

GLADSTONE COMMERCIAL CORP

Form 424B5

August 01, 2016

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**The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and they are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED AUGUST 1, 2016**

**PRELIMINARY PROSPECTUS SUPPLEMENT**

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

**Shares**

**7.00% Series D Cumulative Redeemable Preferred Stock**

**(Liquidation Preference \$25.00 per share)**

We are offering \_\_\_\_\_ shares of our 7.00% Series D Cumulative Redeemable Preferred Stock, \$0.001 par value per share ( Series D Preferred Stock ).

Investors will be entitled to cumulative dividends on the Series D Preferred Stock at a rate of 7.00% per annum of the \$25.00 liquidation preference per share (equivalent to a fixed annual rate of \$1.75 per share). When, as and if authorized by our board of directors and declared by us, dividends on the Series D Preferred Stock are payable monthly in arrears. The Series D Preferred Stock ranks on parity with our outstanding preferred stock and senior to our senior common stock (as defined below) and common stock (as defined below) with respect to dividend rights and rights upon our liquidation, dissolution or winding up.

Generally, we are not permitted to redeem the Series D Preferred Stock prior to May 25, 2021, except in limited circumstances relating to our ability to qualify as a real estate investment trust ( REIT ) and pursuant to the special optional redemption provision described below. On or after May 25, 2021, we may, at our option, redeem the Series D 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 an amount equal to any accrued and unpaid dividends on such Series D Preferred Stock to, but not

including, the redemption date.

In addition, upon the occurrence of a Change of Control (as defined below), as a result of which neither our common stock, par value \$0.001 per share, nor the common securities of the acquiring or surviving entity (or American Depositary Receipts ( ADRs ) representing such securities) is listed on the New York Stock Exchange ( NYSE ), the NYSE MKT LLC ( NYSE MKT ) or the NASDAQ Stock Market, or listed or quoted on a successor exchange or quotation system, we may, at our option, redeem the Series D Preferred Stock, in whole or in part, within 120 days after the first date on which such Change of Control occurred, by paying \$25.00 per share, plus an amount equal to any accrued and unpaid dividends to, but not including, the date of redemption. Should a Change of Control occur, each holder of Series D Preferred Stock may, at its sole option, elect to cause us to redeem any or all of such holder's shares of Series D Preferred Stock in cash at a redemption price of \$25.00 per share, plus an amount equal to all accrued but unpaid dividends, to, but not including, the redemption date, no earlier than 30 days and no later than 60 days following the date we notify holders of the Change of Control. The Series D Preferred Stock has no stated maturity and is not subject to mandatory redemption or any sinking fund. Holders of shares of the Series D Preferred Stock will generally have no voting rights except for limited voting rights if we fail to pay dividends for 18 or more consecutive months and in certain other circumstances.

Our Series D Preferred Stock is traded on the NASDAQ Global Select Market ( NASDAQ ) under the symbol GOODM. On July 29, 2016, the last reported sale price of our Series D Preferred Stock on NASDAQ was \$25.53 per share. You are urged to obtain current market quotations of our Series D Preferred Stock.

To assist us in qualifying as a REIT, among other purposes, our charter contains certain restrictions relating to the ownership and transfer of our capital stock, including an ownership limit of 9.8% of the aggregate outstanding shares of our capital stock by any person or persons acting as a group. See Certain Provisions of Maryland Law and of Our Charter and Bylaws Restrictions on Ownership and Transfer on page 23 of the accompanying prospectus for more information about these restrictions.

**Investing in shares of our Series D Preferred Stock involves substantial risks that are described in the Risk Factors sections beginning on page S-11 of this prospectus supplement, on page 4 of the accompanying prospectus and as discussed in our most recent Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and other information that we file from time to time with the Securities and Exchange Commission (the SEC ), which are incorporated by reference into this prospectus supplement and the accompanying prospectus.**

	Per Share	Total
Public offering price <sup>(1)</sup>	\$	\$
Placement Agent Fees and Commissions	\$	\$
Proceeds, before expenses, to us	\$	\$

<sup>(1)</sup> Including accrued dividends, if any, from August 1, 2016.

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

We have retained CSCA Capital Advisors, LLC ( CSCA ) to act as placement agent in connection with this offering. CSCA has no commitment to purchase our Series D Preferred Stock and will act only as an agent in obtaining indications of interest in the Series D Preferred Stock from certain investors. We have agreed to pay CSCA a placement agent fee of % of gross proceeds. After paying the placement agent fee and other estimated expenses payable by us, we anticipate receiving approximately \$ in net proceeds from this offering.

**CSCA Capital Advisors, LLC**

**The date of this prospectus supplement is , 2016.**

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This document is presented in two parts. The first part is comprised of this prospectus supplement, which describes the specific terms of this offering of Series D Preferred Stock and certain other matters relating to us. The second part, the accompanying prospectus, contains a description of our capital stock generally and provides more general information, some of which does not apply to this offering, regarding securities that we may offer from time to time.

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

It is important for you to read and consider all of the information contained in this prospectus supplement and the accompanying prospectus before making your investment decision. You should also read and consider the additional information incorporated by reference in this prospectus supplement and the accompanying prospectus before making your investment decision. See [Incorporation by Reference](#) in this prospectus supplement.

**You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus to be filed with the SEC. Neither we nor CSCA have authorized anyone to provide you with additional or different information. If anyone provides you with additional or different information, you should not rely on it. We do not, and CSCA and its affiliates do not, take any responsibility for, and can provide no assurances as to, the reliability of any information that others may provide to you.**

You should not assume that the information in this prospectus supplement, the accompanying prospectus or any free writing prospectus to be filed with the SEC, including any information incorporated by reference, is accurate as of any date other than their respective dates. Our business, financial condition, liquidity, results of operations, funds from operations ( FFO ) and prospects may have changed since those dates. If any statement in one of these documents is inconsistent with a statement in another document having a later date for example, a document incorporated by reference in this prospectus supplement or the accompanying prospectus the statement in the document having the later date modifies or supersedes the earlier statement.

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

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**FORWARD-LOOKING STATEMENTS**

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

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

our re-leasing efforts;

our business and financing strategy;

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

pending and future transactions;

our projected operating results;

our ability to obtain future financing arrangements;

estimates relating to our future distributions;

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

market and industry trends;

interest and insurance rates;

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

projected capital expenditures;

our senior unsecured revolving credit facility with KeyBank National Association, as revolving lender, letter of credit issuer and administrative agent and the other lenders party thereto (the Line of Credit ), mortgage notes payable, other offerings of securities and other future capital resources, if any; and

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

Forward-looking statements involve inherent uncertainty and may ultimately prove to be incorrect or false. You are cautioned to not place undue reliance on forward-looking statements. Except as otherwise may be required by law, we undertake no obligation to update or revise forward-looking statements or update changed assumptions,



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

the loss of any of our key officers, such as Mr. David Gladstone, our Chairman and Chief Executive Officer, Mr. Terry Lee Brubaker, our Vice Chairman and Chief Operating Officer, or Mr. Robert Cutlip, our President;

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

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

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

changes in our business or financing strategy;

the adequacy of our cash reserves and working capital;

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

defaults upon or non-renewal of leases by tenants;

decreased rental rates or increased vacancy rates;

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

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

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

changes in our industry or the general economy;

changes in interest rates;

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

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

environmental uncertainties and risks related to natural disasters.

This list of risks and uncertainties, however, is only a summary of some of the most important factors to us and is not intended to be exhaustive. You should carefully review the risks and information contained, or incorporated by reference into, this prospectus supplement and the accompanying prospectus, including, without limitation, the Risk Factors incorporated by reference herein and therein from our Annual Report on Form 10-K for the year ended December 31, 2015, our Quarterly Reports on Form 10-Q and other reports and information that we file with the SEC. New factors may also emerge from time to time that could materially and adversely affect us.

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**Table of Contents****PROSPECTUS SUPPLEMENT SUMMARY**

*This summary highlights selected information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary is not complete and may not contain all of the information that may be important to you in deciding whether to invest in shares of our Series D Preferred Stock. To understand this offering fully prior to making an investment decision, you should carefully read this prospectus supplement, including the Risk Factors sections beginning on page S-11 of this prospectus supplement, the accompanying prospectus, our Annual Report on Form 10-K for the year ended December 31, 2015, our Quarterly Reports on Form 10-Q and other reports and information that we file from time to time with the SEC, which are incorporated by reference into this prospectus supplement and the accompanying prospectus, and the documents incorporated by reference herein and therein, including the financial statements and notes to those financial statements.*

*Unless the context otherwise requires or indicates, each reference in this prospectus supplement and the accompanying prospectus to (i) we, our, us and the Company means Gladstone Commercial Corporation, a Maryland corporation, and its consolidated subsidiaries, (ii) Operating Partnership means Gladstone Commercial Limited Partnership, a wholly-owned, consolidated subsidiary of the Company and a Delaware limited partnership, (iii) Adviser means Gladstone Management Corporation, the external adviser of the Company and a Delaware corporation, and (iv) Administrator means Gladstone Administration, LLC, the external administrator of the Company and a Delaware limited liability company. The term you refers to a prospective investor.*

**The Company**

We 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 office properties and selectively making long-term industrial and commercial mortgage loans. We have elected to be taxed as a REIT for federal income tax purposes. Our shares of common stock, par value \$0.001 per share (the common stock), 7.75% Series A Cumulative Redeemable Preferred Stock, par value \$0.001 per share (the Series A Preferred Stock), 7.50% Series B Cumulative Redeemable Preferred Stock, par value \$0.001 per share (the Series B Preferred Stock), 7.125% Series C Cumulative Term Preferred Stock, par value \$0.001 per share (the Series C Preferred Stock), and our Series D Preferred Stock trade on NASDAQ's Global Select Market under the trading symbols GOOD, GOODP, GOODO, GOODN, and GOODM, respectively. We refer to the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock collectively herein as the Preferred Stock. Our senior common stock, par value \$0.001 per share (the senior common stock), is not traded on any exchange or automated quotation system.

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

We currently own 99 properties located in 24 states that contain approximately 11.1 million rentable square feet and have no mortgage loans outstanding.

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

Our executive offices are located at 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102, and our telephone number is (703) 287-5800. Our website address is <http://www.GladstoneCommercial.com>. However, the information located on, or accessible from, our website is not, and shall not be deemed to be, a part of this prospectus supplement or the accompanying prospectus or incorporated into any other filings that we make with the SEC.

## **Our Competitive Strengths**

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

**Experienced Management Team:** Our management team has a successful track record of underwriting office, industrial, and other types of real estate and conducting extensive due diligence on the management teams, cash flows, financial statements and risk ratings of our respective tenants.

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

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

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

**Proven Track Record:** As of July 25, 2016, we had investments in 99 properties, including 4 properties classified as held for sale, which have a total gross and net carrying value, including intangible assets, of \$949.4 million and \$763.5 million, respectively. All of our tenants are paying as agreed, and the weighted average yield on our portfolio is approximately 8.6%. As of July 25, 2016, our occupancy rate was 98.5%. We are currently seeking tenants for our vacant properties while concurrently researching alternative uses for these properties.

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

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**THE OFFERING**

The offering terms are summarized below solely for your convenience. For a more complete description of the terms of the Series D Preferred Stock, see [Description of Series D Preferred Stock](#) in this prospectus supplement.

Issuer	Gladstone Commercial Corporation, a Maryland corporation.
Securities Offered	shares of 7.00% Series D Cumulative Redeemable Preferred Stock.
Ranking	<p>The Series D Preferred Stock ranks, with respect to dividend rights and rights upon our liquidation, dissolution or winding up:</p> <p>senior to all classes or series of our senior common stock, common stock, and any other class or series of our capital stock expressly designated as ranking junior to the Series D Preferred Stock;</p> <p>on parity with our Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock, and any future class or series of our capital stock expressly designated as ranking on parity with the Series D Preferred Stock; and</p> <p>junior to any other class or series of our capital stock expressly designated as ranking senior to the Series D Preferred Stock, none of which exists on the date hereof.</p>
Dividends	Investors in the Series D Preferred Stock will be entitled to preferential cumulative cash dividends on the Series D Preferred Stock at a rate of 7.00% per annum of the \$25.00 per share liquidation preference (equivalent to \$1.75 per annum per share). When, as and if authorized by our Board of Directors and declared by us, dividends on the Series D Preferred Stock will be payable monthly in arrears. Dividends on the Series D Preferred Stock will accrue whether or not (i) we have earnings, (ii) there are funds legally available for the payment of such dividends and (iii) such dividends are authorized and declared.
Liquidation Preference	If we liquidate, dissolve or wind up, holders of shares of the Series D Preferred Stock will have the right to receive \$25.00 per share of the Series D Preferred Stock, plus an amount equal to any accrued and

unpaid dividends (whether or not authorized or declared) to and including the date of payment, but without interest, before any distribution or payment is made to holders of our senior common stock, common stock and any other class or series of capital stock ranking junior to the Series D Preferred Stock as to rights upon our liquidation, dissolution or winding up. We may only issue equity securities ranking senior to the Series D Preferred Stock with respect to the payment of dividends and the distribution of assets upon our liquidation, dissolution and winding up if we obtain the affirmative

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vote of the holders of at least two-thirds of the shares outstanding at the time of Series D Preferred Stock and each other class or series of preferred stock ranking on parity with the Series D Preferred Stock with respect to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up and upon which like voting rights have been conferred (voting together as a single class). The rights of holders of shares of the Series D Preferred Stock to receive their liquidation preference will be subject to the proportionate rights of any other class or series of our capital stock ranking on parity with the Series D Preferred Stock, including the Series A Preferred Stock, the Series B Preferred Stock and the Series C Preferred Stock, as to rights upon our liquidation, dissolution or winding up, and junior to the rights of any class or series of our capital stock expressly designated as ranking senior to the Series D Preferred Stock.

**Optional Redemption**

We may not redeem the Series D Preferred Stock prior to May 25, 2021, except in limited circumstances relating to maintaining our qualification as a REIT, as described in **Description of Series D Preferred Stock Optional Redemption** in this prospectus supplement and pursuant to the special optional redemption provision described below. On and after May 25, 2021, the Series D Preferred Stock will be redeemable at our option, 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 an amount equal to any accrued and unpaid dividends (whether or not authorized or declared) to, but not including, the redemption date. Any partial redemption will be on a pro rata basis.

**Special Optional Redemption**

Upon the occurrence of a Change of Control, we may, at our option, redeem the Series D Preferred Stock, in whole or in part within 120 days after the first date on which such Change of Control occurred, by paying \$25.00 per share, plus an amount equal to any accrued and unpaid dividends to, but not including, the date of redemption. A **Change of Control** is when, after the original issuance of the Series D Preferred Stock, the following have occurred and are continuing:

the acquisition by any person, including any syndicate or group deemed to be a person under Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the **Exchange Act**), of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of stock of our company entitling that person to exercise more than 50% of the total voting power of all stock of our company entitled to vote generally in the election of our directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the

right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition);  
and

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following the closing of any transaction referred to in the bullet point above, neither we nor the acquiring or surviving entity has a class of common securities (or ADRs representing such securities) listed on the NYSE, the NYSE MKT or NASDAQ or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE MKT or NASDAQ.

**Redemption at Option of Holders Upon a Change of Control**

If a Change of Control occurs at any time the Series D Preferred Stock is outstanding, then each holder of shares of Series D Preferred Stock shall have the right, at such holder's option, to require us to redeem for cash any or all of such holder's shares of Series D Preferred Stock, on a date specified by us that can be no earlier than 30 days and no later than 60 days following the date of delivery by the Company of a notice of the Change of Control (the Change of Control Redemption Date), such notice to conform to the terms and conditions contained in the Articles Supplementary of the Series D Preferred Stock, at a redemption price equal to the liquidation preference of \$25.00 per share, plus an amount equal to all accrued but unpaid dividends, to, but not including, the Change of Control Redemption Date (the Change of Control Redemption Price); provided, however, that a holder shall not have any right of redemption with respect to any shares of Series D Preferred Stock being called for redemption pursuant to our optional redemption as described under Description of Series D Preferred Stock Optional Redemption, our special optional redemption as described under Description of Series D Preferred Stock Special Optional Redemption, or our requirement to redeem as described in the accompanying prospectus under Description of Capital Stock General Repurchases of Excess Shares, to the extent we have delivered notice of our intent to redeem on or prior to the date of delivery by the Company of a notice of the Change of Control.

**Conversion Rights**

The Series D Preferred Stock is not convertible into or exchangeable for any other securities or property.

**No Maturity, Sinking Fund or Mandatory Redemption**

The Series D Preferred Stock has no stated maturity date and is not subject to mandatory redemption or any sinking fund. We are not required to set apart funds to redeem the Series D Preferred Stock. Accordingly, the Series D Preferred Stock will remain outstanding indefinitely unless we decide to redeem the shares at our option.

**Limited Voting Rights**

Holders of shares of the Series D Preferred Stock will generally have no voting rights. However, if we are in arrears on dividends on the Series D Preferred Stock for 18 or more consecutive months, holders of shares of the Series D Preferred Stock (voting separately as a class together with the holders of all other classes or series of preferred stock ranking on

parity with the Series D Preferred Stock with respect to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up and upon which like voting rights have been conferred and are exercisable, including the Series A

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Preferred Stock, Series B Preferred Stock and Series C 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, the affirmative vote or consent of the holders of at least two-thirds of the shares outstanding at the time of the Series D Preferred Stock and each other class or series of preferred stock ranking on parity with the Series D Preferred Stock with respect to the payment of dividends and distribution of assets upon our liquidation, dissolution or winding up and upon which like voting rights have been conferred (voting together as a single class) is required for us to authorize or issue any class or series of capital stock ranking, as to payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up, senior to the Series D Preferred Stock or to amend any provision of our charter so as to materially and adversely affect the terms of the Series D Preferred Stock. If such amendment to our charter does not equally affect the terms of the Series D Preferred Stock and one or more other classes or series of preferred stock ranking, as to payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up, on parity with the Series D Preferred Stock, the affirmative vote or consent of the holders of two-thirds of the shares outstanding at the time of Series D Preferred Stock, voting separately as a class, is required.

NASDAQ Global Select Market symbol

GOODM

Form

The Series D Preferred Stock offered in this offering will be issued and maintained in book-entry form registered in the name of the nominee of The Depository Trust Company ( DTC ), except under limited circumstances.

Restrictions on Ownership and Transfer

To assist us in maintaining our qualification as a REIT, our charter, subject to certain exceptions, contains restrictions on the number of shares of our capital stock that a person may own. Our charter provides that no person, directly or indirectly, may own more than 9.8% of our outstanding capital stock. See Description of Series D Preferred Stock Restrictions on Ownership and Transfer in this prospectus supplement.

Use of Proceeds

We estimate that the net proceeds from the sale of the Series D Preferred Stock in this offering will be approximately \$ , after deducting the placement agent fee of approximately \$ and other estimated offering expenses of \$ payable by us. We intend to use the net proceeds from the sale of Series D Preferred Stock offered hereby:

to pay down debt;

to invest in additional net leased real properties in accordance with our investment objectives and to pay real estate acquisition expenses;

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to make or invest in mortgage loans in accordance with our investment objectives; and

for other general corporate purposes.

See Use of Proceeds on page S-15 of this prospectus supplement.

Transfer Agent and Registrar

The transfer agent and registrar for the Series D Preferred Stock is Computershare, Inc.

Settlement

Delivery of the shares of Series D Preferred Stock will be made against payment therefor on or about \_\_\_\_\_, 2016, which is the third business day following the pricing of this offering.

Risk Factors

Investing in the Series D Preferred Stock involves various risks. You should read carefully and consider the matters discussed under the caption entitled Risk Factors included in our Annual Report on Form 10-K for the year ended December 31, 2015, under the caption entitled Risk Factors beginning on page S-11 of this prospectus supplement and in the other documents incorporated by reference in the accompanying prospectus before making a decision to invest in the Series D Preferred Stock.

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**RISK FACTORS**

*Your investment in shares of our Series D Preferred Stock involves a high degree of risk. In consultation with your own financial and legal advisers, you should carefully consider, among other matters, the factors set forth below, in the accompanying prospectus, in our Annual Report on Form 10-K for the year ended December 31, 2015, our Quarterly Reports on Form 10-Q and other information that we file from time to time with the SEC, which are incorporated by reference into this prospectus supplement and the accompanying prospectus, before deciding whether an investment in shares of our Series D Preferred Stock is suitable for you. If any of the risks contained in or incorporated by reference into this prospectus supplement or the accompanying prospectus develop into actual events, our business, financial condition, liquidity, results of operations, FFO, our ability to make cash distributions to holders of our common stock or pay dividends to holders of our Series D Preferred Stock and prospects could be materially and adversely affected, the market price of our Series D Preferred Stock could decline and you may lose all or part of your investment. In addition, new risks may emerge at any time and we cannot predict such risks or estimate the extent to which they may affect our financial performance. Some statements in this prospectus supplement, including statements in the following risk factors, constitute forward-looking statements. See the Forward-Looking Statements sections in this prospectus supplement and in the accompanying prospectus.*

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

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

**The number of shares of our Series D Preferred Stock available for future issuance or sale and the issuance of additional preferred stock equal in rank with or senior to the Series D Preferred Stock could dilute the interests of the holders of the Preferred Stock.**

We cannot predict whether future issuances or sales of our Series D Preferred Stock or the availability of shares for resale in the open market will decrease the per share trading price of our Series D Preferred Stock. Our Board of Directors may classify and re-classify shares of unissued capital stock by setting or changing the preferences, conversion or other rights, voting powers and restrictions, limitations as to dividends, qualifications and terms and conditions of the redemption of such stock, subject to the rights of the holders of Series D Preferred Stock to consent to any such classification that would materially and adversely affect any right, preference, privilege or voting power of the respective series of Series D Preferred Stock, as applicable. As of the date of this prospectus supplement, shares of the Series A Preferred Stock, Series B Preferred Stock and Series C Term Preferred Stock are equal in rank with the Series D Preferred Stock offered by this prospectus supplement 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 D Preferred Stock could have the effect of diluting the interests of holders of the Series D Preferred Stock.

**The Series D Preferred Stock is subordinate to our debt, and your interests could be diluted by the issuance of additional shares of preferred stock, including additional shares of Series D Preferred Stock, and by other**



**transactions.**

As of June 30, 2016, our total indebtedness was approximately \$566.2 million, and we may incur significant additional debt to finance future acquisition activities. The Series D Preferred Stock is subordinate to all of our

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existing and future debt. Our existing debt restricts, and our future debt may include restrictions on, our ability to pay dividends to preferred stockholders in the event of a default under the debt facilities.

We cannot predict whether future issuances or sales of our preferred stock or the availability of shares for resale in the open market will decrease the per share trading price of our Series D Preferred Stock. Our Board of Directors may classify and re-classify shares of unissued capital stock by setting or changing the preferences, conversion or other rights, voting powers and restrictions, limitations as to dividends, qualifications and terms and conditions of the redemption of such stock, subject to the rights of the holders of preferred stock to consent to any such classification that would materially and adversely affect any right, preference, privilege or voting power of the respective series of preferred stock, as applicable. The shares of Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock rank on parity with the Series D Preferred Stock offered by this prospectus supplement 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 D Preferred Stock could have the effect of diluting the interests of holders of the Series D Preferred Stock and any issuance of preferred stock senior to the Series D Preferred Stock or of additional indebtedness could affect our ability to pay dividends on, redeem or pay the liquidation preference on the Series D Preferred Stock. Other than the limited voting rights as described under

Description of the Series D Preferred Stock Limited Voting Rights below, none of the provisions relating to the Series D Preferred Stock relate to or limit our indebtedness or afford the holders of the Series D 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 D Preferred Stock.

### **The market price and trading volume of our Series D Preferred Stock may fluctuate significantly and could be substantially affected by various factors.**

Our Series D Preferred Stock recently began trading on the NASDAQ Global Select Market and has limited trading history. Further, the trading prices of equity securities issued by REITs historically have been affected by changes in market interest rates. One of the factors that may influence the price of our Series D Preferred Stock is the annual yield from distributions on our Series D Preferred Stock as compared to yields on other financial instruments. The trading price of our Series D Preferred Stock depends on many factors, including prevailing interest rates, the market for similar securities, general economic conditions, and our financial condition, results of operations and prospects.

Other factors that could significantly affect the market price of our Series D Preferred Stock include the following:

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

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

changes in our distribution policy;

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

changes in market valuations of similar companies;

adverse market reaction to the amount of our outstanding debt at any time, the amount of our maturing debt in the near- and medium-term and our ability to refinance such debt and the terms thereof or our plans to incur additional debt in the future;

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

actions by institutional stockholders;

speculation in the press or investment community;

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

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

significant volatility in the market price and trading volume of shares of REITs, real estate companies or other companies in our sector, which is not necessarily related to the performance of those companies;

investor confidence in the stock market;

general market and economic conditions; and

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

In addition, because the Series D Preferred Stock carries a fixed dividend rate, the value of each series in the secondary market will be influenced by changes in interest rates and will tend to move inversely to such changes. In particular, an increase in market interest rates will result in higher yields on other financial instruments and may lead potential purchasers of the Series D Preferred Stock in the secondary market toward investments with a higher yield price.

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

**As a holder of Series D Preferred Stock you have extremely limited voting rights.**

Your voting rights as a holder of Series D Preferred Stock will be extremely limited. Our common stock is the only class or series of our stock carrying full voting rights. Voting rights for holders of Series D Preferred Stock exist primarily with respect to material and adverse changes in the terms of such Series D Preferred Stock, and the election of two directors upon our failure to pay dividends on the Series D Preferred Stock for 18 or more consecutive months. See [Description of Series D Preferred Stock Limited Voting Rights](#) in this prospectus supplement.

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

The dividends payable by us on the Series D 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 D 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](#) in this prospectus supplement and [Material U.S. Federal Income Tax Considerations Taxation of Taxable U.S. Stockholders](#) in the

accompanying prospectus.

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

We generally operate as a holding company that conducts its businesses primarily through our operating partnership, which in turn is a holding company conducting its business through its subsidiaries. These

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

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

**If our common stock is delisted, your ability to transfer or sell your shares of the Series D Preferred Stock may be limited and the market value of the Series D Preferred Stock will be materially adversely affected.**

Other than in connection with certain Change of Control transactions, the Series D Preferred Stock does not contain provisions that protect you if our common stock is delisted. Since the Series D Preferred Stock has no stated maturity date, you may be forced to hold your shares of the Series D Preferred Stock and receive stated dividends on the stock when, as and if authorized by our board of directors and declared by us with no assurance as to ever receiving the liquidation preference. In addition, if our common stock is delisted, it is likely that the Series D Preferred Stock will be delisted as well. Accordingly, if our common stock is delisted, your ability to transfer or sell your shares of the Series D Preferred Stock may be limited and the market value of the Series D Preferred Stock will be materially adversely affected.

**The Series D Preferred Stock bears a risk of redemption by us.**

On and after May 25, 2021, the Series D Preferred Stock will be redeemable at our option, in whole or in part, at any time or from time to time. Any such redemptions may occur at a time that is unfavorable to holders of the Series D Preferred Stock.

**Our amount of Preferred Stock outstanding will increase as a result of this offering, which could adversely affect our business, financial condition and results of operations.**

Our amount of Preferred Stock outstanding will increase as a result of this issuance of Series D Preferred Stock. The issuance of additional shares of Preferred Stock could have significant consequences on our future operations, including:

making it more difficult for us to meet our payment and other obligations to holders of our preferred stock and under our Line of Credit;

reducing the availability of our cash flow to fund acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes; and

limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, and adverse changes the industry in which we operate and the general economy.

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under our Line of Credit and monthly dividend obligations with respect to our preferred stock.

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**USE OF PROCEEDS**

We estimate that the net proceeds from the sale of the Series D Preferred Stock in this offering will be approximately \$ , after deducting the placement agent fee of approximately \$ and other estimated offering expenses of \$ payable by us. Through our Operating Partnership, we intend to use the net proceeds of the offering:

to pay down debt;

to invest in additional net leased real properties in accordance with our investment objectives and to pay real estate related acquisition expenses;

to make or invest in mortgage loans in accordance with our investment objectives; and

for other general corporate purposes.

Our Line of Credit matures in August 2018 with a 1-year extension option through August 2019. The interest rate per annum applicable to the line of credit is equal to the London Interbank Offered Rate, or LIBOR, plus an applicable margin of up to 2.75%, depending upon our leverage. As of June 30, 2016, there was \$85.8 million outstanding under our Line of Credit and Term Loan Facility at a weighted average interest rate of approximately 2.95% and \$2.5 million outstanding under letters of credit at a weighted average interest rate of 2.5%. As of June 30, 2016, the maximum additional amount we could draw under the Line of Credit was \$8.6 million.



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**DESCRIPTION OF SERIES D PREFERRED STOCK**

*The following summary of the material terms and provisions of the Series D Preferred Stock does not purport to be complete and is subject to our charter, and our bylaws, each of which is available from us as described under "Where You Can Find More Information" of this prospectus supplement and is incorporated by reference in this prospectus supplement. This description of the particular terms of the Series D 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 9 of the accompanying prospectus, for further information.*

*As used in this section, the terms "we," "us" and "our" refer to Gladstone Commercial Corporation and not to any of its subsidiaries.*

**General**

Our Board of Directors has the power und