

GLADSTONE COMMERCIAL CORP

Form 424B5

November 01, 2010

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

Prospectus Supplement

(To Prospectus dated September 27, 2010)

\$23,978,306

Common Stock

On November 4, 2009, we entered into an Open Market Sale Agreement with Jefferies & Company, Inc. relating to the shares of our common stock, par value \$0.001 per share, offered by this prospectus supplement and the accompanying prospectus. In accordance with the terms of the Open Market Sale Agreement, we could initially offer and sell up to \$25,000,000 of our common stock from time to time through Jefferies & Company, Inc. as our sales agent, and, as of the date of this prospectus supplement, \$23,978,306 of common stock remains unsold.

Sales of shares of our common stock pursuant to the Open Market Sale Agreement, if any, will be made by means of ordinary brokers' transactions on the NASDAQ Global Select Market at market prices, in privately negotiated transactions, crosses or block transactions and such other transactions as may be agreed between us and Jefferies & Company, Inc., including a combination of any of these transactions. Under the terms of the Open Market Sale Agreement, we also may sell shares to Jefferies & Company, Inc. as a principal for its own account at a price agreed upon at the time of sale.

Our common stock is listed on the NASDAQ Global Select Market under the symbol GOOD. On October 29, 2010, the last reported sale price of our common stock on the NASDAQ Global Select Market was \$18.68 per share.

Investing in our common stock involves substantial risks. Please carefully read and consider the information described under Risk Factors on page S-3 of this prospectus supplement, described under Risk Factors in the accompanying prospectus on page 3 and 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 before making an investment decision.

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.

Jefferies & Company, Inc. will receive from us a commission of 2% of the gross proceeds of any shares sold through it pursuant to this prospectus supplement. Jefferies & Company, Inc. will use its commercially reasonable efforts to place on our behalf any shares to be offered by us under the Open Market Sale Agreement.

Jefferies & Company

The date of this prospectus supplement is November 1, 2010

Table of Contents

	Page
Prospectus Supplement	
<u>About This Prospectus Supplement</u>	S-ii
<u>Important Information Regarding Forward-Looking Statements</u>	S-ii
<u>Prospectus Supplement Summary</u>	S-1
<u>Risk Factors</u>	S-3
<u>Use of Proceeds</u>	S-3
<u>Price Range of Common Stock</u>	S-4
<u>Dividend Policy</u>	S-4
<u>Capitalization</u>	S-5
<u>Plan of Distribution</u>	S-6
<u>Legal Matters</u>	S-7
<u>Experts</u>	S-7
<u>Incorporation by Reference</u>	S-7
<u>Where You Can Find More Information</u>	S-8
Prospectus	
About This Prospectus	1
Forward-Looking Statements	1
The Company	3
Risk Factors	3
Use of Proceeds	3
Ration of Earnings to Fixed Charges and Preferred Dividends	4
Description of Capital Stock	4
Description of Debt Securities	11
Description of Depositary Shares	17
Description of Subscription Rights	19
Book Entry Procedures and Settlement	20
Certain Provisions of Maryland Law and of Our Charter and Bylaws	20
Material U.S. Federal Income Tax Considerations	24
Plan of Distribution	47
Legal Matters	49
Experts	49
Where You Can Find More Information	50
Incorporation of Certain Documents By Reference	50

You should rely only upon the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related free writing prospectus required to be filed with the Securities and Exchange Commission, or SEC. We have not, and Jefferies & Company, Inc. has not, authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely upon it. We are not, and Jefferies & Company, Inc. is not, making an offer to sell these securities in any jurisdiction where such offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus, any such free writing prospectus and the documents

incorporated by reference herein or therein is accurate only as of the respective dates of these documents. Our business, financial condition, liquidity, results of operations, funds from operations and prospects may have changed since those dates.

S-i

About This Prospectus Supplement

This document is presented in two parts. The first part is comprised of this prospectus supplement which describes the specific terms of this offering and certain other matters relating to us. The second part, the accompanying prospectus, contains a description of our common stock and provides more general information about securities that 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 or documents previously filed with the SEC, the information in this prospectus supplement will supersede such information.

This prospectus supplement is part of a registration statement that we have filed with the SEC relating to the securities offered hereby. This prospectus supplement does not contain all of the information that we have included in the registration statement and the accompanying exhibits and schedules in accordance with the rules and regulations of the SEC, and we refer you to the omitted information. It is important for you to read and consider all information contained in this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the additional information incorporated by reference in this prospectus supplement and the accompanying prospectus. See [Where You Can Find More Information](#) in this prospectus supplement.

Important Information Regarding Forward-Looking Statements

This prospectus supplement and the accompanying prospectus, including the documents incorporated by reference into this prospectus supplement and the accompanying prospectus, contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements provide our current expectations or forecasts of future events and are not statements of historical fact. These forward-looking statements include information about possible or assumed future events, including, among other things, discussion and analysis of our future 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

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.

S-ii

Forward-looking statements involve inherent uncertainty and may ultimately prove to be incorrect. You are cautioned to not place undue reliance on forward-looking statements. Except as otherwise may be required by law, we undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or actual operating results. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to:

- the loss of any of our key employees, such as Mr. David Gladstone, our Chairman and Chief Executive Officer, Mr. Terry Lee Brubaker, our Vice Chairman and Chief Operating Officer, or Mr. George Stelljes III, our President and Chief Investment Officer;
- general volatility of the capital markets and the market price of our common stock;
- risks associated with negotiation and consummation of pending and future transactions;
- changes in our business strategy;
- the adequacy of our cash reserves and working capital;
- our failure to successfully integrate and operate acquired properties and operations;
- defaults upon or non-renewal of leases by tenants;
- decreased rental rates or increased vacancy rates;
- the degree and nature of our competition;
- availability, terms and deployment of capital, including the ability to maintain and borrow under our existing credit facility, arrange for long-term mortgages on our properties, secure one or more additional long-term credit facilities and raise equity capital;
- our ability to identify, hire and retain highly-qualified personnel in the future;
- changes in our industry or the general economy;
- changes in real estate and zoning laws and increases in real property tax rates;
- changes in governmental regulations, tax rates and similar matters; and
- environmental uncertainties and risks related to natural disasters.

This list of risks and uncertainties, however, is only a summary of some of the most important factors to us and is not intended to be exhaustive. You should carefully review the risks and information contained, or incorporated by reference, in this prospectus supplement and the accompanying prospectus, 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.

Prospectus Supplement Summary

This summary is not complete and may not contain all of the information that may be important to you in deciding whether to invest in shares of our common stock. To understand this offering fully prior to making an investment decision, you should carefully read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein, including the information described under Risk Factors on page S-3 of this prospectus supplement, described under Risk Factors in the accompanying prospectus on page 3 and 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 SEC.

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.

Our 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. Subject to certain restrictions and limitations, our business 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. As of September 30, 2010, we owned 64 properties totaling approximately 6.3 million 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 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 supplement,

the accompanying prospectus or any free writing prospectus or incorporated into any other filings that we make with the SEC.

S-1

The Offering

Common stock offered **Shares with an aggregate offering price of up to \$23,978,306**

Use of proceeds

We currently intend to use the net proceeds from the sale of common stock offered hereby:

to pay down borrowings under our line of credit;

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

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

See **Use of Proceeds** below.

NASDAQ Global Select Market symbol

GOOD

Current distribution rate

We currently make distributions to stockholders on a monthly basis at the rate of \$0.125 per common share. See **Dividend Policy** below.

Risk factors

Investing in shares of our common stock involves substantial risks. Please carefully read and consider the information described under **Risk Factors** on page S-3 of this prospectus supplement, described under **Risk Factors** in the accompanying prospectus on page 3 and 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 SEC before making an investment decision.

Risk Factors

Investing in shares of our common stock involves substantial risks. In consultation with your own financial and legal advisers, you should carefully consider the risks described under **Risk Factors** on page S-3 of this prospectus supplement, described under **Risk Factors** in the accompanying prospectus on page 3 and 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 SEC, together with the other information contained in this prospectus supplement and in any other documents incorporated by reference into this prospectus supplement before making an investment in shares of our common stock. If any of the risks contained in or incorporated by reference in this prospectus supplement or the accompanying prospectus develop into actual events, our business, financial condition, liquidity, results of operations, funds from operations and prospects could be materially and adversely affected, the market price of our common stock could decline and you may lose all or part of your investment.

Use of Proceeds

As of the date of this prospectus supplement, we have sold 60,000 shares of common stock under the program at an average price of \$17.03 per share, generating net proceeds of approximately \$1 million. We estimate the net proceeds for the remaining shares available in this offering to be approximately \$22.9 million after deducting sales commissions and paying offering expenses of approximately \$1.0 million. We intend to use the net proceeds of the offering:

to pay down borrowings under our line of credit;

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

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

Until we use our net proceeds for one of the purposes above, substantially all of the net proceeds of the offering may be invested in short-term, highly liquid investments, including government obligations, bank certificates of deposit, short-term debt obligations and interest-bearing accounts or other authorized investments as determined by us.

Price Range of Common Stock

Our common stock is traded on the NASDAQ Global Select Market under the symbol GOOD. The following table sets forth the high and low sales prices of the common stock for the periods indicated, as reported by the NASDAQ Global Select Market and the dividends declared by us for the last two completed fiscal years and the current fiscal year through October 29, 2010.

	High	Low	Dividends Paid Per Common Share
2008			
<i>First Quarter</i>	\$ 18.50	\$ 14.81	\$ 0.375
<i>Second Quarter</i>	\$ 18.50	\$ 15.36	\$ 0.375
<i>Third Quarter</i>	\$ 17.38	\$ 13.96	\$ 0.375
<i>Fourth Quarter</i>	\$ 15.89	\$ 6.37	\$ 0.375
2009			
<i>First Quarter</i>	\$ 10.20	\$ 5.36	\$ 0.375
<i>Second Quarter</i>	\$ 16.21	\$ 8.20	\$ 0.375
<i>Third Quarter</i>	\$ 14.50	\$ 11.26	\$ 0.375
<i>Fourth Quarter</i>	\$ 14.19	\$ 11.85	\$ 0.375
2010			
<i>First Quarter</i>	\$ 14.87	\$ 13.05	\$ 0.375
<i>Second Quarter</i>	\$ 17.79	\$ 14.36	\$ 0.375
<i>Third Quarter</i>	\$ 17.30	\$ 15.61	\$ 0.375
<i>Fourth Quarter (through October 29, 2010)</i>	\$ 19.50	\$ 17.00	\$ 0.125

On October 29, 2010, the closing price of our common stock, as reported by the NASDAQ Global Select Market, was \$18.68 per share.

Dividend Policy

In order to maintain our qualification as a REIT, we are required to distribute dividends, other than capital gain dividends, to our stockholders in an amount at least equal to (i) the sum of (a) 90% of our real estate investment trust taxable income, computed without regard to the dividends paid deduction, and our net capital gain, and (b) 90% of the net after-tax income, if any, from foreclosure property minus (ii) the sum of certain items of noncash income.

Capitalization

The following table sets forth our cash and cash equivalents and our capitalization as of September 30, 2010 (i) on an actual basis and (ii) on an as adjusted basis to reflect the assumed sale of our common stock in the aggregate amount of \$23,978,306 offered at an assumed price of \$18.68 per share, which was the closing price of our common stock on October 29, 2010, less estimated sales commissions and offering expenses payable by us.

You should read this table in conjunction with our financial statements incorporated by reference into this prospectus supplement and the accompanying prospectus.

	As of September 30, 2010	
	Actual	As Adjusted
	(Unaudited)	
Cash and cash equivalents	\$ 3,230,471	\$ 4,508,777
Mortgage notes payable	250,781,740	250,781,740
Borrowings under line of credit	22,700,000	
Stockholders' equity		
Redeemable preferred stock, \$0.001 par value per share, \$25 liquidation preference: 2,300,000 shares authorized, 2,150,000 shares issued and outstanding	2,150	2,150
Senior common stock, \$0.001 par value per share: 7,500,000 shares authorized, 51,737 shares issued and outstanding	52	52
Common stock, \$0.001 par value per share: 40,200,000 shares authorized, 8,605,264 shares issued and outstanding, actual; 40,200,000 shares authorized, 9,888,899 shares issued and outstanding, as adjusted	8,605	9,889
Additional paid-in capital	172,023,461	196,000,483
Notes receivable - employees	(1,516,016)	(1,516,016)
Distributions in excess of accumulated earnings	(58,458,249)	(58,458,249)
Total stockholders' equity	112,060,003	136,038,309
Total capitalization(1)	\$ 385,541,743	\$ 386,820,049

(1) Total capitalization does not include the balance of cash and cash equivalents.

The foregoing table assumes solely for purposes of illustration that we sell our common stock in an aggregate amount of \$23,978,306 at a price of \$18.68 per share, the last reported sale price of our common stock on October 29, 2010, less estimated sales commissions and offering expenses. The amounts and prices at which we will sell shares of our common stock in this offering will vary depending largely upon the market price of our common stock at the time of each sale.

Plan of Distribution

We have entered into an Open Market Sale Agreement with Jefferies & Company, Inc. under which we may issue and sell shares of our common stock from time to time through Jefferies & Company, Inc. as our sales agent. Sales of the shares, if any, will be made by means of ordinary brokers' transactions on the NASDAQ Global Select Market at market prices, in privately negotiated transactions, crosses or block transactions and such other transactions as may be agreed between us and Jefferies & Company, Inc., including a combination of any of these transactions. Under the terms of the Open Market Sale Agreement, we also may sell shares to Jefferies & Company, Inc. as a principal for its own account at a price agreed upon at the time of sale.

When requested by us, Jefferies & Company, Inc. will offer the shares of common stock subject to the terms and conditions of the Open Market Sale Agreement, which may be on a daily basis for periods of time, or otherwise, or as we may otherwise agree with Jefferies & Company, Inc. We will designate the maximum amount of shares of common stock to be sold through Jefferies & Company, Inc. when we request Jefferies & Company, Inc. to do so. Jefferies & Company, Inc. has agreed, subject to the terms and conditions of the Open Market Sale Agreement, to use its commercially reasonable efforts to place on our behalf all of the designated shares of common stock. We may instruct Jefferies & Company, Inc. not to place shares of common stock at or below a price designated by us. We or Jefferies & Company, Inc. may suspend the offering of shares of common stock under the Open Market Sale Agreement upon proper notice to the other party.

If we and Jefferies & Company, Inc. so agree, Jefferies & Company, Inc. may act as principal in connection with the placement of the securities offered hereby.

We will pay Jefferies & Company, Inc. a commission equal to 2% of the gross proceeds of any shares sold through it pursuant to this prospectus supplement, and reimburse Jefferies & Company, Inc. for up to \$150,000 of its legal expenses. The estimated offering expenses payable by us, in addition to such commission and legal expenses, are approximately \$400,000, which includes legal, accounting and printing costs and various other fees associated with registering the shares of common stock.

Jefferies & Company, Inc. will provide written confirmation to us following the close of trading on the NASDAQ Global Select Market each day on which shares of common stock are sold under the Open Market Sale Agreement. Each confirmation will include the number of shares sold on that day, the aggregate gross proceeds of such sales and the commission payable by us to Jefferies & Company, Inc. Settlement for sales of common stock will occur, unless otherwise agreed, on the third business day following the date on which such sales were made.

In connection with the sale of our common stock on our behalf, Jefferies & Company, Inc. may be deemed to be an underwriter within the meaning of the Securities Act, and the compensation paid to Jefferies & Company, Inc. may be deemed to be underwriting commissions or discounts.

We have agreed to indemnify Jefferies & Company, Inc. against certain liabilities, including liabilities under the Securities Act, and liabilities arising from breaches of representations and warranties contained in the Open Market Sale Agreement. We have also agreed to contribute to payments Jefferies & Company, Inc. may be required to make in respect of such liabilities.

If Jefferies & Company, Inc. or we have reason to believe that the exemptive provisions set forth in Rule 101(c)(1) of Regulation M under the Exchange Act are not satisfied, that party will promptly notify the other and sales of common stock under the Open Market Sale Agreement will be suspended until that or other exemptive provisions have been

satisfied in the judgment of Jefferies & Company, Inc. and us.

The offering of shares of common stock pursuant to the Open Market Sale Agreement will terminate upon the earlier of (i) the sale of all shares of common stock subject to the Open Market Sale Agreement, (ii) the termination of the Open Market Sale Agreement according to its terms by either Jefferies & Company, Inc. or us, or (iii) November 4, 2012.

Jefferies & Company, Inc. has provided, and may in the future provide, various investment banking, commercial banking, financial advisory and other services to us and our affiliates for which services it has received, and may in the future receive, customary fees. In the course of its business, Jefferies & Company, Inc. may actively trade our securities for its own account or for the accounts of customers, and, accordingly, Jefferies & Company, Inc. may at any time hold long or short positions in such securities.

S-6

Legal Matters

Certain legal matters and certain federal income tax matters will be passed upon for us by Bass, Berry & Sims PLC, Memphis, Tennessee. Certain matters of Maryland law, including the validity of the shares of common stock to be issued in connection with this offering, will be passed upon for us by Venable LLP, Baltimore, Maryland. Jones Day is counsel for Jefferies & Company, Inc. in connection with this offering.

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, 2009, 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.

Incorporation by Reference

The SEC allows us to incorporate by reference the information we file with it, 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 the accompanying prospectus, and the information that we file subsequently with the SEC prior to the completion of this offering will automatically update and supersede this information.

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

Annual Report on Form 10-K for the fiscal year ended December 31, 2009, filed February 24, 2010 (including portions of our definitive Proxy Statement for the 2010 Annual Meeting of Stockholders incorporated therein by reference);

Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2010, filed May 3, 2010;

Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2010, filed August 3, 2010;

Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2010, filed November 1, 2010;

Current Report on Form 8-K filed March 19, 2010;

Current Report on Form 8-K filed April 29, 2010;

Current Report on Form 8-K filed May 7, 2010;

Current Report on Form 8-K filed June 10, 2010;

Current Report on Form 8-K filed July 8, 2010;

Current Report on Form 8-K filed July 26, 2010;

Current Report on Form 8-K filed August 11, 2010;

Current Report on Form 8-K filed August 16, 2010;

Current Report on Form 8-K filed August 27, 2010;

Current Report on Form 8-K filed September 9, 2010

Current Report on Form 8-K filed September 30, 2010;

Current Report on Form 8-K filed October 13, 2010;

Current Report on Form 8-K filed October 19, 2010;

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

S-7

The description of our 7.75% Series A Cumulative Redeemable Preferred Stock contained in our Registration Statement on Form 8-A filed January 19, 2006, as updated through subsequently filed reports; and

The description of our 7.50% Series B Cumulative Redeemable Preferred Stock contained in our Registration Statement on Form 8-A filed October 19, 2006, as amended in our Registration Statement on Form 8-A/A filed on October 23, 2006, as updated through subsequently filed reports.

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

You may request a copy of these filings (other than exhibits, unless the exhibits are specifically incorporated by reference into these documents) at no cost by sending us a written request at the following address: Gladstone Commercial Corporation, 1521 Westbranch Drive, Suite 200, McLean, Virginia 22102, Attention: Investor Relations or by calling us at (703) 287-5893.

Where You Can Find More Information

We are a public company and file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's public reference room at 100 F Street, NE, Washington, D.C. 20549. You may request copies of these documents by writing to the SEC and paying a fee for the copying cost. Please call the SEC at 1-800-SEC-0330 for more information about the operation of the public reference room. Our SEC filings are also available to the public at the SEC's website at <http://www.sec.gov>. In addition, you may read and copy our SEC filings at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005. We also make available free of charge through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as well as the definitive proxy statement and Section 16 reports on Forms 3, 4 and 5. 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.

PROSPECTUS

\$300,000,000

**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

TABLE OF CONTENTS

<u>ABOUT THIS PROSPECTUS</u>	1
<u>FORWARD-LOOKING STATEMENTS</u>	1
<u>THE COMPANY</u>	3
<u>RISK FACTORS</u>	3
<u>USE OF PROCEEDS</u>	3
<u>RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED DIVIDENDS</u>	4
<u>DESCRIPTION OF CAPITAL STOCK</u>	4
<u>DESCRIPTION OF DEBT SECURITIES</u>	11
<u>DESCRIPTION OF DEPOSITARY SHARES</u>	17