winding up;
- n on a parity with our Parity Preferred Stock;
- n junior to any other class or series of our capital stock expressly designated as ranking senior to the Series C Term Preferred Stock, none of which exists on the date hereof; and
- n junior to all our existing and future indebtedness.

Voting Rights

Holders of the Series C Term Preferred Stock will not have any voting rights, except as described below or as otherwise required by law.

Whenever dividends on any shares of Series C Term Preferred Stock are in arrears for 18 or more consecutive months (a Dividend Default), then the holders of those shares together with the holders of all other series of preferred stock equal in rank with the Series C Term Preferred Stock upon which like voting rights have been conferred and are exercisable, will be entitled to vote separately as a class for the election of a total of two additional directors on our Board of Directors.

Additionally, if we fail to redeem or call for redemption the Series C Term Preferred Stock pursuant to the mandatory redemption required on January 31, 2017 (a Mandatory Redemption Delay), the number of directors constituting our Board of Directors will be increased by the minimum number of directors, that when added to our Board of Directors, will constitute a majority, and the holders of our Series C Term Preferred Stock will be entitled, voting as a separate class (to the exclusion of the holders of all other classes or series of our stock), to elect such number of additional directors.

In each case, the election of these directors will take place at a special meeting called by the holders of record of at least 20% of the Series C Term Preferred Stock and, in the case of a Dividend Default, the holders of record of at least 20% of any series of preferred stock equal in rank with the Series C Term Preferred Stock which like voting rights have been conferred and are exercisable (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of stockholders) or at the next annual meeting of stockholders, and at each subsequent annual meeting until all dividend arrearages have been paid (or declared and a sum sufficient for payment set aside) or the required mandatory redemption has occurred, as applicable. A quorum for any such meeting will exist if at least a majority of the total outstanding shares of Series C Term Preferred Stock and, in the case of a Dividend Default, shares of preferred stock equal in rank with the Series C Term Preferred Stock entitled to like voting rights, are represented in person or by proxy at that meeting. The directors elected as described above shall be elected upon the affirmative vote of a plurality of the shares of Series C Term Preferred Stock and, in the case of a Dividend Default, preferred stock equal in rank with the Series C Term Preferred Stock voting separately as a single class, present and voting in person or by proxy at a duly called and held meeting at which a quorum is present. If and when (i) all accumulated dividends and the dividend for the then current dividend period on the Series C Term Preferred Stock have been paid in full or declared or set aside for payment in full or (ii) the required mandatory redemption has occurred, as the case may be, the holders of the Series C Term Preferred Stock shall be divested of

the right to elect directors and, if (i) all dividend arrearages have been paid in full or declared and set

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aside for payment in full on all series of preferred stock entitled to like voting rights or (ii) the required mandatory redemption has occurred, as the case may be, the term of office of each director so elected shall terminate. Any director so elected may be removed at any time with or without cause by, and shall not be removed otherwise than by the vote of, the holders of record of a majority of the outstanding shares of the Series C Term Preferred Stock having the voting rights described above (and in the case of a Dividend Default, voting separately as a single class with all series of preferred stock entitled to like voting rights). So long as a dividend arrearage continues or the required mandatory redemption has accrued, any vacancy in the office of a director elected as described above may be filled by written consent of the director elected as described above who remains in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding shares of Series C Term Preferred Stock when they have the voting rights described above (and in the case of a Dividend Default, voting separately as a single class with all series of preferred stock entitled to like voting rights). These directors shall each be entitled to one vote per director on any matter.

So long as any shares of Series C Term Preferred Stock remain outstanding, we will not, without the affirmative vote or consent of the holders of at least two-thirds of the shares of the Series C Term Preferred Stock outstanding at the time, given in person or by proxy, either in writing or at a meeting (voting separately as a class), amend, alter or repeal the provisions of our articles of incorporation or the articles supplementary designating the Series C Term Preferred Stock, whether by merger, consolidation or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the Series C Term Preferred Stock or the holders thereof. However, with respect to the occurrence of any event listed above, so long as the Series C Term Preferred Stock remains outstanding (or shares issued by a surviving entity in substitution for the Series C Term Preferred Stock) with its terms materially unchanged, taking into account that upon the occurrence of such an event, we may not be the surviving entity, the occurrence of any such event shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting power of holders of the Series C Term Preferred Stock. In addition (i) any increase in the amount of authorized shares of Series C Term Preferred Stock, (ii) any increase in the amount of the authorized preferred stock or the creation or issuance of any other series of preferred stock, or (iii) any increase in the amount of authorized shares of such series, in each case ranking equal with or junior to the Series C Term Preferred Stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up, will not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series C Term Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been deposited in trust to effect such redemption.

Restrictions on Ownership and Transfer

For us to qualify as a REIT under the Internal Revenue Code of 1986, as amended, or the Code, among other things, not more than 50% in value of our outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals (defined in the Code to include certain entities) during the last half of a taxable year, and such capital stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year. To ensure that we continue to meet the requirements for qualification as a REIT, our articles of incorporation, subject to certain exceptions, provides that no holder may own, or be deemed to own by virtue of the attribution provisions of the Code, more than 9.8% in value of our outstanding capital stock. Our Board of Directors may waive this ownership limit with respect to a stockholder if evidence satisfactory to our Board of Directors and our tax counsel is presented that the changes in ownership will not then or in the future jeopardize our status as a REIT. Any transfer of capital stock or any security convertible into capital stock that would result in a direct or indirect ownership of capital stock by a stockholder in excess of the ownership limit or that would result in our failure to meet the requirements for qualification as a REIT, including any transfer that results in the capital stock being owned by fewer than 100 persons or results in our being closely held within the meaning of section 856(h) of the Code, shall be null and void, and the intended transferee will acquire no rights to the capital stock. The foregoing restrictions on transferability and ownership will not apply if our Board of Directors determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT.

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Capital stock owned, or deemed to be owned, or transferred to a stockholder in excess of the 9.8% ownership limit shall be deemed excess shares held by such holder as agent on behalf of, and in trust for the exclusive benefit of the transferees (which may include us) to whom such capital stock may be ultimately transferred without violating the ownership limit. While the excess shares are held in trust, the holder of those shares will not be entitled to vote those shares, the excess shares will not be considered issued and outstanding for purposes of any stockholder vote or the determination of a quorum for such vote and, except upon liquidation, will not be entitled to participate in dividends or other distributions. Any dividend or distribution paid to a proposed transferee of excess shares prior to our discovery that capital stock has been transferred in violation of the ownership limitation shall be repaid to us upon demand.

Excess shares are further subject to transfer at the direction of our Board of Directors. If our Board of Directors directs a holder of excess shares to sell those shares, such holder shall pay us out of the proceeds of such sale all expenses incurred by us in connection with such sale plus any remaining amount of such proceeds that exceeds the amount paid by such holder for the excess shares.

In addition, we will have the right, for a period of six months during the time any excess shares are held by the holder in trust, to redeem all or any portion of the excess shares from the holder for the lesser of the price paid for the capital stock by the holder or the market price (as determined in the manner set forth in the articles of incorporation) of the capital stock on the date we give notice of our intent to redeem those shares. The six month period begins on the date on which we receive written notice of the transfer or other event resulting in the classification of capital stock as excess shares.

Each stockholder shall upon demand be required to disclose to us in writing any information with respect to the direct, indirect and constructive ownership of our securities as our Board of Directors deems necessary to comply with the provisions of the Code applicable to REITs, to comply with the requirements of any taxing authority or governmental agency or to determine any such compliance.

Conversion

The Series C Term Preferred Stock will not be convertible into or exchangeable for any of our other property or securities.

Listing

We intend to file an application to list the Series C Term Preferred Stock on NASDAQ under the symbol GOODN. If the application is approved, trading of the Series C Term Preferred Stock on NASDAQ is expected to begin within 30 days after the date of initial delivery of the Series C Term Preferred Stock.

Transfer and Dividend Paying Agent

Computershare Limited will act as the transfer and dividend payment agent in respect of the Series C Term Preferred Stock.

Book-Entry Procedures

The Series C Term Preferred Stock will only be issued in the form of global securities held in book-entry form. DTC or its nominee will be the sole registered holder of the Series C Term Preferred Stock. Owners of beneficial interests in the Series C Term Preferred Stock represented by the global securities will hold their interests pursuant to the procedures and practices of DTC. As a result, beneficial interests in any such securities will be shown on, and transfers will be effected only through, records maintained by DTC and its direct and indirect participants and any such interest may not be exchanged for certificated securities, except in limited circumstances. Owners of beneficial interests must exercise any rights in respect of other interests, including any right to convert or require repurchase of their interests in the Series C Term Preferred Stock, in accordance with the procedures and practices of DTC. Beneficial owners will not be holders and will not be entitled to any rights provided to the holders of the Series C Term Preferred Stock under the global securities or the articles supplementary. We and any of our agents may treat DTC as the sole holder and registered owner of the global securities.

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DTC has advised us as follows: DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Uniformed Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC facilitates the settlement of transactions amongst participants through electronic computerized book-entry changes in participants' accounts, eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers, including the underwriters, banks, trust companies, clearing corporations and other organizations, some of whom and/or their representatives own DTC. Access to DTC's book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

The Series C Term Preferred Stock, represented by one or more global securities, will be exchangeable for certificated securities with the same terms only if:

- n DTC is unwilling or unable to continue as depositary or if DTC ceases to be a clearing agency registered under the Exchange Act and a successor depositary is not appointed by us within 90 days; or

- n we decide to discontinue use of the system of book-entry transfer through DTC (or any successor depositary).

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ADDITIONAL MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following summary 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 shares of our Series C Term Preferred Stock in light of their personal investment or tax circumstances.

The current federal income tax treatment of REITs may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time. The REIT rules are under review constantly by persons involved in the legislative process and by the Internal Revenue Service and the U.S. Treasury Department which may result in statutory changes as well as revisions to regulations and interpretations.

We urge you to consult your own tax advisor regarding the specific tax consequences to you of acquisition, ownership and disposition of shares of our Series C Term Preferred 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.

Distributions

In determining the extent to which distributions with respect to our stock constitute dividends for federal income tax purposes, our earnings and profits will be allocated first to distributions with respect to our preferred stock, including our Series C Term Preferred Stock, and then to distributions with respect to our common stock. If, for any taxable year, we elect to designate any portion of a distribution with respect to our stock as a "capital gain dividend", the portion of such designated amount that shall be allocable to our Series C Term Preferred Stock will be the amount that the total amount of dividends, as determined for federal income tax purposes, paid with respect to our Series C Term Preferred Stock for the year bears to the aggregate amount of dividends, as determined for federal income tax purposes, paid with respect to all of our classes or series of stock for such year.

Required Withholding

For taxable years beginning after December 31, 2013, if certain disclosure requirements related to U.S. accounts or ownership are not satisfied, a U.S. withholding tax at a 30% rate will be imposed on dividends received by (i) U.S. stockholders that own their shares of our Series C Term Preferred Stock through foreign accounts or foreign intermediaries and (ii) certain non-U.S. stockholders. In addition, for taxable years beginning after December 31, 2014, if certain disclosure requirements related to U.S. accounts or ownership are not satisfied, a U.S. withholding tax at a 30% rate will be imposed on proceeds of sale in respect of shares of our Series C Term Preferred Stock received by (i) U.S. stockholders that own their shares of our Series C Term Preferred Stock through foreign accounts or foreign intermediaries and (ii) certain non-U.S. stockholders. If payment of withholding taxes is required, non-U.S. stockholders that are otherwise eligible for an exemption from, or reduction of, U.S. withholding taxes with respect to such dividends and proceeds will be required to seek a refund from the IRS to obtain the benefit of such exemption or reduction. We will not pay any additional amounts in respect of any amounts withheld.

Extension of Certain Reduced Tax Rate Provisions

The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010, or the 2010 Tax Relief Act, postponed the sunset of the provisions referred to in "Material U.S. Federal Income Tax Considerations - Sunset of Reduced Tax Rate Provisions" in the accompanying prospectus. The 2010 Tax Relief Act extended the 2001 and 2003 federal income tax rates through 2012 for taxpayers that are taxable as individuals, trusts or estates, including the maximum 35% tax rate on ordinary income and the maximum 15% tax rate for long-term capital gains and qualified dividend income. As noted in the accompanying prospectus, dividends paid by REITs generally will not constitute qualified dividend income eligible for the 15% tax rate for stockholders that are taxable as individuals, trusts or estates and generally will be taxable at the higher ordinary income tax rates. The 2010 Tax Relief Act also extended the reduced 28% backup withholding rate through 2012.

Table of Contents**UNDERWRITING**

Subject to the terms and conditions set forth in the underwriting agreement to be dated on or about _____, 2012, between us and Jefferies & Company, Inc., as representative of the several underwriters, we have agreed to sell to the underwriters and the underwriters have severally agreed to purchase from us, the number of shares of Series C Term Preferred Stock indicated in the table below:

UNDERWRITER	NUMBER OF SHARES
Jefferies & Company, Inc.	
J.J.B. Hilliard, W.L. Lyons, LLC	
Wunderlich Securities, Inc.	
Dominick & Dominick LLC	
Total	1,000,000

Jefferies & Company, Inc. is acting as sole book-running manager of this offering and as representative of the underwriters named above.

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' 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 Series C Term Preferred 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, under certain circumstances, 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 have advised us, after the commencement of trading on NASDAQ, that they currently intend to make a market in the Series C Term Preferred Stock. However, the underwriters are not obligated to do so and may discontinue any market making activities at any time without notice. No assurance can be given as to the liquidity of the trading market for the Series C Term Preferred Stock.

The underwriters are offering the shares of Series C Term Preferred Stock subject to their acceptance of the shares of Series C Term Preferred 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. In addition, the underwriters have advised us that they do not intend to confirm sales to any account over which they exercise discretionary authority.

Commission and Expenses

The underwriters have advised us that they propose to offer the shares of Series C Term Preferred Stock to the public at the initial public offering price set forth on the cover page of this prospectus supplement and to certain dealers at that price less a concession not in excess of \$ _____ per share of Series C Term Preferred Stock. The underwriters may allow, and certain dealers may reallow, a discount from the concession not in excess of \$ _____ per share of Series C Term Preferred Stock to certain brokers and dealers. After the offering, the initial public offering price, concession and reallowance to dealers may be reduced by the representatives. 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.

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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 additional shares of Series C Term Preferred Stock.

	PER SHARE		TOTAL	
	WITHOUT OPTION TO PURCHASE ADDITIONAL SHARES	WITH OPTION TO PURCHASE ADDITIONAL SHARES	WITHOUT OPTION TO PURCHASE ADDITIONAL SHARES	WITH OPTION TO PURCHASE ADDITIONAL SHARES
Public offering price	\$ 25.00	\$ 25.00	\$ 25,000,000	\$ 28,750,000
Underwriting discounts and commissions paid by us	\$ 1.00	\$ 1.00	\$ 1,000,000	\$ 1,150,000
Proceeds to us, before expenses	\$ 24.00	\$ 24.00	\$ 24,000,000	\$ 27,600,000

We estimate that expenses payable by us in connection with this offering, other than the underwriting discounts and commissions referred to above, will be approximately \$200,000.

Listing

We intend to apply to list our Series C Term Preferred Stock on The NASDAQ Global Select Market under the trading symbol GOODN. If this application is approved, trading of our Series C Term Preferred Stock on The NASDAQ Global Select Market is expected to begin within 30 days following initial delivery of our Series C Term Preferred Stock.

Option to Purchase Additional Shares

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to an aggregate of 150,000 additional shares of Series C Term Preferred Stock at the public offering price set forth on the cover page of this prospectus supplement, less underwriting discounts and commissions. If the underwriters exercise this option, each underwriter will be obligated, subject to specified conditions, to purchase a number of additional shares of Series C Term Preferred Stock proportionate to that underwriter's initial purchase commitment as indicated in the table above. This option may be exercised only if the underwriters sell more shares of Series C Term Preferred Stock than the total number set forth in the table above.

Stabilization

The underwriters have advised us that, pursuant to Regulation M under the Securities Exchange Act of 1934, as amended, certain persons participating in the offering may engage in transactions, including over-allotment, stabilizing bids, syndicate covering transactions or the imposition of penalty bids, which may have the effect of stabilizing or maintaining the market price of the Series C Term Preferred Stock at a level above that which might otherwise prevail in the open market. Over-allotment involves syndicate sales in excess of the offering size, which creates a syndicate short position. Establishing short sales positions may involve either covered short sales or naked short sales.

Covered short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares of our Series C Term Preferred Stock in this offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares of our Series C Term Preferred Stock or purchasing shares of our Series C Term Preferred 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 option to purchase additional

shares.

Naked short sales are sales in excess of the option to purchase additional shares of our Series C Term Preferred Stock. The underwriters must close out any naked short position by purchasing shares in the open market. A naked

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short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our Series C Term Preferred 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 Series C Term Preferred Stock on behalf of the underwriters for the purpose of fixing or maintaining the price of the Series C Term Preferred Stock. A syndicate covering transaction is the bid for or the purchase of shares of Series C Term Preferred 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 Series C Term Preferred Stock or preventing or retarding a decline in the market price of our Series C Term Preferred Stock. As a result, the price of our Series C Term Preferred 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 Series C Term Preferred 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 Series C Term Preferred Stock. The underwriters are not obligated to engage in these activities and, if commenced, any of the activities may be discontinued at any time.

Electronic Distribution

A prospectus supplement 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 Series C Term Preferred 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 supplement 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, has not been approved and/or endorsed by us or the underwriters and should not be relied upon by investors.

Affiliations and Conflicts of Interest

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 management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters and certain of their affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, 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 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 account of their customers, and such investment and securities activities may involve our securities and/or instruments. The underwriters and certain of their affiliates may also make investment recommendations 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.

We have an open market sale agreement with Jefferies & Company, Inc. under which we may, from time to time, offer to sell shares of our common stock with an aggregate sales price of up to \$25 million on the open market through Jefferies & Company, Inc., as agent, or to Jefferies & Company, Inc., as principal.

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Settlement

We expect to deliver the shares of Series C Term Preferred Stock against payment for the Series C Term Preferred Stock on or about the date specified on the cover page of this prospectus supplement, which will be the fifth business day following the date of the pricing of the Series C Term Preferred Stock (such settlement being referred to as T+5). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade shares of Series C Term Preferred Stock prior to the date that is three business days preceding the settlement date will be required, by virtue of the fact that the Series C Term Preferred Stock initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Series C Term Preferred Stock who wish to trade the Series C Term Preferred Stock during such period should consult their advisors.

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LEGAL MATTERS

Certain legal matters relating to the offering will be passed upon for us by Bass, Berry & Sims PLC. Venable LLP, Baltimore, Maryland, has issued an opinion to us regarding certain matters of Maryland law, including the validity of the securities covered by this prospectus supplement. Certain legal matters relating to the offering will be passed upon for the underwriters by Jones Day.

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, 2010, 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

We are subject to the reporting requirements of the Exchange Act, and file annual, quarterly and current reports, proxy statements and other information with the SEC.

You may read and copy any material that we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also access our SEC filings over the Internet at the SEC's site at <http://www.sec.gov>. In addition, you may read and copy our SEC filings at the office of NASDAQ Global Select Market, One Liberty Plaza, 165 Broadway, New York, NY 10006.

This prospectus supplement and the accompanying prospectus are only part of a registration statement on Form S-3 that we have filed with the SEC under the Securities Act, and therefore omit certain information contained in the registration statement. We have also filed exhibits and schedules with the registration statement that are excluded from this prospectus supplement, and you should refer to the applicable exhibit or schedule for a complete description of any statement referring to any contract or other document. You may inspect a copy of the registration statement, including the exhibits and schedules, without charge, at the public reference room or obtain a copy from the SEC upon payment of the fees prescribed by the SEC.

We also maintain a web site at www.GladstoneCommercial.com, through which you can access our SEC filings. 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, other than filings that we make with the SEC that are incorporated by reference.

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INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus supplement, and information that we subsequently file with the SEC will automatically update and supersede this information. We incorporate by reference the following documents:

- n Annual Report on Form 10-K for the fiscal year ended December 31, 2010, filed on March 8, 2011;
- n Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2011, filed on May 2, 2011;
- n Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2011, filed on August 2, 2011;
- n Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2011, filed on November 1, 2011; and
- n Current Reports on Form 8-K filed on January 11, 2011, February 1, 2011, March 28, 2011, May 9, 2011, as amended by Amendment No. 1 to Form 8-K filed on May 12, 2011, June 10, 2011 (except that the information furnished pursuant to Item 7.01 of Form 8-K and the exhibits relating to such information are not incorporated into this prospectus supplement), September 23, 2011 and December 30, 2011.

We also incorporate by reference all reports and other documents subsequently filed by us pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act after the date of this prospectus supplement and prior to the termination of this offering (except for information contained in any such filing where we indicate that such information is being furnished and/or is not considered filed under the Exchange Act) shall be deemed to be incorporated by reference in this prospectus supplement and to be a part hereof from the date of filing such reports and other documents.

You may request a copy of any of the filings, at no cost, by writing us at the following address or calling our toll-free investor relations line at the following number:

Investor Relations

Gladstone Commercial Corporation

1521 Westbranch Drive, Suite 200

McLean, Virginia 22102

1-866-366-5745

www.gladstonecommercial.com

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PROSPECTUS

\$300,000,000

GLADSTONE COMMERCIAL

Common Stock

Senior 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, senior common stock, preferred stock, debt securities, depositary shares and subscription rights. We refer to our common stock, senior 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 \$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;

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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.

	Six Months		Year Ended December 31,			
	Ended June 30, 2010	2009	2008	2007	2006	2005
Ratio of Earnings to Fixed Charges and Preferred Dividends	1.0x	1.0x	1.0x	1.1x	1.1x	2.4x

DESCRIPTION OF CAPITAL STOCK**General**

Our authorized capital stock consists of 50,000,000 shares of capital stock, \$0.001 par value per share, 40,200,000 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 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 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.

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 GOOD.P as our Series A Preferred Stock and (ii) 7.50% Series B Cumulative Redeemable Preferred Stock which is listed on the NASDAQ Global Select Market under the symbol GOOD.O as our Series B Preferred Stock.

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 MGCL.

Common Stock**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. 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, our Series A Preferred Stock and our Series B Preferred Stock and the provisions of our charter regarding restrictions on transfer and ownership of

shares of our capital stock.

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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 a 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.

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 Series A Preferred Stock and Series B 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 the Series A Preferred Stock and the Series B 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, over-the-counter market or on the Pink Sheets, or (iv) 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.

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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) 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 upon the earlier of (i) September 1, 2017 or (ii) the 5th anniversary of the date on which \$100 million of Senior Common Stock is sold. 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 accrued and unpaid distributions. We may not call shares of Senior Common Stock prior to such date, 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

We may consider implementing a valuation process to provide an estimate of the value per share of Senior Common Stock on either a monthly or quarterly basis.

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Common Stock

Certificates

We will not issue 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.

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 properly be 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 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 a director.

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, 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. Our charter provide for a majority vote in these situations.

Stockholders may, by the affirmative vote of two-thirds of the shares entitled to vote 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.

Information Rights

Any stockholder may, during normal business hours and for any lawful and proper purpose, inspect and copy our bylaws, minutes of the proceedings of our stockholders, our annual financial statements and any voting trust agreement that is on file at our principal office. In addition, one or more stockholders who together are, and for at least six months have been, record holders of 5% of any class of our common stock are entitled to inspect a copy of our stockholder list upon written request. The list will include the name and address of, and the number of shares owned by, each stockholder and will be available at our principal office within 20 days of the stockholder's request.

The rights of stockholders described above are in addition to, and do not adversely affect rights provided to investors under, Rule 14a-7 promulgated under the Exchange Act, which provides that, upon request of investors and the payment of the expenses of the distribution, we are required to distribute specific materials to stockholders in the context of the solicitation of proxies for voting on matters presented to stockholders, or, at our option, provide requesting stockholders with a copy of the list of stockholders so that the requesting stockholders may make the distribution themselves.

Distributions

Distributions will be paid to investors who are stockholders as of the record date selected by our board of directors. Distributions on the Listed Common Stock will be paid on a monthly basis regardless of the frequency with which such distributions are declared. We are required to make distributions to our stockholders sufficient to satisfy the REIT requirements. Generally, income distributed to our stockholders will not be taxable to us under federal income tax laws unless we fail to comply with the REIT requirements.

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Distributions will be paid at the discretion of our board of directors based upon our earnings, cash flow and general financial condition. The directors' discretion will be governed, in substantial part, by their obligation to cause us to comply with the REIT requirements. Because we may receive income from interest or rents at various times during our fiscal year, distributions may not reflect our income earned in that particular distribution period but may be made in anticipation of cash flow which we expect to receive during a later period of the year and may be made in advance of actual receipt in an attempt to make distributions relatively uniform. We may borrow to make distributions if the borrowing is necessary to maintain our REIT status, or if the borrowing is part of a liquidation strategy whereby the borrowing is done in anticipation of the sale of properties and the proceeds will be used to repay the loan.

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. We may purchase excess shares or otherwise repurchase shares if the repurchase does not impair our capital or operations. For additional information regarding excess shares, see Certain Provisions of Maryland Law and of Our Charter and Bylaws Restrictions on Ownership of Shares.

Other Matters

The transfer and distribution paying agent and registrar for our common stock is BNY Mellon Shareowner Services.

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 series, and any other subjects or matters as may be fixed by resolution of our board of directors or one of its duly authorized committees.

Existing Series of Preferred Stock

Our board of directors has classified:

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

1,150,000 shares of 7.50% Series B Preferred Stock.

Series A Preferred Stock

Voting Rights

Holders 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) 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, 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 at least two-thirds of the shares of Series A Preferred Stock then outstanding.

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Dividends, Liquidation Preference and Other Rights

Holders of Series A Preferred Stock are entitled to receive 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 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.

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 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.

We may not redeem the Series A Preferred Stock prior to January 30, 2011, except in limited circumstances relating to our continuing qualification as a REIT. On and after January 30, 2011, we may, at our option, 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 and including the date of redemption.

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

Series B Preferred Stock

Voting Rights

Holders 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) 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, in a manner that would 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 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 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 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.

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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 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.

We may not redeem the Series B Preferred Stock prior to October 31, 2011, except in limited circumstances relating to our continuing qualification as a REIT. On and after October 31, 2011, we may, at our option, 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 and including the date of redemption.

Shares of Series B 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;

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;

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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; and

any limitations on direct or beneficial ownership and restrictions on transfer of shares of preferred stock of the class or series, in each case as may be appropriate to preserve our status as a REIT under the Internal Revenue Code of 1986, as amended (the Code), among other purposes;

the registrar and transfer agent for the shares of preferred stock; and

any other specific terms, preferences, rights, limitations or restrictions of the class or series of shares of preferred stock.

If we issue shares of preferred stock under this prospectus, the shares will be fully paid and non-assessable and will not have, or be subject to, any preemptive or similar rights.

The issuance of preferred stock could adversely affect the voting power, conversion or other rights of holders of common stock. Preferred stock could be issued quickly with terms designed to delay or prevent a change in control of our company or make removal of management more difficult. Additionally, the issuance of preferred stock may have the effect of decreasing the market price of our common stock.

DESCRIPTION OF DEBT SECURITIES

We may issue debt securities under one or more trust indentures to be executed by us and a specified trustee. The terms of the debt securities will include those stated in the indenture and those made a part of the indenture by reference to the Trust Indenture Act of 1939, or the Trust Indenture Act. The indentures will be qualified under the Trust Indenture Act.

The following description sets forth certain anticipated general terms and provisions of the debt securities to which an accompanying prospectus supplement may relate. The particular terms of the debt securities offered by an accompanying prospectus supplement (which terms may be different than those stated below) and the extent, if any, to which such general provisions may apply to the debt securities so offered will be described in the prospectus supplement relating to such debt securities. Accordingly, for a description of the terms of a particular issue of debt securities, investors should review both the accompanying prospectus supplement relating thereto and the following description. A form of the indenture (as discussed herein) has been filed as an exhibit to the registration statement of which this prospectus is a part.

The debt securities will be our direct obligations and may be either senior debt securities or subordinated debt securities. The indebtedness represented by subordinated securities will be subordinated in right of payment to the prior payment in full of our senior debt (as defined in the applicable indenture).

Except as set forth in the applicable indenture and described in an accompanying prospectus supplement relating thereto, the debt securities may be issued without limit as to aggregate principal amount, in one or more series, secured or unsecured, in each case as established from time to time in or pursuant to authority granted by a resolution of the board of directors or as established in the applicable indenture. All debt securities of one series need not be issued at the same time and, unless otherwise provided, a series may be reopened, without the consent of the holders of the debt securities of such series, for issuance of additional debt securities of such series.

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The accompanying prospectus supplement relating to any series of debt securities being offered will contain their specific terms, including, without limitation: