UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM __________ TO __________

COMMISSION FILE NUMBER: 001-33097

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

Maryland	**02-0681276**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1521 Westbranch Drive, Suite 100 **McLean Virginia**	**22102**
(Address of principal executive offices)	**(Zip Code)**

(703) 287-5800
(Registrant’s telephone number, including area code)

Not Applicable
(Former name, former address and formal fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	GOOD	Nasdaq Global Select Market
7.00% Series D Cumulative Redeemable Preferred Stock, par value $0.001 per share	GOODM	Nasdaq Global Select Market
6.625% Series E Cumulative Redeemable Preferred Stock, par value $0.001 per share	GOODN	Nasdaq Global Select Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of the registrant's Common Stock, $0.001 par value, outstanding as of July 27, 2020 was 34,049,706.

GLADSTONE COMMERCIAL CORPORATION
FORM 10-Q FOR THE QUARTER ENDED
June 30, 2020

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Item 1. Financial Statements

Gladstone Commercial Corporation
Condensed Consolidated Balance Sheets
(Dollars in Thousands, Except Share and Per Share Data)
(Unaudited)

	June 30, 2020	December 31, 2019
ASSETS		
Real estate, at cost	$ 1,106,274	$ 1,056,978
Less: accumulated depreciation	219,175	207,523
Total real estate, net	887,099	849,455
Lease intangibles, net	117,106	115,465
Real estate and related assets held for sale, net	11,839	3,990
Cash and cash equivalents	9,563	6,849
Restricted cash	4,988	4,639
Funds held in escrow	8,405	7,226
Right-of-use assets from operating leases	5,689	5,794
Deferred rent receivable, net	35,850	37,177
Other assets	5,512	8,913
TOTAL ASSETS	$ 1,086,051	$ 1,039,508
LIABILITIES, MEZZANINE EQUITY AND EQUITY		
LIABILITIES		
Mortgage notes payable, net (1)	$ 465,383	$ 453,739
Borrowings under Revolver, net	42,410	51,579
Borrowings under Term Loan, net	159,090	121,276
Deferred rent liability, net	20,966	19,322
Operating lease liabilities	5,768	5,847
Asset retirement obligation	3,037	3,137
Accounts payable and accrued expenses	6,188	5,573
Liabilities related to assets held for sale, net	149	21
Due to Adviser and Administrator (1)	3,328	2,904
Other liabilities	16,959	12,920
TOTAL LIABILITIES	$ 723,278	$ 676,318
Commitments and contingencies (2)		
MEZZANINE EQUITY		
Series D and E redeemable preferred stock, net, par value $0.001 per share; $25 per share liquidation preference; 12,760,000 shares authorized; and 6,356,119 and 6,269,555 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively (3)	$ 154,140	$ 152,153
TOTAL MEZZANINE EQUITY	$ 154,140	$ 152,153
EQUITY		
Senior common stock, par value $0.001 per share; 950,000 shares authorized; and 776,647 and 806,435 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively (3)	$ 1	$ 1
Common stock, par value $0.001 per share, 60,290,000 and 86,290,000 shares authorized and 33,960,707 and 32,593,651 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively (3)	34	32
Additional paid in capital	599,741	571,205
Accumulated other comprehensive income	(5,135)	(2,126)
Distributions in excess of accumulated earnings	(388,900)	(360,978)
TOTAL STOCKHOLDERS' EQUITY	205,741	208,134
OP Units held by Non-controlling OP Unitholders (3)	$ 2,892	$ 2,903
TOTAL EQUITY	$ 208,633	$ 211,037
TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY	$ 1,086,051	$ 1,039,508

(1) Refer to Note 2 "Related-Party Transactions"
(2) Refer to Note 7 "Commitments and Contingencies"
(3) Refer to Note 8 "Equity and Mezzanine Equity"

The accompanying notes are an integral part of these condensed consolidated financial statements.

Gladstone Commercial Corporation
Condensed Consolidated Statements of Operations and Comprehensive Income
(Dollars in Thousands, Except Share and Per Share Data)
(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Operating revenues				
Lease revenue	$ 33,525	$ 28,197	$ 67,145	$ 56,334
Total operating revenues	33,525	28,197	67,145	56,334
Operating expenses				
Depreciation and amortization	14,182	12,622	28,278	25,632
Property operating expenses	6,295	3,060	12,508	6,128
Base management fee (1)	1,389	1,293	2,801	2,560
Incentive fee (1)	1,119	904	2,173	1,755
Administration fee (1)	395	397	833	810
General and administrative	752	782	1,630	1,439
Impairment charge	1,721	—	1,721	—
Total operating expenses	25,853	19,058	49,944	38,324
Other (expense) income				
Interest expense	(6,716)	(7,005)	(13,968)	(14,236)
(Loss) gain on sale of real estate, net	—	—	(12)	2,952
Other income	9	71	4	152
Total other expense, net	(6,707)	(6,934)	(13,976)	(11,132)
Net income	965	2,205	3,225	6,878
Net loss (income) attributable (available) to OP Units held by Non-controlling OP Unitholders	28	16	37	(29)
Net income attributable to the Company	$ 993	$ 2,221	$ 3,262	$ 6,849
Distributions attributable to Series A, B, D, and E preferred stock	(2,688)	(2,612)	(5,366)	(5,225)
Distributions attributable to senior common stock	(204)	(225)	(411)	(449)
Net (loss) income (attributable) available to common stockholders	$ (1,899)	$ (616)	$ (2,515)	$ 1,175
(Loss) earnings per weighted average share of common stock - basic & diluted				
(Loss) earnings (attributable) available to common shareholders	$ (0.06)	$ (0.02)	$ (0.07)	$ 0.04
Weighted average shares of common stock outstanding				
Basic and Diluted	33,939,826	30,449,739	33,787,386	29,985,881
Earnings per weighted average share of senior common stock	$ 0.26	$ 0.26	$ 0.52	$ 0.52
Weighted average shares of senior common stock outstanding - basic	776,718	861,237	785,074	862,762
Comprehensive income				
Change in unrealized loss related to interest rate hedging instruments, net	$ (481)	$ (988)	$ (3,009)	$ (1,711)
Other Comprehensive loss	(481)	(988)	(3,009)	(1,711)
Net income	$ 965	$ 2,205	$ 3,225	$ 6,878
Comprehensive income	$ 484	$ 1,217	$ 216	$ 5,167
Comprehensive loss (income) attributable (available) to OP Units held by Non-controlling OP Unitholders	28	16	37	(29)
Total comprehensive income available to the Company	$ 512	$ 1,233	$ 253	$ 5,138

(1) Refer to Note 2 “Related-Party Transactions”

The accompanying notes are an integral part of these condensed consolidated financial statements.

Gladstone Commercial Corporation
Condensed Consolidated Statements of Cash Flows
(Dollars in Thousands)
(Unaudited)

	For the six months ended June 30,	
	2020	2019
Cash flows from operating activities:		
Net income	$ 3,225	$ 6,878
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28,278	25,632
Impairment charge	1,721	—
Loss (gain) on sale of real estate, net	12	(2,952)
Amortization of deferred financing costs	793	810
Amortization of deferred rent asset and liability, net	(975)	(680)
Amortization of discount and premium on assumed debt, net	29	32
Asset retirement obligation expense	49	63
Amortization of right-of-use asset from operating leases and operating lease liabilities, net	26	27
Operating changes in assets and liabilities		
Decrease (increase) in other assets	1,606	(734)
Increase in deferred rent receivable	(672)	(870)
Increase in accounts payable, accrued expenses, and amount due to Adviser and Administrator	1,529	923
Increase in other liabilities	941	57
Leasing commissions paid	(1,139)	(236)
Net cash provided by operating activities	$ 35,423	$ 28,950
Cash flows from investing activities:		
Acquisition of real estate and related intangible assets	$ (71,463)	$ (46,557)
Improvements of existing real estate	(3,872)	(2,227)
Proceeds from sale of real estate	3,947	6,318
Receipts from lenders for funds held in escrow	41	1,218
Payments to lenders for funds held in escrow	(1,220)	(921)
Receipts from tenants for reserves	1,284	1,674
Payments to tenants from reserves	(962)	(1,296)
Deposits on future acquisitions	(1,000)	(1,215)
Deposits applied against acquisition of real estate investments	2,541	1,065
Net cash used in investing activities	$ (70,704)	$ (41,941)
Cash flows from financing activities:		
Proceeds from issuance of equity	$ 30,785	$ 33,746
Offering costs paid	(358)	(497)
Borrowings under mortgage notes payable	35,855	41,140
Payments for deferred financing costs	(397)	(713)
Principal repayments on mortgage notes payable	(24,391)	(30,958)
Borrowings from revolving credit facility	73,900	47,900
Repayments on revolving credit facility	(83,200)	(47,500)
Borrowings on term loan	37,700	—
Increase (decrease) in security deposits	12	(106)
Distributions paid for common, senior common, preferred stock and Non-controlling OP Unitholders	(31,562)	(28,751)

Net cash provided by financing activities	$ 38,344	$ 14,261
Net increase in cash, cash equivalents, and restricted cash	$ 3,063	$ 1,270
Cash, cash equivalents, and restricted cash at beginning of period	$ 11,488	$ 9,082
Cash, cash equivalents, and restricted cash at end of period	$ 14,551	$ 10,352
SUPPLEMENTAL NON-CASH INFORMATION		
Tenant funded fixed asset improvements	$ 1,357	$ 1,645
Unrealized loss related to interest rate hedging instruments, net	$ (3,009)	$ (1,711)
Right-of-use asset from operating leases	$ —	$ 5,998
Operating lease liabilities	$ —	$ (5,998)
Capital improvements and leasing commissions included in accounts payable and accrued expenses	$ 14	$ 811
Non-controlling OP Units issued in connection with acquisition	$ 502	$ —

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets that sum to the total of the same amounts shown in the condensed consolidated statements of cash flows (dollars in thousands):

	For the six months ended June 30,	
	2020	2019
Cash and cash equivalents	$ 9,563	$ 7,590
Restricted cash	4,988	2,762
Total cash, cash equivalents, and restricted cash shown in the consolidated statement of cash flows	$ 14,551	$ 10,352

Restricted cash consists of security deposits and receipts from tenants for reserves.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Gladstone Commercial Corporation
Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Organization, Basis of Presentation and Significant Accounting Policies

Gladstone Commercial Corporation is a real estate investment trust ("REIT") that was incorporated under the General Corporation Law of the State of Maryland on February 14, 2003. We focus on acquiring, owning and managing primarily office and industrial properties. On a selective basis, we may make long term industrial and office mortgage loans; however, we do not have any mortgage loans currently outstanding. Subject to certain restrictions and limitations, our business is managed by Gladstone Management Corporation, a Delaware corporation (the "Adviser"), and administrative services are provided by Gladstone Administration, LLC, a Delaware limited liability company (the "Administrator"), each pursuant to a contractual arrangement with us. Our Adviser and Administrator collectively employ all of our personnel and pay their salaries, benefits, and other general expenses directly. Gladstone Commercial Corporation conducts substantially all of its operations through a subsidiary, Gladstone Commercial Limited Partnership, a Delaware limited partnership (the "Operating Partnership").

All references herein to "we," "our," "us" and the "Company" mean Gladstone Commercial Corporation and its consolidated subsidiaries, except where it is made clear that the term means only Gladstone Commercial Corporation.

Interim Financial Information

Our interim financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and pursuant to the requirements for reporting on Form 10-Q and in accordance with Article 10 of Regulation S-X. Accordingly, certain disclosures accompanying annual financial statements prepared in accordance with GAAP are omitted. The year-end balance sheet data presented herein was derived from audited financial statements, but does not include all disclosures required by GAAP. In the opinion of our management, all adjustments, consisting solely of normal recurring accruals, necessary for the fair statement of financial statements for the interim period, have been included. The interim financial statements and notes thereto should be read in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the U.S. Securities and Exchange Commission onFebruary 12, 2020. The results of operations for the three and six months ended June 30, 2020 are not necessarily indicative of the results that may be expected for other interim periods or for the full fiscal year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, including the impact of extraordinary events such as the novel coronavirus ("COVID-19") pandemic, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Significant Accounting Policies

The preparation of our financial statements in accordance with GAAP, requires management to make judgments that are subjective in nature to make certain estimates and assumptions. Application of these accounting policies involves the exercise of judgment regarding the use of assumptions as to future uncertainties, and as a result, actual results could materially differ from these estimates. A summary of all of our significant accounting policies is provided in Note 1, "Organization, Basis of Presentation and Significant Accounting Policies," to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2019. On January 1, 2020, we completed the integration of the accounting records of certain of our triple net leased third-party asset managed properties into our accounting system and paid out of our operating bank accounts. For periods prior to January 1, 2020, we recorded property operating expenses and offsetting lease revenues for these certain triple net leased properties on a net basis. Beginning January 1, 2020, we are recording the property operating expenses and offsetting lease revenues for these triple net leased properties on a gross basis, as we have amended our process whereby we are paying operating expenses on behalf of our tenants and receiving reimbursement, whereas, previously these tenants were paying these expenses directly with limited insight provided to us. There were no other material changes to our critical accounting policies during the three and six months ended June 30, 2020.

Recently Issued Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-13, "Financial Instruments - Credit Losses (Topic 326)" ("ASU 2016-13"). The new standard requires more timely recognition of credit losses on loans and other financial instruments that are not accounted for at fair market value through net income. The standard also requires that financial assets measured at amortized cost be presented at the net amounts anticipated to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. We are required to measure all expected credit losses based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the financial assets. We adopted ASU 2016-13 beginning with the three months ended March 31, 2020. Adopting ASU 2016-13 has not resulted in a material impact to our consolidated financial statements, as we do not have any loans receivable outstanding.

In March 2020, the FASB issued Accounting Standards Update 2020-04, "Reference Rate Reform (Topic 848)" ("ASU 2020-04"). The main provisions of this update provide optional expedients and exceptions for contracts, hedging relationships, and other transactions that reference the London Inter-bank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. ASU 2020-04 is effective for all entities as of March 12, 2020. We adopted ASU 2020-04 beginning with the three months ended March 31, 2020. Adopting ASU 2020-04 has not resulted in a material impact to our consolidated statements, as ASU 2020-04 allows for prospective application of any changes in the effective interest rate for our LIBOR based debt, and allows for practical expedients that will allow us to treat our derivative instruments designated as cash flow hedges consistent with how they are currently accounted for.

In April 2020, the FASB issued a staff question-and-answer document, Topic 842 and Topic 840: Accounting for Lease Concessions related to the Effects of the COVID-19 Pandemic ("COVID-19 Q&A"), to address frequently asked questions pertaining to lease concessions arising from the effects of the COVID-19 pandemic. Existing lease guidance requires entities to determine if a lease concession was a result of a new arrangement reached with the tenant, which would be addressed under the lease modification accounting framework, or if a lease concession was under the enforceable rights and obligations within the existing lease agreement, which would not fall under the lease modification accounting framework. The COVID-19 Q&A clarifies that entities may elect to not evaluate whether lease-related relief granted in light of the effects of COVID-19 is a lease modification, as long as the concession does not result in a substantial increase in rights of the lessor or obligations of the lessee. This election is available for concessions that result in the total payments required by the modified contract being substantially the same as or less than the total payments required by the original contract. At this time, we have granted rent deferrals to three tenants representing approximately 2% of total portfolio rents. The agreements with these tenants include current partial payment in exchange for rent deferrals of varying terms with deferred amounts to be paid by the respective tenant back to us, for the period starting in July 2020 and ending through March 2021. We have elected to not evaluate these leases under the lease modification accounting framework.

2. Related-Party Transactions

Gladstone Management and Gladstone Administration

We are externally managed pursuant to contractual arrangements with our Adviser and our Administrator, which collectively employ all of our personnel and pay their salaries, benefits, and other general expenses directly. Both our Adviser and Administrator are affiliates of ours, as their parent company is owned and controlled by Mr. David Gladstone, our chairman and chief executive officer. Two of our executive officers, Mr. Gladstone and Mr. Terry Lee Brubaker (our vice chairman and chief operating officer) serve as directors and executive officers of our Adviser and our Administrator. Our president, Mr. Robert Cutlip, also serves as the executive vice president of commercial & industrial real estate of our Adviser. Mr. Michael LiCalsi, our general counsel and secretary, also serves as our Administrator's president, general counsel and secretary, as well as executive vice president of administration of our Adviser. We have entered into an advisory agreement with our Adviser, as amended from time to time (the "Advisory Agreement"), and an administration agreement with our Administrator (the "Administration Agreement"). The services and fees under the Advisory Agreement and Administration Agreement are described below. As of June 30, 2020 and December 31, 2019, $3.3 million and $2.9 million, respectively, were collectively due to our Adviser and Administrator. Our entrance into the Advisory Agreement and each amendment thereto has been approved unanimously by our Board of Directors. Our Board of Directors reviews and considers renewing the agreements with our Adviser and Administrator each July. During their July 2020 meeting, our Board of Directors reviewed and renewed the Advisory Agreement and Administration Agreement for an additional year, through August 31, 2021.

Base Management Fee

Under the Advisory Agreement, the calculation of the annual base management fee equaled 1.5% of our Total Equity prior to the July 14, 2020 amendment, which is our total stockholders' equity plus total mezzanine equity (before giving effect to the base management fee and incentive fee), adjusted to exclude the effect of any unrealized gains or losses that do not affect realized net income (including impairment charges), adjusted for any one-time events and certain non-cash items (the later to occur for a given quarter only upon the approval of our Compensation Committee), and adjusted to include operating partnership units in the Operating Partnership ("OP Units") held by holders who do not control the Operating Partnership ("Non-controlling OP Unitholders"). The fee was calculated and accrued quarterly as 0.375% per quarter of such Total Equity figure. Our Adviser does not charge acquisition or disposition fees when we acquire or dispose of properties, as is common in other externally managed REITs; however, our Adviser may earn fee income from our borrowers, tenants or other sources.

For the three and six months ended June 30, 2020, we recorded a base management fee of $1.4 million and $2.8 million, respectively. For the three and six months ended June 30, 2019, we recorded a base management fee of $1.3 million and $2.6 million, respectively.

On July 14, 2020, the Company amended and restated the Advisory Agreement by entering into the Sixth Amended and Restated Investment Advisory Agreement between the Company and the Adviser (the "Amended Agreement"). The Company's entrance into the Amended Agreement was approved by its board of directors, including, specifically, unanimously by its independent directors. The Amended Agreement revised and replaced the previous calculation of the Base Management Fee, which was based on Total Equity, with a calculation based on Gross Tangible Real Estate. The revised Base Management Fee will be payable quarterly in arrears and shall be calculated at an annual rate of 0.425% (0.10625% per quarter) of the prior calendar quarter's "Gross Tangible Real Estate," defined in the Amended Agreement as the current gross value of the Company's property portfolio (meaning the aggregate of each property's original acquisition price plus the cost of any subsequent capital improvements thereon). The calculation of the other fees in the Amended Agreement remain unchanged. The revised Base Management Fee calculation will begin with the fee calculations for the quarter ending September 30, 2020.

Incentive Fee

Pursuant to the Advisory Agreement, the calculation of the incentive fee rewards the Adviser in circumstances where our quarterly Core FFO (defined at the end of this paragraph), before giving effect to any incentive fee, or pre-incentive fee Core FFO, exceeds 2.0% quarterly, or 8.0% annualized, of adjusted total stockholders' equity (after giving effect to the base management fee but before giving effect to the incentive fee). We refer to this as the hurdle rate. The Adviser will receive 15.0% of the amount of our pre-incentive fee Core FFO that exceeds the hurdle rate. However, in no event shall the incentive fee for a particular quarter exceed by 15.0% (the cap) the average quarterly incentive fee paid by us for the previous four quarters (excluding quarters for which no incentive fee was paid). Core FFO (as defined in the Advisory Agreement) is GAAP net income (loss) available to common stockholders, excluding the incentive fee, depreciation and amortization, any realized and unrealized gains, losses or other non-cash items recorded in net income (loss) available to common stockholders for the period, and one-time events pursuant to changes in GAAP.

For the three and six months ended June 30, 2020, we recorded an incentive fee of $1.1 million and $2.2 million, respectively. For the three and six months ended June 30, 2019, we recorded an incentive fee of $0.9 million and $1.8 million, respectively. The Adviser did not waive any portion of the incentive fee for the three and six months ended June 30, 2020 or 2019, respectively.

Capital Gain Fee

Under the Advisory Agreement, we will pay to the Adviser a capital gain-based incentive fee that will be calculated and payable in arrears as of the end of each fiscal year (or upon termination of the Advisory Agreement). In determining the capital gain fee, we will calculate aggregate realized capital gains and aggregate realized capital losses for the applicable time period. For this purpose, aggregate realized capital gains and losses, if any, equals the realized gain or loss calculated by the difference between the sales price of the property, less any costs to sell the property and the current gross value of the property (equal to the property's original acquisition price plus any subsequent non-reimbursed capital improvements) of the disposed property. At the end of the fiscal year, if this number is positive, then the capital gain fee payable for such time period shall equal 15.0% of such amount. No capital gain fee was recognized during the three and six months ended June 30, 2020 or 2019.

Termination Fee

The Advisory Agreement includes a termination fee whereby, in the event of our termination of the agreement without cause (with 120 days' prior written notice and the vote of at least two-thirds of our independent directors), a termination fee would be payable to the Adviser equal to two times the sum of the average annual base management fee and incentive fee earned by the Adviser during the 24-month period prior to such termination. A termination fee is also payable if the Adviser terminates the Advisory Agreement after we have defaulted and applicable cure periods have expired. The Advisory Agreement may also be terminated for cause by us (with 30 days' prior written notice and the vote of at least two-thirds of our independent directors), with no termination fee payable. Cause is defined in the agreement to include if the Adviser breaches any material provisions thereof, the bankruptcy or insolvency of the Adviser, dissolution of the Adviser and fraud or misappropriation of funds.

Administration Agreement

Under the terms of the Administration Agreement, we pay separately for our allocable portion of the Administrator's overhead expenses in performing its obligations to us including, but not limited to, rent and our allocable portion of the salaries and benefits expenses of our Administrator's employees, including, but not limited to, our chief financial officer, treasurer, chief compliance officer, general counsel and secretary, Michael LiCalsi (who also serves as our Administrator's president, general counsel and secretary), and their respective staffs. Our allocable portion of the Administrator's expenses are generally derived by multiplying our Administrator's total expenses by the approximate percentage of time the Administrator's employees perform services for us in relation to their time spent performing services for all companies serviced by our Administrator under contractual agreements. We believe this approach helps approximate fees paid by us to actual services performed by the Administrator for us. For the three and six months ended June 30, 2020, we recorded an administration fee of $0.4 million and $0.8 million, respectively. For the three and six months ended June 30, 2019, we recorded an administration fee of $0.4 million and $0.8 million, respectively.

Gladstone Securities

Gladstone Securities, LLC ("Gladstone Securities"), is a privately held broker dealer registered with the Financial Industry Regulatory Authority and insured by the Securities Investor Protection Corporation. Gladstone Securities is an affiliate of ours, as its parent company is owned and controlled by David Gladstone, our chairman and chief executive officer. Mr. Gladstone also serves on the board of managers of Gladstone Securities.

Mortgage Financing Arrangement Agreement

We entered into an agreement with Gladstone Securities, effective June 18, 2013, for it to act as our non-exclusive agent to assist us with arranging mortgage financing for properties we own. In connection with this engagement, Gladstone Securities will, from time to time, continue to solicit the interest of various commercial real estate lenders or recommend to us third party lenders offering credit products or packages that are responsive to our needs. We pay Gladstone Securities a financing fee in connection with the services it provides to us for securing mortgage financing on any of our properties. The amount of these financing fees, which are payable upon closing of the financing, are based on a percentage of the amount of the mortgage, generally ranging from 0.15% to a maximum of 1.0% of the mortgage obtained. The amount of the financing fees may be reduced or eliminated, as determined by us and Gladstone Securities, after taking into consideration various factors, including, but not limited to, the involvement of any third-party brokers and market conditions. We did not pay financing fees to Gladstone Securities during the three months ended June 30, 2020, but we paid financing fees to Gladstone Securities of $0.09 million during the six months ended June 30, 2020, which are included in mortgage notes payable, net, in the condensed consolidated balance sheets, or 0.25%, of the mortgage principal secured and/or extended. We paid financing fess to Gladstone Securities of $0.08 million and $0.10 million during the three and six months ended June 30, 2019, respectively, which are included in mortgage notes payable, net, in the condensed consolidated balance sheets, or 0.21% and 0.20%, respectively, of the mortgage principal secured and/or extended. Our Board of Directors renewed the agreement for an additional year, through August 31, 2021, at its July 2020 meeting.

Dealer Manager Agreement

On February 20, 2020 we entered into a dealer manager agreement (the "Dealer Manager Agreement"), with Gladstone Securities (the "Dealer Manager"), whereby the Dealer Manager will serve as our exclusive dealer manager in connection with our offering (the "Offering") of up to (i) 20,000,000 shares of 6.00% Series F Cumulative Redeemable Preferred Stock of the Company, par value $0.001 per share (the "Series F Preferred Stock"), on a "reasonable best efforts" basis (the "Primary Offering"), and (ii) 6,000,000 shares of Series F Preferred Stock pursuant to our distribution reinvestment plan (the "DRIP") to those holders of the Series F Preferred Stock who participate in such DRIP. The Series F Preferred Stock is registered with the SEC pursuant to a registration statement on Form S-3 (File No. 333-236143), as the same may be amended and/or supplemented (the "Registration Statement"), under the Securities Act of 1933, as amended, and will be offered and sold pursuant to a prospectus supplement, dated February 20, 2020, and a base prospectus dated February 11, 2020 relating to the Registration Statement (the "Prospectus").

Under the Dealer Manager Agreement, the Dealer Manager will provide certain sales, promotional and marketing services to the Company in connection with the Offering, and the Company will pay the Dealer Manager (i) selling commissions of 6.0% of the gross proceeds from sales of Series F Preferred Stock in the Primary Offering (the "Selling Commissions"), and (ii) a dealer manager fee of 3.0% of the gross proceeds from sales of Series F Preferred Stock in the Primary Offering (the "Dealer Manager Fee"). No Selling Commissions or Dealer Manager Fee shall be paid with respect to Shares sold pursuant to the DRIP. The Dealer Manager may, in its sole discretion, reallow a portion of the Dealer Manager Fee to participating broker-dealers in support of the Offering.

3. (Loss) Earnings Per Share of Common Stock

The following tables set forth the computation of basic and diluted (loss) earnings per share of common stock for the three and six months ended June 30, 2020 and 2019. The OP Units held by Non-controlling OP Unitholders (which may be redeemed for shares of common stock) have been excluded from the diluted (loss) earnings per share calculations, as there would be no effect on the amounts since the Non-controlling OP Unitholders' share of (loss) income would also be added back to net (loss) income. Net (loss) income figures are presented net of such non-controlling interests in the (loss) earnings per share calculation.

We computed basic (loss) earnings per share for the three and six months ended June 30, 2020 and 2019 using the weighted average number of shares outstanding during the respective periods. Diluted (loss) earnings per share for the three and six months ended June 30, 2020 and 2019 reflects additional shares of common stock related to our convertible senior common stock (the "Senior Common Stock"), if the effect would be dilutive, that would have been outstanding if dilutive potential shares of common stock had been issued, as well as an adjustment to net (loss) income (attributable) available to common stockholders as applicable to common stockholders that would result from their assumed issuance (dollars in thousands, except per share amounts).

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Calculation of basic (loss) earnings per share of common stock:				
Net (loss) income (attributable) available to common stockholders	$ (1,899)	$ (616)	$ (2,515)	$ 1,175
Denominator for basic weighted average shares of common stock (1)	33,939,826	30,449,739	33,787,386	29,985,881
Basic (loss) earnings per share of common stock	$ (0.06)	$ (0.02)	$ (0.07)	$ 0.04
Calculation of diluted (loss) earnings per share of common stock:				
Net (loss) income (attributable) available to common stockholders	$ (1,899)	$ (616)	$ (2,515)	$ 1,175
Net (loss) income (attributable) available to common stockholders plus assumed conversions (2)	$ (1,899)	$ (616)	$ (2,515)	$ 1,175
Denominator for basic weighted average shares of common stock (1)	33,939,826	30,449,739	33,787,386	29,985,881
Effect of convertible Senior Common Stock (2)	—	—	—	—
Denominator for diluted weighted average shares of common stock (2)	33,939,826	30,449,739	33,787,386	29,985,881
Diluted (loss) earnings per share of common stock	$ (0.06)	$ (0.02)	$ (0.07)	$ 0.04

(1) The weighted average number of OP Units held by Non-controlling OP Unitholders was 503,033 and 502,133 for the three and six months ended June 30, 2020, respectively, and 742,937 for both the three and six months ended June 30, 2019.
(2) We excluded convertible shares of Senior Common Stock of 650,055 and 718,770 from the calculation of diluted (loss) earnings per share for the three and six months ended June 30, 2020 and 2019, respectively, because they were anti-dilutive.

4. Real Estate and Intangible Assets

Real Estate

The following table sets forth the components of our investments in real estate as of June 30, 2020 and December 31, 2019, excluding real estate held for sale as of June 30, 2020 and December 31, 2019, respectively (dollars in thousands):

	June 30, 2020	December 31, 2019
Real estate:		
Land (1)	$ 144,304	$ 137,532
Building and improvements	893,547	851,245
Tenant improvements	68,423	68,201
Accumulated depreciation	(219,175)	(207,523)
Real estate, net	$ 887,099	$ 849,455

(1) This amount includes $4,436 of land value subject to land lease agreements which we may purchase at our option for a nominal fee.

Real estate depreciation expense on building and tenant improvements was $9.2 million and $18.2 million for the three and six months ended June 30, 2020, respectively. Real estate depreciation expense on building and tenant improvements was $8.1 million and $16.1 million for the three and six months ended June 30, 2019, respectively.

Acquisitions

We acquired five properties during the six months ended June 30, 2020, and six properties during the six months ended June 30, 2019. The acquisitions are summarized below (dollars in thousands):

Six Months Ended		Aggregate Square Footage	Weighted Average Lease Term	Aggregate Purchase Price	Capitalized Acquisition Expenses		Aggregate Annualized GAAP Fixed Lease Payments	Aggregate Debt Issued or Assumed
June 30, 2020	(1)	890,038	14.8 Years	$ 71,965	$ 255	(3)	$ 5,303	$ 35,855
June 30, 2019	(2)	1,174,311	13.7 Years	46,563	452	(3)	3,819	8,900

(1) On January 8, 2020, we acquired a 64,800 square foot property in Indianapolis, Indiana for $5.3 million. The property is leased to three tenants with a weighted average lease term of 7.2 years with annualized GAAP rent of $0.5 million. On January 27, 2020, we acquired a 320,838 square foot, three-property portfolio in Houston, Texas, Charlotte, North Carolina, and St. Charles, Missouri for $34.7 million. The portfolio has a weighted average lease term of 20.0 years, and an annualized GAAP rent of $2.6 million. We issued $18.3 million of mortgage debt with a fixed interest rate of 3.625% in connection with the acquisition. On March 9, 2020, we acquired a 504,400 square foot property in Chatsworth, Georgia for $32.0 million. We entered into an interest rate swap in connection with our $17.5 million of issued debt, resulting in a fixed interest rate of 2.8%. The annualized GAAP rent on the 10.5 year lease is $2.2 million.

(2) On February 8, 2019, we acquired a 26,050 square foot property in a suburb of Philadelphia, Pennsylvania, for$2.7 million. The annualized GAAP rent on the15.1 year lease is $0.2 million. On February 28, 2019, we acquired a 34,800 square foot property in Indianapolis, Indiana for$3.6 million. The annualized GAAP rent on the 10.0 year lease is $0.3 million. On April 5, 2019, we acquired a 207,000 square foot property in Ocala, Florida, for $11.9 million. The annualized GAAP rent on the 20.1 year lease is $0.8 million. On April 5, 2019, we acquired a 176,000 square foot property in Ocala, Florida, for $7.3 million. The annualized GAAP rent on the 20.1 year lease is $0.7 million. On April 30, 2019, we acquired a 54,430 square foot property in Columbus, Ohio, for $3.2 million. The annualized GAAP rent on the 7.0 year lease is $0.2 million. On June 18, 2019, we acquired a 676,031 square foot property in Tifton, Georgia, for $17.9 million. The annualized GAAP rent on the 8.5 year lease is $1.6 million. We issued $8.9 million of mortgage debt with a fixed interest rate of4.35% in connection with this acquisition.

(3) We treated our acquisitions during the six months ended June 30, 2020 and 2019 as asset acquisitions rather than business combinations. As a result of this treatment, we capitalized $0.3 million and $0.5 million, respectively, of acquisition costs that would otherwise have been expensed under business combination treatment.

We determined the fair value of assets acquired and liabilities assumed related to the properties acquired during thesix months ended June 30, 2020 and 2019 as follows (dollars in thousands):

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Acquired assets and liabilities	Purchase price	Purchase price
Land (1)	$ 7,296	$ 3,053
Building and improvements	54,000	34,670
Tenant Improvements	1,285	858
In-place Leases	4,442	3,177
Leasing Costs	4,261	2,982
Customer Relationships	2,223	1,491
Above Market Leases (2)	210	1,865
Below Market Leases (3)	(1,752)	(1,533)
Total Purchase Price	$ 71,965	$ 46,563

(1) This amount includes $2,711 of land value subject to a land lease agreement.
(2) This amount includes $53 of loans receivable included in Other assets on the condensed consolidated balance sheets.
(3) This amount includes $62 of prepaid rent included in Other liabilities on the condensed consolidated balance sheets.

Significant Real Estate Activity on Existing Assets

During the six months ended June 30, 2020 and 2019, we executed eight and five leases, respectively, which are summarized below (dollars in thousands):

Six Months Ended	Aggregate Square Footage	Weighted Average Remaining Lease Term	Aggregate Annualized GAAP Fixed Lease Payments	Aggregate Tenant Improvement	Aggregate Leasing Commissions
June 30, 2020	362,171	6.6 years	$ 5,000	$ 2,226	$ 962
June 30, 2019	230,264	8.8 years	3,366	785	910

Future Lease Payments

Future operating lease payments from tenants under non-cancelable leases, excluding tenant reimbursement of expenses, for the six months endingDecember 31, 2020 and each of the five succeeding fiscal years and thereafter is as follows (dollars in thousands):

Year		Tenant Lease Payments
Six Months Ending 2020	$	54,979
2021		108,646
2022		103,030
2023		95,269
2024		86,407
2025		77,057
Thereafter		296,165
	$	821,553

We account for all of our real estate leasing arrangements as operating leases. A majority of our leases are subject to fixed rental increases, but a small subset of our lease portfolio has variable lease payments that are driven by the consumer price index. Many of our tenants have renewal options in their respective leases, but we seldom include option periods in the determination of lease term, as we generally will not enter into leasing arrangements with bargain renewal options. A small number of tenants have termination options.

Future minimum lease payments from tenants under non-cancelable leases, excluding tenant reimbursement of expenses as of December 31, 2019, for each of the five succeeding fiscal years and thereafter, is as follows (dollars in thousands):

Year		Tenant Lease Payments
2020	$	107,159
2021		101,794
2022		94,252
2023		86,460
2024		77,414
Thereafter		307,591
	$	774,670

Lease Revenue Reconciliation

The table below sets forth the allocation of lease revenue between fixed contractual payments and variable lease payments for the six months ended June 30, 2020 and 2019, respectively (dollars in thousands):

	For the three months ended June 30,				For the six months ended June 30,			
Lease revenue reconciliation	2020		2019		2020		2019	
Fixed lease payments	$	29,690	$	27,254	$	59,169	$	54,416
Variable lease payments		3,835		943		7,976		1,918
	$	33,525	$	28,197	$	67,145	$	56,334

Intangible Assets

The following table summarizes the carrying value of intangible assets, liabilities and the accumulated amortization for each intangible asset and liability class as of June 30, 2020 and December 31, 2019, excluding real estate held for sale as of June 30, 2020 and December 31, 2019, respectively (dollars in thousands):

	June 30, 2020		December 31, 2019	
	Lease Intangibles	Accumulated Amortization	Lease Intangibles	Accumulated Amortization
In-place leases	$ 96,215	$ (51,633)	$ 92,906	$ (48,468)
Leasing costs	72,914	(36,259)	68,256	(33,705)
Customer relationships	66,400	(30,531)	65,363	(28,887)
	$ 235,529	$ (118,423)	$ 226,525	$ (111,060)

	Deferred Rent Receivable/(Liability)	Accumulated (Amortization)/Accretion	Deferred Rent Receivable/(Liability)	Accumulated (Amortization)/Accretion
Above market leases	$ 14,758	$ (10,259)	$ 16,502	$ (10,005)
Below market leases and deferred revenue	(37,368)	16,402	(34,322)	15,000
	$ (22,610)	$ 6,143	$ (17,820)	$ 4,995

Total amortization expense related to in-place leases, leasing costs and customer relationship lease intangible assets was$5.0 million and $10.1 million for the three and six months ended June 30, 2020, respectively, and $4.5 million and $9.5 million for the three and six months ended June 30, 2019, respectively, and is included in depreciation and amortization expense in the condensed consolidated statements of operations and comprehensive income.

Total amortization related to above-market lease values was$0.2 million and $0.4 million for the three and six months ended June 30, 2020, respectively, and $0.2 million and $0.5 million for the three and six months ended June 30, 2019, respectively, and is included in lease revenue in the condensed consolidated statements of operations and comprehensive income. Total amortization related to below-market lease values was $0.7 million and $1.4 million for the three and six months ended June 30, 2020, respectively, and $0.6 million and $1.2 million for the three and six months ended June 30, 2019, respectively, and is included in lease revenue in the condensed consolidated statements of operations and comprehensive income.

The weighted average amortization periods in years for the intangible assets acquired during thesix months ended June 30, 2020 and 2019 were as follows:

Intangible Assets & Liabilities	2020	2019
In-place leases	16.3	15.5
Leasing costs	16.3	15.5
Customer relationships	19.5	20.5
Above market leases	18.0	9.3
Below market leases	14.2	7.8
All intangible assets & liabilities	16.9	17.0

5. Real Estate Dispositions, Held for Sale and Impairment Charges

Real Estate Dispositions

During the six months ended June 30, 2020, we continued to execute our capital recycling program, whereby we sell properties outside of our core markets and redeploy proceeds to either fund property acquisitions in our target secondary growth markets, or repay outstanding debt. We expect to continue to execute our capital recycling plan and sell non-core properties as reasonable disposition opportunities become available. On February 20, 2020, we sold one non-core property, located in Charlotte, North Carolina, which is detailed in the table below (dollars in thousands):

Square Footage Sold	Sales Price	Sales Costs	Loss on Sale of Real Estate, net
64,500	$ 4,145	$ 198	$ (12)

Our disposition during the six months ended June 30, 2020 was not classified as a discontinued operation because it did not represent a strategic shift in operations, nor will it have a major effect on our operations and financial results. Accordingly, the operating results of this property is included within continuing operations for all periods reported.

The table below summarizes the components of operating income from the real estate and related assets disposed of during the three and six months ended June 30, 2020, and 2019 (dollars in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Operating revenue	$ —	$ 294	$ —	$ 589
Operating expense	1	77	32	147
Other expense, net	— (1)	(1)	(12) (1)	(1)
(Expense) income from real estate and related assets sold	$ (1)	$ 216	$ (44)	$ 441

(1) Includes a $0.01 million loss on sale of real estate, net on one property.

Real Estate Held for Sale

As of June 30, 2020, we had two properties classified as held for sale, located in Maple Heights, Ohio and Boston Heights, Ohio. We consider these assets to be non-core to our long term strategy. As of June 30, 2020, our Maple Heights, Ohio property was under contract to sell, and we had an executed letter of intent for our Boston Heights, Ohio property. At December 31, 2019, we had one property classified as held for sale, located in Charlotte, North Carolina. This property was sold during the six months ended June 30, 2020.

The table below summarizes the components of the assets and liabilities held for sale reflected on the accompanying condensed consolidated balance sheets (dollars in thousands):

	June 30, 2020	December 31, 2019
Assets Held for Sale		
Real estate, at cost	$ 18,204	$ 7,411
Less: accumulated depreciation	6,539	3,421
Total real estate held for sale, net	11,665	3,990
Lease intangibles, net	171	—
Deferred rent receivable, net	3	—
Total Assets Held for Sale	$ 11,839	$ 3,990
Liabilities Held for Sale		
Asset retirement obligation	$ 149	$ 21
Total Liabilities Held for Sale	$ 149	$ 21

Impairment Charges

We evaluated our portfolio for triggering events to determine if any of our held and used assets were impaired during the six months ended June 30, 2020 and identified one held and used asset, located in Blaine, Minnesota, which was impaired by $1.7 million. In performing our impairment testing, the undiscounted cash flows for this asset were below the carrying value, so we impaired the asset and wrote it down to its fair value, which we determined using third party purchase offers. We did not recognize an impairment charge during the six months ended June 30, 2019.

We continue to evaluate our properties on a quarterly basis for changes that could create the need to record impairment. Future impairment losses may result, and could be significant, should market conditions deteriorate in the markets in which we hold our assets or should we be unable to secure leases at terms that are favorable to us, which could impact the estimated cash flow of our properties over the period in which we plan to hold our properties. Additionally, changes in management's decisions to either own and lease long-term or sell a particular asset will have an impact on this analysis.

6. Mortgage Notes Payable and Credit Facility

Our mortgage notes payable and Credit Facility as of June 30, 2020 and December 31, 2019 are summarized below (dollars in thousands):

	Encumbered properties at		Carrying Value at		Stated Interest Rates at	Scheduled Maturity Dates at
	June 30, 2020		June 30, 2020	December 31, 2019	June 30, 2020	June 30, 2020
Mortgage and other secured loans:						
Fixed rate mortgage loans	61		$ 436,867	$ 412,771	(1)	(2)
Variable rate mortgage loans	9		32,519	45,151	(3)	(2)
Premiums and discounts, net	-		(210)	(239)	N/A	N/A
Deferred financing costs, mortgage loans, net	-		(3,793)	(3,944)	N/A	N/A
Total mortgage notes payable, net	70		$ 465,383	$ 453,739	(4)	
Variable rate revolving credit facility	51	(6)	$ 43,100	$ 52,400	LIBOR + 1.65%	7/2/2023
Deferred financing costs, revolving credit facility	-		(690)	(821)	N/A	N/A
Total revolver, net	51		$ 42,410	$ 51,579		
Variable rate term loan facility	-	(6)	$ 160,000	$ 122,300	LIBOR + 1.60%	7/2/2024
Deferred financing costs, term loan facility	-		(910)	(1,024)	N/A	N/A
Total term loan, net	N/A		$ 159,090	$ 121,276		
Total mortgage notes payable and credit facility	121		$ 666,883	$ 626,594	(5)	

(1) Interest rates on our fixed rate mortgage notes payable vary from 2.80% to 6.63%.
(2) We have 55 mortgage notes payable with maturity dates ranging from 9/30/2020 through 8/1/2037.
(3) Interest rates on our variable rate mortgage notes payable vary from one month LIBOR + 2.00% to one month LIBOR + 2.75%. As of June 30, 2020, one month LIBOR was approximately 0.16%.
(4) The weighted average interest rate on the mortgage notes outstanding as of June 30, 2020 was approximately 4.27%.
(5) The weighted average interest rate on all debt outstanding as of June 30, 2020 was approximately 3.52%.
(6) The amount we may draw under our Credit Facility is based on a percentage of the fair value of a combined pool of 51 unencumbered properties as of June 30, 2020.

N/A - Not Applicable

Mortgage Notes Payable

As of June 30, 2020, we had 55 mortgage notes payable, collateralized by a total of 70 properties with a net book value of $710.3 million. We have limited recourse liabilities that could result from any one or more of the following circumstances: a borrower voluntarily filing for bankruptcy, improper conveyance of a property, fraud or material misrepresentation, misapplication or misappropriation of rents, security deposits, insurance proceeds or condemnation proceeds, or physical waste or damage to the property resulting from a borrower's gross negligence or willful misconduct. We have full recourse for $4.8 million of the mortgages notes payable, net, or 1.0% of the outstanding balance. We will also indemnify lenders against claims resulting from the presence of hazardous substances or activity involving hazardous substances in violation of environmental laws on a property.

During the six months ended June 30, 2020, we repaid three mortgages, collateralized by four properties, which are summarized in the table below (dollars in thousands):

Aggregate Fixed Rate Debt Repaid	Interest Rate on Fixed Rate Debt Repaid
$ 5,918	6.00%

Aggregate Variable Rate Debt Repaid	Weighted Average Interest Rate on Variable Rate Debt Repaid
$ 12,107	LIBOR + 2.25%

During the six months ended June 30, 2020, we issued four mortgages, collateralized by four properties, which are summarized in the table below (dollars in thousands):

Aggregate Fixed Rate Debt Issued	Weighted Average Interest Rate on Fixed Rate Debt
$ 35,855 (1)	3.22%

(1) We issued $18.3 million of fixed rate debt in connection with the three-property portfolio acquired on January 27, 2020 with a maturity date of February 1, 2030. The interest rate is fixed at 3.625%. On March 9, 2020, we issued $17.5 million of floating rate debt swapped to fixed rate debt of 2.8% in connection with the one property acquisition.

We did not make any payments for deferred financing costs during the three months ended June 30, 2020 and made payments of $0.4 million for deferred financing costs during the six months ended June 30, 2020, and $0.4 million and $0.7 million for deferred financing costs during the three and six months ended June 30, 2019, respectively.

Scheduled principal payments of mortgage notes payable for the six months ending December 31, 2020, and each of the five succeeding years and thereafter are as follows (dollars in thousands):

Year	Scheduled Principal Payments
Six Months Ending December 31, 2020	$ 13,246
2021	33,566
2022	107,739
2023	72,071
2024	49,178
2025	37,118
Thereafter	156,468
Total	$ 469,386 (1)

(1) This figure does not include $0.2 million of premiums and discounts, net, and $3.8 million of deferred financing costs, which are reflected in mortgage notes payable, net on the condensed consolidated balance sheets.

We believe we will be able to address all mortgage notes payable maturing over the next 12 months through a combination of refinancing our existing indebtedness, cash from operations, proceeds from one or more equity offerings and availability on our Credit Facility.

Interest Rate Cap and Interest Rate Swap Agreements

We have entered into interest rate cap agreements that cap the interest rate on certain of our variable-rate debt and we have assumed or entered into interest rate swap agreements in which we hedged our exposure to variable interest rates by agreeing to pay fixed interest rates to our respective counterparty. We have adopted the fair value measurement provisions for our financial instruments recorded at fair value. The fair value guidance establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. Generally, we will estimate the fair value of our interest rate caps and interest rate swaps, in the absence of observable market data, using estimates of value including estimated remaining life, counterparty credit risk, current market yield and interest rate spreads of similar securities as of the measurement date. At June 30, 2020 and December 31, 2019, our interest rate cap agreements and interest rate swaps were valued using Level 2 inputs.

The fair value of the interest rate cap agreements is recorded in other assets on our accompanying condensed consolidated balance sheets. We record changes in the fair value of the interest rate cap agreements quarterly based on the current market valuations at quarter end. If the interest rate cap qualifies for hedge accounting, the change in the estimated fair value is recorded to accumulated other comprehensive income to the extent that it is effective, with any ineffective portion recorded to interest expense in our condensed consolidated statements of operations and comprehensive income. If the interest rate cap does not qualify for hedge accounting, or if it is determined the hedge is ineffective, any change in the fair value is recognized in interest expense in our consolidated statements of operations and comprehensive income. The following table summarizes the interest rate caps at June 30, 2020 and December 31, 2019 (dollars in thousands):

	June 30, 2020		December 31, 2019	
Aggregate Cost	Aggregate Notional Amount	Aggregate Fair Value	Aggregate Notional Amount	Aggregate Fair Value
$ 1,537 (1)	$ 191,718	$ 42	$ 166,728	$ 250

(1) We have entered into various interest rate cap agreements on variable rate debt with LIBOR caps ranging froml.50% to 3.00%.

We have assumed or entered into interest rate swap agreements in connection with certain of our acquisitions or mortgage financings, whereby we will pay our counterparty a fixed rate interest rate on a monthly basis, and receive payments from our counterparty equivalent to the stipulated floating rate. The fair values of our interest rate swap agreements are recorded in other assets or other liabilities on our accompanying condensed consolidated balance sheets. We have designated our interest rate swaps as cash flow hedges, and we record changes in the fair value of the interest rate swap agreement to accumulated other comprehensive income on the condensed consolidated balance sheets. We record changes in fair value on a quarterly basis, using current market valuations at quarter end. The following table summarizes our interest rate swaps atJune 30, 2020 and December 31, 2019 (dollars in thousands):

June 30, 2020			December 31, 2019		
Aggregate Notional Amount	Aggregate Fair Value Asset	Aggregate Fair Value Liability	Aggregate Notional Amount	Aggregate Fair Value Asset	Aggregate Fair Value Liability
$ 62,933	$ —	$ (3,876)	$ 45,777	$ —	$ (1,173)

The following tables present the impact of our derivative instruments in the condensed consolidated financial statements (dollars in thousands):

	Amount of loss recognized in Comprehensive Income			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Derivatives in cash flow hedging relationships				
Interest rate caps	$ (143)	$ (150)	$ (307)	$ (484)
Interest rate swaps	(338)	(838)	(2,702)	(1,227)
Total	$ (481)	$ (988)	$ (3,009)	$ (1,711)

The following table sets forth certain information regarding our derivative instruments (dollars in thousands):

		Asset (Liability) Derivatives Fair Value at	
Derivatives Designated as Hedging Instruments	Balance Sheet Location	June 30, 2020	December 31, 2019
Interest rate caps	Other assets	$ 42	$ 250
Interest rate swaps	Other liabilities	(3,876)	(1,173)
Total derivative liabilities, net		$ (3,834)	$ (923)

The fair value of all mortgage notes payable outstanding as ofJune 30, 2020 was $481.2 million, as compared to the carrying value stated above of$469.4 million. The fair value is calculated based on a discounted cash flow analysis, using management's estimate of market interest rates on long-term debt with comparable terms and loan to value ratios. The fair value was calculated using Level 3 inputs of the hierarchy established by ASC 820, "Fair Value Measurements and Disclosures."

Credit Facility

On July 2, 2019, we amended, extended and upsized our Credit Facility, expanding the Term Loan from$75.0 million to $160.0 million, and increasing the Revolver from $85.0 million to $100.0 million. The Term Loan has a new five-year term, with a maturity date of July 2, 2024, and the Revolver has a newfour-year term, with a maturity date of July 2, 2023. The interest rate for the Credit Facility was reduced by 10 basis points at each of the leverage tiers. We entered into multiple interest rate cap agreements on the amended Term Loan, which cap LIBOR ranging from 2.50% to 2.75%, to hedge our exposure to variable interest rates. We used the net proceeds derived from the amended Credit Facility to repay all previously existing borrowings under the Revolver. We incurred fees of approximately $1.3 million in connection with the Credit Facility amendment. The bank syndicate is now comprised of KeyBank, Fifth Third Bank, U.S. Bank National Association, The Huntington National Bank, Goldman Sachs Bank USA, and Wells Fargo Bank, National Association.

As of June 30, 2020, there was $203.1 million outstanding under our Credit Facility, at a weighted average interest rate of approximately1.77%, and $13.5 million outstanding under letters of credit, at a weighted average interest rate of 1.65%. As of June 30, 2020, the maximum additional amount we could draw under the Credit Facility was $19.5 million. We were in compliance with all covenants under the Credit Facility as ofJune 30, 2020.

The amount outstanding under the Credit Facility approximates fair value as ofJune 30, 2020.

7. Commitments and Contingencies

Ground Leases

We are obligated as lessee under four ground leases. Future lease payments due under the terms of these leases as of June 30, 2020 are as follows (dollars in thousands):

Year	Future Lease Payments Due Under Operating Leases
Six Months Ending December 31, 2020	$ 234
2021	477
2022	489
2023	492
2024	493
2025	494
Thereafter	7,305
Total anticipated lease payments	$ 9,984
Less: amount representing interest	(4,216)
Present value of lease payments	$ 5,768

Rental expense incurred for properties with ground lease obligations during the three and six months ended June 30, 2020 was $0.1 million and $0.3 million, respectively, and during the three and six months ended June 30, 2019 was $0.1 million and $0.3 million, respectively. Our ground leases are treated as operating leases and rental expenses are reflected in property operating expenses on the condensed consolidated statements of operations and comprehensive income.

Letters of Credit

As of June 30, 2020, there was $13.5 million outstanding under letters of credit. These letters of credit are not reflected on our condensed consolidated balance sheets.

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8. Equity and Mezzanine Equity

Stockholders' Equity

The following table summarizes the changes in our equity for thethree and six months ended June 30, 2020 and 2019 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
Series A and B Preferred Stock	2020	2019	2020	2019
Balance, beginning of period	$ —	$ 2	$ —	$ 2
Issuance of Series A and B preferred stock, net	—	—	—	—
Balance, end of period	$ —	$ 2	$ —	$ 2
Senior Common Stock				
Balance, beginning of period	$ 1	$ 1	$ 1	$ 1
Issuance of senior common stock, net	—	—	—	—
Balance, end of period	$ 1	$ 1	$ 1	$ 1
Common Stock				
Balance, beginning of period	$ 34	$ 30	$ 32	$ 29
Issuance of common stock, net	—	1	2	2
Balance, end of period	$ 34	$ 31	$ 34	$ 31
Additional Paid in Capital				
Balance, beginning of period	$ 599,232	$ 573,868	$ 571,205	$ 559,977
Issuance of common stock, net	508	19,135	28,438	33,246
Adjustment to OP Units held by Non-controlling OP Unitholders resulting from changes in ownership of the Operating Partnership	1	(297)	98	(517)
Balance, end of period	$ 599,741	$ 592,706	$ 599,741	$ 592,706
Accumulated Other Comprehensive Income				
Balance, beginning of period	$ (4,654)	$ (870)	$ (2,126)	$ (148)
Comprehensive income	(481)	(989)	(3,009)	(1,711)
Balance, end of period	$ (5,135)	$ (1,859)	$ (5,135)	$ (1,859)
Distributions in Excess of Accumulated Earnings				
Balance, beginning of period	$ (374,259)	$ (319,402)	$ (360,978)	$ (310,117)
Distributions declared to common, senior common, and preferred stockholders	(15,634)	(14,280)	(31,184)	(28,193)
Net income attributable to the Company	993	2,221	3,262	6,849
Balance, end of period	$ (388,900)	$ (331,461)	$ (388,900)	$ (331,461)
Total Stockholders' Equity				
Balance, beginning of period	$ 220,354	$ 253,629	$ 208,134	$ 249,744
Issuance of common stock, net	508	19,136	28,440	33,248
Distributions declared to common, senior common, and preferred stockholders	(15,634)	(14,280)	(31,184)	(28,193)
Comprehensive income	(481)	(989)	(3,009)	(1,711)
Adjustment to OP Units held by Non-controlling OP Unitholders resulting from changes in ownership of the Operating Partnership	1	(297)	98	(517)
Net income attributable to the Company	993	2,221	3,262	6,849
Balance, end of period	$ 205,741	$ 259,420	$ 205,741	$ 259,420
Non-Controlling Interest				
Balance, beginning of period	$ 3,110	$ 4,662	$ 2,903	$ 4,675
Distributions declared to Non-controlling OP Unit holders	(189)	(278)	(378)	(556)
Issuance of Non-controlling OP Units as consideration in real estate acquisitions, net	—	—	502	—
Adjustment to OP Units held by Non-controlling OP Unitholders resulting from changes in ownership of the Operating Partnership	(1)	297	(98)	517
Net (loss) income (attributable) available to OP units held by Non-controlling OP Unitholders	(28)	(16)	(37)	29
Balance, end of period	$ 2,892	$ 4,665	$ 2,892	$ 4,665
Total Equity	$ 208,633	$ 264,085	$ 208,633	$ 264,085

Distributions

We paid the following distributions per share for the three and six months ended June 30, 2020 and 2019:

	For the three months ended June 30,			For the six months ended June 30,		
	2020		2019	2020		2019
Common Stock and Non-controlling OP Units	$ 0.37545		$ 0.37500	$ 0.75090		$ 0.75000
Senior Common Stock	0.2625		0.2625	0.5250		0.5250
Series A Preferred Stock	—	(1)	0.4843749	—	(1)	0.9687498
Series B Preferred Stock	—	(1)	0.46875	—	(1)	0.9375
Series D Preferred Stock	0.4374999		0.4374999	0.8749998		0.8749998
Series E Preferred Stock	0.414063		—	0.8281260		—
Series F Preferred Stock	0.375	(2)	—	0.375	(2)	—

(1) We fully redeemed all outstanding shares of both Series A Preferred Stock and Series B Preferred Stock on October 28, 2019.
(2) Series F Preferred Stock distributions were declared, but not paid, as there were no Series F Preferred Stock shares outstanding on the applicable dividend record dates.

Recent Activity

Common Stock ATM Program

During the six months ended June 30, 2020, we sold 1.3 million shares of common stock, raising $28.4 million in net proceeds under our At-the-Market Equity Offering Sales Agreements with sales agents Robert W. Baird & Co. Incorporated ("Baird"), Goldman Sachs & Co. LLC ("Goldman Sachs"), Stifel, Nicolaus & Company, Incorporated ("Stifel"), BTIG, LLC, and Fifth Third Securities, Inc. ("Fifth Third"), pursuant to which we may sell shares of our common stock in an aggregate offering price of up to $250.0 million (the "Common Stock ATM Program"). As of June 30, 2020, we had remaining capacity to sell up to $208.7 million of common stock under the Common Stock ATM Program.

Mezzanine Equity

Our 7.00% Series D Cumulative Redeemable Preferred Stock ("Series D Preferred Stock") and 6.625% Series E Cumulative Redeemable Preferred Stock ("Series E Preferred Stock") are classified as mezzanine equity on our condensed consolidated balance sheets because both are redeemable at the option of the shareholder upon a change of control of greater than 50% in accordance with ASC 480-10-S99 "Distinguishing Liabilities from Equity," which requires mezzanine equity classification for preferred stock issuances with redemption features which are outside of the control of the issuer. A change in control of our company, outside of our control, is only possible if a tender offer is accepted by over 90% of our shareholders. All other change in control situations would require input from our Board of Directors. In addition, our Series E Preferred Stock is redeemable at the option of the shareholder in the event a delisting event occurs. We will periodically evaluate the likelihood that a delisting event or change of control of greater than 50% will take place, and if we deem this probable, we would adjust the Series D Preferred Stock and Series E Preferred Stock presented in mezzanine equity to their redemption value, with the offset to gain (loss) on extinguishment. We currently believe the likelihood of a change of control greater than 50%, or a delisting event, is remote.

We have an At-the-Market Equity Offering Sales Agreement with sales agents Baird, Goldman Sachs, Stifel, Fifth Third, and U.S. Bancorp Investments, Inc., pursuant to which we may, from time to time, offer to sell shares of our Series E Preferred Stock in an aggregate offering price of up to $100.0 million. We sold 86,564 shares of our Series E Preferred Stock, raising $1.9 million in net proceeds under the agreement during the six months ended June 30, 2020. As of June 30, 2020, we had remaining capacity to sell up to $98.0 million of Series E Preferred Stock under the Series E Preferred Stock Sales Agreement. We do not have an active At-the-Market program for our Series D Preferred Stock.

Universal Shelf Registration Statements

On January 11, 2019, we filed a universal registration statement on Form S-3, File No. 333-229209, and an amendment thereto on Form S-3/A onJanuary 24, 2019 (collectively referred to as the "2019 Universal Shelf"). The 2019 Universal Shelf became effective on February 13, 2019 and replaced our prior universal shelf registration statement. The 2019 Universal Shelf allows us to issue up to $500.0 million of securities. As of June 30, 2020, we had the ability to issue up to$407.2 million under the 2019 Universal Shelf.

On January 29, 2020, we filed an additional universal registration statement on Form S-3, File No. 333-236143 (the "2020 Universal Shelf"). The 2020 Universal Shelf was declared effective on February 11, 2020 and is in addition to the 2019 Universal Shelf. The 2020 Universal Shelf allows us to issue up to an additional $800.0 million of securities. Of the $800.0 million of available capacity under our 2020 Universal Shelf, approximately $636.5 million is reserved for the sale of our Series F Preferred Stock. As of June 30, 2020, we had the ability to issue up to$800.0 million of securities under the 2020 universal shelf, as we have not sold any securities under the 2020 Universal Shelf.

Series F Preferred Stock

On February 20, 2020, the Company filed with the Maryland Department of Assessments and Taxation Articles Supplementary (i) setting forth the rights, preferences and terms of the Series F Preferred Stock and (ii) reclassifying and designating 26,000,000 shares of the Company's authorized and unissued shares of common stock as shares of Series F Preferred Stock. The reclassification decreased the number of shares classified as common stock from 86,290,000 shares immediately prior to the reclassification to 60,290,000 shares immediately after the reclassification. Currently, there areno shares of the Series F Preferred Stock outstanding.

Amendment to Operating Partnership Agreement

In connection with the authorization of the Series F Preferred Stock in February of 2020, the Operating Partnership controlled by the Company through its ownership of GCLP Business Trust II, the general partner of the Operating Partnership, adopted the Second Amendment to its Second Amended and Restated Agreement of Limited Partnership, including Exhibit SFP thereto (collectively, the "Amendment"), as amended from time to time, establishing the rights, privileges and preferences of 6.00% Series F Cumulative Redeemable Preferred Units, a newly-designated class of limited partnership interests (the "Series F Preferred Units"). The Amendment provides for the Operating Partnership's establishment and issuance of an equal number of Series F Preferred Units as are issued shares of Series F Preferred Stock by the Company in connection with the Offering upon the Company's contribution to the Operating Partnership of the net proceeds of the Offering. Generally, the Series F Preferred Units provided for under the Amendment have preferences, distribution rights and other provisions substantially equivalent to those of the Series F Preferred Stock.

9. Subsequent Events

Distributions

On July 14, 2020, our Board of Directors declared the following monthly distributions for the months ofJuly, August and September of 2020:

Record Date	Payment Date	Common Stock and Non-controlling OP Unit Distributions per Share	Series D Preferred Distributions per Share	Series E Preferred Distributions per Share
July 24, 2020	July 31, 2020	$ 0.12515	$ 0.1458333	$ 0.138021
August 24, 2020	August 31, 2020	0.12515	0.1458333	0.138021
September 23, 2020	September 30, 2020	0.12515	0.1458333	0.138021
		$ 0.37545	$ 0.4374999	$ 0.414063

Senior Common Stock Distributions

Payable to the Holders of Record During the Month of:	Payment Date	Distribution per Share
July	August 5, 2020	$ 0.0875
August	September 4, 2020	0.0875
September	October 5, 2020	0.0875
		$ 0.2625

Series F Preferred Stock Distributions

Record Date	Payment Date	Distribution per Share
July 29, 2020	August 5, 2020	$ 0.125
August 26, 2020	September 4, 2020	0.125
September 30, 2020	October 7, 2020	0.125
		$ 0.375

COVID-19

As of July 27, 2020, we have collected approximately 99% of all outstanding July cash base rent obligations. In April 2020, we granted rent deferrals to three tenants representing approximately 2% of total portfolio rents. The agreements with these tenants include current partial payment in exchange for rent deferrals of varying terms with deferred amounts to be paid by the respective tenant back to us, for the period starting in July 2020 and ending through March 2021. We have received and may receive additional rent modification requests in future periods from our tenants, but we have not granted any additional rent deferrals at this time. We are unable to quantify the economic impact of these potential requests at this time.

Equity Activity

Subsequent to June 30, 2020 and through July 27, 2020, we raised $1.6 million in net proceeds from the sale of 85,000 shares of Common Stock under our Common Stock ATM Program and $1.5 million in net proceeds from the sale of 67,249 shares of Series E Preferred Stock under our Series E Preferred ATM Program.

Leasing activity

On July 8, 2020, the tenant in our Richmond, Virginia property renewed their lease for an additional six years, with a new maturity date of September 30, 2026.

Sale activity

On July 1, 2020, we sold our Maple Heights, Ohio property for $11.4 million. We recognized a gain on sale, net, of $1.2 million.

Financing activity

On July 1, 2020, we repaid the $4.0 million variable rate debt on our Maple Heights, Ohio property.

On July 14, 2020, the Company amended and restated the Advisory Agreement by entering into the Sixth Amended and Restated Investment Advisory Agreement between the Company and the Adviser (the “Amended Agreement”). The Company’s entrance into the Amended Agreement was approved by its board of directors, including, specifically, unanimously by its independent directors. The Amended Agreement revised and replaced the previous calculation of the Base Management Fee, which was based on Total Equity, with a calculation based on Gross Tangible Real Estate. The revised Base Management Fee will be payable quarterly in arrears and shall be calculated at an annual rate of 0.425% (0.10625% per quarter) of the prior calendar quarter’s “Gross Tangible Real Estate,” defined in the Amended Agreement as the current gross value of the Company’s property portfolio (meaning the aggregate of each property’s original acquisition price plus the cost of any subsequent capital improvements thereon). The calculation of the other fees in the Amended Agreement remain unchanged. The revised Base Management Fee calculation will begin with the fee calculations for the quarter ending September 30, 2020.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

All statements contained herein, other than historical facts, may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements may relate to, among other things, future events or our future performance or financial condition. In some cases, you can identify forward-looking statements by terminology such as "may," "might," "believe," "will," "provided," "anticipate," "future," "could," "growth," "plan," "intend," "expect," "should," "would," "if," "seek," "possible," "potential," "likely" or the negative of such terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our business, financial condition, liquidity, results of operations, funds from operations or prospects to be materially different from any future business, financial condition, liquidity, results of operations, funds from operations or prospects expressed or implied by such forward-looking statements. For further information about these and other factors that could affect our future results, please see the captions titled "Forward-Looking Statements" and "Risk Factors" in this report and in our Annual Report on Form 10-K for the year ended December 31, 2019. We caution readers not to place undue reliance on any such forward-looking statements, which are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Quarterly Report on Form 10-Q.

All references to "we," "our," "us" and the "Company" in this Report mean Gladstone Commercial Corporation and its consolidated subsidiaries, except where otherwise noted or where the context indicates that the term means only Gladstone Commercial Corporation.

General

We are an externally-advised real estate investment trust ("REIT") that was incorporated under the General Corporation Law of the State of Maryland on February 14, 2003. We focus on acquiring, owning, and managing primarily office and industrial properties. On a selective basis, we may make long term industrial and office mortgage loans; however, we do not have any mortgage loans currently outstanding. 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 primarily for real estate having net leases with remaining terms of approximately 7 to 15 years and built in rental rate increases. Under a net lease, the tenant is required to pay most or all operating, maintenance, repair and insurance costs and real estate taxes with respect to the leased property.

All references to annualized generally accepted accounting principles ("GAAP") rent are rents that each tenant pays in accordance with the terms of its respective lease reported evenly over the non-cancelable term of the lease.

As of July 27, 2020:

- we owned 121 properties totaling 14.7 million square feet in 28 states;
- our occupancy rate was 97.2%;
- the weighted average remaining term of our mortgage debt was 4.8 years and the weighted average interest rate was 4.29%; and
- the average remaining lease term of the portfolio was 7.5 years.

Business Environment

In March 2020, the World Health Organization characterized COVID-19 as a pandemic, and widespread infection continues in the United States and many parts of the world. The rapid spread of the coronavirus identified as COVID-19 resulted in authorities throughout the United States and the world implementing widespread measures attempting to contain the spread and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter in place orders, the promotion of social distancing and limitations on business activity, including business closures. These measures and the pandemic have caused a significant national and global economic downturn, disrupted business operations, including those of our tenants, significantly increased unemployment and underemployment levels, and are expected to have an adverse effect on both industrial and office demand for space in the short term. Interest rates have been volatile and although interest rates are still low by historical standards (and in some cases have been reduced to help curb the impact of COVID-19), lenders have varied on their required spreads over the last several quarters. Investment sales volume across all product types in recent months is lower year over year, as compared to 2019 as a direct result of COVID-19. After completing the 11th year of the current cycle, some national research firms had been estimating that both pricing and investment sales volume would be peaking and the national economy would be slowing in the near term, prior to the rapid spread of COVID-19. Global recessionary conditions are currently expected for the remainder of 2020 as a direct result of the COVID-19 pandemic, although the actual impact and duration are unknown. See “Impact of COVID-19 on Our Business” below for the impact on the COVID-19 pandemic on our business.

From a more macro-economic perspective, there continues to be significant uncertainties associated with the COVID-19 pandemic, including with respect to the severity of the disease, the duration of the outbreak, actions that may be taken by governmental authorities and private businesses to attempt to contain the COVID-19 outbreak or to mitigate its impact, the extent and duration of social distancing and the adoption of shelter-in-place orders, or reversal of reopening orders, and the ongoing impact of COVID-19 on business and economic activity. Much of the United States economy is now in the process of re-opening, but at the same time the COVID-19 pandemic is intensifying in many areas of the country.

Impact of COVID-19 on Our Business

The extent to which the COVID-19 pandemic may impact our business, financial condition, liquidity, results of operations, funds from operations or prospects will depend on numerous evolving factors that we are not be able to predict at this time, including the nature, duration and scope of the pandemic; governmental, business and individuals’ actions that have been and continue to be taken in response to the pandemic; the impact on economic activity from the pandemic (such as the effect on market rental rates and commercial real estate values) and actions taken in response; the effect on our tenants and their businesses; the ability of our tenants to make their rental payments, any closures of our tenants’ properties, our ability to secure debt financing, service future debt obligations or pay distributions to our stockholders. Any of these events could materially adversely impact our business, financial condition, liquidity, results of operations, funds from operations or prospects.

As of July 27, 2020, we have collected approximately 99% of all July cash base rent obligations. In April 2020, we granted rent deferrals to three tenants representing approximately 2% of total portfolio rents. The agreements with these tenants include current partial payment in exchange for rent deferrals of varying terms with deferred amounts to be paid by the respective tenant back to us, for the period starting in July 2020 and ending through March 2021. In connection with one of the rent deferrals, we were able to obtain short term mortgage payment relief from our lender on the loan associated with those properties. We collected all cash base rent obligations during the first half of 2020 that were not subject to rent deferral agreements. We may pursue additional loan relief agreements in the future. We have received and may receive additional rent modification requests in future periods from our tenants. However, we are unable to quantify the outcomes of the negotiation of relief packages, the success of any tenant’s financial prospects or the amount of relief requests that we will ultimately receive or grant. We believe that we have a diverse tenant base, and specifically, we do not have significant exposure to tenants in the retail, hospitality, airlines, and oil and gas industries. These industries, among certain others, have generally been severely impacted by the COVID-19. Additionally, our properties are located in 28 states, which we believe mitigates our exposure to economic issues, including as a result of COVID-19, in any one geographic market or area.

We believe we currently have adequate liquidity in the near term, and we believe the availability on our Credit Facility is sufficient to cover all near term debt obligations and operating expenses. We are in compliance with all of our debt covenants, and we amended our Credit Facility within the past twelve months to increase our borrowing capacity. We have had numerous conversations with lenders and do not believe there will be a credit freeze in the near term. We continue to monitor our portfolio and intend to maintain a reasonably conservative liquidity position for the foreseeable future.

We will continue to actively monitor the situation and may take further actions that alter our business operations as may be required by federal, state or local authorities or that we determine are in the best interests of our personnel, tenants and stockholders. While we are unable to determine or predict the nature, duration or scope of the overall impact the COVID-19 pandemic will have on our business, financial condition, liquidity, results of operations, funds from operations or prospects, we believe that it is important to share where we stand today, how our response to COVID-19 is progressing and how our operations and financial condition may change as the fight against COVID-19 progresses.

Other Business Environment Considerations

The long-term impact of tax reform in the U.S. also continues to be unknown at this time, although the lowering of the corporate tax rate is generally expected to be beneficial. Finally, the continuing uncertainty surrounding the ability of the federal government to address its fiscal condition in both the near and long term, particularly with the recent fiscal stimulus as well as other geo-political issues relating to the global economic slowdown has increased domestic and global instability. These developments could cause interest rates and borrowing costs to be volatile, which may adversely affect our ability to access both the equity and debt markets and could have an adverse impact on our tenants as well.

All of our variable rate debt is based upon the one month London Inter-bank Offered Rate ("LIBOR"), although LIBOR is currently anticipated to be phased out during late 2021. LIBOR is expected to transition to a new standard rate, the Secured Overnight Financing Rate ("SOFR"), which will incorporate repo data collected from multiple data sets. The intent is to adjust the SOFR to minimize differences between the interest that a borrower would be paying using LIBOR versus what it will be paying using SOFR. We are currently monitoring the transition, as we cannot assess whether SOFR will become a standard rate for variable rate debt. Any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for LIBOR-based debt, or the value of our portfolio of LIBOR-indexed, floating rate debt.

We continue to focus on re-leasing vacant space, renewing upcoming lease expirations, re-financing upcoming loan maturities, and acquiring additional properties with associated long-term leases. Currently, we have three partially vacant buildings and three fully vacant buildings.

We have two leases expiring during the remainder of 2020, which account for 3.9% of lease revenue recognized during the six months ended June 30, 2020, 11 leases expiring in 2021, which account for 5.1% of lease revenue recognized during the six months ended June 30, 2020, and eight leases expiring in 2022, which account for 6.2% of lease revenue recognized during the six months ended June 30, 2020.

Our available vacant space at June 30, 2020 represents 4.5% of our total square footage and the annual carrying costs on the vacant space, including real estate taxes and property operating expenses, are approximately $1.7 million. We continue to actively seek new tenants for these properties.

Our ability to make new investments is highly dependent upon our ability to procure financing. Our principal sources of financing generally include the issuance of equity securities, long-term mortgage loans secured by properties, borrowings under our $100.0 million senior unsecured revolving credit facility ("Revolver"), with KeyBank National Association (serving as a revolving lender, a letter of credit issuer and an administrative agent), which matures in July 2023, and our $160.0 million term loan facility ("Term Loan"), which matures in July 2024. We refer to the Revolver and Term Loan collectively herein as the Credit Facility. While lenders' credit standards have tightened, we continue to look to national and regional banks, insurance companies and non-bank lenders, in addition to the collateralized mortgage backed securities market, (the "CMBS market"), to issue mortgages to finance our real estate activities.

Recent Developments

2020 Sale Activity

During the six months ended June 30, 2020, we continued to execute our capital recycling program, whereby we sell non-core properties and redeploy proceeds to fund property acquisitions located in our target secondary growth markets, as well as repay outstanding debt. We will continue to execute our capital recycling plan and sell non-core properties as reasonable disposition opportunities become available. On February 20, 2020 we sold one non-core property located in Charlotte, North Carolina, which is detailed in the table below (dollars in thousands):

Square Footage Sold	Sales Price	Sales Costs	Loss on Sale of Real Estate, net
64,500	$ 4,145	$ 198	$ (12)

On July 1, 2020, we sold our Maple Heights, Ohio property for $11.4 million. We recognized a gain on sale, net, of $1.2 million.

2020 Acquisition Activity

During the six months ended June 30, 2020, we acquired five industrial properties, one property located in Indianapolis, Indiana, a three-property portfolio in Houston, Texas; Charlotte, North Carolina; and St. Charles, Missouri, and one property in Chatsworth, Georgia, which are summarized in the table below (dollars in thousands):

Aggregate Square Footage	Weighted Average Lease Term	Aggregate Purchase Price	Capitalized Acquisition Expenses	Aggregate Annualized GAAP Fixed Lease Payments	Aggregate Debt Issued or Assumed
890,038	14.8 years	$ 71,965	$ 255	$ 5,303	$ 35,855

2020 Leasing Activity

During the six months ended June 30, 2020, we executed eight leases, which are summarized below (dollars in thousands):

Aggregate Square Footage	Weighted Average Remaining Lease Term	Aggregate Annualized GAAP Fixed Lease Payments	Aggregate Tenant Improvement	Aggregate Leasing Commissions
362,171	6.6 years	$ 5,000	$ 2,226	$ 962

On July 8, 2020, the tenant in our Richmond, Virginia property renewed their lease for an additional six years, with a new maturity date of September 30, 2026.

2020 Financing Activity

During the six months ended June 30, 2020, we repaid three mortgages, collateralized by four properties, which are summarized in the table below (dollars in thousands):

Aggregate Fixed Rate Debt Repaid	Interest Rate on Fixed Rate Debt Repaid
$ 5,918	6.00%

Aggregate Variable Rate Debt Repaid	Weighted Average Interest Rate on Variable Rate Debt Repaid
$ 12,107	LIBOR + 2.25%

During the six months ended June 30, 2020, we issued four mortgages, collateralized by four properties, which are summarized below (dollars in thousands):

Aggregate Fixed Rate Debt Issued	Weighted Average Interest Rate on Fixed Rate Debt
$ 35,855 (1)	3.22 %

(1) We issued $18.3 million of fixed rate debt in connection with the three-property portfolio acquired on January 27, 2020 with a maturity date of February 1, 2030. The interest rate is fixed at 3.625%. On March 9, 2020, we issued $17.5 million of floating rate debt swapped to fixed rate debt of 2.8% in connection with the one property acquisition.

On July 1, 2020, we repaid the $4.0 million variable rate debt on our Maple Heights, Ohio property.

2020 Equity Activities

Common Stock ATM Program

During the six months ended June 30, 2020, we sold 1.3 million shares of common stock, raising $28.4 million in net proceeds under our At-the-Market Equity Offering Sales Agreements with sales agents Robert W. Baird & Co. Incorporated ("Baird"), Goldman Sachs & Co. LLC ("Goldman Sachs"), Stifel, Nicolaus & Company, Incorporated ("Stifel"), BTIG, LLC, and Fifth Third Securities, Inc. ("Fifth Third"), pursuant to which we may sell shares of our common stock in an aggregate offering price of up to $250.0 million (the "Common Stock ATM Program"). As of June 30, 2020, we had remaining capacity to sell up to $208.7 million of common stock under the Common Stock ATM Program.

Preferred ATM Programs

We have an At-the-Market Equity Offering Sales Agreement (the "Series E Preferred Stock Sales Agreement"), with sales agents Baird, Goldman Sachs, Stifel, Fifth Third, and U.S. Bancorp Investments, Inc., pursuant to which we may, from time to time, offer to sell shares of our Series E Preferred Stock in an aggregate offering price of up to $100.0 million. We sold 86,564 shares of our Series E Preferred Stock, raising $1.9 million in net proceeds pursuant to the Series E Preferred Stock Sales Agreement during the six months ended June 30, 2020. As of June 30, 2020, we had remaining capacity to sell up to $98.0 million of Series E Preferred Stock under the Series E Preferred Stock Sales Agreement. We do not have an active At-the-Market program for our Series D Preferred Stock.

Universal Shelf Registration Statements

On January 11, 2019, we filed a universal registration statement on Form S-3, File No. 333-229209, and an amendment thereto on Form S-3/A on January 24, 2019 (collectively referred to as the "2019 Universal Shelf"). The 2019 Universal Shelf became effective on February 13, 2019 and replaced our prior universal shelf registration statement. The 2019 Universal Shelf allows us to issue up to $500.0 million of securities. As of June 30, 2020, we had the ability to issue up to $407.2 million under the 2019 Universal Shelf.

On January 29, 2020, we filed an additional universal registration statement on Form S-3, File No. 333-236143 (the “2020 Universal Shelf”). The 2020 Universal Shelf was declared effective on February 11, 2020 and is in addition to the 2019 Universal Shelf. The 2020 Universal Shelf allows us to issue up to an additional $800.0 million of securities. Of the $800.0 million of available capacity under our 2020 Universal Shelf, approximately $636.5 million is reserved for the sale of our 6.00% Series F Cumulative Redeemable Preferred Stock of the Company, par value $0.001 per share (the “Series F Preferred Stock”). As of June 30, 2020, we had the ability to issue up to $800.0 million of securities under the 2020 Universal Shelf, as we have not sold any securities under the 2020 Universal Shelf.

Series F Preferred Stock

On February 20, 2020, we filed with the Maryland Department of Assessments and Taxation Articles Supplementary (i) setting forth the rights, preferences and terms of the Series F Preferred Stock and (ii) reclassifying and designating 26,000,000 shares of the Company’s authorized and unissued shares of Common Stock as shares of Series F Preferred Stock. The reclassification decreased the number of shares classified as Common Stock from 86,290,000 shares immediately prior to the reclassification to 60,290,000 shares immediately after the reclassification. Currently, there are no shares of the Series F Preferred Stock outstanding.

Amendment to Operating Partnership Agreement

In connection with the authorization of the Series F Preferred Stock, Gladstone Commercial Limited Partnership (the “Operating Partnership”), a Delaware limited partnership controlled by the Company through its ownership of GCLP Business Trust II, the general partner of the Operating Partnership, adopted the Second Amendment to its Second Amended and Restated Agreement of Limited Partnership, including Exhibit SFP thereto (collectively, the “Amendment”), as amended from time to time, establishing the rights, privileges and preferences of 6.00% Series F Cumulative Redeemable Preferred Units, a newly-designated class of limited partnership interests (the “Series F Preferred Units”). The Amendment provides for the Operating Partnership’s establishment and issuance of an equal number of Series F Preferred Units as are issued shares of Series F Preferred Stock by the Company in connection with the Offering upon the Company’s contribution to the Operating Partnership of the net proceeds of the Offering. Generally, the Series F Preferred Units provided for under the Amendment have preferences, distribution rights and other provisions substantially equivalent to those of the Series F Preferred Stock.

Amendment to the Advisory Agreement

On July 14, 2020, the Company amended and restated the Advisory Agreement by entering into the Sixth Amended and Restated Investment Advisory Agreement between the Company and the Adviser (the “Amended Agreement”). The Company’s entrance into the Amended Agreement was approved by its board of directors, including, specifically, unanimously by its independent directors. The Amended Agreement revised and replaced the previous calculation of the Base Management Fee, which was based on Total Equity, with a calculation based on Gross Tangible Real Estate. The revised Base Management Fee will be payable quarterly in arrears and shall be calculated at an annual rate of 0.425% (0.10625% per quarter) of the prior calendar quarter’s “Gross Tangible Real Estate,” defined in the Amended Agreement as the current gross value of the Company’s property portfolio (meaning the aggregate of each property’s original acquisition price plus the cost of any subsequent capital improvements thereon). The calculation of the other fees in the Amended Agreement remain unchanged. The revised Base Management Fee calculation will begin with the fee calculations for the quarter ending September 30, 2020.

Diversity of Our Portfolio

Gladstone Management Corporation, a Delaware corporation (our "Adviser") seeks to diversify our portfolio to avoid dependence on any one particular tenant, industry or geographic market. By diversifying our portfolio, our Adviser intends to reduce the adverse effect on our portfolio of a single under-performing investment or a downturn in any particular industry or geographic market. For the six months ended June 30, 2020, our largest tenant comprised only 3.6% of total lease revenue. The table below reflects the breakdown of our total lease revenue by tenant industry classification for the three and six months ended June 30, 2020 and 2019 (dollars in thousands):

	For the three months ended June 30,				For the six months ended June 30,			
	2020		2019		2020		2019	
Industry Classification	Lease Revenue	Percentage of Lease Revenue	Lease Revenue	Percentage of Lease Revenue	Lease Revenue	Percentage of Lease Revenue	Lease Revenue	Percentage of Lease Revenue
Telecommunications	$ 5,552	16.5%	$ 4,805	17.1%	$ 11,151	16.6%	$ 9,573	17.2%
Diversified/Conglomerate Services	4,141	12.4	3,615	12.8	8,277	12.3	7,268	12.9
Healthcare	3,972	11.8	3,295	11.7	8,081	12.0	6,554	11.6
Automobile	3,843	11.5	3,781	13.4	7,695	11.5	7,554	13.4
Banking	2,428	7.2	1,776	6.3	4,915	7.3	3,990	7.1
Buildings and Real Estate	2,280	6.8	1,100	3.9	4,392	6.5	2,227	4.0
Information Technology	1,723	5.1	1,516	5.4	3,438	5.1	3,069	5.4
Personal, Food & Miscellaneous Services	1,505	4.5	1,498	5.3	3,005	4.5	2,998	5.3
Diversified/Conglomerate Manufacturing	1,686	5.0	1,268	4.5	2,869	4.3	2,534	4.5
Electronics	1,133	3.4	1,144	4.1	2,467	3.7	2,269	4.0
Machinery	1,006	3.0	569	2.0	2,300	3.4	1,131	2.0
Beverage, Food & Tobacco	994	3.0	769	2.7	1,968	2.9	1,145	2.0
Chemicals, Plastics & Rubber	900	2.7	799	2.8	1,847	2.8	1,545	2.7
Personal & Non-Durable Consumer Products	613	1.8	605	2.1	1,224	1.8	1,210	2.1
Childcare	557	1.7	557	2.0	1,114	1.7	1,113	2.0
Containers, Packaging & Glass	541	1.6	513	1.8	1,074	1.6	969	1.7
Printing & Publishing	333	1.0	301	1.1	680	1.0	602	1.1
Education	197	0.6	165	0.6	407	0.6	330	0.6
Home & Office Furnishings	121	0.4	121	0.4	241	0.4	253	0.4
Total	$ 33,525	100.0%	$ 28,197	100.0%	$ 67,145	100.0%	$ 56,334	100.0%

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The tables below reflect the breakdown of total lease revenue by state for thethree and six months ended June 30, 2020 and 2019 (dollars in thousands):

State	Lease Revenue for the three months ended June 30, 2020	Percentage of Lease Revenue	Number of Leases for the three months ended June 30, 2020	Lease Revenue for the three months ended June 30, 2019	Percentage of Lease Revenue	Number of Leases for the three months ended June 30, 2019
Texas	$ 5,180	15.5%	16	$ 4,002	14.2%	12
Florida	4,201	12.5	11	3,780	13.4	11
Ohio	3,488	10.4	15	2,786	9.9	17
Pennsylvania	3,380	10.1	9	3,367	11.9	9
Georgia	2,683	8.0	9	1,267	4.5	7
Utah	1,975	5.9	4	1,588	5.6	4
Michigan	1,572	4.7	6	1,506	5.3	6
North Carolina	1,551	4.6	8	1,565	5.6	7
South Carolina	1,169	3.5	2	1,159	4.1	2
Minnesota	1,103	3.3	5	947	3.4	6
All Other States	7,223	21.5	43	6,230	22.1	32
Total	$ 33,525	100.0%	128	$ 28,197	100.0%	113

State	Lease Revenue for the six months ended June 30, 2020	Percentage of Lease Revenue	Number of Leases for the six months ended June 30, 2020	Lease Revenue for the six months ended June 30, 2019	Percentage of Lease Revenue	Number of Leases for the six months ended June 30, 2019
Texas	$ 10,237	15.2%	16	$ 7,947	14.1%	12
Florida	8,430	12.6	11	7,543	13.4	11
Ohio	7,140	10.6	15	5,445	9.7	17
Pennsylvania	6,780	10.1	9	6,760	12.0	9
Georgia	4,931	7.3	9	2,477	4.4	7
Utah	3,935	5.9	4	3,449	6.1	4
Michigan	3,145	4.7	6	3,010	5.3	6
North Carolina	3,001	4.5	8	3,122	5.5	7
Minnesota	2,730	4.1	5	1,881	3.3	6
South Carolina	2,397	3.6	2	2,318	4.1	2
All Other States	14,419	21.4	43	12,382	22.1	32
	$ 67,145	100.0%	128	$ 56,334	100.0%	113

Our Adviser and Administrator

Our Adviser is led by a management team with extensive experience purchasing real estate and originating mortgage loans. Our Adviser and Gladstone Administration, LLC, a Delaware limited liability company (our "Administrator") are controlled by Mr. David Gladstone, who is also our chairman and chief executive officer. Mr. Gladstone also serves as the chairman and chief executive officer of both our Adviser and Administrator, as well as president and chief investment officer of our Adviser. Mr. Terry Lee Brubaker, our vice chairman and chief operating officer, is also the vice chairman and chief operating officer of our Adviser and Administrator and assistant secretary of our Adviser. Mr. Robert Cutlip, our president, also serves as the executive vice president of commercial and industrial real estate of our Adviser. Our Administrator employs our chief financial officer, treasurer, chief compliance officer, general counsel and secretary, Michael LiCalsi (who also serves as our Administrator's president, general counsel, and secretary, as well as executive vice president of administration of our Adviser) and their respective staffs.

Our Adviser and Administrator also provide investment advisory and administrative services, respectively, to certain of our affiliates, including, but not limited to, Gladstone Capital Corporation and Gladstone Investment Corporation, both publicly-traded business development companies, as well as Gladstone Land Corporation, a publicly-traded REIT that primarily invests in farmland. With the exception of Mr. Michael Sodo, our chief financial officer, Mr. Jay Beckhorn, our treasurer, and Mr. Robert Cutlip, our president, all of our executive officers and all of our directors serve as either directors or executive officers, or both, of Gladstone Capital Corporation and Gladstone Investment Corporation. In addition, with the exception of Mr. Cutlip and Mr. Sodo, all of our executive officers and all of our directors, serve as either directors or executive officers, or both, of Gladstone Land Corporation. Mr. Cutlip and Mr. Sodo do not put forth any material efforts in assisting affiliated companies. In the future, our Adviser may provide investment advisory services to other companies, both public and private.

Advisory and Administration Agreements

We are externally managed pursuant to contractual arrangements with our Adviser and our Administrator, which collectively employ all of our personnel and pay their salaries, benefits and other general expenses directly. Both our Adviser and Administrator are affiliates of ours, as their parent company is owned and controlled by Mr. David Gladstone, our chairman and chief executive officer. Two of our executive officers, Mr. Gladstone and Mr. Terry Brubaker (our vice chairman and chief operating officer) serve as directors and executive officers of our Adviser and our Administrator. Mr. Michael LiCalsi, our general counsel and secretary, also serves as our Administrator's president, general counsel and secretary, as well as executive vice president of administration of our Adviser. We have entered into an advisory agreement with our Adviser, as amended from time to time (the "Advisory Agreement"), and an administration agreement with our Administrator (the "Administration Agreement"). The services and fees under the Advisory Agreement and Administration Agreement are described below.

Under the terms of the Advisory Agreement, we are responsible for all expenses incurred for our direct benefit. Examples of these expenses include legal, accounting, interest, directors' and officers' insurance, stock transfer services, stockholder-related fees, consulting and related fees. In addition, we are also responsible for all fees charged by third parties that are directly related to our business, which include real estate brokerage fees, mortgage placement fees, lease-up fees and transaction structuring fees (although we may be able to pass all or some of such fees on to our tenants and borrowers). Our entrance into the Advisory Agreement and each amendment thereto has been approved unanimously by our Board of Directors. Our Board of Directors reviews and considers renewing the agreement with our Adviser each July. During its July 2020 meeting, our Board of Directors reviewed and renewed the Advisory Agreement and Administration Agreement for an additional year, through August 31, 2021.

Base Management Fee

On July 14, 2020, the Company amended and restated the Advisory Agreement by entering into the Sixth Amended and Restated Investment Advisory Agreement between the Company and the Adviser (the "Amended Agreement"). The Company's entrance into the Amended Agreement was approved by its board of directors, including, specifically, unanimously by its independent directors. The Amended Agreement revised and replaced the previous calculation of the Base Management Fee, which was based on Total Equity, with a calculation based on Gross Tangible Real Estate. The revised Base Management Fee will be payable quarterly in arrears and shall be calculated at an annual rate of 0.425% (0.10625% per quarter) of the prior calendar quarter's "Gross Tangible Real Estate," defined in the Amended Agreement as the current gross value of the Company's property portfolio (meaning the aggregate of each property's original acquisition price plus the cost of any subsequent capital improvements thereon). The calculation of the other fees in the Amended Agreement remain unchanged. The revised Base Management Fee calculation will begin with the fee calculations for the quarter ending September 30, 2020.

Under the Advisory Agreement prior to the July 14, 2020 amendment, the calculation of the annual base management fee equaled 1.5% of our Total Equity, which is our total stockholders' equity plus total mezzanine equity (before giving effect to the base management fee and incentive fee), adjusted to exclude the effect of any unrealized gains or losses that do not affect realized net income (including impairment charges) and adjusted for any one-time events and certain non-cash items (the later to occur for a given quarter only upon the approval of our Compensation Committee), and adjusted to include OP Units held by Non-controlling OP Unitholders. The fee was calculated and accrued quarterly as 0.375% per quarter of such Total Equity figure. Our Adviser does not charge acquisition or disposition fees when we acquire or dispose of properties as is common in other externally managed REITs; however, our Adviser may earn fee income from our borrowers, tenants or other sources.

Incentive Fee

Pursuant to the Advisory Agreement, the calculation of the incentive fee rewards the Adviser in circumstances where our quarterly Core FFO (defined at the end of this paragraph), before giving effect to any incentive fee, or pre-incentive fee Core FFO, exceeds 2.0% quarterly, or 8.0% annualized, of adjusted total stockholders' equity (after giving effect to the base management fee but before giving effect to the incentive fee). We refer to this as the hurdle rate. The Adviser will receive 15.0% of the amount of our pre-incentive fee Core FFO that exceeds the hurdle rate. However, in no event shall the incentive fee for a particular quarter exceed by 15.0% (the cap) the average quarterly incentive fee paid by us for the previous four quarters (excluding quarters for which no incentive fee was paid). Core FFO (as defined in the Advisory Agreement) is GAAP net income (loss) available to common stockholders, excluding the incentive fee, depreciation and amortization, any realized and unrealized gains, losses or other non-cash items recorded in net income (loss) available to common stockholders for the period, and one-time events pursuant to changes in GAAP.

Capital Gain Fee

Under the Advisory Agreement, we will pay to the Adviser a capital gain-based incentive fee that will be calculated and payable in arrears as of the end of each fiscal year (or upon termination of the Advisory Agreement). In determining the capital gain fee, we will calculate aggregate realized capital gains and aggregate realized capital losses for the applicable time period. For this purpose, aggregate realized capital gains and losses, if any, equals the realized gain or loss calculated by the difference between the sales price of the property, less any costs to sell the property and the current gross value of the property (equal to the property's original acquisition price plus any subsequent non-reimbursed capital improvements) of the disposed property. At the end of the fiscal year, if this number is positive, then the capital gain fee payable for such time period shall equal 15.0% of such amount. No capital gain fee was recognized during the three and six months ended June 30, 2020 or 2019.

Termination Fee

The Advisory Agreement includes a termination fee whereby, in the event of our termination of the agreement without cause (with 120 days' prior written notice and the vote of at least two-thirds of our independent directors), a termination fee would be payable to the Adviser equal to two times the sum of the average annual base management fee and incentive fee earned by the Adviser during the 24-month period prior to such termination. A termination fee is also payable if the Adviser terminates the agreement after the Company has defaulted and applicable cure periods have expired. The agreement may also be terminated for cause by us (with 30 days' prior written notice and the vote of at least two-thirds of our independent directors), with no termination fee payable. Cause is defined in the agreement to include if the Adviser breaches any material provisions of the agreement, the bankruptcy or insolvency of the Adviser, dissolution of the Adviser and fraud or misappropriation of funds.

Administration Agreement

Under the terms of the Administration Agreement, we pay separately for our allocable portion of our Administrator's overhead expenses in performing its obligations to us including, but not limited to, rent and our allocable portion of the salaries and benefits expenses of our Administrator's employees, including, but not limited to, our chief financial officer, treasurer, chief compliance officer, general counsel and secretary, Michael LiCalsi (who also serves as our Administrator's president, general counsel and secretary), and their respective staffs. Our allocable portion of the Administrator's expenses are generally derived by multiplying our Administrator's total expenses by the appropriate percentage of time the Administrator's employees perform services for us in relation to their time spent performing services for all companies serviced by our Administrator under contractual agreements.

Significant Accounting Policies and Estimates

The preparation of our financial statements in accordance with GAAP requires management to make judgments that are subjective in nature to make certain estimates and assumptions. Application of these accounting policies involves the exercise of judgment regarding the use of assumptions as to future uncertainties, and as a result, actual results could materially differ from these estimates. A summary of all of our significant accounting policies is provided in Note 1 to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2019, filed by us with the U.S. Securities and Exchange Commission (the "SEC") onFebruary 12, 2020 (our "2019 Form 10-K"). On January 1, 2020, we completed the integration of the accounting records of certain of our triple net leased third-party asset managed properties into our accounting system and paid out of our operating bank accounts. For periods prior to January 1, 2020, we recorded property operating expenses and offsetting lease revenues for these certain triple net leased properties on a net basis. Beginning January 1, 2020, we are recording the property operating expenses and offsetting lease revenues for these triple net leased properties on a gross basis, as we have amended our process whereby we are paying operating expenses on behalf of our tenants and receiving reimbursement, whereas, previously these tenants were paying these expenses directly with limited insight provided to us. There were no other material changes to our critical accounting policies or estimates during the six months ended June 30, 2020.

Results of Operations

The weighted average yield on our total portfolio, which was8.3% and 8.7% as of June 30, 2020 and 2019, respectively, is calculated by taking the annualized straight-line rents plus operating expense recoveries, reflected as lease revenue on our condensed consolidated statements of operations and other comprehensive income, less property operating expenses, of each acquisition since inception, as a percentage of the acquisition cost plus subsequent capital improvements. The weighted average yield does not account for the interest expense incurred on the mortgages placed on our properties.

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A comparison of our operating results for the three and six months ended June 30, 2020 and 2019 is below (dollars in thousands, except per share amounts):

	For the three months ended June 30,			
	2020	2019	$ Change	% Change
Operating revenues				
Lease revenue	$ 33,525	$ 28,197	$ 5,328	18.9 %
Total operating revenues	33,525	28,197	5,328	18.9 %
Operating expenses				
Depreciation and amortization	14,182	12,622	1,560	12.4 %
Property operating expenses	6,295	3,060	3,235	105.7 %
Base management fee	1,389	1,293	96	7.4 %
Incentive fee	1,119	904	215	23.8 %
Administration fee	395	397	(2)	(0.5)%
General and administrative	752	782	(30)	(3.8)%
Impairment charge	1,721	—	1,721	100.0 %
Total operating expenses	25,853	19,058	6,795	35.7 %
Other (expense) income				
Interest expense	(6,716)	(7,005)	289	(4.1)%
Other income, net	9	71	(62)	(87.3)%
Total other expense, net	(6,707)	(6,934)	227	(3.3)%
Net income	965	2,205	(1,240)	(56.2)%
Distributions attributable to Series A, B, D and E preferred stock	(2,688)	(2,612)	(76)	2.9 %
Distributions attributable to senior common stock	(204)	(225)	21	(9.3)%
Net loss attributable to common stockholders and Non-controlling OP Unitholders	$ (1,927)	$ (632)	$ (1,295)	204.9 %
Net loss attributable to common stockholders and Non-controlling OP Unitholders per weighted average share and unit - basic & diluted	$ (0.06)	$ (0.02)	$ (0.04)	200.0 %
FFO available to common stockholders and Non-controlling OP Unitholders - basic (1)	$ 13,976	$ 11,990	$ 1,986	16.6 %
FFO available to common stockholders and Non-controlling OP Unitholders - diluted (1)	$ 14,180	$ 12,215	$ 1,965	16.1 %
FFO per weighted average share of common stock and Non-controlling OP Units - basic (1)	$ 0.41	$ 0.38	$ 0.03	7.9 %
FFO per weighted average share of common stock and Non-controlling OP Units - diluted (1)	$ 0.40	$ 0.38	$ 0.02	5.3 %

(1) Refer to the “Funds from Operations” section below within the Management’s Discussion and Analysis section for the definition of FFO.

	For the six months ended June 30,			
	2020	2019	$ Change	% Change
Operating revenues				
Lease revenue	$ 67,145	$ 56,334	$ 10,811	19.2 %
Total operating revenues	67,145	56,334	10,811	19.2 %
Operating expenses				
Depreciation and amortization	28,278	25,632	2,646	10.3 %
Property operating expenses	12,508	6,128	6,380	104.1 %
Base management fee	2,801	2,560	241	9.4 %
Incentive fee	2,173	1,755	418	23.8 %
Administration fee	833	810	23	2.8 %
General and administrative	1,630	1,439	191	13.3 %
Impairment charge	1,721	—	1,721	100.0 %
Total operating expenses	49,944	38,324	11,620	30.3 %
Other (expense) income				
Interest expense	(13,968)	(14,236)	268	(1.9)%
Gain on sale of real estate, net	(12)	2,952	(2,964)	(100.4)%
Other income	4	152	(148)	(97.4)%
Total other expense, net	(13,976)	(11,132)	(2,844)	25.5 %
Net income	3,225	6,878	(3,653)	(53.1)%
Distributions attributable to Series A, B, D, and E preferred stock	(5,366)	(5,225)	(141)	2.7 %
Distributions attributable to senior common stock	(411)	(449)	38	(8.5)%
Net (loss) income (attributable) available to common stockholders and Non-controlling OP Unitholders	$ (2,552)	$ 1,204	$ (3,756)	(312.0)%
Net (loss) income (attributable) available to common stockholders and Non-controlling OP Unitholders per weighted average share of total stock - basic & diluted	$ (0.07)	$ 0.04	$ (0.11)	(275.0)%
FFO available to common stockholders and Non-controlling OP Unitholders - basic (1)	$ 27,459	$ 23,884	$ 3,575	15.0 %
FFO available to common stockholders and Non-controlling OP Unitholders - diluted (1)	$ 27,870	$ 24,333	$ 3,537	14.5 %
FFO per weighted average share of common stock and Non-controlling OP Unit - basic (1)	$ 0.80	$ 0.78	$ 0.02	2.6 %
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted (1)	$ 0.80	$ 0.77	$ 0.03	3.9 %

(1) Refer to the “Funds from Operations” section below within the Management’s Discussion and Analysis section for the definition of FFO.

Same Store Analysis

For the purposes of the following discussion, same store properties are properties we owned as of January 1,2019, which have not been subsequently vacated, or disposed of. Acquired and disposed of properties are properties which were acquired, disposed of or classified as held for sale at any point subsequent to December 31, 2018. Properties with vacancy are properties that were fully vacant or had greater than 5.0% vacancy, based on square footage, at any point subsequent to January 1, 2019.

Operating Revenues

	For the three months ended June 30, (Dollars in Thousands)			
Lease Revenues	2020	2019	$ Change	% Change
Same Store Properties	$ 27,408	$ 24,820	$ 2,588	10.4 %
Acquired & Disposed Properties	4,354	1,162	3,192	274.7 %
Properties with Vacancy	1,763	2,215	(452)	(20.4)%
	$ 33,525	$ 28,197	$ 5,328	18.9 %

	For the six months ended June 30, (Dollars in Thousands)			
Lease Revenues	2020	2019	$ Change	% Change
Same Store Properties	$ 55,009	$ 49,939	$ 5,070	10.2 %
Acquired & Disposed Properties	7,992	2,037	5,955	292.3 %
Properties with Vacancy	4,144	4,358	(214)	(4.9)%
	$ 67,145	$ 56,334	$ 10,811	19.2 %

Lease revenues consist of rental income and operating expense recoveries earned from our tenants. Lease revenues from same store properties increased for the three and six months ended June 30, 2020 from the comparable 2019 period, primarily due to increases in rental charges from lease renewals and increased operating expense recoveries from triple net leased properties. Lease revenues increased for acquired and disposed of properties for the three and six months ended June 30, 2020, as compared to the three and six months ended June 30, 2019, because we acquired 21 properties during and subsequent to June 30, 2019, partially offset by a loss of lease revenues from two properties we sold during and subsequent to the three and six months ended June 30, 2019 pursuant to our capital recycling program. Lease revenues decreased for our properties with vacancy for the three and six months ended June 30, 2020 due to increased vacancy in our portfolio.

On January 1, 2020, we completed the integration of the accounting records of certain of our triple net leased third-party asset managed properties into our accounting system and paid out of our operating bank accounts. For periods prior to January 1, 2020, we recorded property operating expenses and offsetting lease revenues for these certain triple net leased properties on a net basis. Beginning January 1, 2020, we are recording the property operating expenses and offsetting lease revenues for these triple net leased properties on a gross basis, as we have amended our process whereby we are paying operating expenses on behalf of our tenants and receiving reimbursement, whereas, previously these tenants were paying these expenses directly with limited insight provided to us. See table below for a reconciliation of lease revenue for the six months ended June 30, 2020, and the comparable 2019 period. Fixed rental payments consist of fixed rental charges that are contractually due us, and variable rental payments consist of operating expense recoveries that we collect to pay for property operating expenses incurred at certain properties. Lease revenues relating to the 2019 reporting period have not been amended.

	For the three months ended June 30, (Dollars in Thousands)			
Lease revenue reconciliation	2020	2019	$ Change	% Change
Fixed lease payments	$ 29,690	$ 27,254	$ 2,436	8.9 %
Variable lease payments	3,835	943	2,892	306.7 %
	$ 33,525	$ 28,197	$ 5,328	18.9 %

Lease revenue reconciliation	For the six months ended June 30, (Dollars in Thousands) 2020	2019	$ Change	% Change
Fixed lease payments	$ 59,169	$ 54,416	$ 4,753	8.7%
Variable lease payments	7,976	1,918	6,058	315.8%
	$ 67,145	$ 56,334	$ 10,811	19.2%

Operating Expenses

Depreciation and amortization increased for the three and six months ended June 30, 2020, as compared to the three and six months ended June 30, 2019, due to depreciation on capital projects completed subsequent to the three and six months ended June 30, 2019, coupled with depreciation on the 21 properties acquired during and subsequent to the three and six months ended June 30, 2019, partially offset by decreased depreciation on the two properties sold during and subsequent to the three and six months ended June 30, 2019.

Property Operating Expenses	For the three months ended June 30, (Dollars in Thousands) 2020	2019	$ Change	% Change
Same Store Properties	$ 5,006	$ 2,682	$ 2,324	86.7%
Acquired & Disposed Properties	256	100	156	156.0%
Properties with Vacancy	1,033	278	755	271.6%
	$ 6,295	$ 3,060	$ 3,235	105.7%

Property Operating Expenses	For the six months ended June 30, (Dollars in Thousands) 2020	2019	$ Change	% Change
Same Store Properties	$ 9,997	$ 5,376	$ 4,621	86.0%
Acquired & Disposed Properties	417	192	225	117.2%
Properties with Vacancy	2,094	560	1,534	273.9%
	$ 12,508	$ 6,128	$ 6,380	104.1%

Property operating expenses consist of franchise taxes, property management fees, insurance, ground lease payments, property maintenance and repair expenses paid on behalf of certain of our properties. The increase in property operating expenses for same store properties for the three and six months ended June 30, 2020, as compared to the three and six months ended June 30, 2019, is a result of an increase in our property operating expenses at our triple net leased properties. The increase in property operating expenses for acquired and disposed of properties for the three and six months ended June 30, 2020, as compared to the three and six months ended June 30, 2019, is primarily a result of increased property operating expenses from 21 properties acquired during and subsequent to June 30, 2019, partially offset by a reduction of operating expenses from two properties sold during and subsequent to June 30, 2019. The increase in property operating expenses for properties with vacancy for the three and six months ended June 30, 2020, as compared to the three and six months ended June 30, 2019, is a result of increased vacancy in our portfolio.

The base management fee paid to the Adviser increased for the three and six months ended June 30, 2020, as compared to the three and six months ended June 30, 2019, due to an increase in total equity over the three and six months ended June 30, 2020 as compared to the three and six months ended June 30, 2019. The calculation of the base management fee is described in detail above in *"Advisory and Administration Agreements."*

The incentive fee paid to the Adviser increased for the three and six months ended June 30, 2020, as compared to the three and six months ended June 30, 2019, due to pre-incentive fee Core FFO increasing faster than the hurdle rate. The increase in FFO is a result of an increase in total operating revenues, partially offset by an increase in total operating expenses and interest expense. The calculation of the incentive fee is described in detail above in *"Advisory and Administration Agreements."*

The administration fee paid to the Administrator decreased for the three months ended June 30, 2020, as compared to the three months ended June 30, 2019, due to our Administrator incurring fewer costs that are allocated to the Company. The administration fee paid to the Administrator increased during the six months ended June 30, 2020, as compared to the six months ended June 30, 2019, due to our Administrator incurring greater costs that are allocated to the Company. The calculation of the administration fee is described in detail above in *"Advisory and Administration Agreements."*

General and administrative expenses decreased for the three months ended June 30, 2020, as compared to the three months ended June 30, 2019, primarily as a result of a decrease in due diligence expenses for potential acquisitions. General and administrative expenses increased for the six months ended June 30, 2020, as compared to the six months ended June 30, 2019, primarily as a result of an increase in legal and accounting fees.

We recorded an impairment charge for our Blaine, Minnesota property during the three and six months ended June 30, 2020, when our held and used impairment testing determined that the carrying value of this property was unrecoverable. As a result, we recorded an impairment charge to write down the carrying value to fair market value. We did not record an impairment charge during the three and six months ended June 30, 2019.

Other Income and Expenses

Interest expense decreased for the three and six months ended June 30, 2020, as compared to the three and six months ended June 30, 2019. This decrease was primarily a result of a decrease in interest rates on our LIBOR based variable rate debt, partially offset by increased interest expense due to higher mortgage borrowings and higher Credit Facility balances outstanding.

Loss on sale of real estate, net, for the six months ended June 30, 2020 is attributable to one non-core office asset located in Charlotte, North Carolina being sold during the period. Gain on sale of real estate, net, for the six months ended June 30, 2019 is attributable to one non-core office asset located in Maitland, Florida being sold during the period.

Net (Loss) Income (Attributable) Available to Common Stockholders and Non-controlling OP Unitholders

Net loss attributable to common stockholders and Non-controlling OP Unitholders increased for the three and six months ended June 30, 2020, as compared to the three and six months ended June 30, 2019, primarily due to the increase in depreciation and amortization expense due to asset acquisition activity subsequent to June 30, 2019, coupled with the impairment charge recognized during the three and six months ended June 30, 2020, partially offset by an increase in lease revenues due to asset acquisition activity subsequent to June 30, 2019, coupled with a decrease in interest expense due to a decrease in LIBOR on our variable rate debt.

Liquidity and Capital Resources

Overview

Our sources of liquidity include cash flows from operations, cash and cash equivalents, borrowings under our Revolver and issuing additional equity securities. Our available liquidity as of June 30, 2020, was $29.1 million, consisting of approximately $9.6 million in cash and cash equivalents and available borrowing capacity of $19.5 million under our Credit Facility. Our available borrowing capacity under the Credit Facility increased to $36.0 million as of July 27, 2020.

Future Capital Needs

We actively seek conservative investments that are likely to produce income to pay distributions to our stockholders. We intend to use the proceeds received from future equity raised and debt capital borrowed to continue to invest in industrial and office real property, make mortgage loans, or pay down outstanding borrowings under our Revolver. Accordingly, to ensure that we are able to effectively execute our business strategy, we routinely review our liquidity requirements and continually evaluate all potential sources of liquidity. Our short-term liquidity needs include proceeds necessary to fund our distributions to stockholders, pay the debt service costs on our existing long-term mortgages, refinancing maturing debt and fund our current operating costs. Our long-term liquidity needs include proceeds necessary to grow and maintain our portfolio of investments.

We believe that our available liquidity is sufficient to fund our distributions to stockholders, pay the debt service costs on our existing long-term mortgages and fund our current operating costs in the near term. We also believe we will be able to refinance our mortgage debt as it matures. Additionally, to satisfy our short-term obligations, we may request credits to our management fees that are issued from our Adviser, although our Adviser is under no obligation to provide any such credits, either in whole or in part. We further believe that our cash flow from operations coupled with the financing capital available to us in the future are sufficient to fund our long-term liquidity needs.

Equity Capital

During the six months ended June 30, 2020, we raised net proceeds of $28.4 million of common equity under our Common Stock ATM Program at a net weighted average per share price of $21.19. We used these proceeds to pay down outstanding debt and for other general corporate purposes. We raised net proceeds of $1.9 million from our Series E Preferred Stock pursuant to our Series E Preferred Stock Sales Agreement during the six months ended June 30, 2020.

As of July 27, 2020, we had the ability to raise up to $404.0 million of additional equity capital through the sale and issuance of securities that are registered under the 2019 Universal Shelf, in one or more future public offerings. Of the $404.0 million of available capacity under our 2019 Universal Shelf, approximately $207.1 million is reserved for additional sales under our Common Stock ATM Program, and approximately $96.5 million is reserved for additional sales under our Series E Preferred Stock Sales Agreement as of July 27, 2020. We expect to continue to use our at-the-market programs as a source of liquidity for the remainder of 2020.

As of July 27, 2020, we had the ability to raise up to $800.0 million of additional equity capital through the sale and issuance of securities that are registered under the 2020 Universal Shelf, in one or more future public offerings. Of the $800.0 million of available capacity under our 2020 Universal Shelf, approximately $636.5 million is reserved for the sale of our Series F Preferred Stock as of July 27, 2020.

Debt Capital

As of June 30, 2020, we had 55 mortgage notes payable in the aggregate principal amount of $469.4 million, collateralized by a total of 70 properties with a remaining weighted average maturity of 4.8 years. The weighted-average interest rate on the mortgage notes payable as of June 30, 2020 was 4.27%.

We continue to see banks and other non-bank lenders willing to issue mortgages. Consequently, we are focused on obtaining mortgages through regional banks, non-bank lenders and the CMBS market.

As of June 30, 2020, we had mortgage debt in the aggregate principal amount of $13.2 million payable during the remainder of 2020 and $33.6 million payable during 2021. The 2020 principal amount payable includes both amortizing principal payments and two balloon principal payments due during the remaining six months of 2020. We repaid one of the remaining balloon principal payments during July 2020. We anticipate being able to refinance our mortgages that come due during the remainder of 2020 and 2021 with a combination of new debt and the issuance of additional equity securities. In addition, we have raised substantial equity under our at-the-market programs and plan to continue to use these programs.

Operating Activities

Net cash provided by operating activities during the six months ended June 30, 2020, was $35.4 million, as compared to net cash provided by operating activities of $29.0 million for the six months ended June 30, 2019. This change was primarily a result of an increase in operating revenues from our 21 property acquisitions completed during and subsequent to June 30, 2019, coupled with contractual lease revenue increases on the in-place portfolio, partially offset by an increase in general and administrative expenses, base management fees and incentive fees. The majority of cash from operating activities is generated from the lease revenues that we receive from our tenants. We utilize this cash to fund our property-level operating expenses and use the excess cash primarily for debt and interest payments on our mortgage notes payable, interest payments on our Credit Facility, distributions to our stockholders, management fees to our Adviser, Administration fees to our Administrator and other entity-level operating expenses.

Investing Activities

Net cash used in investing activities during the six months ended June 30, 2020, was $70.7 million, which primarily consisted of five property acquisitions, coupled with capital improvements performed at certain of our properties, partially offset by proceeds from the sale of one property. Net cash used in investing activities during the six months ended June 30, 2019, was $41.9 million, which primarily consisted of six property acquisitions, coupled with capital improvements performed at certain of our properties, partially offset by proceeds from the sale of one property.

Financing Activities

Net cash provided by financing activities during the six months ended June 30, 2020, was $38.3 million, which primarily consisted of the issuance of $30.8 million of common and preferred equity, borrowings from our Term Loan of $37.7 million, and the issuance of $35.9 million of new mortgage debt, partially offset by the repayment of $24.4 million of mortgage principal and distributions paid to common, senior common and preferred shareholders. Net cash provided by financing activities for the six months ended June 30, 2019, was $14.3 million, which primarily consisted of $41.1 million in new mortgage borrowings coupled with the issuance of $33.7 million of common equity, partially offset by $31.0 million of mortgage principal repayments, and distributions paid to common, senior common and preferred shareholders.

Credit Facility

On July 2, 2019, we amended, extended and upsized our Credit Facility, expanding the Term Loan from $75.0 million to $160.0 million, inclusive of a delayed Term Loan draw component whereby we can incrementally borrow on the Term Loan up to the $160.0 million commitment, and increasing the Revolver from $85.0 million to $100.0 million. The Term Loan has a new five-year term, with a maturity date of July 2, 2024, and the Revolver has a new four-year term, with a maturity date of July 2, 2023. The interest rate for the Credit Facility was reduced by 10 basis points at each of the leverage tiers. We entered into multiple interest rate cap agreements on the amended Term Loan, which cap LIBOR ranging from 2.50% to 2.75%, to hedge our exposure to variable interest rates. We used the net proceeds derived from the amended Credit Facility to repay all previously existing borrowings under the Revolver. We incurred fees of approximately $1.3 million in connection with the Credit Facility amendment. The bank syndicate is now comprised of KeyBank, Fifth Third Bank, U.S. Bank National Association, The Huntington National Bank, Goldman Sachs Bank USA, and Wells Fargo Bank.

As of June 30, 2020, there was $203.1 million outstanding under our Credit Facility at a weighted average interest rate of approximately 1.77% and $13.5 million outstanding under letters of credit at a weighted average interest rate of 1.65%. As of July 27, 2020, the maximum additional amount we could draw under the Credit Facility was $36.0 million. We were in compliance with all covenants under the Credit Facility as of June 30, 2020.

Contractual Obligations

The following table reflects our material contractual obligations as of June 30, 2020 (in thousands):

	Payments Due by Period				
Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Debt Obligations (1)	$ 672,486	$ 29,522	$ 149,699	$ 329,836	$ 163,429
Interest on Debt Obligations (2)	100,713	22,983	40,380	20,357	16,993
Operating Lease Obligations (3)	9,984	468	978	986	7,552
Purchase Obligations (4)	2,648	1,872	776	—	—
	$ 785,831	$ 54,845	$ 191,833	$ 351,179	$ 187,974

(1) Debt obligations represent borrowings under our Revolver, which represents $43.1 million of the debt obligation due in 2023, our Term Loan, which represents $160.0 million of the debt obligation due in 2024, and mortgage notes payable that were outstanding as of June 30, 2020. This figure does not include $0.2 million of premiums and discounts, net and $5.4 million of deferred financing costs, net, which are reflected in mortgage notes payable, net, borrowings under Revolver, net and borrowings under Term Loan, net on the condensed consolidated balance sheets.

(2) Interest on debt obligations includes estimated interest on borrowings under our Revolver and Term Loan and mortgage notes payable. The balance and interest rate on our Revolver and Term Loan is variable; thus, the interest payment obligation calculated for purposes of this table was based upon rates and balances as of June 30, 2020.

(3) Operating lease obligations represent the ground lease payments due on four of our properties.

(4) Purchase obligations consist of tenant and capital improvements at five of our properties.

Off-Balance Sheet Arrangements

We did not have any material off-balance sheet arrangements as of June 30, 2020.

Funds from Operations

The National Association of Real Estate Investment Trusts (“NAREIT”) developed Funds from Operations (“FFO”) as a relevant non-GAAP supplemental measure of operating performance of an equity REIT to recognize that income-producing real estate historically has not depreciated on the same 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 and impairment losses on 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 in accordance with GAAP, which, unlike FFO, generally reflects all cash effects of transactions and other events in the determination of net income. FFO should not be considered an alternative to net income as an indication of our performance or to cash flows from operations as a measure of liquidity or ability to make distributions. Comparison of FFO, using the NAREIT definition, to similarly titled measures for other REITs may not necessarily be meaningful due to possible differences in the application of the NAREIT definition used by such REITs.

FFO available to common stockholders is FFO adjusted to subtract distributions made to holders of preferred stock and senior common stock. We believe that net income available to common stockholders is the most directly comparable GAAP measure to FFO available to common stockholders.

Basic funds from operations per share (“Basic FFO per share”), and diluted funds from operations per share (“Diluted FFO per share”), is FFO available to common stockholders divided by the number of weighted average shares of common stock outstanding and FFO available to common stockholders divided by the number of weighted average shares of common stock outstanding on a diluted basis, respectively, during a period. We believe that FFO available to common stockholders, Basic FFO per share and Diluted FFO per share are useful to investors because they provide investors with a further context for evaluating our FFO results in the same manner that investors use net income and earnings per share (“EPS”), in evaluating net income available to common stockholders. In addition, because most REITs provide FFO available to common stockholders, Basic FFO and Diluted FFO per share information to the investment community, we believe these are useful supplemental measures when comparing us to other REITs. We believe that net income is the most directly comparable GAAP measure to FFO, Basic EPS is the most directly comparable GAAP measure to Basic FFO per share, and that Diluted EPS is the most directly comparable GAAP measure to Diluted FFO per share.

The following table provides a reconciliation of our FFO available to common stockholders for thethree and six months ended June 30, 2020 and 2019, respectively, to the most directly comparable GAAP measure, net income available to common stockholders, and a computation of basic and diluted FFO per weighted average share of common stock:

	For the three months ended June 30, (Dollars in Thousands, Except for Per Share Amounts)		For the six months ended June 30, (Dollars in Thousands, Except for Per Share Amounts)	
	2020	2019	2020	2019
Calculation of basic FFO per share of common stock and Non-controlling OP Unit				
Net income	$ 965	$ 2,205	$ 3,225	$ 6,878
Less: Distributions attributable to preferred and senior common stock	(2,892)	(2,837)	(5,777)	(5,674)
Net (loss) income (attributable) available to common stockholders and Non-controlling OP Unitholders	$ (1,927)	$ (632)	$ (2,552)	$ 1,204
Adjustments:				
Add: Real estate depreciation and amortization	$ 14,182	$ 12,622	$ 28,278	$ 25,632
Add: Impairment charge	1,721	—	1,721	—
Add: Loss on sale of real estate, net	—	—	12	—
Less: Gain on sale of real estate, net	—	—	—	(2,952)
FFO available to common stockholders and Non-controlling OP Unitholders - basic	$ 13,976	$ 11,990	$ 27,459	$ 23,884
Weighted average common shares outstanding - basic	33,939,826	30,449,739	33,787,386	29,985,881
Weighted average Non-controlling OP Units outstanding	503,033	742,937	502,133	742,937
Total common shares and Non-controlling OP Units	34,442,859	31,192,676	34,289,519	30,728,818
Basic FFO per weighted average share of common stock and Non-controlling OP Unit	$ 0.41	$ 0.38	$ 0.80	$ 0.78
Calculation of diluted FFO per share of common stock and Non-controlling OP Unit				
Net income	$ 965	$ 2,205	$ 3,225	$ 6,878
Less: Distributions attributable to preferred and senior common stock	(2,892)	(2,837)	(5,777)	(5,674)
Net (loss) income (attributable) available to common stockholders and Non-controlling OP Unitholders	$ (1,927)	$ (632)	$ (2,552)	$ 1,204
Adjustments:				
Add: Real estate depreciation and amortization	$ 14,182	$ 12,622	$ 28,278	$ 25,632
Add: Impairment charge	1,721	—	1,721	—
Add: Income impact of assumed conversion of senior common stock	204	225	411	449
Add: Loss on sale of real estate, net	—	—	12	—
Less: Gain on sale of real estate, net	—	—	—	(2,952)
FFO available to common stockholders and Non-controlling OP Unitholders plus assumed conversions	$ 14,180	$ 12,215	$ 27,870	$ 24,333
Weighted average common shares outstanding - basic	33,939,826	30,449,739	33,787,386	29,985,881
Weighted average Non-controlling OP Units outstanding	503,033	742,937	502,133	742,937
Effect of convertible senior common stock	650,055	718,770	650,055	718,770
Weighted average common shares and Non-controlling OP Units outstanding - diluted	35,092,914	31,911,446	34,939,574	31,447,588
Diluted FFO per weighted average share of common stock and Non-controlling OP Unit (1)	$ 0.40	$ 0.38	$ 0.80	$ 0.77
Distributions declared per share of common stock and Non-controlling OP Unit	$ 0.37545	$ 0.37500	$ 0.75090	$ 0.75000

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. The primary risk that we believe we are and will be exposed to is interest rate risk. Certain of our leases contain escalations based on market indices, and the interest rate on our Credit Facility is variable. Although we seek to mitigate this risk by structuring such provisions of our loans and leases to contain a minimum interest rate or escalation rate, as applicable, these features do not eliminate this risk. To that end, we have entered into derivative contracts to cap interest rates for our variable rate notes payable, and we have entered into interest rate swaps whereby we pay a fixed interest rate to our respective counterparty, and receive one month LIBOR in return. For details regarding our rate cap agreements and our interest rate swap agreements see Note 6 – *Mortgage Notes Payable and Credit Facility* of the accompanying condensed consolidated financial statements.

To illustrate the potential impact of changes in interest rates on our net income for the six months ended June 30, 2020, we have performed the following analysis, which assumes that our condensed consolidated balance sheets remain constant and that no further actions beyond a minimum interest rate or escalation rate are taken to alter our existing interest rate sensitivity.

The following table summarizes the annual impact of a 1%, 2% and 3% increase in the one month LIBOR as of June 30, 2020. As of June 30, 2020, our effective average LIBOR was 0.16%. Given that a 1%, 2%, or 3% decrease in LIBOR would result in a negative rate, the impact of this fluctuation is not presented below (dollars in thousands).

Interest Rate Change	Increase to Interest Expense	Net decrease to Net Income
1% Increase to LIBOR	2,389	(2,389)
2% Increase to LIBOR	4,761	(4,761)
3% Increase to LIBOR	6,060	(6,060)

As of June 30, 2020, the fair value of our mortgage debt outstanding was $481.2 million. Interest rate fluctuations may affect the fair value of our debt instruments. If interest rates on our debt instruments, using rates at June 30, 2020, had been one percentage point higher or lower, the fair value of those debt instruments on that date would have decreased or increased by $18.0 million and $19.3 million, respectively.

The amount outstanding under the Credit Facility approximates fair value as of June 30, 2020.

In the future, we may be exposed to additional effects of interest rate changes, primarily as a result of our Revolver, Term Loan or long-term mortgage debt, which we use to maintain liquidity and fund expansion of our real estate investment portfolio and operations. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve these objectives, we will borrow primarily at fixed rates or variable rates with the lowest margins available and, in some cases, with the ability to convert variable rates to fixed rates. Additionally, we believe that there may be minimal impact on our variable rate debt, which is based upon the one month LIBOR rate, as a result of the expected transition from LIBOR to SOFR. We are currently monitoring the transition and the potential risks to us. We may also enter into derivative financial instruments such as interest rate swaps and caps to mitigate the interest rate risk on a related financial instrument. We will not enter into derivative or interest rate transactions for speculative purposes.

In addition to changes in interest rates, the value of our real estate is subject to fluctuations based on changes in local and regional economic conditions and changes in the creditworthiness of lessees and borrowers, all of which may affect our ability to refinance debt, if necessary.

Item 4. Controls and Procedures.

a) Evaluation of Disclosure Controls and Procedures

As of June 30, 2020, our management, including our chief executive officer and chief financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, the chief executive officer and chief financial officer, concluded that our disclosure controls and procedures were effective as of June 30, 2020 in providing a reasonable level of assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable SEC rules and forms, including providing a reasonable level of assurance that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of necessarily achieving the desired control objectives, and management was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

b) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

We are not currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us.

Item 1A. Risk Factors.

Our business is subject to certain risks and events that, if they occur, could adversely affect our financial condition and results of operations and the trading price of our securities. For a discussion of these risks, please refer to the section captioned "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019, and the risk factor below. Other than the risk factor below, there are no other material changes to risks associated with our business or investment in our securities from those previously set forth in the reports described above.

Disruptions in the financial markets and uncertain economic conditions resulting from the ongoing outbreak of COVID-19 could adversely affect market rental rates, commercial real estate values and our ability to secure debt financing, service future debt obligations, or pay distributions to stockholders.

Currently, both the investing and leasing environments are highly competitive. While there was an increase in the amount of capital flowing into the U.S. real estate markets early in 2020, which resulted in an increase in real estate values in certain markets, the recent downturn and uncertainty regarding the economic environment has made businesses reluctant to make long-term commitments or changes in their business plans. Specifically, the ongoing outbreak of a novel strain of coronavirus ("COVID-19"), both in the U.S. and globally, has created significant disruptions to financial markets, has resulted in business shutdowns and has led to recessionary conditions in the economy in the short term. We expect the significance of the COVID-19 pandemic, including the extent of its effects on our financial and operational results, to be dictated by, among, other things, its nature, duration and scope, the success of efforts to contain the spread of COVID-19 and the impact of actions taken in response to the pandemic including travel bans and restrictions, quarantines, shelter in place orders, the promotion of social distancing and limitations on business activity, including business closures. At this point, the extent to which the COVID-19 pandemic may impact the global economy and our business is uncertain, but pandemics or other significant public health events could have a material adverse effect on our business and results of operations.

Volatility in global markets and changing political environments can cause fluctuations in the performance of the U.S. commercial real estate markets. Economic slowdowns of large economies outside the United States are likely to negatively impact growth of the U.S. economy. Political uncertainties both home and abroad may discourage business investment in real estate and other capital spending. Possible future declines in rental rates and expectations of future rental concessions, including free rent to renew tenants early, to retain tenants who are up for renewal or to attract new tenants, or requests from tenants for rent abatements during periods when they are severely impacted by COVID-19, may result in decreases in our cash flows from investment properties. Increases in the cost of financing due to higher interest rates may cause difficulty in refinancing our debt obligations prior to maturity at terms as favorable as the terms of existing indebtedness. Market conditions can change quickly, potentially negatively impacting the value of our real estate investments. Management continuously reviews our investment and debt financing strategies to optimize our portfolio and the cost of our debt exposure.

The debt market remains sensitive to the macro-economic environment, such as Federal Reserve policy, market sentiment or regulatory factors affecting the banking and commercial mortgage backed securities ("CMBS") industries and the COVID-19 pandemic. We may experience more stringent lending criteria, which may affect our ability to finance certain property acquisitions or refinance any debt at maturity. Additionally, for properties for which we are able to obtain financing, the interest rates and other terms on such loans may be unacceptable. We expect to manage the current mortgage lending environment by considering alternative lending sources, including but not limited to securitized debt, fixed rate loans, short-term variable rate loans, assumed mortgage loans in connection with property acquisitions, interest rate lock or swap agreements, or any combination of the foregoing.

Disruptions in the financial markets and uncertain economic conditions could adversely affect the values of our investments. Furthermore, declining economic conditions could negatively impact commercial real estate fundamentals and result in lower occupancy, lower rental rates and declining values in our real estate portfolio, which could have a negative effect on the values of our properties and revenues from our properties. Additionally, the significant disruption and volatility in the global capital markets increases the cost of capital and may adversely impact our access to the capital markets, including our ability to raise capital through our at the market and continuous offering programs.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Index

Exhibit Number	Exhibit Description
3.1	Articles of Restatement of the Registrant, incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed January 12, 2017.
3.2	Articles Supplementary, filed with the Maryland State Department of Assessments and Taxation on April 11, 2018, incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed April 12, 2018.
3.3	Articles of Amendment, filed with the Maryland State Department of Assessments and Taxation on April 11, 2018, incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed April 12, 2018.
3.4	Articles Supplementary for 6.625% Series E Cumulative Redeemable Preferred Stock, incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed September 27, 2019.
3.5	Articles Supplementary, incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed December 3, 2019.

3.6	Articles Supplementary for 6.00% Series F Cumulative Redeemable Preferred Stock, incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed February 20, 2020.
3.7	Bylaws of the Registrant, incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form S-11 (File No. 333-106024), filed June 11, 2003.
3.8	First Amendment to Bylaws of the Registrant, incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed July 10, 2007.
3.9	Second Amendment to Bylaws of the Registrant, incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed December 1, 2016.
4.1	Form of Certificate for Common Stock of the Registrant, incorporated by reference to Exhibit 4.1 to Pre-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-11 (File No. 333-106024), filed August 8, 2003.
4.2	Form of Certificate for 7.00% Series D Cumulative Redeemable Preferred Stock of the Registrant, incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed May 25, 2016.
4.3	Form of Certificate for 6.625% Series E Cumulative Redeemable Preferred Stock of the Registrant, incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed September 27, 2019.
4.4	Form of Certificate for 6.00% Series F Cumulative Redeemable Preferred Stock of the Registrant, incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed February 20, 2020.
4.5	Form of Indenture, incorporated by reference to Exhibit 4.6 to the Registrant's Registration Statement on Form S-3 (File No. 333-229209), filed January 11, 2019.
4.6	Form of Indenture, incorporated by reference to Exhibit 4.7 to the Registrant's Registration Statement on Form S-3 (File No. 333-236143), filed January 29, 2020.
10.1*	Sixth Amended and Restated Investment Advisory Agreement, dated as of July 14, 2020, by and between the Registrant and Gladstone Management Corporation.
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1**	Estimated Value Methodology for Senior Common Stock at June 30, 2020
101.INS***	XBRL Instance Document

101.SCH***	XBRL Taxonomy Extension Schema Document
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB***	XBRL Taxonomy Extension Label Linkbase Document
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF***	XBRL Definition Linkbase
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

* Filed herewith

** Furnished herewith

*** Attached as Exhibit 101 to this Quarterly Report on Form 10-Q are the following materials, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets as of June 30, 2020 and December 31, 2019, (ii) the Condensed Consolidated Statements of Operations and Comprehensive Income for the three and six months ended June 30, 2020 and 2019, (iii) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2020 and 2019 and (iv) the Notes to Condensed Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Gladstone Commercial Corporation

Date:	July 27, 2020	By:	/s/ Mike Sodo
			Mike Sodo Chief Financial Officer
Date:	July 27, 2020	By:	/s/ David Gladstone
			David Gladstone Chief Executive Officer and Chairman of the Board of Directors

SIXTH AMENDED AND RESTATED INVESTMENT ADVISORY AGREEMENT
BETWEEN
GLADSTONE COMMERCIAL CORPORATION
AND
GLADSTONE MANAGEMENT CORPORATION

This Sixth Amended and Restated Investment Advisory Agreement Between Gladstone Commercial Corporation and Gladstone Management Corporation (this "***Agreement***") is made this 14th day of July 2020, by and between Gladstone Commercial Corporation, a Maryland corporation (the "***Company***"), and Gladstone Management Corporation, a Delaware corporation (the "***Adviser***").

Whereas, this Agreement shall amend and restate that certain Fifth Amended and Restated Investment Advisory Agreement between the Company and the Adviser, dated January 8, 2019.

Whereas, the Company is a real estate investment trust organized primarily for the purpose of investing in and owning net leased industrial and commercial rental property and selectively making long-term mortgage loans collateralized by industrial and commercial property;

Whereas, the Adviser is an investment adviser that has registered under the Investment Advisers Act of 1940; and

Whereas, the Company desires to retain the Adviser to furnish investment advisory services to the Company on the terms and conditions hereinafter set forth, and the Adviser wishes to be retained to provide such services.

Now, therefore, in consideration of the premises and for other good and valuable consideration, the parties hereby agree as follows:

1. Duties of the Adviser.

(a) The Company hereby employs the Adviser to act as the investment adviser to the Company and to manage the investment and reinvestment of the assets of the Company, subject to the supervision of the Board of Directors of the Company, for the period and upon the terms herein set forth, (i) in accordance with the investment objective, policies and restrictions that are set forth in the Company's Annual Reports on Form 10-K, filed with the Securities and Exchange Commission from year to year, pursuant to Section 13 of the Securities and Exchange Act of 1934 and (ii) during the term of this Agreement in accordance with all applicable federal and state laws, rules and regulations, and the Company's charter and by-laws. Without limiting the generality of the foregoing, the Adviser shall, during the term and subject to the provisions of this Agreement, (i) determine the composition of the portfolio of the Company, the nature and timing of the changes therein and the manner of implementing such changes; (ii) identify, evaluate and negotiate the structure of the investments made by the Company; (iii) close and monitor the Company's investments; (iv) determine the real property, securities and other assets that the Company will purchase, retain, or sell; (v) perform due diligence on prospective portfolio companies; and (vi) provide the Company with such other investment advisory, research and related services as the Company may, from time to time, reasonably require for the

investment of its funds. The Adviser shall have the discretion, power and authority on behalf of the Company to effectuate its investment decisions for the Company, including the execution and delivery of all documents relating to the Company's investments and the placing of orders for other purchase or sale transactions on behalf of the Company. In the event that the Company determines to acquire debt financing, the Adviser will arrange for such financing on the Company's behalf, subject to the oversight and approval of the Company's Board of Directors. If it is necessary for the Adviser to make investments on behalf of the Company through a special purpose vehicle, the Adviser shall have authority to create or arrange for the creation of such special purpose vehicle and to make such investments through such special purpose vehicle.

(b) The Adviser hereby accepts such employment and agrees during the term hereof to render the services described herein for the compensation provided herein.

(c) The Adviser is hereby authorized to enter into one or more sub-advisory agreements with other advisers (each, a "***Sub-Adviser***") pursuant to which the Adviser may obtain the services of the Sub-Adviser(s) to assist the Adviser in fulfilling its responsibilities hereunder. Specifically, the Adviser may retain a Sub-Adviser to recommend specific investments based upon the Company's investment objective and policies, and work, along with the Adviser, in structuring, negotiating, arranging or effecting the acquisition or disposition of such investments and monitoring investments on behalf of the Company, subject to the oversight of the Adviser and the Company. The Adviser, and not the Company, shall be responsible for any compensation payable to any Sub-Adviser. Any sub-advisory agreement entered into by the Adviser shall be in accordance with the requirements of applicable federal and state law.

(d) The Adviser shall for all purposes herein provided be deemed to be an independent contractor and, except as expressly provided or authorized herein, shall have no authority to act for or represent the Company in any way or otherwise be deemed an agent of the Company.

(e) The Adviser shall keep and preserve for a reasonable period any books and records relevant to the provision of its investment advisory services to the Company and shall specifically maintain all books and records with respect to the Company's portfolio transactions and shall render to the Company's Board of Directors such periodic and special reports as the Board may reasonably request. The Adviser agrees that all records that it maintains for the Company are the property of the Company and will surrender promptly to the Company any such records upon the Company's request, provided that the Adviser may retain a copy of such records.

(f) The Adviser has adopted and implemented written policies and procedures reasonably designed to prevent violation of the Federal Securities laws by the Adviser. The Adviser has provided the Company, and shall provide the Company at such times in the future as the Company shall reasonably request, with a copy of such policies and procedures.

2. Company's Responsibilities and Expenses Payable by the Company.

All investment professionals of the Adviser and their respective staffs, when and to the extent engaged in providing investment advisory and management services hereunder, and the compensation and routine overhead expenses of such personnel allocable to such services, will be provided and paid for by the Adviser and not by the Company. The Company will bear all other costs and expenses of its operations and transactions, including (without limitation) those relating to: organization and offering; expenses incurred by the Adviser payable to third parties, including agents, consultants or other advisors (such as independent valuation firms, accountants and legal counsel), in monitoring financial and legal affairs for the Company and in monitoring the Company's investments and performing due diligence on its real estate or prospective portfolio companies; interest payable on debt, if any, incurred to finance the Company's investments; offerings of the Company's common or preferred stock and other securities; investment advisory and management fees; administration fees, if any, payable under the existing administration agreement between the Company and Gladstone Administration, LLC (the "***Administrator***"), dated January 1, 2007 (the "***Administration Agreement***"); fees payable to third parties, including agents, consultants or other advisors, relating to, or associated with, evaluating and making investments; transfer agent and custodial fees; federal and state registration fees; all costs of registration and listing the Company's shares on any securities exchange; federal, state and local taxes; independent Directors' fees and expenses; costs of preparing and filing reports or other documents required by the Securities and Exchange Commission; costs of any reports, proxy statements or other notices to stockholders, including printing costs; the Company's allocable portion of the fidelity bond, directors and officers and errors and omissions liability insurance, and any other insurance premiums; direct costs and expenses of administration, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs; and all other expenses incurred by the Company or the Administrator in connection with administering the Company's business, including payments under the Administration Agreement between the Company and the Administrator based upon the Company's allocable portion of the Administrator's overhead in performing its obligations under the Administration Agreement, including rent and the allocable portion of the cost of certain of the Company's personnel, including, but not limited to, its chief compliance officer, treasurer, chief financial officer, general counsel, secretary, chief valuation officer, and their respective staffs.

3. Compensation of the Adviser.

The Company agrees to pay, and the Adviser agrees to accept, as compensation for the services provided by the Adviser hereunder, a base management fee ("***Base Management Fee***") and an incentive fee ("***Incentive Fee***") as hereinafter set forth. The Company shall make any payments due hereunder to the Adviser or to the Adviser's designee as the Adviser may otherwise direct.

(a) Base Management Fee.

The Base Management Fee shall equal 0.425% per annum (thus, 0.10625% per quarter) of the Company's average Gross Tangible Real Estate, which shall be calculated and payable quarterly in arrears in cash. "***Gross Tangible Real Estate***" shall equal the current gross value of the Company's property portfolio (meaning the aggregate of each property's original acquisition price plus the cost of any subsequent capital improvements thereon). For the purposes of this calculation, the quarterly Base Management Fee calculation will be based upon the average Gross Tangible Real Estate for the quarter.

(b) Incentive Fee.

The Incentive Fee is an amount, not less than zero, equal to the product of 15% and:

(i) the Company's Core FFO (defined below) for the quarter, minus

(ii) the product of 8.0% (thus, 2.0% per quarter) multiplied by Total Equity (as defined below).

In the event that the calculation delineated in Section 3(b) yields an Incentive Fee for a particular quarter that exceeds by greater than 15% the average quarterly Incentive Fee paid during the trailing four quarters (averaged over the number of quarters any Incentive Fee was paid), then such Incentive Fee shall equal 115% of such trailing average quarterly Incentive Fee.

(c) "***Core FFO***", a non - Generally Accepted Accounting Principles in the United States ("***GAAP***") measure, shall be defined as GAAP net income (loss) available to common stockholders, computed in accordance with GAAP, excluding the Incentive Fee, depreciation and amortization, any realized and unrealized gains, losses or other non-cash items recorded in net income (loss) available to common stockholders for the period, and one-time events pursuant to changes in GAAP. "***Total Equity***" shall equal total stockholders' equity plus total mezzanine equity ("***Reported Equity***"), as reported on the Company's balance sheet for the quarter, before the Base Management Fee and Incentive Fee have been recorded, adjusted to exclude (i) any unrealized gains and losses that have impacted Reported Equity, and also adjusted to exclude (ii) any one-time events and certain non-cash items; provided that, with respect to subsection (ii) each item shall be approved by the Company's Compensation Committee. For the avoidance of doubt, the Total Equity may be greater or less than the Reported Equity. Furthermore, for the avoidance of doubt, Total Equity shall include equity interests in the Company's operating partnership that are not owned by the Company.

(d) Capital Gain Fee.

The Capital Gain Fee is a capital gains-based incentive fee that shall be determined and payable in arrears as of the end of each fiscal year (or, for an abbreviated time period as of the effective date of any termination of this Agreement). The Capital Gain Fee shall for any applicable time period shall equal: (i) 15% of the cumulative aggregate realized capital gains minus the cumulative aggregate realized capital losses, minus (ii) the aggregate Capital Gains Fees paid in previous time periods. Realized capital gains and realized capital losses are calculated by subtracting from the sales price of a property: (a) any costs incurred to sell such property, and (b) the current gross value of the property (meaning the property's original acquisition price plus any subsequent capital improvements thereon). A Capital Gain Fee shall only be paid for an applicable time period to the extent that doing so would not violate any distribution payment covenant in a then-existing line of credit to the Company. For avoidance of doubt, the Capital Gain Fee shall only be payable for applicable time periods when the cumulative aggregate realized capital gains exceeded the cumulative aggregate realized capital losses.

4. Limitations on the Employment of the Adviser.

The services of the Adviser to the Company are not exclusive, and the Adviser may engage in any other business or render similar or different services to others including, without limitation, the direct or indirect sponsorship or management of other investment based accounts or commingled pools of capital, however structured, having investment objectives similar to those of the Company, so long as its services to the Company hereunder are not impaired thereby, and nothing in this Agreement shall limit or restrict the right of any manager, partner, officer or employee of the Adviser to engage in any other business or to devote his or her time and attention in part to any other business, whether of a similar or dissimilar nature, or to receive any fees or compensation in connection therewith (including fees for serving as a director of, or providing consulting services to, one or more of the Company's portfolio companies, subject to applicable law). So long as this Agreement or any extension, renewal or amendment remains in effect, the Adviser shall be the only investment adviser for the Company, subject to the Adviser's right to enter into sub-advisory agreements. The Adviser assumes no responsibility under this Agreement other than to render the services called for hereunder. It is understood that directors, officers, employees and stockholders of the Company are or may become interested in the Adviser and its affiliates, as directors, officers, employees, partners, stockholders, members, managers or otherwise, and that the Adviser and directors, officers, employees, partners, stockholders, members and managers of the Adviser and its affiliates are or may become similarly interested in the Company as stockholders or otherwise.

5. Responsibility of Dual Directors, Officers or Employees.

If any person who is a manager, partner, officer or employee of the Adviser or the Administrator is or becomes a director, officer or employee of the Company and acts as such in any business of the Company, then such manager, partner, officer or employee of the Adviser or the Administrator shall be deemed to be acting in such capacity solely for the Company, and not as a manager, partner, officer or employee of the Adviser or the Administrator or under the control or direction of the Adviser or the Administrator, even if employed by the Adviser or the Administrator.

6. Limitation of Liability of the Adviser: Indemnification.

The Adviser (and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with the Adviser, including without limitation the Administrator) shall not be liable to the Company for any action taken or omitted to be taken by the Adviser in connection with the performance of any of its duties or obligations under this Agreement or otherwise as an investment adviser of the Company, and the Company shall indemnify, defend and protect the Adviser (and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with the Adviser, including without limitation its general partner and the Administrator, each of whom shall be deemed a third party beneficiary hereof) (collectively, the "***Indemnified Parties***") and hold them harmless from and against all damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) incurred by the Indemnified Parties in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding (including an action or suit by or in the right of the Company or its security holders) arising out of or otherwise based upon the performance of any of the

Adviser's duties or obligations under this Agreement or otherwise as an investment adviser of the Company. Notwithstanding the preceding sentence of this Section 6 to the contrary, nothing contained herein shall protect or be deemed to protect the Indemnified Parties against or entitle or be deemed to entitle the Indemnified Parties to indemnification in respect of, any liability to the Company or its security holders to which the Indemnified Parties would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence in the performance of the Adviser's duties or by reason of the reckless disregard of the Adviser's duties and obligations under this Agreement.

7. Termination of Agreement.

This Agreement may be terminated at any time upon 120 days' prior written notice, after the vote of at least two-thirds of the independent directors of the Company for any reason ("***Termination Without Cause***"). In the event of Termination Without Cause, a termination fee equal to two times the sum of the average annual Base Management Fee and Incentive Fee earned by the Adviser during the 24-month period prior to the effective date of such termination (the "***Termination Fee***").

This Agreement may be terminated effective upon 30 days prior written notice by the vote of at least two-thirds of the independent directors of the Company without payment of the Termination Fee if the termination is for Cause. "Cause" shall occur if (i) the Adviser breaches any material provision of this Agreement and such breach shall continue for a period of 30 days after written notice thereof specifying such breach and requesting that the same be remedied in the such 30-day period, (ii) there is a commencement of any proceeding relating to the Adviser's bankruptcy or insolvency, including an order for relief in an involuntary bankruptcy case or the Advisor authorizing or filing a voluntary bankruptcy petition (iii) the Adviser dissolves, (iv) the Adviser commits fraud against the Company or misappropriates or embezzles funds of the Company and in each case a court of competent jurisdiction enters a judgement against the Adviser; *provided, however,* that if any of the actions or omissions described in this clause (iv) are caused by an employee, personnel and/or officer of the Adviser and the Adviser commences action against such person to cure the damage caused by such actions or omissions within 90 days of the Adviser's actual knowledge of its commission or omission, the Company shall not have the right to terminate this Agreement for Cause.

The Adviser may terminate this Agreement effective upon 60 days prior written notice of termination to the Company in the event that the Company shall default in the performance or observance of any material term, condition or covenant contained in this Agreement and such default shall continue for a period of 30 days after written notice thereof specifying such default and requesting that the same be remedied in such 30-day period. The Company is required to pay to the Adviser the Termination Fee if the termination of this Agreement is made pursuant to this paragraph.

The provisions of Section 6 of this Agreement shall remain in full force and effect, and the Adviser and its representatives shall remain entitled to the benefits thereof, notwithstanding any termination or expiration of this Agreement. Further, notwithstanding any termination or expiration of this Agreement as aforesaid, the Adviser shall be entitled to any amounts owed under Section 3 through the effective date of termination or expiration under Section 5 through the effective date of termination or expiration.

8. Assignment.

This Agreement is not assignable or transferable by either party hereto without the prior written consent of the other party.

9. Amendments.

This Agreement may be amended by mutual consent.

10. Notices.

Any notice under this Agreement shall be given in writing, addressed and delivered or mailed, postage prepaid, to the other party at its principal office.

11. Entire Agreement; Governing Law.

This Agreement contains the entire agreement of the parties and supersedes all prior agreements, understandings and arrangements with respect to the subject matter hereof. This Agreement shall be construed in accordance with the laws of the State of Delaware.

12. Effectiveness.

All calculations for fees for the quarter ending June 30, 2020 shall be completed as if the Fifth Amended and Restated Investment Advisory Agreement between the Company and the Adviser, dated January 8, 2019, was still in effect. All calculations for fees for the quarter ending September 30, 2020 and thereafter shall be completed pursuant to the terms of this Agreement.

[The remainder of this page has been left blank intentionally. Signature page follows.]

In Witness Whereof, the parties hereto have caused this Agreement to be duly executed on the date above written.

Gladstone Commercial Corporation

By: D. L. Cutlip

Bob Cutlip
President

Gladstone Management Corporation

By: David Gladstone

David Gladstone
Chairman and Chief Executive Officer

Exhibit 31.1

CERTIFICATION
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David Gladstone, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gladstone Commercial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2020

/s/ David Gladstone

David Gladstone
Chief Executive Officer and
Chairman of the Board of Directors

Exhibit 31.2

CERTIFICATION
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael Sodo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gladstone Commercial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2020

/s/ Michael Sodo

Michael Sodo
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, the Chief Executive Officer of Gladstone Commercial Corporation (the “Company”), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the period ended June 30, 2020 (“Form 10-Q”), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: July 27, 2020

/s/ David Gladstone

David Gladstone
Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

The undersigned, the Chief Financial Officer of Gladstone Commercial Corporation (the “Company”), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the period ended June 30, 2020 (“Form 10-Q”), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: July 27, 2020

/s/ Michael Sodo

Michael Sodo
Chief Financial Officer

Exhibit 99.1

Pursuant to FINRA Rule 2310(b)(5), which became effective in April 2016, Gladstone Commercial Corporation (the "Company") determined the estimated value as of June 30, 2020 of its Senior Common Stock, $15.00 original issue price per share, with the assistance of a third party valuation service. In particular, the third party valuation service reviewed the amount resulting from the consolidated undepreciated book value of the Company's assets less its contractual liabilities, divided by the number of fully diluted shares of the Company's Common Stock outstanding, all as reflected in the Company's condensed consolidated financial statements included in Part I of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 to which this exhibit is attached, which were prepared in conformity with accounting principles generally accepted in the United States of America. Based on this methodology, the Company has determined that the estimated value of its Senior Common Stock as of June 30, 2020 is $19.77 per share.